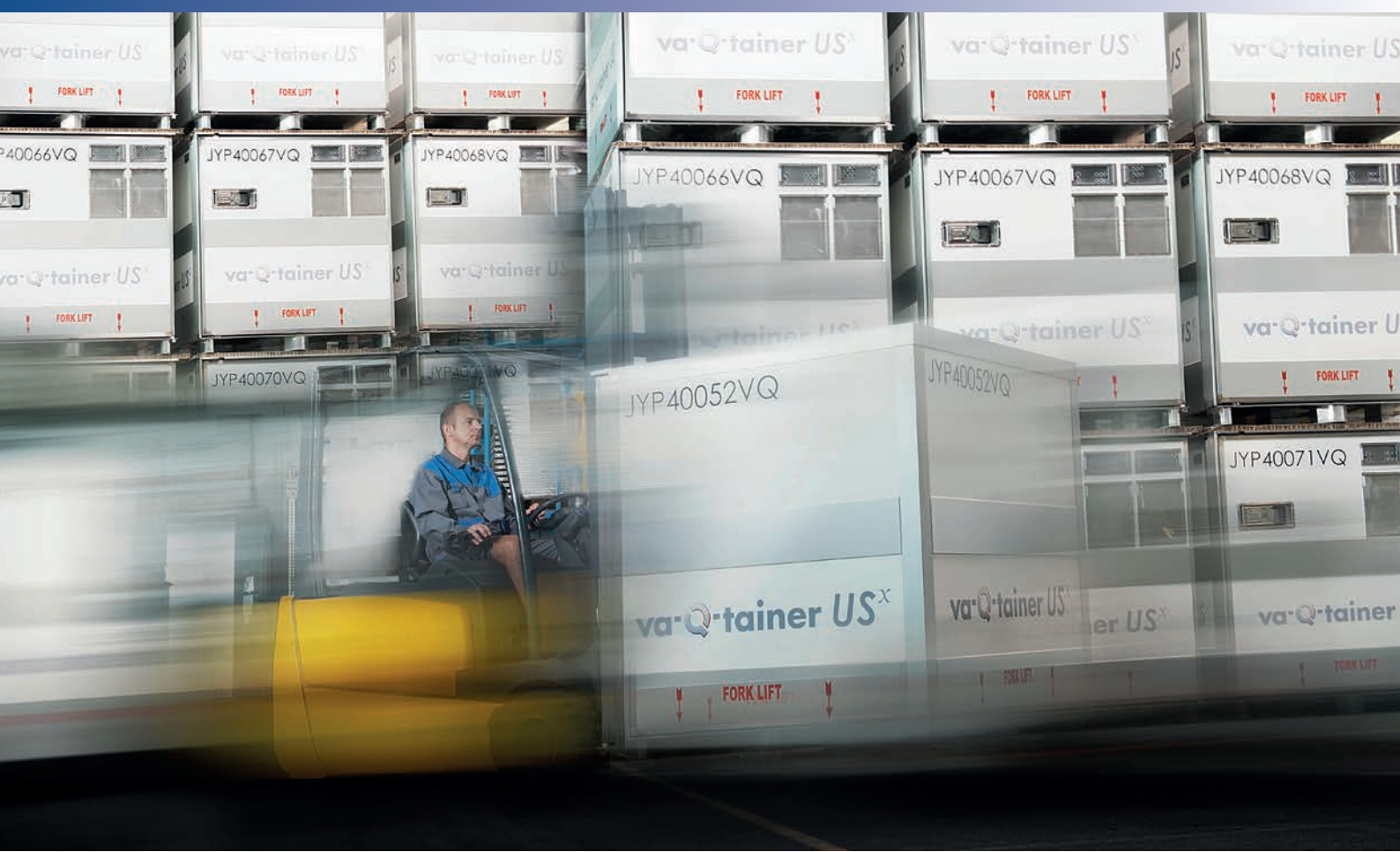




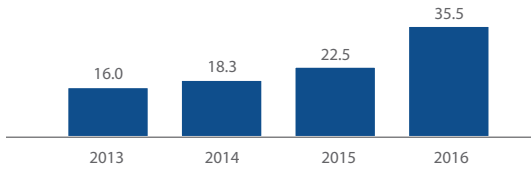
ALWAYS THE RIGHT TEMPERATURE



# Annual Report | 2016

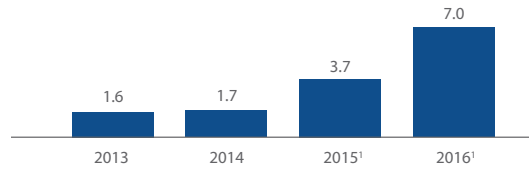
### Revenue 2013 – 2016

EUR million



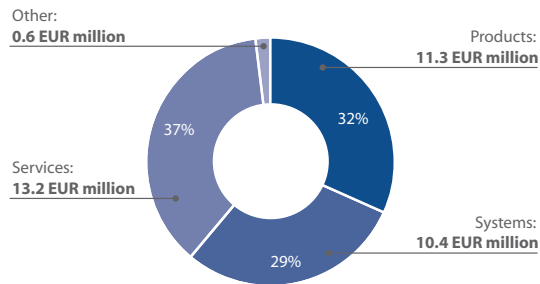
### EBITDA 2013 – 2016

EUR million

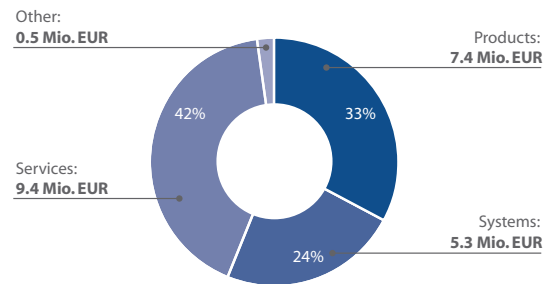


\* Adjusted for one-off expenses for the IPO

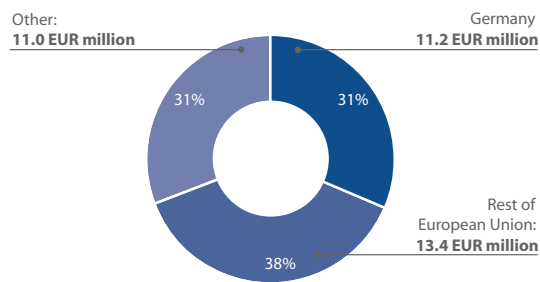
### Revenue by Segments 2016



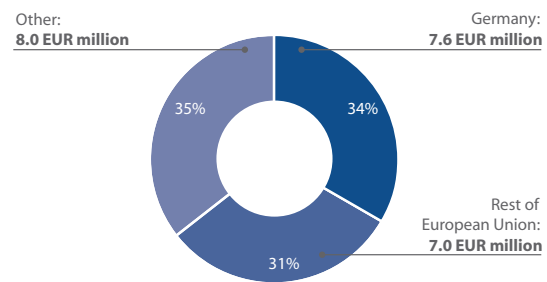
### Revenue by Segments 2015



### Revenue by Regions 2016



### Revenue by Regions 2015



### EBITDA by Reporting Segments



# ONE TECHNOLOGY PLATFORM, MULTIPLE END MARKETS

## SERVICES (37%)



**Healthcare & Logistics (69%)**  
Pharma and biotech thermal transport systems: boxes & containers



## SYSTEMS (29%)



## PRODUCTS (32%)



**Appliances & Food (23%)**  
Refrigerators, freezers, food transport systems



**Technics & Industry (5%)**  
Hot water tanks, hot water boilers, pipelines, industrial devices



**Building (2%)**  
Floors, curtain walls, terraces, roofs



**Mobility (0.2%)**  
Refrigerated trucks, delivery vans, aircrafts, passenger cars

Business lines  
(% group revenue)

Endmarket  
(% 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	2016	2015	Change
Revenues	35.5	22.5	58 %
EBITDA (IFRS)	5.2	3.6	44 %
EBITDA margin (IFRS)	12 %	12 %	-2 %
Adjustment	1.7	0.1	
EBITDA (adjusted)*	7.0	3.7	90 %
EBITDA margin (adjusted)*	16 %	12 %	
Equity ratio	64 %	24 %	
Year-average number of employees	267	212	26 %

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

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# 1 LETTER TO SHAREHOLDERS

## 1.1 LETTER FROM THE MANAGEMENT BOARD



Dr. Joachim Kuhn, Christopher Hoffmann, Dr. Roland Caps

**Dear shareholders,  
dear employees, partners, friends, supporters and customers of va-Q-tec,**

As the Management Board we are pleased to present to you this annual report on the 2016 financial year – probably the most exciting and eventful year in the company’s history. We achieved two quite special milestones for the company in 2016 with the 15th company anniversary and our successful IPO.

va-Q-tec is one of the innovation leaders in the area of thermal insulation and cold chain logistics. Constantly maintaining the right temperature over many hours and days is crucial to all application areas of our products, systems and services – and even over a product’s entire lifecycle. We have successfully established our high performance technology in various industrial and commercial sectors during the course the company’s history.

Our successful IPO represented a decisive step on our continuing journey into the future. It was not only the first IPO from Deutsche Börse’s newly created Venture Network, but also one of the few hightech IPOs in Germany over the past years. It provided us with the capital we require to further implement our successful growth strategy. The significant interest in our IPO also enabled us to establish a broad investor base and make our technology platform more visible internationally.

Operationally, the 2016 financial year was the most successful in our company’s history. We won over customers with technological innovations and new business models, which exerted a positive effect on our revenue and earnings performance. For example, we launched a Europe-wide rental model for small box thermal packaging, we established new solutions for last-mile distribution with the large-scale order we won from Swiss Post, we successfully expanded our global container fleet for the transportation of temperature-sensitive pharmaceuticals, and we launched an innovative insulation solution for heat storage called va-Q-shell.

Last year, we also added several customers to our client base. Formerly small business lines such as Technics & Industry reached maturity in 2016, and we strengthened sales in areas that previously made only minor contributions to revenue and earnings. As of the year-end, the company employed more than 300 staff at six locations worldwide. Together with the numerous network stations of the global rental business, we now have an increasingly international commercial presence. In line with this progress in operations and organisation, the Group's revenue and results registered strong growth in 2016:

Revenue was up 58% year-on-year from EUR 22.5 million to EUR 35.5 million. EBITDA adjusted for special effects from the IPO increased by 90% to EUR 7.0 million.

Over the past 15 years we have successfully launched many new products and technological highlights, such as the "va-Q-check", which allows to verify the efficiency and performance of on-site or during use. In terms of physics, vacuum insulation offers the best possible insulation, far superior to conventional insulation materials. Due to the continuous launch of new industrial applications and business models, va-Q-tec has reported sustainable and long-term growth over this period. We have mostly assumed a pioneering role in introducing VIP technology (vacuum insulation panels) into new markets, for example. We have recently achieved significant improvements in pharmaceutical cold chain logistics with the serviced rental of our high-performance thermal containers.

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

- energy efficiency,
- product and patient security and safety,
- and the increasing globalisation of supply chains for temperature-sensitive goods.

We believe these megatrends are irreversible. With its technologies and services va-Q-tec is very well positioned to offer effective solutions and thereby benefits from such trends.

The Management Board's special thanks are due to those who have accompanied us on our path to date: our faithful employees, our investors and our business partners and customers. Without their collaboration, commitment, always constructive cooperation and talents, the services that va-Q-tec delivers day by day would never be possible.

Our thanks are also due to those who participated in our very successful IPO. Only with the valuable support of the transaction team consisting of banks, lawyers, auditors, communication experts and the in-house team was it possible to implement the IPO so successfully. 2016 – with BREXIT and other major macroeconomic events – was a comparatively stormy year for an IPO. This project was handled outstandingly nevertheless.

In the financial year elapsed, an enormous amount of energy flowed into our IPO and continued growth. We are bringing everything to bear to ensure this energy remains intact for the path ahead and for continued growth, and that va-Q-tec continues to develop successfully further. The Management Board looks forward to progressing further along this path with you, and on a strengthened basis.

24 April 2017



Dr. Joachim Kuhn  
(CEO)



Christopher Hoffmann  
(CFO)



Dr. Roland Caps  
(CRO)

## 1.2 SUPERVISORY BOARD REPORT



Dr. Gerald Hommel, Chairman of the board

### **Dear shareholders,**

The Supervisory Board is pleased to report to you in this annual report on its work during the financial year elapsed. The year was particularly successful and significant for the va-Q-tec Group. In the 2016 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 account the requirements of other stakeholders.

The shares of va-Q-tec AG have been traded in the Prime Standard segment of the Frankfurt Stock Exchange since 30 September 2016. The company laid the foundation stone for its next growth phase with net cash inflow of more than EUR 42 million. With the stock market listing, the company is subject to particularly stringent transparency and publicity requirements. These listing obligations also affect the work of the Supervisory Board. We are now subject to new rules 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 also ensures that processes and structures are established with the company that meet capital market requirements.

The Supervisory Board's main task is to consult with and supervise the Management Board. Such work during the reporting period focussed particularly on the strategic orientation of va-Q-tec for its further profitable growth, on overall corporate planning and on company financing. The successful IPO was particularly significant for va-Q-tec and the Supervisory Board's work. The Supervisory Board consulted with and supported the Management Board in the preparatory and implementation work, as well as in the legal and organisational duties arising from the IPO. The Supervisory Board was adequately involved in all Management Board matters and decisions of central importance to the company. The collaboration between the Management and Supervisory boards was always trusting, constructive, appropriate, helpful and efficient.



The Supervisory Board also maintained close contact with the Management Board between the regular meetings during the 2016 financial year. The Chairman and individual Supervisory Board members were constantly in 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 at all times about the business position, business trends, corporate planning, and the financial position and performance.

As shown in this annual report, the development and growth of va-Q-tec is to be appraised very 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. The information flow from the Management Board to the Supervisory Board in relation to the organisational and legal measures for the IPO was always reliable and regular. Measures and transactions requiring approval were consulted and suitably decided upon between the Management and Supervisory boards.

The Management Board continues to comprise Dr. Joachim Kuhn, Management Board Chairman (Chief Executive Officer), Mr. Christopher Hoffmann, Chief Financial Officer, and Dr. Roland Caps, Chief Research and Development Officer. Dr. Kuhn's appointment as Management Board Chairman (CEO) is currently until 31 December 2018, and Mr. Hoffmann and Dr. Caps are appointed to the Management Board until 31 December 2017 and 30 June 2017 respectively.

Due to the periods of the existing Management Board contracts, the Supervisory Board has set the ratio of women on the Management Board at 0% by 30 June 2017. 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 va-Q-tec's operative and strategic position as part of its regular meetings, with written and verbal reports by the Management Board providing it with extensive information about business and financial developments. One focus area of consultations in 2016 was on the preparation for the IPO. The Supervisory Board convened for a total of six plenary meetings in accordance with the company's bylaws, and for an additional constitutive meeting.

At the **first meeting on 26 February 2016**, the Supervisory Board consulted about its tasks in preparing and implementing the IPO. The Management Board also reported on progress in preparing for the IPO, especially legal due diligence and the preparation of the prospectus, and about the development of communication measures. The Management Board explained forthcoming Management Board operative measures, such as the plans to develop a new optimised site in Würzburg. The Supervisory Board also called for a report on the internal control system (ICS) at the two main Group companies, va-Q-tec AG and va-Q-tec UK.

On **8 April 2016**, the Supervisory Board convened for a **second meeting** as part of the EGM. The Supervisory Board approved the purchase of treasury shares by the company to be used to acquire land, and service the stock option program, among other purposes. At the meeting, the Management Board and the auditors submitted the separate financial statements for the 2015 financial year. By subsequent resolution by written circular, the Supervisory Board approved the annual financial statements of va-Q-tec AG for the 2015 financial year at the Audit Committee's recommendation. The draft IFRS consolidated financial statements for the 2013, 2014 and 2015 financial years were also discussed. Moreover, the Management Board reported on the status of IPO preparations, especially the time planning and results of initial marketing activities. In preparation for the IPO, the Supervisory Board passed a number of important resolutions, such as for the codified compliance system. It also approved the formation, appointment and chairing of General, Nomination and Audit committees. The CEO and CFO then discussed together with the Supervisory Board the business and financial performance during the first quarter of 2016.

Continued discussion of the 2013, 2014 and 2015 IFRS financial statements were the focus of the **third meeting on 30 May 2016**. The CFO explained the key indicators as well as the major effects of converting to IFRS, and the effects of first-time consolidation on the consolidated results. New rules of procedure for the Management and Supervisory boards were approved. The Management Board also provided a further overview of the status of IPO preparations as well as the preparatory costs for the IPO that had accrued to date. The Supervisory Board approved the reappointment of Dr. Caps and Mr. Hoffmann as members of the Management Board of va-Q-tec.

The purpose of the **additional meeting on 31 May 2016** was the reconstitution of the Supervisory Board following the new elections to the Supervisory Board as part of the Ordinary AGM of the same day. The Supervisory Board reappointed Dr. Hommel as Chairman and passed a resolution to confirm the existing committees in their existing form and appointments.

The **fourth meeting on 28 July 2016** focused on an explanation by the Management Board of the current business and financial position, as part of which it also presented the 2016 half-year figures for va-Q-tec AG and va-Q-tec Ltd UK. The Management Board also provided information about the current liquidity position and negotiations for a multibank lending agreement ("multibank loan"). Moreover, the further IPO marketing activities were explained, as well as details about the IPO schedule to be implemented. The Supervisory Board was also informed about the presentation to financial analysts that formed the basis for the three pre-IPO research reports.

The company's IPO occurred **between the fourth and fifth meetings** in early November. As part of this, the Supervisory Board, as well as a temporarily created IPO subcommittee, passed resolutions by written circular, and was closely involved in the implementation of the project: the Supervisory Board approved the 2013, 2014 and 2015 consolidated financial statements by written circular, for instance. Resolutions passed by the IPO committee included setting the price range for the shares and publication of the listing prospectus, as well as the admission of the shares to trading in the Prime Standard as a sub-segment of the Regulated Market of the Frankfurt Stock Exchange.

Consultations at the **fifth meeting on 8 November 2016** focused on the IPO and its consequences: the CFO informed the Supervisory Board about the main aspects of the IPO and gave an overview of the new international institutional investors and new shareholder structure. The Supervisory Board was also informed about the capital market law compliance obligations newly added with the IPO and about the type and scope of total IPO costs incurred. In addition, the Management Board reported on the liquidity position following the IPO. Finally, the Management Board gave an outlook for the real estate projects planned for 2017.

The **sixth and last meeting** of the plenary Supervisory Board in the 2016 financial year was held on **11 December 2016**. This meeting focused on the budget. The Supervisory Board approved the Group budget for the 2017 financial year. Resolutions were also passed at this meeting to found new regional subsidiaries in Japan and Switzerland. The aim is to strengthen regional presence in two big pharmaceuticals markets. The Supervisory Board also passed the resolution to expand the number of directors on the Board of Directors of va-Q-tec UK.

In the reporting year, all members of the Supervisory Board participated at more than half of the Supervisory Board meetings; all Supervisory Board members 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. As mentioned above, the Supervisory Board also formed a temporary committee to prepare for the IPO.

No conflicts of interest occurred in 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 on the basis of 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 2016, together with the respective management reports for va-Q-tec AG and the va-Q-tec Group, including the financial accounting, and in each case awarded them unqualified audit certificates on 24 April 2017. The auditors also assured themselves that the Management Board has set up an internal control and risk management system that is 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 6 April 2017 and at the Supervisory Board meeting on 24 April 2017, 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 2016 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 2016 financial year. The very special thanks of the Supervisory Board are due to all staff at va-Q-tec. The 2016 financial year was 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.

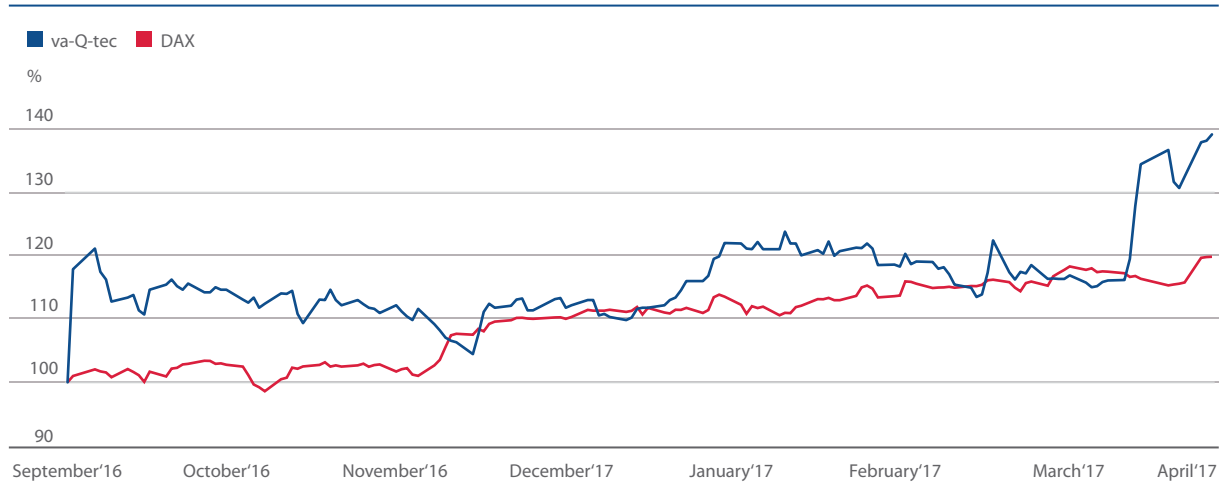
24 April 2017



Dr. Gerald Hommel  
Chairman of the board

### 1.3 THE VA-Q-TEC SHARE

Share performance 29/09/2016 – 26/04/2017



#### Capital market environment

The capital market environment in 2016 was characterised by major political events such as the BREXIT decision and Donald Trump's election as US president. The economic situation was good with stable growth prospects combined with the zero or negative interest rate policy of central banks in the major currency zones.

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 then always traded above its issue price, and closed 2016 at EUR 13.80. This corresponds to a market capitalisation of around EUR 181 million. The share price amounted to EUR 16.97 as of 24 April 2017. Compared to the issue price of EUR 12.30, this represents an increase of 38%.

#### 1.4 THE IPO IN SEPTEMBER 2016

A new chapter begins for va-Q-tec with its Initial Public Offering (IPO). In contrast to many medium-sized growth companies, the company decided to move onto the public capital market. We identify considerable benefits and advantages for va-Q-tec in this.

#### Fresh growth capital

Access to fresh growth capital was of primary importance to va-Q-tec: the gross proceeds of EUR 46.1 million led to a significantly strengthened capital base. Given this, the company can fully exploit the opportunities on offer for sustained and independent growth and benefit from the aforementioned megatrends of thermal energy efficiency, product safety and the globalisation of supply chains.

### Broad, international investor base

Access to a broad, international investor base also underscores the quality of our technology and our business models. va-Q-tec thereby gains access to investors from countries with particularly broad capital markets and a focus on small and mid caps, including with long-term investment horizons in some cases.

### Visibility of va-Q-tec and its technology platform

The technology platform – comprising high-performance insulation, first-class thermal packaging and thermal logistics services – is enjoying greater public awareness since the IPO.

va-Q-tec is a forerunner in the market introduction of VIP technology and the revolutionizing of cold chains. In the company's assessment, this VIP technology is several years ahead of that of its competitors, and in relation not only to durability but also to thermal output, quality control and system integration. The capital market presence draws va-Q-tec to the attention of new customers and market participants that had not been familiar to date with this technology and its performance. Besides capital, highly qualified staff are particularly important for va-Q-tec as a young technology company. With the greater public awareness, perception of the va-Q-tec as an employer in Germany and worldwide has also risen.

Given the fact that many of our customers are listed on the stock market themselves, a stock market listing, the related transparency and significantly improved capital backing strengthen trust and confidence in va-Q-tec.

We look forward to working together with the various capital market participants, especially with investors, and we are bringing everything to bear to further strengthen the trust invested in us.

### Key data for the IPO on 30 September 2016

Placing volume (shares)	3,750,000 shares from capital increase 2,109,702 shares from existing shareholders
Greenshoe	878,954 shares from existing shareholders
ISIN/WKN	DE0006636681 / 663668
Subscription period	20 September 2016 – 29 September 2016
Bookbuilding range	EUR 11.20 – 13.40
Issue price per share	EUR 12.30
Placement volume (EUR)	EUR 82,885,469
First trading day	30 September 2016
Sole Global Coordinator	Joh. Berenberg, Gossler & Co. KG
Joint Bookrunners	Joh. Berenberg, Gossler & Co. KG MainFirst Bank Aktiengesellschaft
Co-Lead Manager	equinet Bank Aktiengesellschaft



Hauke Stars (Management Board Deutsche Börse AG)  
and Dr. Joachim Kuhn (CEO va-Q-tec)



## 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 of the Group's stakeholders in accordance with the principles of the social market economy. Not least to also be particularly transparent to the capital market, the IPO occurred in the Prime Standard of the Frankfurt Stock Exchange – the segment with the highest transparency requirements.

The following subsections concern the corporate governance statement pursuant to Section 289a 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

"With the exception of the differences stated below, va-Q-tec AG conforms with the recommendations of the "German Commission German Corporate Governance Code" in the version dated 5 May 2015 published by the German Federal Ministry of Justice and Consumer Protection in the official section of the German Federal Gazette (Bundesanzeiger), and will also continue to conform with them in the future:

- **Section 3.8 (2) and (3):** "If the company takes out a D&O (directors' and officers' liability insurance) policy for the Management Board, a deductible of at least 10% of the loss up to at least the amount of one and a half times the fixed annual compensation of the Management Board member must be agreed upon. A similar deductible shall be agreed upon in any D&O policy for the Supervisory Board."

**Difference and reason:** No deductible was agreed for the D&O insurance for the Supervisory Board. va-Q-tec will soon include in the D&O insurance a deductible for the Supervisory Board members corresponding to section 3.8.

- **Section 4.2.5 (3) and (4):** "In addition, for financial years starting after 31 December 2013, and 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, broken down into 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 315 (2) No. 4 HGB, the company publishes a compensation report in the Group management report of the annual report.

- **Section 5.4.6 (1):** "Compensation of the members of the Supervisory Board is specified by resolution of the General Meeting or in the Articles of Association. Also to be considered here shall be the exercising of the Chair and Deputy Chair positions in the Supervisory Board as well as the chair and membership in committees."

**Difference and reason:** The exercising of the Chair and Deputy Chair positions on the Supervisory Board as well as the chair and membership in committees are to be taken into consideration in Supervisory Board compensation. The Deputy Chair position of the Supervisory Board and the chair positions of committees have not been taken into separate consideration to date in compensation for the Supervisory Board members.

Adapted compensation of these tasks in conformity with the Code is in preparation and is to be presented and approved at the next AGM in mid-2017.

- **Section 7.1.2 Clause 4:** “The Consolidated Financial Statements shall be publicly accessible within 90 days of the end of the financial year; interim reports 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 are to be made publicly accessible within 90 days after the end of the financial year, and interim reports 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 interim reports, 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 climate of interaction and open internal communication fosters awareness of, and compliance with, statutory regulations, ethical standards, as well as economic and social principles.

va-Q-tec has additionally set out in its Group Corporate Compliance Policy the standards required to ensure ethical activity. Core elements include, firstly, the basic values that 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 put into practice and further developed in collaboration between the Management and Supervisory boards.

With the exceptions justified and specified in the conformity statement, 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. 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 interest in this context and obligated to enhance the sustainable company’s 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 current 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 the basis of trust with the Supervisory 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 technology. 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 2016:

Name	Function	Management Board member since	Contract end
Dr. Joachim Kuhn	Chief Executive Officer	2001	31/12/2018
Christopher Hoffmann	Chief Financial Officer	2013	31/12/2017
Dr. Roland Caps	Chief Research Officer	2001	30/06/2017

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 2016:

**Dr. Joachim Kuhn: Chief Executive Officer – CEO:**

- Technology
- Production
- Sales and marketing
- Personnel

**Christopher Hoffmann: Chief Financial Officer – CFO:**

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

**Dr. Roland Caps: Chief Research Officer – CRO:**

- Research and development
- Corporate compliance

Besides his activity on the Management Board of va-Q-tec, Dr. Kuhn is Chairman of the Advisory Board of SUMTEQ GmbH, in which va-Q-tec holds a minority interest. Dr. Caps was President of the Vacuum Insulation Panel Association (VIPA) during the reporting period. 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.



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

### 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 stated 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 trusting basis 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 successor 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 no Supervisory Board member immediately objects to such a procedure. Supervisory Board resolutions are passed with simple majorities unless prescribed otherwise by the law or the company's bylaws.

All Supervisory Board members are obligated to 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 on the basis of 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. In addition, at least one member should possess in-depth knowledge of financial accounting and finance. The Supervisory Board sets specific targets for its composition, taking into account the recommendations of the German Corporate Governance Code.

The Supervisory Board currently consists of the following six individuals:

**Dr. Gerald Hommel, Supervisory Board Chairman**  
(appointed 2018)

- Undergraduate study of economic sciences at the universities of Mainz and Würzburg, degree in business management (1985)
- 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, Deputy Supervisory Board Chairman**  
(appointed until 2018)

- Engineering degree in communications technology from Cologne University (1976)
- 1999 - 2012 Management Board of Leoni AG, Nürnberg, 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 Kraemer** (appointed until 2018)

- 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 Investment manager focusing on cleantech, Zouk Capital LLP
- Supervisory Board member since 2015
- Since 2016: CFO of Fision AG, Zürich

**Winfried Klar** (appointed until 2018)

- Degree in business administration from the University of Münster (1979)
- Auditor and tax consultant (1980-1990)
- 1991-2003 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** (appointed until 2018)

- Undergraduate studies and doctorate at the Technical University of Darmstadt (1985)
- 2010-2016 Managing Director of Reis Group Holding GmbH
- Supervisory Board member since 2013
- 2014-2016 Managing Director & Technical Director at KUKA Industries GmbH

**Dr. Barbara Ooms-Gnauck** (appointed until 2018)

- 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)
- Doctorate awarded by the University of Constance (2012)
- Partner of Gnauck Rechtsanwälte GbR since 2010
- Supervisory Board member since 2014

The Supervisory Board of va-Q-tec AG has currently set up three committees: 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: Chairman
- Dr. Gerald Hommel: Deputy Chairman
- Dr. Eberhard Kroth: Member

The Audit Committee concerns itself especially with matters of financial accounting and supervision of 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 auditing of financial statements, especially in this context the auditor's independence, the additional services rendered by the auditor, the awarding of the audit mandate to the auditor, setting the focus areas of the audit and agreeing the auditor's fee.

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

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

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 office:

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

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

As of the end of the 2016 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	3,652,600
Supervisory board	81,667

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DAX-Werte		09:48 Uhr		DAX® Deutsche Börse		30.09.2016		09:48:04		DAX-Werte XETRA								
RTS	151.818	(152.118/152.192)	FRE	69.460	(69.201/69.391)	Wertes	10465.94	Erster	10240.63	Höchst	10255.42	Tiefst	10191.94	Letzter	10234.67	Veränderung	-162.07	
RLV	127.948	(127.732/127.798)	HEI	82.060	(82.380/82.423)													-1.62 %
BNS	72.498	(72.699/72.726)	HEU3	118.438	(119.477/119.550)													
BYN	86.615	(86.618/86.623)	IFX	15.277	(15.426/15.430)													
BEI	82.488	(82.481/82.514)	LOR	9.742	(9.705/9.743)													
BWM	72.373	(72.368/72.382)	LIN	145.700	(146.953/146.987)													
CON	5.457	(5.457/5.457)	MRK	95.050	(94.441/94.486)													
DB1	181.711	(181.695/181.695)	MOV2	160.000	(160.800/160.820)													
DB2	61.045	(60.985/60.995)	P3M	37.579	(37.501/37.536)													
DB11	70.840	(70.750/70.830)	FSX	15.145	(15.065/15.095)													
DBK	10.135	(10.105/10.115)	SAP	79.225	(79.534/79.590)													
DFM	27.125	(27.144/27.182)	TIE	101.846	(101.913/101.989)													
OTE	14.725	(14.745/14.755)	TKA	33.781	(33.717/33.732)													
DFW	6.125	(6.109/6.190)	VMW	33.495	(33.418/33.435)													
DFW	75.914	(76.256/76.269)	VOW3	112.750	(112.743/112.759)													







## GROUP MANAGEMENT REPORT

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## 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 solutions in the area of thermal insulation. The offerings of va-Q-tec in the Group's business lines of products, systems and services are applied in thermal logistics, the refrigeration industry, in industrial and technical applications such as water boilers, in the building industry and in the mobility area.

In the Products business line, 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 thickness that are particularly suited to space-saving and energy-efficient thermal insulation. PCMs are cold and heat storage materials that absorb and store thermal energy during a freezing or thawing process. Various temperature ranges can be established through utilising various storage materials such as paraffins and saline solutions. In its Systems business line, 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 making recourse to external energy.

In its Services business line, va-Q-tec operates a fleet of rental containers that it produces itself, which allow temperature-sensitive transports to be operated cost efficiently and safely. 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 that 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
- Appliance & Food, e.g. insulation of refrigeration/freezing equipment and food containers
- Technology & 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

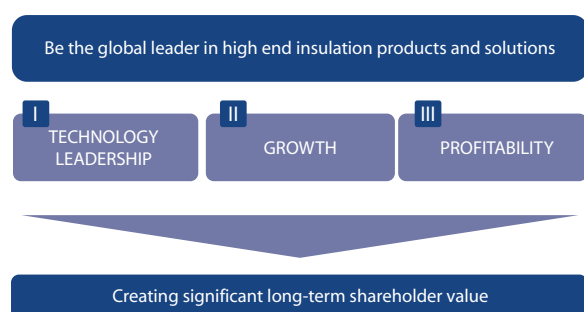
All applications in the respective target sectors are subject to high requirements in terms of the performance and durability of the thermal insulation. Moreover, space restrictions mostly exist in relation to installation.

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 end-markets of Appliance & 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 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 also pursues cooperation ventures with technology partners in externally supported R&D projects. In the medium term, the company aims to rank among the top three technology providers in all its target markets.

#### II. Growth

The technology platform of va-Q-tec offers great 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 growth track 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 69% of the revenue of va-Q-tec. In the temperature-managed logistics area, the global healthcare industry is relying increasingly on high-quality solutions such as offered by va-Q-tec.

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 (GDP)" 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 also cost-sensitive in relation to packaging solutions. Such customers receive optimally customised rental solutions offering very high-performance thermal packaging at a favourable price. For this reason, va-Q-tec expects to grow further globally in the Healthcare & Logistics end-market over the coming years and outperform the growth rates of the underlying markets of (healthcare) cold chain logistics in doing so. 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 underlying growth opportunities, such as the energy efficiency trend. The technology platform that has grown over the past years is to be established in the defined end-markets: va-Q-tec expects significant growth in the Appliance & Food area in the short and medium term. 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. The high-quality VIPs from va-Q-tec – with their insulation performance testable in the manufacturing processes of the OEMs – will benefit particularly from this trend. Growth in product sales of VIPs is also anticipated in the end-market of Technics & Industry through introducing energy efficiency classes for water storage tanks, 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 serve as additional growth drivers for the Group.

Overall, the company anticipates continued growth in the low to mid double-digit percentage range 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 is thereby a significant metric of corporate steering.

Various measures in the operational excellence area are being advanced continuously to enable profitable growth. Such Management Board initiatives relate primarily to measures to optimise and harmonise quality, processes, the organisation, resource consumption as well as IT systems across the Group. Economies of scale accompany the significant expansion of the Group's business activities and corresponding sales revenue growth: the purchasing

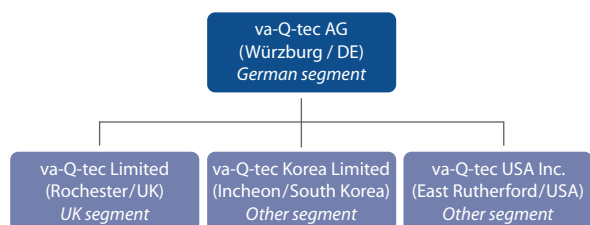
terms on which the Group can procure intermediate products and third-party services improve significantly with the increasing expansion of business and sales revenues, and consequently rising purchasing volumes. The cost increases for Group support functions such as personnel, marketing, financial accounting and controlling do not match the top line growth rate. Profitability is also improved by vertical integration into downstream steps of the value chain as far as services and new models, as with the "Serviced Rental" of boxes and containers. This forwards integration and control of upstream value steps to improve profitability forms a central element of the corporate strategy. The company aims to improve the EBITDA margin to more than 25% over the coming years through the aforementioned operative and strategic measures.

### **Group structure, employees, investments and steering**

The va-Q-tec Group consisted of a total of four companies during the reporting period. From these four companies derive the Group's three operating segments – the German segment (va-Q-tec AG), the UK segment (va-Q-tec Ltd. UK) and the Other segment (va-Q-tec Ltd. Korea and va-Q-tec USA Inc.)

Following the acquisition of all still outstanding non-controlling interests in the UK subsidiary in 2016, the parent company va-Q-tec AG (German segment) wholly owned all three foreign subsidiaries as of 31 December 2016.

va-Q-tec AG covers all three divisions (Products, Systems and Services), whereby in the "Services" division it has operated 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 encompasses the business activities of the subsidiaries va-Q-tec Ltd. (Korea) and va-Q-tec Inc. (USA). The South Korean subsidiary is responsible for the purchasing and business development of all three of the Group's business areas in Asia. The subsidiary in the USA operates as the Group's sales company in North America. For the purposes of corporate management and controlling, the divisions are reflected in the three reporting segments, whereby va-Q-tec (Korea) and va-Q-tec (USA) are aggregated to form one reporting segment (Other).



Structure of va-Q-tec Group, Status as of 31 December 2016

To manage the three reporting segments, the management monitors these areas individually and across the Group on the basis of 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 the corporate steering by the management include sales 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, sales revenue also serves as an indicator of the success and performance of the Group's business models.

EBITDA serves as the metric for profit results. 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 financial year elapsed, adjusted EBITDA and the adjusted EBITDA margin are additionally used to explain the 2016 reporting period. The adjustments relate exclusively to the one-off special effects due to the IPO. 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 large parts of its financial resources in machinery, plant and its fleet of containers and boxes for rental services. A high level of depreciation during

the current phase of building up infrastructure and fleet distort the actual picture of financial performance. For this reason, 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, we regard an equity ratio with a target of 40-50% as representing a balanced relationship between debt and equity, and consequently of the risk distributed among equity investors and creditors.

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 shows the growth in the relevant steering metrics.

The section 1.2.4 "Financial position and performance" provides a detailed discussion of these key indicators.

EUR millions unless stated otherwise	2016	2015	Change
Revenues	35.53	22.54	58 %
EBITDA (IFRS)	5.22	3.60	44 %
EBITDA margin (IFRS)	12 %	12 %	
Adjustment	1.74	0.06	
EBITDA (adjusted)*	6.95	3.66	90 %
EBITDA margin (adjusted)*	16 %	12 %	
Equity ratio	64 %	24 %	
Year-average number of employees	267	212	26 %

\* Adjusted for one-off expenses for the IPO. For more information see section 1.2.4 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 position as one of the technology leaders 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 manifests 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 insulation whose performance and efficacy can be swiftly measured and controlled at the place of use. This fosters confidence and trust in the VIP technology and enables va-Q-tec to meet its high quality commitment to 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 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 various 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 2016 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: the va-Q-safe insulation solution, which was further developed and launched on the market in 2016, is wrapped in a thin and robust polyurethane layer surrounding the actual vacuum insulation panel as protection. It makes installation and handling easier, as fitters can and even dowel glue the non-sensitive polyurethane surface. This enables shorter assembly times and more efficient labour deployment. 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 storage tanks reach the A+ labelling according to the new EU norm mandatory since September 2015.

In the Systems business line, the newly developed va-Q-one adds to the portfolio of passive thermal packaging systems that can maintain constant temperatures over several days without the addition of external energy. The box is arranged for the temperature-managed transportation of valuable biological materials, especially for use in clinical trials. It consists of a surrounding packaging consisting of cardboard, VIPs and PCMs that protect from temperature fluctuations due to external temperatures. Various sizes and temperature classes were developed for pharmaceutical customers as part of the development project. va-Q-one was launched on the market as a particularly cost efficient solution for one-off use in this context, and rounds out the offering of va-Q-tec in this area.

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 logistics for boxes and containers. At the same time, customers are advised on the optimal implementation of the packaging solution into existing systems. To manage such logistic processes, va-Q-tec is also increasingly developing advanced 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 80 patents and patent registrations. 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 vacuum in VIPs. One national and two international patents were newly registered in the reporting period, and two international and one national patent were issued.

The company made further investments in its research and development area in the year under review. Expenditure for this area amounted to EUR 1.2 million, up on the previous year's level (EUR 1.0 million). Research and development costs of kEUR 52 were capitalised in total in the reporting period. Amortisation of development costs capitalised in previous years amounted to kEUR 9.

## 2.2 BUSINESS REPORT

### 2.2.1 Macroeconomic environment and Group-specific conditions

The International Monetary Fund (IMF) estimates that the world economy grew by 3.1% in 2016. For 2017, the IMF anticipates a stronger global growth dynamic reflected in a 3.4% growth rate. Developing and emerging economies will make an above-average contribution to global growth, according to the forecast. The IMF identifies macroeconomic uncertainties in the economic consequences of the United Kingdom's decision to leave the European Union ("BREXIT"), for example. 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 its first steps to a turn round 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. As a globally positioned Group, va-Q-tec consequently sees itself facing both opportunities and risks in macroeconomic terms.

Key sales revenue drivers for the va-Q-tec Group include the two end-markets of Healthcare & Logistics as well as Appliance & Food, which together represent a 92% 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 of cold chain logistics (under the motto of "Good Distribution Practices") are making ever more efficient packaging systems necessary for pharmaceutical industry customers. Moreover, IMARC assumes that 27 of the 50 highest selling medications worldwide will require cold chain logistics in the 2-8°C range by 2020. va-Q-tec is convinced that 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 aimed 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 a growing market 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

Business activity at the va-Q-tec Group in the 2016 financial year focused on implementing the growth track, the IPO and strengthening profitability.

In the Products business line of the German reporting segment, new customers were acquired in the target sectors of Appliance & Food and Technics & Industry, while at the same time business with existing customers was expanded further. This success reflects not only the high quality, performance and durability of our VIPs, but also the capability of va-Q-tec to deliver efficiently in such markets the depend on reliable supplies.

In the German reporting segment, additional large-scale orders were acquired with new customers in Q3 and Q4 in the Systems division (thermal packaging), some of which were already realised in 2016. A large-scale order from Swiss Post deserves particular mention here, which opened up a new area of inland thermal transportation from pharmaceuticals wholesalers to local pharmacies. It is also connected with accompanying services for Swiss Post, however, such as the preparation and precooling of the box for logistics in the “last mile” from the wholesaler to the pharmacy delivered by va-Q-tec. Business with existing customers, such as with a major Swiss pharmaceuticals manufacturer, also progressed very well in the thermal packaging area.

In the Services business line of the German reporting segment, operating activities deriving from the pan-European rental of thermal boxes from a hub in Dublin reported strong growth in the 2016 financial year. A further milestone in the reporting period was the opening of a further fulfilment centre for the “Serviced Rental” business at the company’s headquarters in Würzburg. Here, various high-performance packaging systems ranging from thermal transport boxes through to thermal air freight containers are prepared for the desired transport service, to transfer them to customers ready for use. At the new fulfilment centre in Würzburg for Central Europe, up to 10,000 packaging systems with 11 to 74 litres of internal volume as well as 400 containers with loading capacity of up to two US/Euro pallets can be made available per month for temperature-managed transports to our customers.

In the UK reporting segment (Services division), activities with both new and existing customers from the healthcare industry reported significant growth. More than 50 new commercial routes with temperature-controlled air freight were added during the second half of 2016. The number of existing network stations was expanded by 2 to reach 24. During the course of the 2016 financial year, new customers successfully concluded qualifications as part of “Serviced Rental” with test dispatches (albeit with delays in some cases), in turn prompting the expectation of further volume growth. The challenge in this area entails reducing dependency on individual major customers, for instance by rapidly achieving appreciable revenues with customers that have already conducted qualifications. Planning and forecasting quality in this reporting segment is increasing as a consequence.

The aforementioned progress across all reporting segments and divisions contributed to a pleasing trend in relation to the Group’s strategic targets: revenue and EBITDA reported significant year-on-year growth.

In 2016, the Group continued to achieve purchasing benefits through the “smart sourcing” approach and selective development in upstream value chain steps. The inexpensive purchasing of intermediate products in Asia through the Korean subsidiary and higher purchasing volumes with correspondingly more beneficial procurement terms proved particularly significant. Greater recourse to second and third tier suppliers led to diversification effects. Initial tests to use SUMTEQ materials as raw materials for VIPs were also successful during the financial year elapsed.



During the financial year under review, va-Q-tec again invested more in machinery, plant and personnel to support growth in operating activities. The company used its own shares to acquire expansion spaces at an attractive location in Würzburg. Investments were also realised in equipment for the fulfilment centre for box and container rental. The container and box fleets of the va-Q-tec Group form the core of "Serviced Rental". The box fleets were expanded particularly significantly in 2016. Containers were also added to the global rental network to serve existing customers and create sufficient capacity for new customers.

Research and development activities were successfully advanced further in 2016 to underpin the technological leadership claim of va-Q-tec. The focus here was on developing cost efficient thermal packaging, such as va-Q-one and easy assembly VIP modules for the Building and Technics & Industry areas. These and other product innovations enabled the technological differentiation of va-Q-tec to be further expanded.

The Group has hired significantly. Both experienced specialists and young career starters have been taken on to support the company's growth. Talented young individuals from the ranks of former working students from the University of Würzburg were also taken on.

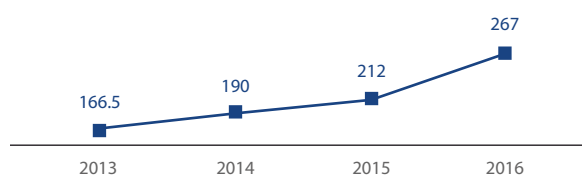
The cash inflow from the IPO, which bolstered equity and attracted growth capital, was particularly important for liquidity and for the financing position. The strengthened equity ratio of 64% also considerably improved the Group's refinancing terms in the 2016 financial year.

### 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 particularly great 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 18 working students were employed at va-Q-tec (previous year: 16). The average of employees (excluding Management Board members and trainees) grew from 212 to 267 in the 2016 financial year.

#### Average Number of Employees va-Q-tec Group



## 2.2.4 Explanation of business results and analysis of the financial position and performance

### Results of operations

EUR millions unless stated otherwise	2016 (IFRS)	Adjustmen	2016 adjusted*	2015 (IFRS)	Adjustment	2015 adjusted	Δ 16/15 adjusted
Revenues	35.53	-	35.53	22.54	-	22.54	58%
Total income	42.88	-	42.88	29.56	-	29.56	45%
Cost of materials and services	-17.32	-	-17.32	-12.35	-	-12.35	40%
Gross profit	25.55	-	25.55	17.20	-	17.20	49%
Personnel expenses	-11.81	0.17	-11.65	-8.85	-	-8.85	32%
Other operating expenses	-8.52	1.57	-6.95	-4.75	0.06	-4.69	48%
EBITDA	5.22	1.74	6.95	3.60	0.06	3.66	90%
EBITDA margin	12%		16%	12%		12%	
Depreciation, amortisation and impairment losses	-5.64	-	-5.64	-3.17		-3.17	78%
EBIT	-0.42	1.74	1.31	0.43	0.06	0.49	167%
Net financial result	-1.62	0.40	-1.22	-1.06	0.17	-0.88	38%
EBT	-2.10	2.14	0.04	-0.63	0.24	-0.40	

\* Adjusted for one-off expenses for the IPO

Sales revenues grew very well overall. A high level of new order intake, up considerably on the previous year's level, was recorded in the 2016 financial year. The order book position as of 31 December 2016 increased compared with the previous year, supporting the company's positive outlook. Given this, va-Q-tec grew its sales revenues by 58% year-on-year to reach EUR 35.5 million in the financial year elapsed, exceeding the EUR 33-34 million forecast for the Group it issued as of Q3 2016. Here, the sales revenue growth was driven equally from the three business lines of Products, Systems (thermal packaging) and Services. The business with Products was up by EUR 3.9 million, from EUR 7.4 million to EUR 11.3 million (+53%). In the Systems business line, sales revenues grew by EUR 5.1 million, from EUR 5.3 million to EUR 10.4 million (+96%). With Services, the Group generated sales revenues of EUR 13.2 million, compared with EUR 9.4 million in the previous year (+40%, EUR +3.8 million).

The German segment (va-Q-tec AG) contributed EUR 23.9 million to consolidated revenue (previous year: EUR 13.8 million), and the UK segment (va-Q-tec UK) EUR 11.6 million (previous year: EUR 8.7 million). The main proportion of sales revenues, 69%, is generated internationally. This underscores the Group's international orientation and worldwide success of its sales activities.

Total income was up by 45% to EUR 42.9 million in the financial year elapsed, reflecting the sales revenue growth. Work performed by the company and capitalised of EUR 4.5 million (previous year: EUR 4.9 million) arose in 2016 mainly from the continued expansion of the container and box fleets. Other operating income of EUR 1.4 million (previous year: kEUR 680) was generated from releasing the special item deriving from container sale and lease back transactions.

This special liability item arises on the sale of self-produced containers by the parent company va-Q-tec AG to leasing companies, and subsequent 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 EUR 12.4 million to EUR 17.3 million, less than the rate of total income growth, and corresponding to an improved cost of materials ratio of 40% (previous year: 42%). This improvement is attributable to greater efficiency in purchasing and the growing proportion of revenue from the high-margin business with Systems and Services. Negative effects on the cost of materials ratio arise from the work performed by the company and capitalised in connection with expanding the self-produced container and box fleets as well as price pressure in the product business. The cost of purchased services also formed part of costs of materials, and increased by 54% to EUR 4.0 million (previous year: EUR 2.6 million). This was due to the greater utilisation of warehousing, logistics and fulfilment services at partner companies as part of "Serviced Rental".

To better compare operating performance at va-Q-tec over the course of time, adjustments are applied to expenses in the 2015 and 2016 financial years in the following section. These adjustments comprise exclusively expensed personnel, legal and advisory costs, as well as financing costs connected with 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 EUR 8.9 million in the previous year to EUR 11.8 million in the 2016 financial year (+33%), thereby declining from 30% to 28% in relation to total income. The absolute rise is mainly attributable to the hiring of new staff to support the planned growth, wage and salary increases and the higher level of personnel expenses as part of the IPO. On an adjusted basis, personnel expenses amount to EUR 11.7 million, equivalent to 27% of total income.

Other operating expenses rose considerably in the reporting period, from EUR 4.8 million in the previous year to EUR 8.5 million. These include EUR 1.6 million of one-off

additional expenses connected with the IPO. Adjusted other operating expenses amounted to EUR 7.0 million in the 2016 financial year, compared with EUR 4.7 million in the previous year (+49%). The increase after adjusting for one-off effects reflects, among other items, higher rental expenses due to additional administrative and production buildings, as well as an increase in marketing and sales expenses in line with the business expansion. Measured in relation to total income, this led the adjusted other operating expense ratio to remain stable at 16% (previous year: 16%).

In line with the sales revenue growth in 2016, earnings before interest, tax, depreciation and amortisation (EBITDA) increased from EUR 3.6 million in the previous year to EUR 5.2 million. Adjusted for one-off expenses from the IPO, EBITDA was up even more significantly from EUR 3.7 million to EUR 7.0 million, reflecting a 16% adjusted EBITDA ratio (previous year: 13%). As a consequence, the forecast of EUR 5.7-6.0 million for consolidated adjusted EBITDA issued as of Q3 2016 was exceeded.

Depreciation and amortisation recorded a marked increase of 75% to EUR 5.6 million (previous year: EUR 3.2 million), reflecting a high level of investments in containers and boxes with respectively short depreciation periods.

Both the aforementioned IPO costs and the sharp increase in depreciation and amortisation negatively affected the result before interest and tax (EBIT). EBIT reported a significant reduction from kEUR 429 to kEUR -423. On an adjusted basis, however, EBIT rose by 164%, from kEUR 492 to EUR 1.3 million in the 2016 financial year, equivalent to an improved EBIT margin of 3% in relation to total income (previous year: 2%).

The net financial result worsened from EUR -1.1 million in the previous year to EUR -1.6 million, mainly due to the higher borrowing costs for the lease financing of the growing container fleet. The net financial result includes one-off additional expenses connected with the IPO in an amount of kEUR 400. The adjusted net financial result amounted to EUR -1.2 million (previous year: EUR -0.9 million).

A negative result before tax (EBIT) of EUR -2.1 million was incurred for the 2016 financial year (previous year: kEUR -635). On an adjusted basis, EBT in 2016 was positive to the tune of kEUR 36, after having still incurred a loss of kEUR -398 in the previous year.

The reporting segments performed as follows in the 2016 financial year:

#### German reporting segment (va-Q-tec AG)

EUR millions unless stated otherwise	2016 (IFRS)	Adjust- ment	2016 adjusted*	2015 (IFRS)	Adjust- ment	2015 adjusted	Δ 16/15 adjusted
Revenues	29.22	-	29.22	22.30	-	22.30	31 %
EBITDA	2.51	1.74	4.25	3.96	0.06	4.02	6 %
Equity ratio	81 %	-	n.a.	45 %	-	n.a.	
Average number of employees	238	-	n.a.	195	-	n.a.	

\* Adjusted for one-off expenses for the IPO

The German reporting segment (va-Q-tec AG) grew its revenues from EUR 22.3 million in the previous year to EUR 29.2 million in the 2016 financial year. The sales revenue growth is mainly attributable to the sale and rental of thermal packaging, as well as additional revenues from the sale of VIPs to manufacturers of refrigerators and hot water tanks. 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 528 (previous year: kEUR 21). The establishment of box fleets was reflected in a significantly higher level of work performed by the company and capitalised. Other operating expenses and personnel expenses rose considerably given the IPO. In consequence, EBITDA reduced by 38 % to EUR 2.5 million in 2016 (previous year: EUR 4.0 million) and EBIT was down 84 % to kEUR 413 (previous year: EUR 2.5 million). Adjusted for one-off effects connected with the IPO, EBITDA grew by 6 % to EUR 4.3 million (previous year: EUR 4.0 million). The equity ratio stood at 81 % as of 31 December 2016 (previous year: 45 %). The average number of employees rose by 43 to 238 (previous year: 195).

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

EUR millions unless stated otherwise	2016 (IFRS)	2015 (IFRS)	Δ
Revenues	12.56	8.74	44 %
EBITDA	3.36	2.99	12 %
Equity ratio	19 %	21 %	
Average number of employees	25	14	79 %

The UK reporting segment comprises mainly the rental of temperature-managed containers for the global pharmaceuticals industry. Sales revenues in this segment grew by 45 % from EUR 8.7 million in the previous year to EUR 12.6 million in 2016. The cost of materials and personnel expenses rose at a faster rate than sales revenue in 2016. This reflected higher expenses for purchased services due to expanding the global rental network and the container fleets, as well as a significant strengthening of the commercial and sales area. As a consequence, EBITDA growth in this segment failed to match its top line growth rate, rising from EUR 3.0 million in the previous year to EUR 3.4 million. The reduced profitability in this reporting segment is partly attributable to the delayed start-up of the new customers. The average number of employees rose by 11 to 25 (previous year: 14). In the UK reporting segment, the parent company strengthened the equity by EUR 1.0 million in November 2016. This served the continued financing of the container fleet expansion and compliance with external financing partners' lending covenants. The equity ratio stood at 19 % in 2016, compared with 21 % in 2015. The parent company also extended kEUR 300 of loans in 2016. 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	2016 (IFRS)	2015 (IFRS)	Δ
Revenues	0.72	0.36	106 %
EBITDA	0.11	-0.16	
Equity ratio	-12 %	-134 %	
Average number of employees	4	3	33 %

The two subsidiaries in Korea and the USA, which together comprise the **Other reporting segment**, realised no external revenues with third parties, as the business acquired by these companies is invoiced by either va-Q-tec AG or va-Q-tec Ltd (UK). These are crucial for the local presence of va-Q-tec in the USA (world's largest pharmaceuticals market) and Asia (purchasing advantages).

Due to the Group's purchasing and sales activities in these regions, the subsidiaries in the USA and Korea generated higher purchasing and sales commissions. The subsidiary in Korea operated profitably and repaid part of a loan granted by the parent company. The US entity continued to incur operating losses in the financial year elapsed, as a higher level of preparatory work was realised during th2016 to tap markets in the future. The Other reporting segment reports total EBITDA of kEUR 109 (previous year: kEUR -158). The number of employees amounted to 4 individuals (previous year: 3), and the equity ratio stood at -12% (previous year: -134%).

## 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. The financial policy is generally oriented to the target of making the requisite liquidity permanently available. Existing reserves are invested on a neutral interest basis and credit lines are optimised in terms of their interest rates. Interest-rate risks and some currency risks are hedged with corresponding swaps.

## Liquidity

EUR millions unless stated otherwise	2016	2015
Net cash flow from operating activities	-1.10	0.16
Net cash flow from investing activities	-35.33	-7.19
Net cash flow from financing activities	39.85	6.97
<b>Net change in cash and cash equivalents</b>	<b>3.41</b>	<b>-0.06</b>

Net cash flow from operating activities amounted to EUR -1.1 million in the 2016 financial year, EUR 0.9 million below the previous year's level of EUR 0.2 million. The reduction is attributable to the high expense incurred for the IPO, the deterioration in the consolidated net result that this caused, as well as a higher level of inventories and trade receivables. Adjusted for IPO costs of EUR 1.57 million (previous year: EUR 0.06 million, recognised in other operating expenses), the adjusted net cash flow from operating activities was positive to the tune of approximately EUR 0.5 million.

EUR millions	2016	2015
Net cash flow from operating activities (IFRS)	-1.10	0.16
Adjustment	1.57	0.06
Net cash flow from operating activities (adjusted)	0.47	0.22

Cash flow from investing activities changed from EUR -7.2 million to EUR -35.3 million. This is mainly due to outgoing payments to acquire short-term deposits where the IPO proceeds were deposited on a neutral interest basis. These deposits have terms of six to twelve months. The EUR 32.9 million increase in cash flow from financing activities, from EUR 7.0 million to EUR 39.9 million, is chiefly attributable to the cash inflow from the IPO.



## Net assets and capital structure

### Assets

EUR	31/12/2016	31/12/2015
<b>Non-current assets</b>		
Intangible assets	440,957	364,961
Property, plant and equipment	31,410,609	28,043,616
Equity accounted investments	435,918	370,097
Financial assets	66,770	46,214
Other non-financial assets	234,384	54,450
Deferred tax assets	2,839,618	2,146,935
<b>Total non-current assets</b>	<b>35,428,256</b>	<b>31,026,273</b>
<b>Current assets</b>		
Inventories	5,683,812	4,577,210
Trade receivables	7,141,968	4,415,527
Other financial assets - of which term deposits (6-12 months): 30,000,000	30,183,591	16,107
Tax assets	377,839	25
Other non-financial assets	748,475	704,435
Cash and cash equivalents	4,600,437	1,186,045
<b>Total current assets</b>	<b>48,736,122</b>	<b>10,899,349</b>
<b>Total assets</b>	<b>84,164,378</b>	<b>41,925,622</b>

Property, plant and equipment grew by 12%, from EUR 28.0 million to EUR 31.4 million in 2016, due to positive net investments. The main reasons in this context included, firstly, the purchase of a plot of land to expand business in Würzburg. 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. The equity accounted interest in SUMTEQ was topped up to 18.5% in the reporting period.

The cash inflow from the IPO 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 considerably compared with 2015: other current financial assets and the cash position, which reflects cash inflows from the IPO, rose from EUR 1.2 million to EUR 34.8 million.

### Investments

Investment activity in the 2016 financial year focused on expanding production capacities and the fleets of air freight containers and thermal boxes. A total of EUR 9.3 million was invested in property, plant and equipment (previous year: EUR 10.0 million).

Production capacities at the two plants in Würzburg and Kölleda were almost fully utilised at the financial year-end due to high demand in all target sectors, especially during peak periods. For this reason, work started in 2016 on the planning and partially implementing new capacities. Several halls were rented and a plot of land was acquired in Würzburg, for example. To this extent, investments in land and buildings of EUR 1.7 million were significantly above the previous year's level (kEUR 28). Investments in technical equipment reduced from EUR 1.1 million to kEUR 303. A total of EUR 4.6 million was invested in the container fleet (previous year: EUR 7.8 million). Investments in operating

**Equity and liabilities**

EUR	31/12/2016	31/12/2015
<b>Equity</b>		
Issued share capital	13,089,502	4,578,187
Treasury shares	-470,631	-
Additional paid-in capital	46,666,302	9,030,470
Cumulative other comprehensive income	-32,969	-21,376
Retained earnings	-5,315,915	-3,588,984
Equity attributable to parent company owners	53,936,289	9,998,297
Non-controlling interests	-	-6,588
<b>Total equity</b>	<b>53,936,289</b>	<b>9,991,709</b>
<b>Non-current liabilities and provisions</b>		
Provisions	17,400	46,400
Bank borrowings	2,173,111	2,016,575
Other financial liabilities	4,012,249	5,108,042
Other non-financial liabilities	7,150,616	7,450,749
Deferred tax liabilities	-	-
<b>Total non-current liabilities and provisions</b>	<b>13,353,377</b>	<b>14,621,766</b>
<b>Current liabilities and provisions</b>		
Provisions	37,329	77,000
Bank borrowings	5,410,141	6,893,775
Other financial liabilities	5,791,059	5,785,142
Trade payables	2,346,965	1,633,172
Tax liabilities	215,015	518,996
Other non-financial liabilities	3,074,202	2,404,062
<b>Total current liabilities and provisions</b>	<b>16,874,712</b>	<b>17,312,147</b>
<b>Total assets</b>	<b>84,164,378</b>	<b>41,925,622</b>

and office equipment of EUR 1.8 million due to the build-up of the rental box fleets in the German reporting segment were markedly above the previous year's level (kEUR 190). An amount of kEUR 52 was invested in intangible assets that the company created itself (previous year: kEUR 32). The interest in SUMTEQ GmbH was increased to participate further in the development of this Cologne-based technology company and further advance deployment of SUMTEQ's innovative foam material in VIPs.

Overall, total assets more than doubled due to the IPO and the cash inflows.

The main changes to the capital structure derived from the issue proceeds and preparatory capital measures for the IPO in September 2016. Following an EGM resolution, the company realised the repurchase of 127,233 ordinary shares in April 2016. In May 2016, a resolution was passed at the Ordinary AGM to convert the preference shares of series A1 and A2 (existing in the previous year) into ordinary shares with voting rights. A resolution was also passed to increase the company's share capital from company funds through issuing 4,578,187 new shares to a level of EUR 9,156,374 (1:2 share split). The plot of land acquired from the City of Würzburg in May 2016 was paid for with 60,000 treasury shares (before the share split). In September 2016, the company's share capital was increased by EUR 183,128 to EUR 9,339,502 through issuing 183,128 shares in va-Q-tec AG in exchange for a 10% interest in the subsidiary va-Q-tec Ltd (UK) to the managing director of va-Q-tec Ltd (UK) under partial utilisation of Approved Capital 2016/1. In connection with the IPO of va-Q-tec AG, the share capital increased by EUR 3,750,000 to EUR 13,098,502 on 27 September 2016 through partial utilisation of approved capital (date of entry in the commercial register).

The Group's equity increased very considerably in 2016 due to the IPO, standing at the equivalent of 64% of total assets as of the balance sheet date (previous year: 24%). This rise also reflected the acquisition of a plot of land in Würzburg in exchange for treasury shares as well as the non-cash capital contribution by the minority shareholder of the UK subsidiary in exchange for treasury shares in va-Q-tec AG. The non-controlling interests reduced to 0 due to the aforementioned non-cash capital contribution (previous year: kEUR 6,588).

Non-current bank borrowings reported a slight rise from EUR 2.0 million to EUR 2.2 million due to a new loan from one of the house banks. Current bank borrowings decreased from EUR 6.9 million to EUR 5.4 million due to less utilisation of overdraft lines. Existing overdraft lines as well as supplementary new lines as part of a multibank lending agreement with the house banks were bundled in September 2016. This enabled the master terms of the loans with four house banks to be standardised, and additionally created a debt funding platform that can be expanded in the future. The overdraft facility thereby available amounts to EUR 11.0 million. The lending agreement has an initial term until 31 December 2017, with an extension and expansion of the facility anticipated by mid-2017.

Non-current other financial liabilities reduced from EUR 5.1 million to EUR 4.0 million due to the decrease in finance leasing and repayment of a dormant investment. Non-current other non-financial liabilities diminished from EUR 7.5 million to EUR 7.2 million as a result of the scheduled reduction of the government grants item. No investment grants were awarded by development banks during the reporting period. Current other non-financial liabilities increased from EUR 2.4 million to EUR 3.1 million as a consequence of the further appreciation of the special item for container profits.

Bank borrowings plus equipment leasing of EUR 15.5 million comprised 18% of total equity and liabilities (previous year: EUR 17.8 million; 42%). At the level of the UK reporting segment, further sale and lease back transactions were concluded as part of expanding the container fleet. The volume of finance leasing reduced by EUR 1 million, from EUR 8.9 million in the 2015 year to EUR 7.9 million in the 2016 financial year elapsed. Current liabilities and provisions stood at EUR 16.9 million in the financial year under review, representing 20% of total equity and liabilities (previous year: EUR 17.3 million; 41%). The Group's non-current liabilities amounted to EUR 13.4 million, corresponding to 16% of total assets previous year: EUR 14.6 million; 35%). Trade payables totalled EUR 2.3 million, compared with EUR 1.6 million in the previous year. In the fourth quarter, 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 2016 financial year very positively. All three business lines – Products, Systems and Services – respectively the underlying reporting segments – reported strong revenue growth in the financial year elapsed as a consequence of the good commercial trend. Gross profit also performed well, thanks to the shift in product mix towards the higher margin areas of "Systems" and "Services". The Group also further enhanced its purchasing efficiency. The Group's profitability has nevertheless reduced significantly mainly due to the high one-off costs for the IPO. A higher level of legal and advisory costs, personnel expenses and borrowing costs negatively affected the EBITDA ratio, and the consolidated net result was significantly negative. Adjusted for these one-off costs, Group performance was stronger: profitability measured in terms of EBITDA and the EBITDA margin rose significantly year-on-year, and the consolidated net result was slightly positive, by contrast with the previous year. The Group

strengthened its financial position considerably due to the proceeds from the IPO. 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 positioned very well to outperform the growth rate 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 2017. Moreover, they are also based on the expected positive growth rates in the market for VIPs and insulation materials overall. Moreover, 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 1.2.1 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 account the opportunities and risks entailed in operating activities as outlined in section 2.4.2, the company identifies growth levers in tapping new markets in terms of both products (e.g. last mile to the pharmacy and food transportation) and geography (new country markets).

### Overall statement

For the 2017 financial year, the Management Board expects further strong sales revenue growth in the 30-40% range compared to 2016 in all three business divisions. 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 grow further along with greater environmental awareness and increasing regulation.

For earnings before interest, tax, depreciation and amortisation (EBITDA), the company expects continued strong growth for the 2017 financial year due to operating economies of scale and a changed product mix with a greater proportion of high-margin services.

The equity ratio will prospectively reduce to 50-55% after being strengthened by the IPO in 2016 and due to the intended utilisation of low interest rate debt financing for investments in the 2017 financial year.

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

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

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 long-term and sustainable competitiveness. Such risk management also aims to identify potential going concern risks at an early stage. Risk management 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 with "very low" and ends with "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 subsequently monitored.

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.

The Group risk management system enables the company's management to identify significant risks at an early stage, launch countermeasures and monitor 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, financial 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. 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 on the basis of 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 (two sets of eyes 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 on the basis of their estimated event probability, and their 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. It is consequently the objective in the purchasing strategy of va-Q-tec to reduce dependency on individual or a few suppliers by qualifying and selecting new suppliers ("dual" or "multiple" sourcing). As in previous years, in 2016 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 Köllda. Stoppage at one site has no 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. Finally, several systems are also available for each of the individual plant types, so that sufficient replacement capacity is available as a rule. To this extent, the Management Board gauges the risk of a prolonged production stoppage as low.

The rental services (“Serviced Rental”) are particularly dependent on external logistics providers, which are not only responsible for operational processes at the network stations – for the 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 rental services for the pharmaceuticals industry globally. For this reason, the Management Board gauges this risk as low.

#### **Personnel risks**

The company’s operating activities and success depend on qualified managerial and key personnel. The company’s very well trained personnel has acquired specific knowledge, skills and commercial contacts, in part 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: 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 this customer concentration risk through the growing number of customers and diversification. Further protection exists through 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 on the basis of specific expectations about market trends. Less well-founded and/or excessively early investments are avoided as a consequence. 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 on-site, 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 Appliance & 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 uses 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). 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 it targets. Laborious and expensive qualification measures carried out for and by healthcare customers, with corresponding quality assurance and process documentation, generate the requisite expertise at va-Q-tec for the successful implementation of packaging solutions. Only 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 companies in this space to constantly further develop themselves 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 tanks 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 storage tanks in the highest efficiency classes. In future, and with more stringent regulation, we believe VIP-insulated tanks 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 panels. 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 serviced rental of va-Q-tec, are currently deployed almost exclusively in the healthcare 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 packagings of va-Q-tec are very well suited to such transports.



Enormous 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: CO<sub>2</sub> 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 vehicle range in this context through 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 only deployed to a limited extent at va-Q-tec.

Currency risk within the Group was low in 2016. In the German reporting segment, almost 100% of sales and approximately 97% 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 generally 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 low.

Interest rate hedging instruments continue to exist to hedge interest payments on long-term loans to a standard market interest rate level. An interest-rate hedge was also arranged for a new 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 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) exists 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 had not yet exercised his options as of the balance sheet date.

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 account 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 basic compensation corresponds to the annual basic salary; in addition, two Management Board members have use of a company car. The Group pays premiums for D&O insurance cover for all Management Board members. 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 determines to which extent the targets have been achieved.

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 EUR 637,912 in the 2016 reporting year (previous year: kEUR 564,531). The basic compensation amounted to EUR 500,759 (previous year: EUR 473,663); this also includes payments for benefits in kind such as a company car. Variable cash compensation stood at a total of EUR 114,780 (previous year: EUR 69,000).

Defined contribution pension commitments have existed for the Management Board members since 2014. To this end, EUR 22,373 (previous year: EUR 21,868) 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 82% of total compensation (previous year: 88%).

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 amounts for the individual members. This practice complies with section 314 (2), 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.

The Supervisory Board received compensation of EUR 124,930 for the 2016 reporting year (previous year: EUR 100,901). This total includes the reimbursement of outlays incurred by each Supervisory Board member, as well as the VAT incurred on their pay and compensation for outlays. The company bears the cost of the premium for the D&O insurance concluded for the Supervisory Board Members. A deductible that is personally payable is to be implemented from 2017. Moreover, consultancy services and other services in an amount of EUR 74,939 (previous year: EUR 20,486), especially in relation to implementing the IPO, were paid for.

## 2.6 DISCLOSURES PURSUANT TO SECTIONS 289 (4) AND 315 (4) HGB, AS WELL AS THE EXPLANATORY REPORT ON "TAKEOVER LAW DISCLOSURES"

As a capital market oriented public stock corporation, va-Q-tec AG is required to make takeover law disclosures pursuant to Sections 289 (4) and 315 (4) of the German Commercial Code (HGB). The following subsection provides an insight into the takeover law relationships as of the 31 December 2016 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, 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 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 134,466 treasury shares.

### 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 agreed as part of the IPO, 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 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 %
Zouk Capital / Cleantech Europe II Luxembourg S.à.r.l.	LUX	2,137,563	16.33 %
<b>Total</b>		<b>5,722,663</b>	<b>43.72 %</b>

### 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 a resolution of the general meeting of shareholders. Resolutions by the general meeting of shareholders 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

On the basis of an AGM resolution of 31 May 2016, the Management Board is authorised to increase the share capital, with Supervisory Board assent, once or 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**

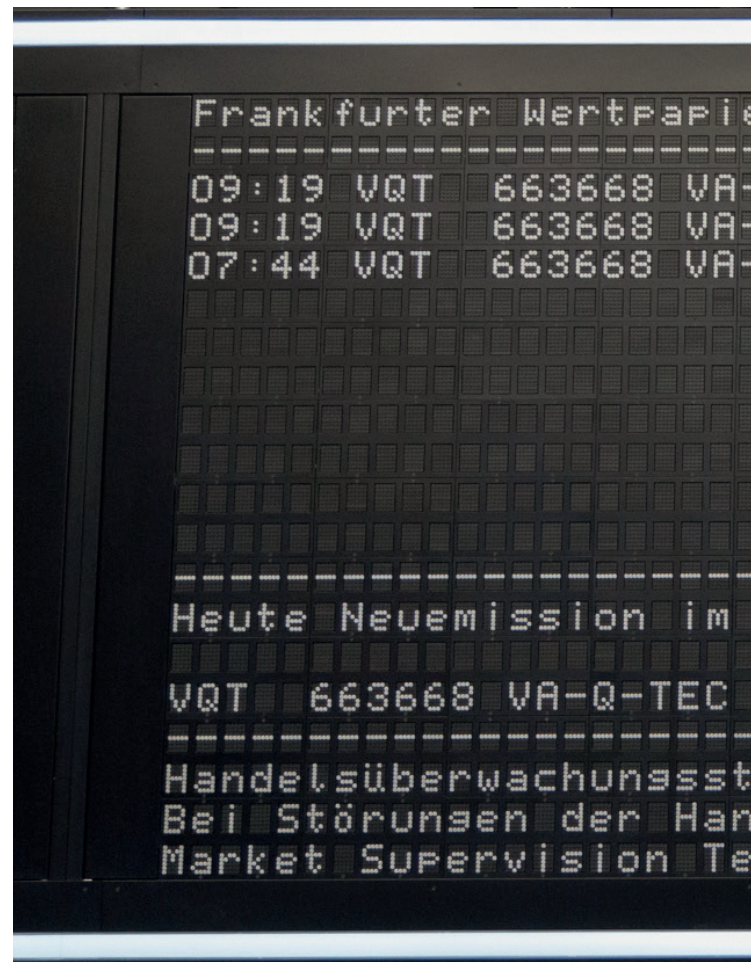
Pursuant to Section 6.5 of the company's bylaws, the share capital is conditionally increased by EUR 1,000,000 through issuing up to 1,000,000 new ordinary registered shares (Contingent Capital 2016). The Contingent Capital 2016 serves exclusively to grant shares on the exercise of conversion and option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

The company has no agreements in the meaning of Section 315 (4) Nos. 8 and 9 of the German Commercial Code (HGB).

**2.7 CORPORATE GOVERNANCE STATEMENT**

The company has published on its website at [www.va-Q-tec.com](http://www.va-Q-tec.com) within the Investor Relations area the corporate governance statement pursuant to Section 289a 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).



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erbörsen - Bekanntmachungen vom 30.09.16  
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-Q-TEC AG - ERSTER PREIS 14,00  
-Q-TEC AG - ERSTE QUOTIERUNG ( 13,00-15,00 )  
-Q-TEC AG - ERSTER HANDELSTAG  
  
-----  
elektronischen Handelssystem XETRA (XETR):  
Match. Range: Erster Preis  
AG 13,00-15,00 14,00  
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elle FWB Tel.: 2 11 1 - 52 96  
dels- und Anzeigesysteme:  
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va-Q-tainer US<sup>x</sup>

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## CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

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<b>46</b>	Consolidated income statement
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<b>48</b>	Consolidated statement of financial position
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## 3 CONSOLIDATED FINANCIAL STATEMENTS 2016 OF VA-Q-TEC AG

### CONSOLIDATED INCOME STATEMENT

EUR	Notes	2016	2015
<b>Revenue</b>	<b>4.1.1</b>	<b>35,528,827</b>	<b>22,543,223</b>
Change in inventories		742,531	724,219
Work performed by the company and capitalised	4.1.2	4,506,645	4,870,963
Other operating income	4.1.3	2,099,574	1,419,330
<b>Total income</b>		<b>42,877,577</b>	<b>29,557,735</b>
Cost of raw materials and services	4.1.4	-17,324,430	-12,354,411
<b>Gross profit</b>		<b>25,553,147</b>	<b>17,203,324</b>
Personnel expenses	4.1.5	-11,814,732	-8,853,712
Other operating expenses	4.1.7	-8,521,618	-4,751,021
<b>EBITDA</b>		<b>5,216,797</b>	<b>3,598,591</b>
Depreciation, amortisation and impairment losses	4.1.6	-5,639,459	-3,169,484
<b>Earnings before interest and tax (EBIT)</b>		<b>-422,662</b>	<b>429,107</b>
<b>Result from equity accounted investments</b>	<b>4.1.8</b>	<b>-59,179</b>	<b>-4,903</b>
Financial income		4,114	590
Financial expenses		-1,623,045	-1,059,421
<b>Net financial result</b>	<b>4.1.9</b>	<b>-1,618,931</b>	<b>-1,058,831</b>
<b>Earnings before tax (EBT)</b>		<b>-2,100,772</b>	<b>-634,627</b>
Income tax	4.1.10	312,718	305,443
<b>Net income</b>		<b>-1,788,054</b>	<b>-329,184</b>
<b>Consolidated net income attributable to owners of va-Q-tec AG</b>		<b>-1,726,932</b>	<b>-357,971</b>
Consolidated net income attributable to non-controlling interests		-61,123	28,787
<b>Earnings per share - basic</b>	<b>4.1.11</b>	<b>-0.17</b>	<b>-0.04</b>
<b>Earnings per share - diluted</b>	<b>4.1.11</b>	<b>-0.17</b>	<b>n/a</b>



## CONSOLIDATED STATEMENT OF COMPEHENSIVE INCOME

EUR	Notes	2016	2015
<b>Net Income</b>		<b>-1,788,054</b>	<b>-329,183</b>
Consolidated other comprehensive income			
Currency translation differences	4.2.2.1	-11,592	-12,912
<b>Total other comprehensive income that will be reclassified to profit or loss</b>		<b>-11,592</b>	<b>-12,912</b>
<b>Consolidated total comprehensive income</b>		<b>-1,799,647</b>	<b>-342,095</b>
<b>Consolidated total comprehensive income attributable to owners of va-Q-tec AG</b>		<b>-1,738,524</b>	<b>-370,883</b>
Consolidated total comprehensive income attributable to non-controlling interests		-61,123	28,787

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### Assets

EUR	Notes	31/12/2016	31/12/2015
<b>Non-current assets</b>			
Intangible assets	4.2.1.1	440,957	364,961
Property, plant and equipment	4.2.1.2	31,410,609	28,043,616
Equity accounted interest	4.2.1.3	435,918	370,097
Financial assets	4.2.1.4	66,770	46,214
Other non-financial assets	4.2.1.5	234,384	54,450
Deferred tax assets	4.1.10	2,839,618	2,146,935
<b>Total non-current assets</b>		<b>35,428,256</b>	<b>31,026,273</b>
<b>Current assets</b>			
Inventories	4.2.1.6	5,683,812	4,577,210
Trade receivables	4.2.1.7	7,141,968	4,415,527
Other financial assets - of which deposits (6 - 12 months): 30,000,000	4.2.1.4	30,183,591	16,107
Current tax assets		377,839	25
Other current assets	4.2.1.5	748,475	704,435
Cash and cash equivalents	4.2.1.8	4,600,437	1,186,045
<b>Total current assets</b>		<b>48,736,122</b>	<b>10,899,349</b>
<b>Total assets</b>		<b>84,164,378</b>	<b>41,925,622</b>

*Equity and Liabilities*

EUR	Notes	31/12/2016	31/12/2015
<b>Equity</b>	<b>4.2.2.1</b>		
Issued share capital		13,089,502	4,578,187
Treasury shares		-470,631	-
Additional paid-in capital		46,666,302	9,030,470
Cumulative other comprehensive income		-32,969	-21,376
Retained earnings		-5,315,915	-3,588,984
<b>Equity attributable to parent company owners</b>		<b>53,936,289</b>	<b>9,998,297</b>
Non-controlling interests	2.2	-	-6,588
<b>Total equity</b>		<b>53,936,289</b>	<b>9,991,709</b>
<b>Non-current liabilities</b>			
Provisions	4.2.2.2	17,400	46,400
Bank borrowings	4.2.2.3	2,173,111	2,016,575
Other financial liabilities	4.2.2.4	4,012,249	5,108,042
Other non-financial liabilities	4.2.2.5	7,150,616	7,450,749
<b>Total non-current liabilities</b>		<b>13,353,377</b>	<b>14,621,766</b>
<b>Current liabilities</b>			
Provisions	4.2.2.2	37,329	77,000
Bank borrowings	4.2.2.3	5,410,141	6,893,775
Other financial liabilities	4.2.2.4	5,791,059	5,785,142
Trade payables	4.2.2.6	2,346,965	1,633,172
Tax liabilities		215,015	518,996
Other non-financial liabilities	4.2.2.5	3,074,202	2,404,062
<b>Total current liabilities</b>		<b>16,874,712</b>	<b>17,312,147</b>
<b>Total equity and liabilities</b>		<b>84,164,378</b>	<b>41,925,622</b>

## CONSOLIDATED STATEMENT OF CASH FLOW

EUR	2016	2015
<b>Cash flow from operating activities</b>		
Net income	-1,788,054	-329,184
Current income taxes recognised income statement	-162,597	528,989
Income taxes paid	3,818	-32,341
Net finance costs recognised income statement	1,618,931	1,058,831
Interest received	59	590
Interest paid	-1,200,046	-815,726
Non-cash losses from equity accounted investments	59,179	4,903
Depreciation, amortisation and impairment losses	5,639,459	3,169,484
Gain/loss from disposal of non-current assets	-385,983	-6,979
Change in other assets	-789,827	533,828
Change in other liabilities	789,811	551,103
Change in provisions	-68,671	26,915
Other non-cash expenses or income	-1,610,789	-2,518,589
<b>Cash flow from operating activities before working capital changes</b>	<b>2,105,290</b>	<b>2,171,824</b>
Change in inventories	-1,196,699	-403,220
Change in trade receivables	-2,726,441	-1,021,600
Change in trade payables	713,793	-586,212
<b>Net cash flow from operating activities</b>	<b>-1,104,057</b>	<b>160,792</b>
<b>Cash flow from investing activities</b>		
Payments for investment in intangible assets	-181,393	-308,083
Proceeds from disposal of property, plant and equipment	385,983	15,594
Payments for investments in property, plant and equipment	-5,412,275	-6,525,261
Payments for investments in short-term deposits	-30,000,000	-
Payments for acquisition of interests in associates	-125,000	-375,000
<b>Net cash flow from investing activities</b>	<b>-35,332,685</b>	<b>-7,192,750</b>

EUR	2016	2015
<b>Cash flow from financing activities</b>		
Proceeds from equity increases	46,125,000	-
Proceeds from shareholders' reimbursement for equity transaction	469,612	-
Payments to purchase of treasury shares	-763,398	-
Payments for equity transaction costs	-2,326,577	-35,218
Proceeds from bank loans	1,366,655	4,290,732
Repayments of bank loans	-2,693,752	-640,764
Repayment of other financial liabilities	-1,323,102	-
Proceeds from sale-and-finance-leaseback transactions	4,086,972	7,214,881
Proceeds from government grants	-	637,761
Net cash inflow from factoring	-	155,933
Payments for finance leases liabilities	-5,090,892	-4,648,670
<b>Net Cash flow from financing activities</b>	<b>39,850,518</b>	<b>6,974,655</b>
<b>Change in cash and cash equivalents before exchange rate effects</b>	<b>3,413,776</b>	<b>-57,303</b>
Effect of exchange rate changes on cash and cash equivalents	615	-360
<b>Change in cash and cash equivalents</b>	<b>3,414,391</b>	<b>-57,663</b>
<b>Cash and cash equivalents at start of period</b>	<b>1,186,045</b>	<b>1,243,708</b>
<b>Cash and cash equivalents at end of period</b>	<b>4,600,437</b>	<b>1,186,045</b>

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



## CONSOLIDATED CHANGES IN EQUITY

EUR	Issued share capital	Treasury shares	Additional paid-in capital
<b>01/01/2015</b>	<b>4,578,187</b>	-	<b>9,055,249</b>
Net income	-	-	-
Consolidated other comprehensive income	-	-	-
<b>Consolidated total comprehensive income</b>	-	-	-
Equity transaction costs	-	-	-24,779
Change in non-controlling interest	-	-	-
<b>31/12/2015</b>	<b>4,578,187</b>	-	<b>9,030,470</b>
<b>01/01/2016</b>	<b>4,578,187</b>	-	<b>9,030,470</b>
Net income	-	-	-
Consolidated other comprehensive income	-	-	-
<b>Consolidated total comprehensive income</b>	-	-	-
Issue of share options	-	-	168,796
Purchase of treasury shares	-	-763,398	-
Sale of treasury shares	-	360,000	1,187,190
Capital increase from company funds (share split)	4,578,187	-67,233	-4,510,954
Non-cash capital increase/ acquisition of non-controlling interests	183,128	-	-294,822
Capital increase through issue proceeds	3,750,000	-	42,375,000
Transfer to reserves	-	-	-
Change in non-controlling interest	-	-	-
Distributions	-	-	-
Equity transaction costs	-	-	-1,615,451
Proportional reimbursement of equity transaction costs	-	-	326,074
<b>31/12/2016</b>	<b>13,089,502</b>	<b>-470,631</b>	<b>46,666,302</b>

For more information please see note 4.3 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			
	<b>-3,242,828</b>	<b>-8,464</b>	<b>10,382,144</b>	<b>-23,584</b>	<b>10,358,560</b>
	-357,971	-	-357,971	28,787	-329,184
	-	-12,912	-12,912	-	-12,912
	<b>-357,971</b>	<b>-12,912</b>	<b>-370,883</b>	<b>28,787</b>	<b>-342,096</b>
	-	-	-24,779	-	-24,779
	<b>11,815</b>	-	<b>11,815</b>	<b>-11,791</b>	<b>24</b>
	<b>-3,588,984</b>	<b>-21,376</b>	<b>9,998,297</b>	<b>-6,588</b>	<b>9,991,709</b>
	<b>-3,588,984</b>	<b>-21,376</b>	<b>9,998,297</b>	<b>-6,588</b>	<b>9,991,709</b>
	-1,726,932	-	-1,726,932	-61,123	-1,788,054
	-	-11,592	-11,592	-	-11,592
	<b>-1,726,932</b>	<b>-11,592</b>	<b>-1,738,524</b>	<b>-61,123</b>	<b>-1,799,647</b>
	-	-	168,796	-	168,796
	-	-	-763,398	-	-763,398
	-	-	1,547,190	-	1,547,190
	-	-	-	-	-
	-	-	-111,694	67,711	-43,983
	-	-	46,125,000	-	46,125,000
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-1,615,451	-	-1,615,451
	-	-	326,074	-	326,074
	<b>-5,315,915</b>	<b>-32,969</b>	<b>53,936,289</b>	<b>-</b>	<b>53,936,289</b>

# 1 GENERAL INFORMATION

## 1.1 INFORMATION ABOUT THE COMPANY

The company va-Q-tec AG, which has its headquarters in Germany, 97080 Würzburg, Karl-Ferdinand-Braun Strasse 7, 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 supply 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: Appliance & Food, Technics & Industry, Mobility and Building.

This set of consolidated financial statements of va-Q-tec for the financial year ending 31 December 2016 was approved for publication by the Management Board on 24 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 2016 on the basis of 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 euros (EUR), which is both the functional and the reporting currency of va-Q-tec. Differences of up to one unit (EUR, %) relate to arithmetic rounding differences.

### 1.3 EFFECTS OF NEW ACCOUNTING STANDARDS

The va-Q-tec Group has applied uniform accounting methods for all of the periods presented in its IFRS consolidated financial statements. These comply with the mandatory applicable IFRS in the EU in the 2016 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 2016, and were applied for the first time by the company.

#### Amendments to IFRS adopted into EU law for financial years commencing after January 1, 2016

Standard	Title	Mandatory application for financial years commencing from
Amendment to IFRS 11	Acquisition of an Interest in a Joint Operation	01/01/2016
Amendments to IAS 1	Disclosure Initiative	01/01/2016
Amendments to IAS 16 / IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation	01/01/2016
Amendments to IAS 27	Equity Method in Separate Financial Statements	01/01/2016
Amendments to IFRS 10, 12, IAS 28	Investment Entities: Applying the Consolidation Exception	01/01/2016
Improvements to IFRS (2012-2014)	Annual Improvements 2012-2014	01/01/2016

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 2016. The company has not applied these regulations early.

**Standards of IFRS adopted into EU law, but not applied by the company**

<b>Standard</b>	<b>Title</b>	<b>Mandatory application for financial years commencing from</b>
IFRS 9	Financial instruments	01/01/2018
IFRS 15	Revenue from Contracts with Customers	01/01/2018

According to the analyses that have been conducted, this creates no effects for accounting and measurement for the 2017 financial year.

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 financial 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 financial instruments that va-Q-tec will hold as of that date, and the economic conditions prevailing on that date.

The new regulations and definitions relating to revenue recognition in IFRS 15 replace not only the contents of IAS 18 – Revenue but also those of IAS 11 – Construction Contracts, as well as related interpretations. Pursuant to IFRS 15, revenue is to be recognised if the customer gains power over the agreed goods and services, and can draw benefit from them. Revenue is to be measured at the amount of consideration the company expects to receive.

The new IFRS 15 also includes numerous disclosure requirements relating to the type, level, timing and uncertainty of revenue as well as cash flows resulting from contracts with customers.

va-Q-tec AG does not plan to apply IFRS 15 retrospectively. Potential effects of the new standard are currently being analysed and no reliable statements can be made about its prospective effects.



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

**Standards of IFRS not yet adopted into EU law**

<b>Standard</b>	<b>Title</b>	<b>Mandatory application for financial years commencing from</b>
IFRS 16	Leases	01/01/2019
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses	01/01/2017
Amendments to IAS 7	Consolidated statement of cash flows	01/01/2017
Amendments to IFRS 2	Classification and Measurement of Share-Based Payment Transactions	01/01/2018
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	01/01/2018
Amedments to IFRS 15	Clarifications to IFRS 15	01/01/2018
Amendments to IAS 40	Transfers of Investment Property	01/01/2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	01/01/2018
Improvements to IFRS (2014-2016)	Annual Improvements 2014-2014	01/01/2018
Improvements to IFRS (2014-2016)	Annual Improvements 2010-2012	01/01/2017

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 are being analysed currently.

## 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 resulting 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 2016, the following subsidiaries were fully consolidated:

Name	Headquarters	Equity interest 31.12.2016	Equity interest 31.12.2015
va-Q-tec Ltd. (UK)	Rochester, UK	100 %	94 %
va-Q-tec Inc. (USA)	East Rutherford, NJ, USA	100 %	100 %
va-Q-tec Ltd. (Korea)	Joong-gu, Incheon, Republic of Korea	100 %	100 %

The non-controlling interests in the UK subsidiary were contributed to va-Q-tec AG by the minority shareholder as part of a non-cash capital increase. In the previous year, by way of divergence from the economic capital interest in va-Q-tec Ltd (UK), va-Q-tec AG legally held 90% of the shares and consequently of the voting rights. Please refer to the segment reporting for key financial information about the subsidiaries.

va-Q-tec AG and its subsidiaries together form the va-Q-tec Group.

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

Since va-Q-tec Ltd (UK) was founded in 2011, a co-shareholder held a legal 10% interest in the company, and was entitled to vote to this level. Due to economic restrictions, the shares were attributed to the majority shareholder until 1 January 2013, and no non-controlling interests were reported in the consolidated financial statements as a consequence. In 2013, 2014 and 2015, the economic restrictions were lifted for 2% of the capital interests in each case. In all three cases, the transaction was recognised directly in equity as a majority-preserving reduction of interest, and resulted in the reporting of non-controlling interests. In September 2016, va-Q-tec AG, through a non-cash capital contribution by the minority shareholder, acquired this minority shareholder's interest in the UK subsidiary. As of 31 December 2016, va-Q-tec AG holds 100% of the shares both economically and legally. From the Group's view, the transaction was recognised directly in equity as a majority-preserving increase in an interest held.

In 2015, va-Q-tec AG acquired a non-controlling interest of 14.6% in SUMTEQ GmbH, Cologne, for EUR 375,000, an interest it increased to 18.5% in November 2016 through a capital increase of EUR 125,000. SUMTEQ is a young technology company that develops innovative foams that are to be employed in the future as high-performance core materials for VIPs. To this extent, this comprises a strategic investment.

## 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. Non-controlling interests are reported according to the interest in the net assets of the respective company that is attributable to them.

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 and South Korea 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 individual 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 prevailing rate 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	
	31/12/2016	31/12/2015	2016	2015
British pound	0.8562	0.7739	0.8444	0.7258
US dollar	1.0541	1.0887	1.0543	1.1095
South Korean won	1,269.36	1,280.78	1,248.48	1,256.54



## 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 has transferred to 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 taken 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 have 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. Diluted earnings per share are calculated on the assumption that all potentially dilutive instruments and share-based payment plans are converted or exercised.

## 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 are depreciated straight-line in accordance with the assets' utilisation type and useful life. Depreciation commences 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 predominantly on the following useful lives:

Buildings	
Buildings	33 years
Outdoor and other facilities	8 – 14 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 – 5 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.

#### **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. No such assets existed as of the 31 December 2016 balance sheet date. 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 of disposal, 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 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) over the carrying amount or the own work capitalised, resulting from the sale of containers, 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 five-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.

By contrast with 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.

#### **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. By way of divergence from this approach, the treasury shares in the half-year financial report were still recognised by applying the modified par value method where the nominal value was offset with subscribed share capital. The portion of purchase costs exceeding this amount was offset with additional paid-in capital. The Management Board assumes this detailed reporting within equity presents the scope of transactions with treasury shares on a comprehensible basis, thereby justifying the amended accounting treatment.

#### **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 current programme with allocations in 2013 and 2016 respectively lead to a fair value of EUR zero 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. As a matter of principle, the calculated fair value is recognised straight-line over the period until vesting as an expense with a corresponding increase in equity (additional paid-in capital), and is based on the Group's expectations concerning equity instruments to be vested prospectively. No expense was recognised for the options allocated in 2013 with a fair value of zero. On each reporting date, the Group reviews its estimates relating to the number of equity instruments that will become vested. This option program expired with the IPO of va-Q-tec AG.

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. By contrast with the previous year, in 2016 va-Q-tec AG received no further government grants for the acquisition of long-term 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 on historical 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:

EUR	2016	2015
Products	11,287,129	7,411,292
Systems	10,426,393	5,253,947
Services	13,189,428	9,395,006
Other	625,877	482,978
<b>Group, total</b>	<b>35,528,827</b>	<b>22,543,223</b>

The Products business comprises the production and sale of vacuum insulation panels and heat storage components. These products are sold in the following sectors: Healthcare & Logistics, Appliance & Food, Technics & Industry, Mobility and Building. The Systems business comprises the sale of thermal packaging to customers in the Healthcare & Logistics sector. The Services business comprises the container and box rental business for the transportation of temperature-sensitive goods, predominantly products from the pharmaceuticals and biotech sector. In particular, revenues from renting high-performance boxes reported significant growth in 2016. Other revenues are generated through thermal consulting and government-subsidised research projects.

Compared with the previous year, the business in the three main business lines of Products, Systems and Services together generated 58% revenue growth. Service revenues also include compensation payments from customers for thermal boxes unreturned within the rental network in an amount of EUR 527,528 (previous year: EUR 21,101). Such revenues were still reported as other operating income in the Group interim report as of 30 June 2016.

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 2015 and 2016 financial years. Work performed by the company and capitalised deriving from the container and box fleets registered a significant increase in 2016 due to the strong growth of operating activities in this area.

EUR	2016	2015
Work performed by the company and capitalised arising from container sale-and-finance-leaseback transactions	2,144,764	3,756,594
Work performed by the company and capitalised arising from expansion of rental-boxes-fleet	1,286,665	316,626
Other work performed by the company and capitalised	1,075,216	797,744
<b>Group, total</b>	<b>4,506,645</b>	<b>4,870,963</b>

Of the total research and development costs of EUR 1,246,192 incurred in 2016 (previous year: EUR 1,043,815), EUR 51,508 (previous year: EUR 32,328) 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

EUR	2016	2015
Income from release of special item for deferred container profits	1,417,704	678,851
Income from release of special item for grants	434,141	395,017
Income from other accounting periods	78,859	104,310
Exchange rate gains	33,200	88,482
Renewable energy subsidies	20,500	21,852
Gains on fixed asset disposals	-	14,954
Income from insurance compensation	3,947	100
Other income	111,222	115,764
<b>Group, total</b>	<b>2,099,574</b>	<b>1,419,330</b>

Income from the release of the special item for deferred container profits reported sharp growth in 2016, after the corresponding special item had reported a considerable increase in 2015 and 2016 due to the expansion of the container fleet.

#### 4.1.4 Cost of materials and services

EUR	2016	2015
Cost of raw materials and supplies	13,362,692	9,776,948
Cost of purchased services	3,961,738	2,577,463
<b>Group, total</b>	<b>17,324,430</b>	<b>12,354,411</b>

The marked rise in expenses for purchased services reflects the strong growth in the Services business. As part of renting out containers and boxes, the Group makes considerable use of warehousing, logistics and fulfilment services provided by 3rd party service providers. Especially during the ramp-up phase for the international container network managed by the UK subsidiary, high costs are also incurred for the expansion of network stations and the repositioning of containers within the network.

#### 4.1.5 Personnel expenses

The following table shows the trend in personnel expenses in the 2015 and 2016 financial years.

EUR	2016	2015
Wages and salaries	10,228,266	7,592,957
Social security contributions	1,586,466	1,260,755
<b>Group, total</b>	<b>11,814,732</b>	<b>8,853,712</b>

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 EUR 657,101 in the reporting year (previous year: EUR 524,463). In addition, va-Q-tec AG renders contributions of EUR 74,209 (previous year: EUR 66,024) to direct insurance as part of its company pension scheme. A defined contribution pension plan also

exists for the subsidiary in the UK. Contributions amounting to EUR 40,050 (previous year: EUR 0) were expensed for this. Defined contribution commitments have also existed for the Management Board members since 2014, for which EUR 22,373 (previous year: EUR 21,868) was paid into an external congruently reinsured pension fund in the current financial year. As a consequence, EUR 793,733 (previous year: EUR 612,355) of expenses for defined contribution pension plans were recognised.

Wages and salaries include EUR 168,796 of costs for granting options to employees (previous year: EUR 0). See section 5.3 for more information about share-based payment.

The average number of employees in the 2015 and 2016 financial years is presented below:

	2016	2015
Male employees	193	165
Female employees	74	47
<b>Group, total</b>	<b>267</b>	<b>212</b>

#### 4.1.6 Depreciation, amortisation and impairment losses

Depreciation and amortisation charges of EUR 5,639,459 were incurred in the 2016 financial year (previous year: EUR 3,169,484). No impairment losses or reversals of impairment losses occurred in either of these financial years.

#### 4.1.7 Other operating expenses

EUR	2016	2015
IPO related expense	1,568,081	62,986
Marketing and sales	1,388,993	1,088,995
Legal, patent and consulting costs	1,356,076	811,408
Rent and leasing	958,372	574,542
Repair and maintenance	639,072	562,100
Freight	509,368	375,256
IT and other office costs	376,943	218,471
Expense for asset disposal (boxes)	326,794	-
Other personnel expense	317,959	203,087
Insurance and contributions	191,117	231,048
Expense relating to other accounting periods	137,527	83,599
Supervisory Board compensation	124,930	100,901
Exchange rate losses	83,848	51,162
Other	542,538	387,466
<b>Group, total</b>	<b>8,521,618</b>	<b>4,751,021</b>

The expenses connected with the IPO item comprise EUR 1,259,601 (previous year: EUR 62,986) for legal, patent and consulting costs, EUR 223,975 (previous year: EUR 0) for bank fees, and EUR 84,504 (previous year: EUR 0) for other expenses connected with the IPO. The legal, patent and consulting costs item increased due to a greater level of patent activity and commercial consulting. Rental expenses reported a marked increase as a consequence of the rental of additionally required production and logistics spaces in Würzburg. The "Other" item comprises mainly incidental money transfer costs, expenses for other taxes and for other resources and services required for operations such as laboratory supplies and outsourced commercial activities.

#### 4.1.8 Result from equity accounted investments

A proportional negative result of EUR 59,179 (previous year: EUR 4,903) was incurred from an equity accounted investment in the current financial year.

#### 4.1.9 Financial result

EUR	2016	2015
Interest income	59	590
Income from derivative financial instruments	4,055	-
<b>Financial income</b>	<b>4,114</b>	<b>590</b>
Interest expense	-462,450	-354,617
Expenses from derivative financial instruments	-388,102	-170,026
Interest expense from finance lease	-772,493	-534,778
<b>Financial expenses</b>	<b>-1,623,045</b>	<b>-1,059,421</b>
<b>Net financial result</b>	<b>-1,618,931</b>	<b>-1,058,831</b>

The expenses from derivative financial instruments include the expense incurred in 2016 from the fair value change recognised through profit or loss of a special termination right embedded in a dormant investment. The investment company exercised the special termination right as part of the IPO, which led to an outgoing payment of EUR 823,102 (see section 4.2.2.4 for more information).

#### 4.1.10 Income tax

EUR	2016	2015
<b>Actual tax expense (tax income)</b>		
Current period	-158,779	529,060
Prior periods	-3,818	-71
<b>Deferred tax expense (tax income)</b>	<b>-150,121</b>	<b>-834,432</b>
<b>Group, total</b>	<b>-312,718</b>	<b>-305,443</b>

Deferred tax is calculated applying tax rates that are valid or expected to be valid on the basis of 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 30.6% income tax rate (previous year: 29.6%). 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 increased in 2016 due to a higher applicable local trade tax rate.

EUR	2016	2015
<b>Consolidated earnings before tax</b>	<b>-2,100,772</b>	<b>-634,627</b>
Expected income tax expense	30.6%	29.6%
<b>Expected income tax expense (tax income)</b>	<b>-642,206</b>	<b>-188,122</b>
Tax-free income	-2,248	-39,370
Non-tax-deductible operating expenses	50,814	33,942
Non-capitalised deferred taxes on temporary differences and tax loss carryforwards	505,550	67,911
Effects change in tax rate	-58,250	0
Utilisation of non-capitalised loss carryforwards	-149,046	-3,664
Taxes on income from other periods	3,818	-71
Divergent foreign tax rates	-23,718	-143,933
Other effects	2,568	-32,135
<b>Reported tax expense (tax income)</b>	<b>-312,718</b>	<b>-305,443</b>

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

EUR	2016			2015		
	Before tax	Deferred tax	After tax	Before tax	Deferred tax	After tax
Equity transaction costs offset in additional paid-in capital	-2,326,577	711,126	-1,615,451	-35,218	10,440	-24,778
Proportional reimbursement of equity transaction costs by previous shareholders	469,612	-143,538	326,074	0	0	0
Effect on additional paid-in capital	-1,856,965	567,587	-1,289,378	-35,218	10,440	-24,778

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

31/12/2016 EUR	Deferred tax assets 31/12/2016	Deferred tax liabilities 31/12/2016
<b>ASSETS</b>		
Intangible assets	-	29,777
Property, plant and equipment	165,607	182,319
Interests in subsidiaries, joint ventures and associates	-	-
Non-current financial assets	-	23,088
Inventories	87,201	-
Trade receivables	66	12,226
Other current financial assets	-	-
Other current non-financial assets	-	-
<b>EQUITY AND LIABILITIES</b>		
Non-current provisions	464	-
Non-current financial liabilities	24,361	-
Other non-current non-financial liabilities	1,887,164	-
Current provisions	3,554	-
Trade payables	-	-
Other current financial liabilities	-	-
Other current non-financial liabilities	-	-
Loss carryforwards	1,010,031	-
<b>Total deferred taxes before impairment</b>	<b>3,178,448</b>	<b>247,410</b>
Impairment	-91,420	-
<b>Total deferred taxes before offsetting</b>	<b>3,087,028</b>	<b>247,410</b>
Offsetting	-247,410	
<b>As reported</b>	<b>2,839,618</b>	



<b>31/12/2015</b> EUR	Deferred tax assets 31/12/2015	Deferred tax liabilities 31/12/2015
<b>ASSETS</b>		
Intangible assets	-	17,552
Property, plant and equipment	191,540	190,483
Interests in subsidiaries, joint ventures and associates	-	-
Non-current financial assets	-	19,170
Inventories	46,598	-
Trade receivables	-	138,200
Other current financial assets	-	-
Other current non-financial assets	-	-
<b>EQUITY AND LIABILITIES</b>		
Non-current provisions	-	-
Non-current financial liabilities	36,373	-
Other non-current financial liabilities	1,321,656	-
Current provisions	-	-
Other current financial liabilities	262,505	-
Other current non-financial liabilities	395,042	-
Loss carryforwards	258,626	-
<b>Total</b>	<b>2,512,340</b>	<b>365,405</b>
Offsetting	-365,405	-
<b>As reported</b>	<b>2,146,935</b>	<b>-</b>

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, EUR 1,012,674 (previous year: EUR 274,796) 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 2016. 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 2016, tax loss carryforwards amount to EUR 1,305,496 (31 December 2015: EUR 637,072), for which no deferred tax assets were recognised. These tax loss carryforwards derive from the subsidiary in the UK. In 2016, 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. This reduced the deferred tax assets in an amount of EUR 91,420 (previous year: EUR 0). The tax loss carryforwards in the UK can be utilised on an unlimited basis.

The existing deferred taxes on tax loss carryforwards of the subsidiaries in Korea and the USA, which were not capitalised until 31 December 2015, were capitalised in the reporting period for the first time in an amount of EUR 163,984 due to the companies' positive business trends as well as the planned usability of the tax loss carryforwards. In the previous year, tax loss carryforwards of EUR 637,072 existed for these companies for which no deferred tax was recognised. 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.

The calculation of diluted 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, after adjusting for all dilution effects deriving from potential ordinary shares.

Earnings per share are as follows:

	2016	2015
<b>Consolidated net result after non controlling interests (EUR)</b>	<b>-1,726,932</b>	<b>-357,971</b>
Weighted average number of shares	10,089,773	9,156,374
Earnings per share (EUR) (prior year incl. preference shares)	-0.17	-0.04
Weighted average number of shares - diluted	10,186,068	n/a
Earnings per share -diluted (EUR)	-0.17	n/a

The preference shares that existed until mid-2016 and ordinary shares of va-Q-tec AG enjoyed equal entitlement in terms of dividends. For this reason, earnings per share in relation to ordinary shares and preference shares had no need to be reported separately in the previous accounting period. Compared with the previous year, the earnings per share reported for 2015 were adjusted to reflect the capital increase from company funds in a 1:2 ratio (share split), which was implemented in 2016. Diluted earnings per share is reported only for 2016, as a dilution effect due to stock options only arose as a result of the IPO in this year.

#### Weighted average number of shares

in thousand of shares	2016	2015
Shares issued as of 1 January	4,578,187	4,578,187
Retrospective effect of capital increase from company funds (share split)	4,578,187	4,578,187
Effect of purchase of treasury shares	-186,144	
Effect from issuing treasury 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 - 31.12.2016	32,098	
<b>Weighted average number of ordinary shares (undiluted / basic) as of 31 December</b>	<b>10,089,773</b>	<b>9,156,374</b>
Effect of vested share options - for 01.01.2016 - 30.09.2016	96,295	
<b>Weighted average number of ordinary shares (diluted) as of 31 December</b>	<b>10,186,068</b>	<b>9,156,374</b>

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 STATEMENT OF FINANCIAL POSITION

### 4.2.1 Assets

#### 4.2.1.1 Intangible assets

Non-current assets

EUR	Aquisition and production cost					Balance on 31/12/2016
	Balance on 01/01/2016	Exchange rate differences	Additions	Reclassifications	Disposals	
1. Software	657,764	-	129,885	-	28,805	758,844
2. Internally generated intangible assests	-	-	51,508	55,096	-	106,604
3. Internally generated intangible assests in production stage	55,096	-	-	-55,096	-	-
<b>Intangible assets, total</b>	<b>712,860</b>	<b>-</b>	<b>181,393</b>	<b>-</b>	<b>28,805</b>	<b>865,448</b>

Non-current assets

EUR	Depreciation, amortisation and impairment losses					Carrying amounts		
	Balance on 01/01/2016	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. Software	347,899	-	96,213	-	28,805	415,307	343,537	309,865
2. Internally generated intangible assests	-	-	9,183	-	-	9,183	97,421	-
3. Internally generated intangible assests in production stage	-	-	-	-	-	-	-	55,096
<b>4. Intangible assets, total</b>	<b>347,899</b>	<b>-</b>	<b>105,396</b>	<b>-</b>	<b>28,805</b>	<b>424,490</b>	<b>440,958</b>	<b>364,961</b>

## Non-current assets

EUR	Aquisition and production cost					
	Balance on 01/01/2015	exchange rate differences	Additions	Reclassifications	Disposals	Balance on 31/12/2015
1. Software	382,009	-	275,755	-	-	657,764
2. Internally generated intangible assests	-	-	-	-	-	-
3. Internally generated intangible assests in production stage	22,768	-	32,328	-	-	55,096
<b>Intangible assets, total</b>	<b>404,777</b>	<b>-</b>	<b>308,083</b>	<b>-</b>	<b>-</b>	<b>712,860</b>

## Non-current assets

EUR	Depreciation, amortisation and impairment losses				Carrying amounts		
	Balance on 01/01/2015	exchange rate differences	Depreciation, amortisation and Impairment losses in the financial year	Disposals	Balance on 01/12/2015	Balance on 01/01/2015	Balance on 01/01/2015
1. Software	298,743	-	49,156	-	347,899	309,865	82,266
2. Internally generated intangible assests	-	-	-	-	-	-	-
3. Internally generated intangible assests in production stage	-	-	-	-	-	55,096	22,768
<b>Intangible assets, total</b>	<b>298,743</b>	<b>-</b>	<b>49,156</b>	<b>-</b>	<b>347,899</b>	<b>364,961</b>	<b>106,034</b>

The software and other purchase intangible assets item amounting to EUR 343,536 (previous year: EUR 309,865) included intangible assets from a finance lease that expired as planned in 2016. The net carrying amount of the respective assets amounted to EUR 4,115 in the previous year.

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

EUR	Aquisition and production cost					Balance on 31/12/2016
	Balance on 01/01/2016	exchange rate differences	Additions	Reclassifications	Disposals	
1. Land and buildings	4,980,116	-	1,656,070	-	-	6,636,186
2. Production equipment and machinery	11,555,227	-	302,640	37,095	4,044	11,890,918
3. Other plant, operating and office equipment	2,891,695	929	1,823,529	1,196,449	638,307	5,274,295
4. Container fleet	14,086,487	-	4,565,265	-31,644	85,954	18,534,155
5. Plant under construction	4,185,252	-	926,574	-1,201,901	-	3,909,925
<b>Property, plant and equipment, total</b>	<b>37,698,777</b>	<b>929</b>	<b>9,274,077</b>	<b>-</b>	<b>728,305</b>	<b>46,245,478</b>

##### Non-current assets

EUR	Depreciation, amortisation and impairment losses					Carrying amounts		
	Balance on 01/01/2016	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	815,949	-	164,249	-	-	980,198	5,655,988	4,164,167
2. Production equipment and machinery	4,077,753	-	1,189,235	122,142	2,737	5,386,393	6,504,525	7,477,473
3. Other plant, operating and office equipment	2,102,470	312	748,736	-	324,565	2,526,953	2,747,342	789,225
4. Container fleet	2,658,988	-	3,431,843	-122,142	27,364	5,941,325	12,592,830	11,427,499
Plant under construction	-	-	-	-	-	-	3,909,925	4,185,252
<b>Intangible assets, total</b>	<b>9.655.160</b>	<b>312</b>	<b>5.534.063</b>	<b>-</b>	<b>354.667</b>	<b>14.834.868</b>	<b>31.410.610</b>	<b>28.043.616</b>

## Non-current assets

EUR	Aquisition and production cost					Stand am 31/12/2015
	Stand am 01/01/2015	exchange rate differences	Additions	Reclassi- fications	Disposals	
1. Land and buildings	4,951,735	-	28,381	-	-	4,980,116
2. Production equip- ment and machinery	10,047,898	-	1,135,492	372,288	451	11,555,227
3. Other plant, operat- ing amd office equip- ment	2,752,753	812	189,648	20,233	71,751	2,891,695
4. Container fleet	6,277,267	-	7,809,220	-	-	14,086,487
5. Plant under construction	3,756,966	-	820,807	392,521	-	4,185,252
<b>Property, plant and equipment, total</b>	<b>27,786,619</b>	<b>812</b>	<b>9,983,548</b>	<b>-</b>	<b>72,202</b>	<b>37,698,777</b>

## Non-current assets

EUR	Depreciation, amortisation and impairment losses				Carrying amounts		
	Balance on 01/01/2015	ex- change rate diffe- rences	Depreciati- on, amorti- sation and Impairment losses in the financi- al year	Disposals	Balance on 31/12/2015	Balance on 31/12/2015	Balance on 31/12/2014
1. Land and buildings	653,626	-	162,323	-	815,949	4,164,167	4,298,109
2. Production equipment and machinery	3,243,522	-	834,232	-	4,077,754	7,477,473	6,804,376
3. Other plant, operating amd office equipment	1,842,748	453	322,856	63,587	2,102,470	789,225	910,005
4. Container fleet	858,071	-	1,800,917	-	2,658,988	11,427,499	5,419,196
5. Plant under construction	-	-	-	-	-	4,185,252	3,756,966
<b>Intangible assets, total</b>	<b>6,597,967</b>	<b>453</b>	<b>3,120,328</b>	<b>63,587</b>	<b>9,655,161</b>	<b>28,043,616</b>	<b>21,188,652</b>

Assets arising from a finance lease are reported under property, plant and equipment. As of 31 December 2016, these are attributable in a net carrying amount of EUR 12,253,601 to the container fleet (previous year: EUR 11,048,653). Technical plant and machinery includes assets from finance leases with a net carrying amount as of 31 December 2016 of EUR 843,867 (previous year: EUR 3,582,651).



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.
- All plants and machinery from finance leases at the Kölleda location (in the previous year also the Würzburg site) serve as collateral for the financing of the leasing company. Of the other technical plant and machinery, a proportion with a carrying amount of EUR 4,730,679 (previous year: EUR 1,752,210) serves as collateral for long-term bank loans.
- From the "Other equipment" category, assets amounting to EUR 949,558 (previous year: EUR 1,408,940) 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 382,303 serve as collateral for the multibank loan that was arranged in 2016.
- The entire container fleet deriving from sale-and-finance-leaseback transactions serves the leasing company as collateral for the financing that it grants.

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

In September 2015, va-Q-tec AG acquired a non-controlling interest in Sumteq GmbH, Cologne, for EUR 375,000 and increased it in November 2016 for a further EUR 125,000. SUMTEQ is a young technology company, which is still research-oriented and which develops innovative foams that are to be employed in the future as high-performance core materials for VIPs. The interest was increased in 2016 after SUMTEQ GmbH reached an important development milestone.

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 presented includes the results of SUMTEQ for the 2016 financial year as well as for the comparable period from 1 September 2015 to 31 December 2015.

#### Financial information for SUMTEQ GmbH

EUR	31/12/2016	31/12/2015
Non-current assets	1,496,846	1,470,588
Current assets	382,308	493,034
Non-current liabilities	-448,574	-477,206
Current liabilities	-145,932	-6,881
<b>Net assets (100 %)</b>	<b>1,284,648</b>	<b>1,479,535</b>
Group share of net assets (18.5%;previous year: 14.6%)	237,660	215,272
Goodwill	198,258	154,825
<b>Carrying amount of equity accounted investments</b>	<b>435,918</b>	<b>370,097</b>

## Financial information for SUMTEQ GmbH

EUR	2016 01/01/-31/12/2016	2015 01/09/-31/12/2015
Revenues	63,750	-
Net result for the period	-319,887	-33,698
Other comprehensive income	-	-
<b>Total comprehensive income (100%)</b>	<b>-319,887</b>	<b>-33,698</b>
<b>Group share of total comprehensive income (18.5%;previous year: 14.6%)</b>	<b>-59,179</b>	<b>-4,903</b>

## 4.2.1.4 Other non-current and current financial assets

## Other financial assets

EUR	Non-current	Current	Balance on 31/12/2016
Fixed term deposits (6-12 months)	-	30,000,000	30,000,000
Suppliers with debit balances	-	79,796	79,796
Deposits	64,250	596	64,846
Miscellaneous	2,520	103,199	105,719
<b>Group, total</b>	<b>66,770</b>	<b>30,183,591</b>	<b>30,250,361</b>

## Other financial assets

EUR	Non-current	Current	Balance on 31/12/2015
Suppliers with debit balances	-	14,530	14,530
Deposits	46,214	577	46,791
Miscellaneous	-	1,000	1,000
<b>Group, total</b>	<b>46,214</b>	<b>16,107</b>	<b>62,321</b>

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.

#### 4.2.1.5 Other non-current and current non-financial assets

##### Other non-financial assets

EUR	Non-current	Current	Balance on 31/12/2016
Advance payments on intangible assets	40,811	-	40,811
Advance payments on inventories	-	1,467	1,467
VAT receivables	-	545,139	545,139
Advance payments and accrued income	193,573	171,083	364,656
Miscellaneous	-	30,786	30,786
<b>Group, total</b>	<b>234,384</b>	<b>748,475</b>	<b>982,858</b>

##### Other non-financial assets

EUR	Non-current	Current	Balance on 31/12/2015
Advance payments on intangible assets	54,450	-	54,450
VAT receivables	-	434,914	434,914
Advance payments on inventories	-	22,590	22,590
Advance payments and accrued income	-	144,559	144,559
Miscellaneous	-	102,372	102,372
<b>Group, total</b>	<b>54,450</b>	<b>704,435</b>	<b>758,885</b>

The increase in the prepayments and accrued income item reflects the deferral of IPO insurance providing long-term liability cover that was concluded in 2016. The other non-financial assets comprise mainly claims to reimbursement of energy tax.

#### 4.2.1.6 Inventories

The inventories position increased by EUR 1,106,602 (previous year: EUR 506,442), reflecting the higher level of operating activities at va-Q-tec.

##### Inventories

EUR	31/12/2016	31/12/2015
Raw materials and supplies	2,603,538	2,377,428
Work in progress	232,734	266,523
Finished products and goods	2,847,540	1,933,259
<b>Group, total</b>	<b>5,683,812</b>	<b>4,577,210</b>

Inventories as of 31 December 2016 include EUR 291,749 of impairment losses (31 December 2015: EUR 225,832). 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 EUR 585,975 as of 31 December 2016 (31 December 2015: EUR 552,621).

Inventories of the parent company in an amount of EUR 5,621,319 (previous year: EUR 0) served as collateral assigned for a multibank loan arranged in 2016. For more information about the multibank loan, please refer to the notes on bank borrowings (section 4.2.2.3).

#### 4.2.1.7 Trade receivables

*Changes in valuation allowances to trade receivables*

EUR	2016	2015
<b>Balance at 1 January</b>	<b>40,329</b>	<b>25,865</b>
Consumption	-	-
Release	9,042	-
Addition	-	14,464
<b>Balance at 31 December</b>	<b>31,286</b>	<b>40,329</b>

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

In previous years factoring agreements existed where the risk position of va-Q-tec was not significantly affected by the transfer, and which did not result in a derecognition of the related receivables as a consequence. The cash received was presented as financing, and reported among current financial liabilities. As these factoring arrangements were replaced by non-recourse factoring in 2016, the related receivables have now been fully derecognised.

Trade receivables in an amount of EUR 4,272,798 (previous year: EUR 0) also served as a global assignment of collateral for a multibank 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).

#### 4.2.1.8 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.

EUR	31/12/2016	31/12/2015
Current account balances	2,599,491	1,179,512
Savings account balances	1,999,999	4,073
Cash balances	947	2,460
<b>Group, total</b>	<b>4,600,437</b>	<b>1,186,045</b>

## 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. The company's IPO on 30 September 2016 was crucial to the development of equity in 2016.

#### 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 EUR 13,089,502, 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 134,466 treasury shares. For this reason, the company's issued capital amounts to 12,955,036 shares as of the balance sheet date.

	Number of shares	Nominal value in EUR
Ordinary shares	13,089,502	13,089,502
<b>Balance on 31/12/2016</b>	<b>13,089,502</b>	<b>13,089,502</b>
Ordinary shares	3,470,850	3,470,850
Series A1 preference shares	408,500	408,500
Series A2 preference shares	698,837	698,837
<b>Balance on 31/12/2015</b>	<b>4,578,187</b>	<b>4,578,187</b>

On 31 May 2016, a resolution was passed at the Ordinary AGM to convert the preference shares of series A1 and A2 (existing until that date) into ordinary shares with voting rights. In relation to the holders of ordinary shares, the holders of preference shares series A1 and A2 were previously not entitled to any extra dividend. This did not apply, however, given the generation of liquidation proceeds in the instance that (i) all of the company's shares, or shares of all shareholders corresponding to their respective interest in the company, are purchased, exchanged or transferred in close temporal connection, (ii) the company is liquidated, (iii) the sale of significant assets, distribution of existing reserves or other distributions occurs with payments by the company to shareholders, or (iv) a cash settlement is paid at the time of the merger. In a distribution of liquidation proceeds, Series A2 preference shares would rank ahead of Series A1 preference shares in the sequence of payout.

A resolution was also passed at the AGM on 31 May 2016 to increase the company's share capital to EUR 9,156,374 from company funds through issuing 4,578,187 new shares (stock split). These resolutions were entered in the commercial register on 25 June 2016.

On 12 September 2016 (date of the entry in the commercial register), the company's share capital increased through partial utilisation of Approved Capital 2016/I (for more information see Approved Capital) as part of the non-cash capital contribution of the non-controlling interest in va-Q-tec Ltd (UK) by the non-controlling shareholder, which now holds an interest in va-Q-tec AG. The share capital increased by EUR 183,128 to EUR 9,339,502 through issuing 183,128 shares in exchange for the non-controlling interest.

In connection with the IPO of va-Q-tec AG, pursuant to Section 6 (1) of the company's bylaws, the Management Board was authorised, with Supervisory Board assent, to increase the company's share capital once on several occasions until 31 December 2016, albeit to a maximum of up to nominal EUR 4,500,000 through issuing up to 4,500,000 new ordinary registered shares against cash and/or non-cash capital contributions, and for this purpose to wholly or partially exclude shareholders' statutory subscription rights in the cases stipulated in Section 6 (1) of the company's bylaws, with Supervisory Board assent. This capital in an amount of EUR 4,500,000 was entered in the commercial register on 15 September 2016, and partially utilised pursuant to the Management Board resolution dated 26 September 2016, with Supervisory Board assent of the same date, in an amount of EUR 3,750,000 under exclusion of shareholders' statutory subscription rights in order to implement the IPO of va-Q-tec AG. The cash capital increase was entered in the commercial register on 27 September 2016. The share capital thereby rose by EUR 3,750,000 to EUR 13,089,502. The unutilised portion of the capital in an amount of EUR 750,000 expired as of 31 December 2016.

#### **Approved share capital**

On the basis of an AGM resolution of 31 May 2016, the Management Board is authorised to increase the share capital, with Supervisory Board assent, once or 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.

At the EGM on 8 April 2016, a resolution was passed to create approved share capital of up to EUR 150,000 (Approved Capital 2016/I). A resolution was passed at the AGM on 31 May 2016 to increase this Approved Capital 2016/I in connection with the share split by up to EUR 150,000, from up to EUR 150,000 to up to EUR 300,000. The Approved Capital 2016/I was partially utilised on 12 September 2016 (date of the entry in the commercial register) in an amount of EUR 183,128 as part of the aforementioned non-cash capital contribution of the non-controlling interest in the UK subsidiary va-Q-tec Ltd (UK). The unutilised portion of Approved Capital 2016/I in an amount of EUR 116,872 expired as of 31 December 2016.

A resolution was also passed at the AGM on 31 May 2016 to create further approved capital of up to EUR 4,278,187 against cash and/or non-cash capital contributions through increases on one or several occasions (Approved Capital 2016/II). An increase in the share capital from the Approved Capital 2016/II had not been implemented as of the reporting date on 31 December 2016. Accordingly, approved capital of EUR 4,278,187 existed on the 31 December 2016 balance sheet date.

#### **Contingent capital**

The company's share capital is conditionally increased through an AGM resolution of 31 May 2016 by EUR 1,000,000 (Contingent Capital 2016). This 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, on the basis of the authorisation resolution of the AGM of 31 May 2016. An increase in the share capital from the Contingent Capital 2016 had not been implemented as of the reporting date on 31 December 2016.

#### **Treasury shares**

In April 2016, an Extraordinary General Meeting authorised the company to make a share repurchase. These shares are earmarked for the company's own use, such as to acquire property, plant and equipment and interests in companies, or to satisfy payment claims from the company's virtual option program. On the same date, va-Q-tec AG purchased 127,233 ordinary shares (before the share split) from a shareholder for a total amount of EUR 763,398. The deductive treasury shares item increased to reflect this amount.

The plot of land at the Würzburg-Heuchelhof site acquired from the city of Würzburg in May 2016 for a purchase price of EUR 1,547,190 was settled with 60,000 treasury shares of va-Q-tec AG. This transaction reduced the deductive treasury shares item by EUR 360,000.

In July 2016, the deductive treasury share item reduced by EUR 67,233 due to a capital increase from company funds (share split), pursuant to an AGM resolution dated 31 May 2016.



### Additional paid-in capital

Additional paid-in capital includes mainly contributions from shareholders pursuant to Section 272 (2) No. 1 of the German Commercial Code (HGB). Additional paid-in capital increased by a total of EUR 37,635,832 to EUR 46,666,302 in 2016 (previous year: EUR 9,030,470). The change is composed as follows:

In January 2016, additional paid-in capital pursuant to Section 272 (2) No. 2 HGB rose by EUR 168,796 through granting share options to employees.

In May 2016, additional paid-in capital pursuant to Section 272 (2) No. 1 HGB rose by EUR 1,187,190 through a non-cash capital contribution in the form of a plot of land.

In July 2016, taking treasury shares into account, additional paid-in capital reduced by EUR 4,510,954 due to a capital increase from company funds (share split), pursuant to an AGM resolution dated 31 May 2016.

In September 2016, additional paid-in capital decreased by EUR 294,822 as part of the acquisition of the outstanding non-controlling interests in va-Q-tec Ltd (UK) as part of a non-cash capital increase.

As part of the IPO in September 2016, additional paid-in capital pursuant to Section 272 (2) No. 1 HGB increased through the cash capital increase of EUR 42,375,000 pursuant to the Management Board resolution dated 26 September 2016, with Supervisory Board approval of the same date. In connection with the company's IPO, additional paid-in capital reduced pursuant to IAS 32.25 by the directly attributable transaction costs, taking deferred tax into account, of EUR 1,615,451 (previous year: EUR 24,779). At the same time, additional paid-in capital rose to reflect the proportional cost reimbursement by the previous shareholders, taking deferred tax into account, of EUR 326,074 (previous year: EUR 0) for the placing of the respective old shares.

### 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

EUR	Warranties	Archiving	Litigation costs	Other	Total
Balance on 01.01.2016	25,000	17,400	17,000	64,000	123,400
Addition	-	-	23,200	11,629	34,829
Utilisation	-	-	6,890	-	6,890
Release	25,000	4,000	7,610	60,000	96,610
<b>Balance on 31/12/2016</b>	<b>-</b>	<b>13,400</b>	<b>25,700</b>	<b>15,629</b>	<b>54,729</b>
<b>Non-current</b>	<b>-</b>	<b>13,400</b>	<b>-</b>	<b>4,000</b>	<b>17,400</b>
<b>Current</b>	<b>-</b>	<b>-</b>	<b>25,700</b>	<b>11,629</b>	<b>37,329</b>

The provisions for warranties were calculated on the basis of the previous year's number of complaints, and taking current business trends into account. Provisions for archiving costs are based on collective archiving costs. 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, in both cases at the Köllede site. The long-term loans have remaining terms of up to six years. The risk arising from variable interest on the new 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 EUR 11,000,000 and covers the overdrafts of both the parent company and the UK subsidiary. This agreement runs initially until 31 December 2017. A renegotiation taking the changed capital base into account following the IPO is expected for mid-2017. The multibank 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.

#### 4.2.2.4 Other non-current and current financial liabilities

##### *Financial liabilities*

EUR	Non-current	Current	Balance on 31/12/2016
Finance leases	3,926,413	3,950,669	7,877,082
Derivative financial instruments	79,700	-	79,700
Deferred liabilities for outstanding invoices	-	1,578,500	1,578,500
Accrued liability for financial auditors	-	186,335	186,335
Debtors with credit balance	-	42,736	42,736
Miscellaneous	6,136	32,820	38,956
<b>Group, total</b>	<b>4,012,249</b>	<b>5,791,059</b>	<b>9,803,309</b>

*Financial liabilities*

EUR	Non-current	Current	Balance on 31/12/2015
Finance leases	5.024.287	3.856.715	8.881.002
Dormant investment	-	487.999	487.999
Derivative financial instruments	83.755	435.000	518.755
Factoring	-	446.216	446.216
Deferred liabilities for outstanding invoices	-	467.173	467.173
Miscellaneous	-	92.039	92.039
<b>Group, total</b>	<b>5.108.042</b>	<b>5.785.142</b>	<b>10.893.184</b>

The lease liabilities arise from property, plant and equipment capitalised by way of a finance lease. These primarily concern leases to finance production plants at the Köllda and Würzburg sites, and the UK subsidiary's container fleet assets, which are financed chiefly through sale-and-finance-leaseback transactions. The leased assets are reported under non-current assets. Factoring agreements existing in the previous year where the trade receivables were not be recognised due to the specific contractual terms have been replaced by non-recourse factoring in 2016. For this reason, the reporting of factoring liabilities was discontinued as of 31 December 2016.

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

<b>31/12/2016</b> EUR	Future minimum lease payments	Interest	Present value (finance lease liabilities)
up to one year	4,443,310	492,641	3,950,669
longer than one year and up to five years	4,222,689	296,276	3,926,414
over five years	-	-	-
<b>Total minimum lease payments</b>	<b>8,665,999</b>	<b>788,917</b>	<b>7,877,083</b>
<b>31/12/2015</b> EUR	Future minimum lease payments	Interest	Present value (finance lease liabilities)
up to one year	4,456,985	600,269	3,856,716
longer than one year and up to five years	5,407,528	383,242	5,024,286
over five years	-	-	-
<b>Total minimum lease payments</b>	<b>9,864,513</b>	<b>983,511</b>	<b>8,881,002</b>

The derivative financial instruments position comprises the negative market values on interest rate swaps to hedge variable interest non-current bank borrowings in an amount of EUR 79,700 (31 December 2015: EUR 83,755), as well as in 2015 the negative market value of EUR 435,000 of a (mandatory separable) special termination right embedded in a dormant investment of an investment company. The dormant investment with a nominal volume of EUR 500,000, which was called and repaid as part of the IPO, had an original term up until 31 March 2018. The exercise of the special termination right led to a payment totalling EUR 823,102 to the investment company.

#### 4.2.2.5 Other non-current and current non-financial liabilities

##### Non-financial liabilities

EUR	Non-current	Current	Balance on 31/12/2016
Special item for grants	3,163,875	455,975	3,619,850
Special item for deferred container profits	3,986,741	1,555,742	5,542,483
Employee bonuses	-	345,387	345,387
Liabilities from other taxes	-	264,488	264,488
Prepayments received for orders	-	146,142	146,142
Liabilities for unutilised vacation	-	75,696	75,696
VAT liabilities	-	1,223	1,223
Miscellaneous other non-financial liabilities	-	229,549	229,549
<i>Other personnel liabilities</i>	-	166,654	166,654
<i>Social security liabilities</i>	-	14,016	14,016
<i>Miscellaneous</i>	-	48,879	48,879
<b>Group, total</b>	<b>7,150,616</b>	<b>3,074,202</b>	<b>10,224,818</b>

##### Other non-financial liabilities

EUR	Non-current	Current	Balance on 31/12/2015
Special item for grants	3,621,991	432,001	4,053,992
Special item for deferred container profits	3,828,758	1,189,220	5,017,978
Employee bonuses	-	179,595	179,595
Liabilities from other taxes	-	141,738	141,738
Liabilities for unutilised vacation	-	51,940	51,940
Prepayments received for orders	-	228,440	228,440
Miscellaneous other non-financial liabilities	-	181,128	181,128
<i>Other personnel liabilities</i>	-	83,098	83,098
<i>Miscellaneous</i>	-	98,030	98,030
<b>Group, total</b>	<b>7,450,749</b>	<b>2,404,062</b>	<b>9,854,811</b>

### Government grants

In contrast to previous years, where the company was awarded investment grants from the region of Thuringia and from the European Union as part of the continued expansion of the production site in Kölldeda in Thuringia, as well as investment allowances, the company received no further grants in 2016. These grants and allowances from the past years served mainly the new construction of further production halls, and the expansion of the vacuum insulation panel production plants at the site. These grants do not need to be repaid as long as the conditions are complied with, as it is currently expected. In the first subsidy period from 2008 to 2011, the subsidies were granted in order to establish the site. The company received no further grants in the period under review.

#### Special item for grants

EUR	2016	2015
Balance at 1 January	4,053,992	4,329,626
Addition	-	170,852
Release	434,142	395,017
Neutral release	-	51,469
<b>Balance at 31 December</b>	<b>3,619,850</b>	<b>4,053,992</b>
- of which non-current	3,163,875	3,621,991
- of which current	455,975	432,001

### Deferred income from sale-and-finance-leaseback transactions

In 2016, containers worth EUR 4,086,972 (previous year: EUR 7,214,881), deployed as part of the container fleet, were sold via sale-and-finance-leaseback transactions. The reduction in lease financing reflects the slight slowdown in the growth of the container service business in 2016 and the meanwhile sufficient fleet capacity. 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 whose availability is not restricted.

The cash inflows and outflows from investing and financing activities are presented in accordance with the direct method. Along with additions to intangible assets, disposals and additions to property, plant and equipment, the cash inflows and cash outflows from operating activities also include the investment of the IPO proceeds in bank deposits with a term of between six and twelve months on a basis to avoid punitive interest rates. Financing activities include cash inflows from the capital increase as part of the IPO as well as cash outflows for related transaction costs. They also include cash outflows from purchasing treasury shares, repayment of borrowings from banks and of a dormant investment from an investment company, as well as outgoing payments due to 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 purchase of a plot of land in exchange for treasury shares, the release of special items, the measurement of financial instruments, 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.

### 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 2016

EUR	Measurement category as per IAS 39/IAS 17	Carrying amount 31/12/2016	Fair value 31/12/2016	of which: fair value		
				Level 1	Level 2	Level 3
<b>Financial Assets</b>						
Trade accounts receivables	LaR	7,141,968	7,141,968			
Other financial assets						
of which: held to maturity	HtM	30,000,000	30,000,000			
of which: miscellaneous financial assets	LaR	250,361	250,361			
Cash and cash equivalents	LaR	4,600,437	4,600,437			
<b>Total</b>		<b>41,992,766</b>	<b>41,992,766</b>			
<b>Financial liabilities</b>						
Bank borrowings	FLAC	7,583,253	7,583,235		7,583,253	
Trade payables	FLAC	2,346,965	2,346,965			
Other financial liabilities						
of which: finance lease liabilities	IAS 17	7,877,082	8,360,901		8,360,901	
of which: derivative financial instruments without hedging relationship	FVtPL	79,700	79,700		79,700	
of which: dormant investment	FLAC					
of which: miscellaneous other financial liabilities	FLAC	1,846,527	1,846,527		1,846,527	
<b>Total</b>		<b>19,733,527</b>	<b>20,217,328</b>			

Of which aggregated by measurement category as per IAS 39

EUR		Carrying amount	Fair value
Loans and Receivables	LaR	11,992,767	11,992,767
Held to Maturity	HtM	30,000,000	30,000,000
Financial liabilities measured at amortised cost	FLAC	11,776,745	11,776,745
At fair value through P&L (liability)	FVtPL	79,700	79,700

## Values by measurement categories 2015

EUR	Measurement category as per IAS 39/IAS 17	Carrying amount 31/12/2015	Fair value 31/12/2015	of which: fair value		
				Level 1	Level 2	Level 3
<b>Financial Assets</b>						
Trade accounts receivables	LaR	4,415,527	4,415,527			
Other financial assets						
of which: derivative financial instruments	FVtPL	-	-			
of which: miscellaneous financial assets	LaR	62,321	62,321			
Cash and cash equivalents	LaR	1,186,045	1,186,045			
<b>Total</b>		<b>5,663,893</b>	<b>5,663,893</b>			
<b>Finanzielle Verbindlichkeiten</b>						
Bank borrowings	FLAC	8,910,349	8,921,232		8,921,232	
Trade payables	FLAC	1,633,172	1,633,172			
Other financial liabilities						
of which: finance lease liabilities	IAS 17	8,881,002	8,918,767		8,918,767	
of which: derivative financial instruments without hedging relationship	FVtPL	518,755	518,755		83,755	435,000
of which: dormant investement	FLAC	487,999	499,769		499,769	
of which: miscellaneous other financial liabilities	FLAC	1,005,428	1,005,428			
<b>Total</b>		<b>21,436,705</b>	<b>21,497,123</b>			

## Of which aggregated by measurement category as per IAS 39

EUR		Carrying amount	Fair value
Loans and Receivables	LaR	5,663,893	5,663,893
At fair value through P&L (aktiv)	FVtPL	-	-
Financial liabilities measured at amortised cost	FLAC	12,036,948	12,059,601
At fair value through P&L (passiv)	FVtPL	518,755	518,755

The fair value of Level 2 interest-bearing bank borrowings, finance lease liabilities, and liabilities from dormant investments, 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.

The Level 3 derivative financial instrument that still existed in 2015 relates to a dormant investor's special termination right that is embedded in its dormant investment. This special termination right (which, after exercise, could result in an obligation to make an additional payment) existed for an IPO of va-Q-tec AG. This option's fair value was calculated in each case on the reporting date on the basis of a valuation model. Key measurement parameters included estimates about the event probability of an IPO, the duration of the dormant investment until any IPO, and the expected market capitalisation of va-Q-tec AG capped at a maximum amount at such a date. These estimates were made by management in each case based on the information available on the reporting date. As of 31 December 2015, the imputed probability of an IPO was gauged at 50% (previous year: 50%), and the stock market value of the company was imputed at EUR 100,000,000 (previous year: EUR 65,000,000). As of 31 December 2015, the imputed date for a potential IPO was set at 30 June 2016. The investment company exercised its special termination right with the occurrence of the IPO in September 2016, receiving a resultant payment of EUR 823,102. As a consequence, the derivative financial instrument had expired at the end of the reporting period.

The following reconciliation shows this financial instrument's fair value changes.

*Reconciliation: Level 3 financial instruments*

EUR	
<b>Balance on 01.01.2015</b>	<b>-282,750</b>
Change through P&L	-152,250
<b>Balance on 31.12.2015</b>	<b>-435,000</b>
Change through P&L	-388,102
Repayment	823,102
<b>Balance on 31.12.2016</b>	<b>0</b>

The fair value changes for this option that are recognised in profit or loss are reported in the consolidated income statement under the "financial expenses" item.

#### 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:

##### 2016 net results from

Measurement category as per IAS 39/IAS 17	Interest income	Interest expense	Impairment losses	Reversals of impairment losses	Subsequent fair value measurement	Currency translation
LaR	-	-	-	-	4,055	-49,368
FVtPL	-	-	-	-	-	-
FLAC	-	-462,450	-	-	-388,102	-1,280
IAS 17	-	-772,493	-	-	-	-
other	59	-	-	-	-	-
<b>Total</b>	<b>59</b>	<b>-1,234,943</b>	<b>-</b>	<b>-</b>	<b>-384,047</b>	<b>-50,648</b>

##### 2015 net results from

Measurement category as per IAS 39/IAS 17	Interest income	Interest expense	Impairment losses	Reversals of impairment losses	Subsequent fair value measurement	Currency translation
LaR	590	-	-14,464	-	-	22,820
FVtPL	-	-	-	-	-170,026	-
FLAC	-	-354,618	-	-	-	14,500
IAS 17	-	-534,778	-	-	-	-
<b>Total</b>	<b>590</b>	<b>-889,396</b>	<b>-14,464</b>	<b>-</b>	<b>-170,026</b>	<b>37,320</b>

## 4.6 RISK MANAGEMENT

As a company that operates 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 of 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 EUR 37,392,329 as of the 31 December 2016 reporting date (31 December 2015: EUR 4,477,848). The sharp increase in reported credit risk is attributable to the purchase of short-term money deposits in an amount of EUR 30,000,000 from a major German bank.

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

#### Trade receivables

EUR	31/12/2016	31/12/2015
Not overdue	5,307,089	3,717,029
Less than 30 days	1,104,364	403,289
30-90 days	558,468	155,712
91-360 days	92,060	114,915
More than 360 days	75,072	19,667
<b>Unimpaired receivables</b>	<b>7,137,053</b>	<b>4,410,612</b>
<b>Carrying amount of impaired receivables</b>	<b>4,915</b>	<b>4,915</b>
<b>Total</b>	<b>7,141,968</b>	<b>4,415,527</b>

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

Specific liquidity risks for the Group arise from the relatively high proportion of individual major customers with whom 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:

2016 | Repayment amounts on respective due date

EUR	Other financial liabilities					Total
	Bank borrowings	Finance lease liabilities	Derivative financial instruments	Miscellaneous other financial liabilities	Trade payables	
2017	5,533,045	4,443,309	28,606	1,846,620	2,346,965	14,198,546
2018	566,909	2,885,112	22,720	6,136	-	3,480,878
2019	553,636	702,683	16,833	-	-	1,273,152
2020	540,363	489,157	10,947	-	-	1,040,467
2021	490,696	145,738	5,267	-	-	641,701
2022 and after	138,823	-	1,265	-	-	140,088
<b>Total 31/12/2016</b>	<b>7,823,474</b>	<b>8,665,998</b>	<b>85,638</b>	<b>1,852,756</b>	<b>2,346,965</b>	<b>20,774,832</b>



## 2015 | Repayment amounts on respective due date

EUR	Other financial liabilities					Total
	Bank borrowings	Finance lease liabilities	Derivative financial instruments	Miscellaneous other financial liabilities	Trade payables	
2016	7,082,717	4,456,985	485,601	1,525,178	1,633,173	15,183,653
2017	430,986	3,402,981	36,820	-	-	3,870,786
2018	414,846	1,844,783	27,372	-	-	2,287,001
2019	399,309	105,764	18,114	-	-	523,187
2020	386,679	54,001	10,586	-	-	451,266
2021 and after	553,413	-	6,326	-	-	559,739
<b>Total 31/12/2015</b>	<b>9,267,949</b>	<b>9,864,513</b>	<b>584,820</b>	<b>1,525,178</b>	<b>1,633,173</b>	<b>22,875,633</b>

Collateral in the form of land charges on land and buildings at the Kölleda site, 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) as well as a collateral assignment of inventories at the Würzburg site.

### Currency risks

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in exchange rates. va-Q-tec is exposed to it primarily from its operating activities (if revenues and / or expenses are quoted in a currency different from the functional currency of the Group company in question). 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 account.

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 2016 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 are derived: If the value of the USD had been 10% higher against the EUR as of the reporting date, consolidated profit/loss would have been EUR 148,728 (previous year: EUR 58,092) higher, and consolidated equity would have been EUR 148,728 (previous year: EUR 58,092) 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 EUR 148,728 (previous year: EUR 58,092) lower, and consolidated equity would have been EUR 148,728 (previous year: EUR 58,092) 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 EUR 6,845 (previous year: EUR 42,302) higher, and consolidated equity would have been EUR 6,845 (previous year: EUR 42,302) 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 EUR 6,845 (previous year: EUR 42,302) lower, and consolidated equity would have been EUR 6,845 (previous year: EUR 42,302) 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 EUR 12,335 higher, and consolidated equity would have been EUR 12,335 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 EUR 12,335 lower, and consolidated equity would have been EUR 12,335 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 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 EUR 27,693 lower (previous year: EUR 23,274 lower), and consolidated equity would have been EUR 27,693 lower (previous year: EUR 23,274 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 EUR 39,997 higher (previous year: EUR 37,901 higher), and consolidated equity would have been EUR 39,997 higher (previous year: EUR 37,901 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 50% equity ratio as the medium-term target.

The IPO in September 2016 led to a marked strengthening of the consolidated equity ratio to 64% (previous year: 24%). This key indicator consequently lies significantly above the target the Management Board set.

With the IPO and approval of expanded overdraft lines as part of the multibank agreement concluded in September 2016 the liquidity position of va-Q-tec AG has also improved considerably. Sufficient liquidity has consequently been created for the next years' business planning.

In the 2016 financial year, financial liabilities of the parent company va-Q-tec AG in amount of EUR 2,592,143 (previous year: EUR 8,081,216) 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 calculated by the banks (previous year: 3.0x EBITDA) 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 overdraft lines are no longer subject to any covenants, by contrast with the previous year. Financial liabilities of va-Q-tec Ltd (UK) from finance leases of EUR 5,669,318 as of 31 December 2016 (previous year: EUR 7,908,471) 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 EUR 2,500,000 as of the balance sheet date. As in the previous year, this covenant was met as of the reporting date, supported by a capital contribution of the parent company.

## 5 OTHER DISCLOSURES

### 5.1 SEGMENT INFORMATION

For the purpose of segment reporting, the activities of the va-Q-tec Group are separated by reporting segments on the basis of 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”.

va-Q-tec AG develops and produces innovative and energy-efficient vacuum insulation panels (VIPs). Besides VIPs, va-Q-tec AG develops and sells air freight containers, thermal packaging, and heat storage components (Phase Change Materials/PCMs), and also provides expert thermal consulting. The company also offers customised development solutions in the thermal technology area. The rental of thermal boxes for the transportation of temperature-sensitive goods, especially pharmaceuticals, generate a substantial sales revenues for the first time in the reporting year.

The activities of va-Q-tec Ltd (UK) comprise the rental of air freight containers. To this end, va-Q-tec Ltd (UK) maintains a growing fleet of rental containers for globally operating pharmaceuticals and logistics companies. These air freight containers are manufactured by va-Q-tec AG. In addition, va-Q-tec Ltd (UK) occasionally sold thermal packaging to a major customer in the UK.

The “Other” area encompasses the activities of the subsidiaries va-Q-tec Ltd (Korea) and va-Q-tec Inc. (USA). The Korean subsidiary renders purchasing services, while the US subsidiary provides sales services for the Group.

The three reporting segments’ activities are unchanged compared with the previous year.

The reporting of va-Q-tec occurs on the basis of the respective local accounting principles. To ensure comparability with these IFRS consolidated financial statements, a reconciliation between internal reporting and IFRS has been performed for each reporting segment. Insofar they are material, the supply and service relationships between the reporting segments are presented on a consolidated basis.

## Segment reporting FY 2016

EUR	va-Q-tec AG			va-Q-tec Ltd. (UK)		
	Local GAAP	Recon- ciliation	IFRS	Local GAAP	Recon- ciliation	IFRS
External revenue	27,990,742	-	27,990,742	11,612,756	-	11,612,756
Internal revenue	1,726,215	-493,511	1,232,704	946,480	-	946,480
Total sales revenue	29,716,957	-493,511	29,223,446	12,559,236	-	12,559,236
Total income	34,237,256	-658,906	33,578,350	12,559,236	-	12,559,236
Cost of materials and services	-13,537,552	-128,650	-13,666,203	-5,591,419	-	-5,591,419
Personnel expenses	-10,014,008	-	-10,014,008	-1,656,867	-	-1,656,867
Other operating expenses	-9,927,240	2,535,076	-7,392,164	-1,949,570	-	-1,949,570
<b>EBITDA</b>	<b>758,456</b>	<b>1,747,520</b>	<b>2,505,975</b>	<b>3,361,380</b>	<b>-</b>	<b>3,361,380</b>
Depreciation, amortisation and impairment losses	-2,135,708	42,769	-2,092,939	-3,529,186	-	-3,529,186
<b>EBIT</b>	<b>-1,377,252</b>	<b>1,790,289</b>	<b>413,037</b>	<b>-167,806</b>	<b>-</b>	<b>-167,806</b>
Result from equity accounted investments	-	-	-	-	-	-
Financial income	72,233	4,055	76,288	-	-	-
Financial expenses	-1,272,626	422,745	-849,881	-872,071	50,807	-821,264
<b>EBT</b>	<b>-2,577,645</b>	<b>2,217,089</b>	<b>-360,556</b>	<b>-1,039,877</b>	<b>50,807</b>	<b>-989,070</b>
FY 2016 investments	4,955,489	-175,567	4,779,922	4,448,668	-	4,448,668
Assets 31/12/2016	77,010,059	-106,536	76,903,523	15,634,834	1,099,284	16,734,118
Non-current assets 31/12/2016	18,951,025	-59,671	18,891,354	13,192,898	-43,759	13,149,139
Equity accounted investments	-	-	-	-	-	-
Liabilities 31/12/2016	13,375,037	1,310,034	14,685,070	12,441,225	1,079,358	13,520,583
FY 2016 employees	238	-	238	25	-	25

	Other		Operating divisions, total	Consolidation	Group
Local GAAP	Reconciliation	IFRS			
12,301	-	12,301	39,615,799	-4,086,972	35,528,827
711,469	-	711,469	2,890,652	-2,890,652	-
723,770	-	723,770	42,506,452	-6,977,624	35,528,827
729,746	-3,255	726,491	46,864,077	-3,986,500	42,877,577
-8,398	-	-8,398	-19,266,019	1,941,589	-17,324,430
-266,452	-	-266,452	-11,937,327	122,596	-11,814,732
-342,613	394	-342,219	-9,683,953	1,162,334	-8,521,618
<b>112,284</b>	<b>-2,861</b>	<b>109,423</b>	<b>5,976,778</b>	<b>-759,981</b>	<b>5,216,797</b>
-6,241	-	-6,241	-5,628,366	-11,093	-5,639,459
<b>106,043</b>	<b>-2,861</b>	<b>103,182</b>	<b>348,412</b>	<b>-771,074</b>	<b>-422,662</b>
-	-	-	-	-59,179	-59,179
59	-	59	76,347	-72,233	4,114
-25,464	1,890	-23,573	-1,694,718	71,674	-1,623,045
<b>80,638</b>	<b>-971</b>	<b>79,667</b>	<b>-1,269,959</b>	<b>-830,813</b>	<b>-2,100,772</b>
5,369		5,369	9,233,959	221,512	9,455,470
309,745	152,435	462,180	94,099,821	-9,935,442	84,164,378
28,012	-	28,012	32,068,505	-216,938	31,851,566
				435,918	435,918
526,240	-6,809	519,430	28,725,084	1,503,005	30,228,089
4		4	267	-	267



## Segment reporting FY 2015

EUR	va-Q-tec AG			va-Q-tec Ltd. (UK)		
	Local GAAP	Recon- ciliation	IFRS	Local GAAP	Recon- ciliation	IFRS
External revenue	21,063,045	-	21,063,045	8,694,870	-	8,694,870
Internal revenue	1,232,522	-	1,232,522	49,697	-	49,697
Total sales revenue	22,295,567	-	22,295,567	8,744,567	-	8,744,567
Total income	24,747,653	222,888	24,970,542	8,744,566	-	8,744,566
Cost of materials and services	-9,416,731	-43,479	-9,460,211	-3,250,809	45,750	-3,205,059
Personnel expenses	-7,788,213	-	-7,788,213	-920,453	-	-920,453
Other operating expenses	-3,842,897	78,919	-3,763,978	-1,628,054	-46	-1,628,100
<b>EBITDA</b>	<b>3,699,812</b>	<b>258,328</b>	<b>3,958,140</b>	<b>2,945,250</b>	<b>45,704</b>	<b>2,990,954</b>
Depreciation, amortisation and impairment losses	-1,415,925	-8,230	-1,424,155	-1,837,701	-8,712	-1,846,413
<b>EBIT</b>	<b>2,283,887</b>	<b>250,098</b>	<b>2,533,985</b>	<b>1,107,549</b>	<b>36,992</b>	<b>1,144,541</b>
Result from equity accounted investments	-	-	-	-	-	-
Financial income	36,739	1,403	38,142	-	-	-
Financial expenses	-402,607	-212,855	-615,462	-393,924	-62,759	-456,683
<b>EBT</b>	<b>1,918,019</b>	<b>38,646</b>	<b>1,956,665</b>	<b>713,625</b>	<b>-25,767</b>	<b>687,858</b>
FY 2015 investments	2,318,168	-	2,318,168	8,327,841	-	8,327,841
Assets 31/12/2015	31,706,190	809,343	32,515,533	14,799,492	39,498	14,838,989
Non-current assets 31/12/2015	16,512,488	59,211	16,571,699	12,334,176	-43,759	12,290,417
Equity accounted investments	-	-	-	-	-	-
Liabilities 31/12/2015	15,724,967	2,322,839	18,047,806	11,579,630	75,564	11,655,194
FY 2015 employees	195		195	14		14

	Other		Operating divisions, total	Consolidation	Group
Local GAAP	Reconciliation	IFRS			
189	-	189	29,758,104	-7,214,881	22,543,223
355,347	-	355,347	1,637,566	-1,637,566	-
355,536	-	355,536	31,395,670	-8,852,447	22,543,223
362,990	3,078	366,067	34,081,175	-4,523,440	29,557,735
-3,057	-	-3,058	-12,668,327	313,916	-12,354,411
-161,468	-	-161,468	-8,870,133	16,422	-8,853,712
-359,106	-664	-359,770	-5,751,848	1,000,827	-4,751,021
<b>-160,641</b>	<b>2,414</b>	<b>-158,227</b>	<b>6,790,867</b>	<b>-3,192,276</b>	<b>3,598,591</b>
-1,715	-	-1,715	-3,272,283	102,799	-3,169,484
<b>-162,356</b>	<b>2,414</b>	<b>-159,942</b>	<b>3,518,584</b>	<b>-3,089,477</b>	<b>429,107</b>
-	-	-	-	-4,903	-4,903
177	-	177	38,319	-37,729	590
-22,472	-843	-23,315	-1,095,461	36,039	-1,059,421
<b>-184,653</b>	<b>1,571</b>	<b>-183,082</b>	<b>2,461,441</b>	<b>-3,096,068</b>	<b>-634,627</b>
25,511	-	25,511	10,671,520	-379,888	10,291,631
214,247	618	214,864	47,569,387	-5,643,765	41,925,622
28,454	-187	28,267	28,890,383	-427,357	28,463,027
-	-	-	-	370,097	370,097
510,674	-6,230	504,443	30,207,444	1,726,469	31,933,913
3		3	212		212

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.

In the 2016 financial year, one customer existed at each of va-Q-tec AG and va-Q-tec Ltd (UK) that in each case accounted for more than 10% of total consolidated revenue. Sales revenues of EUR 5,697,220 and EUR 5,264,266 were generated with these customers, respectively. In the 2015 financial year, va-Q-tec AG and va-Q-tec Ltd (UK) had three customers whose share of revenue accounted for more than 10% of total consolidated revenue. The corresponding sales revenues amounted to EUR 4,237,958, EUR 3,466,942, and EUR 2,642,322.

The revenues are distributed geographically as follows:

EUR	2016	2015
Germany	11,182,680	7,566,624
Rest of European Union	13,438,707	6,962,560
Other EU countries	10,907,440	8,014,039
<b>Group, total</b>	<b>35,528,827</b>	<b>22,543,223</b>

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: revenues of EUR 11,287,129 (previous year: EUR 7,411,292) were generated with Products (vacuum insulation panels and individually sold PCMs) in the financial year under review. The Group generated EUR 10,426,393 of revenue with Systems (thermal packaging) in the reporting year (previous year: EUR 5,253,947). Revenues of EUR 13,189,428 were generated from Services in the financial year under review (previous year: EUR 9,395,006). Other revenues amounted to EUR 625,877 in the financial year (previous year: EUR 482,978).

## 5.2 CONTINGENCIES AND OTHER FINANCIAL OBLIGATIONS

No liabilities arising from guarantees or similar obligations exist as of the reporting date. Other financial obligations exist that derive mainly from operating leases for IT equipment and company vehicles, as well as from rental obligations for buildings.

The due dates of minimum lease payments from irrevocable operating leases and rental agreements are as follows:

*Other financial liabilities (contingencies)*

EUR	31/12/2016	31/12/2015
<b>Group, total</b>	<b>1,398,218</b>	<b>967,263</b>
due within one year	844,224	442,812
due between one and five years	553,994	503,877
due after five years	-	20,574

### 5.3 SHARE-BASED PAYMENT

In 2013, va-Q-tec set up a virtual option program with a total volume of up to 188,591 virtual options (377,182 after the share split). These options have a regular accumulation period of four years. The accumulation period is congruent with the period spent by the beneficiary at the company. The company can reacquire the accumulated virtual options if the underlying employment contract lapses. In the case of an exit event (IPO or corporate disposal), depending on the allocation tranche the options are accelerated and accumulated fully or only proportionally, insofar as the exit event occurs at least one year after the option allocation. The exercise price is set on the respective grant date.

Settlement of the virtual options with equity instruments or cash occurs only if the exit proceeds per share lie above the basis price (exercise price) of the options. The company has the unilateral right to settle the virtual options either through equity instruments or cash. va-Q-tec recognises the virtual option program as equity-settled share-based payment, as the Management Board is of the opinion that a current obligation to settle in cash does not exist.

On 1 July 2013, initially 94,296 (188,592 after the share split) virtual options with a EUR 7.73 exercise price (EUR 3.87 after the share split) were allocated from the option program to only one key management member. The fair value on the grant date was calculated with a standard option valuation model (Black-Scholes). This entailed imputing a share price of EUR 1.44 (EUR 0.72 after share split), a term of three years, a yield rate of 5.0%, a risk-free rate of 0.5% and a volatility of 25%. This volatility was assumed on the basis of the historical sales revenue and earnings trend, and the still early development stage of va-Q-tec. The calculation generated a fair value of EUR 0 per option. Accordingly, no expense was recognised over the accumulation period to date. All 94,296 (188,592 after the share split) options allocated to this management member were vested due to the IPO in September 2016. They had not yet been exercised as of 31 December 2016.

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

A total of 141,444 (282,888 after the share split) virtual options have been allocated since the stock option program was set up in 2013. Of these, a total of 108,440 were vested as of the reporting date (after the share split: 216,880) (previous year: 58,934).

An exit event occurred with the occurrence of the IPO in September 2016, making the options exercisable and discontinuing the option program. Above and beyond the options allocated and vested up until this exit event, no further allocation of options will occur under this program. A total of 94,294 options not allocated until this date and 66,008 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 family 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. In contrast with the previous year, the two Management Board members Dr. Kuhn and Dr. Caps are no longer parties related to the company in their nature as significantly invested shareholders in va-Q-tec AG due to the change in the capital structure after the IPO.

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% (previous year: 33.4% interest), Cleantech Europe II S.à.r.L., Luxembourg, represents a related company with significant influence. 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. A further equity investment in SUMTEQ GmbH, Cologne, Germany, of EUR 125,000 was made in the reporting period (previous year: EUR 375,000).

### Key management personnel of the va-Q-tec Group

Management Board	
Dr. Joachim Kuhn	since 01/04/2001
Dr. Roland Caps	since 01/04/2001
Christopher Hoffmann	since 01/07/2013
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
Dominic Hyde – va-Q-tec Ltd. (UK)	since 04/01/2011

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

EUR	2016	2015
Short-term employee benefits	1,068,220	919,990
Post-employment benefits	29,115	22,228
<b>Total compensation of key management members of the va-Q-tec Group</b>	<b>1,097,335</b>	<b>942,218</b>

#### Management Board compensation

EUR	2016	2015
Short-term employee benefits	615,539	542,663
Post-employment benefits	22,373	21,868
<b>Total Management Board compensation</b>	<b>637,912</b>	<b>564,531</b>

Compensation totalling EUR 637,912 was paid to the Management Board in 2016 (previous year: EUR 564,531). This compensation consisted of basic compensation of EUR 500,759 (previous year: EUR 473,663), performance-based annual bonuses of EUR 114,780 (previous year: EUR 69,000) and contributions to the company's pension scheme. Defined contribution pension commitments have existed for the Management Board members since 2014. To this end, EUR 22,373 (previous year: EUR 21,868) 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. Although these were fully vested as of 30 September 2016, they had not yet been exercised by the option beneficiaries as of the reporting date.

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

As of 31 December 2016, two members of the Management Board had personal guarantees outstanding to the Thüringer Aufbaubank in an amount of EUR 344,921 (31 December 2015: EUR 612,786). These guarantees were issued in 2011 without consideration being granted in return by va-Q-tec AG. The reduction in the scope of the guarantees in 2016 is attributable to the expiry of the guarantees issued in 2008.

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 amounting to EUR 124,930 was granted to the Supervisory Board members for the 2016 financial year (previous year: EUR 100,901). 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. Consultancy services of EUR 74,939 (previous year: EUR 20,486) were also paid for, which were rendered especially as part of the preparation for the IPO.

As of 31 December 2016, this Supervisory Board compensation generates EUR 43,963 of payment obligations for the company (31 December 2015: EUR 52,093).

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**

As part of the IPO, proportional cost reimbursements (before deferred tax) for the placement of their old shares were rendered by key management personnel (EUR 79,440) as well as by a company holding a significant interest (EUR 101,622).

In 2016, one key management employee contributed his non-controlling interest in the UK subsidiary to va-Q-tec AG as part of a non-cash capital contribution, in exchange for 183,128 shares in va-Q-tec AG.

**5.5 EVENTS AFTER THE REPORTING DATE**

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.

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 implement the construction of an integrated production and administration site there. Due to a market opportunity arising short-term, a further plot of land along with existing production and administrative buildings was acquired in April 2017. The company intends to use this portfolio property as the company's central and sole location in Würzburg. The investment volume for both properties amounted to a total of EUR 12.6 million.

In February 2017, as part of servicing the stock option program, a total of 18,790 shares from the treasury share position of 134,466 were exercised by two senior employees. A total of 11,290 shares were transferred to the employees after offsetting with the wage tax that was incurred. The granting shares follows the exercise of the options by the respective employees and is directly connected with the implementation of the IPO. For the vested options still outstanding, the exercise period was extended until 30 September 2017.

In February 2017, at the proposal of the Management Board, the Supervisory Board passed a resolution to expand the Kölleda manufacturing location as well as to expand production capacity with an investment volume of up to EUR 4.15 million over a two-year period. As with previous investments at the Kölleda location, an application has been submitted to the Thüringer Aufbaubank for a subsidy.

In April 2017, va-Q-tec founded a subsidiary in Japan. A stronger local presence to support commercial activities in Japan is to be established with this company.



## 5.6 AUDITOR'S FEES

The fees for the services of the auditor Rödl & Partner GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Jena, of EUR 782,599 (previous year: EUR 115,382) comprise the following amounts:

EUR	2016	2015
Financial statements audit (of which previous years: 179.616)	354,616	47,580
Other certification services	375,085	7,696
Tax advisory services (of which previous years: 689)	24,519	22,406
Other services (of which previous years: 2.000)	28,379	37,700
<b>Group, total</b>	<b>782,599</b>	<b>115,382</b>

The higher level of auditing expenses and other certification services arise mainly from new and increased requirements made of the consolidated financial statements as well as reporting in relation to the IPO.

## 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](http://www.va-Q-tec.com) within the Investor Relations area the corporate governance statement pursuant to Section 289a 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/erklarungen-und-dokumente.html>

Würzburg, den 24. April 2017

va-Q-tec AG  
The Management Board



Dr. Joachim Kuhn  
(Vorsitzender des  
Vorstands)



Christopher Hoffmann  
(Finanzvorstand)



Dr. Roland Caps  
(Vorstand FuE)

## RESPONSIBILITY STATEMENT PURSUANT TO SECTION 37Y NO. 1 WPHG IN COMBINATION WITH SECTIONS 297 (2) CLAUSE 4 AND 315 (1) CLAUSE 6 HGB

We assure to the best of our knowledge that, pursuant to the applicable financial accounting principles, the consolidated financial statements convey a true and fair view of the Group's financial position and performance, that the progress of business, including the business results and the Group's position are presented in the Group management report so as to convey a true and fair view, and that the significant opportunities and risks pertaining to the Group's perspective development are described.

Würzburg, 24 April 2017



Dr. Joachim Kuhn  
(Vorsitzender des  
Vorstands)



Christopher Hoffmann  
(Finanzvorstand)



Dr. Roland Caps  
(Vorstand FuE)

## AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by the va-Q-tec AG, Würzburg - comprising consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flow, consolidated changes in equity and notes to the consolidated financial statements – as well as the group management report, for the financial year from January 1 to December 31, 2016. The preparation of the consolidated financial statements and the group management report in accordance with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315a (1) of the German Commercial Code (HGB) are the responsibility of the parent Company's Board of Management. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 HGB in compliance with German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer - IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, the financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company's Board of Management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS, as adopted by the EU, the additional requirements of German commercial law pursuant to Section 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements, complies with legal requirements, as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Jena, April 24, 2017

Rödl & Partner GmbH  
Wirtschaftsprüfungsgesellschaft  
Steuerberatungsgesellschaft

Maaß  
Wirtschaftsprüfer  
(German Public Auditor)

Rattler  
Wirtschaftsprüfer  
(German Public Auditor)

# IMPRINT

## PUBLISHER

### va-Q-tec AG

Karl-Ferdinand-Braun Str. 7  
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](mailto:ir@va-q-tec.com)  
[www.va-q-tec.com](http://www.va-q-tec.com)

## EDITING

### va-Q-tec AG

Karl-Ferdinand-Braun Str. 7  
97080 Würzburg  
Germany

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

e-mail: [ir@va-q-tec.com](mailto:ir@va-q-tec.com)  
[www.va-q-tec.com](http://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](mailto:felix.rau@va-q-tec.com)

## PICTURE CREDITS

va-Q-tec AG

## LAYOUT & DESIGN

### cometis AG

Unter den Eichen 7  
65195 Wiesbaden  
Germany

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

e-mail: [info@cometis.de](mailto:info@cometis.de)  
[www.cometis.de](http://www.cometis.de)

# FINANCIAL CALENDAR

23/05/2017	Publication quarterly financial report (call-date Q1)
19/06/2017	Annual General Meeting



**va-Q-tec AG**

Karl-Ferdinand-Braun Str. 7  
97080 Würzburg  
Germany

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

e-mail: [ir@va-q-tec.com](mailto:ir@va-q-tec.com)  
[www.va-q-tec.com](http://www.va-q-tec.com)