

1.2 SUPERVISORY BOARD REPORT



Dr. Gerald Hommel, Chairman of the supervisory board

Dear shareholders,

The past financial year was marked by dynamic growth for va-Q-tec.

The Supervisory Board held six meetings in the 2019 financial year. The Supervisory Board's main task is to consult with and supervise the Management Board. The subject of our regular consultations in the plenary sessions was, among other matters, va-Q-tec's financial position and performance as well as its organizational structure. Other focus area of our activities in the period under review included, in particular, a critical assessment of the international orientation of va-Q-tec, corporate planning, and corporate financing and liquidity. In addition, we dealt intensively with the company's opportunities and risks.

The company's third Annual General Meeting (AGM) after its IPO was held on 29 May 2019. For the first time the company presented itself to more than 350 participants at its new location in Würzburg. As in the previous year, va-Q-tec welcomed numerous shareholders again from Würzburg and the surrounding region. A very high presence of shareholders also attended in 2019, representing 66 % of the share capital. All items on the agenda were accepted with significant approval by the shareholders present. The two founders and main shareholders, Dr. Joachim Kuhn (CEO) and Dr. Roland Caps (Head of Innovation and Quality) and their families, had underscored their long-term commitment to va-Q-tec by signing a pooling agreement for a majority of their shares prior to the 2019 Annual General Meeting. With this agreement, the partners have bundled more than 25 % of the shares in va-Q-tec AG.

In the year under review, the Supervisory Board of va-Q-tec AG duly performed the duties assigned to it by law, the company's bylaws and the rules of business procedure. We regularly consulted with the Management Board on the management of the company, and monitored its activities. The Supervisory Board was directly involved at an early stage in all decisions of fundamental importance to the company. The Management Board informed us regularly, promptly and comprehensively, both verbally and in writing, about corporate planning, the company's course of business, strategic development and current situation. On the basis of the Management Board's reports, the Supervisory Board discussed in detail the development of business, and decisions and events of importance to the company. Deviations in the course of business from the plans were explained to us in detail and dealt with intensively by the Supervisory Board. We – or the relevant Supervisory Board committees – thoroughly examined and discussed the Management Board's proposed resolutions. In addition, the Supervisory Board was in regular contact with the Management Board and was directly informed about the current development of the business situation and the most important business transactions.

As described in this annual report, with the investments va-Q-tec has realized, the company has created a strong foundation for its further development and growth. The Supervisory Board conducted a critical evaluation of business transactions central to the company's development, and contributed corresponding suggestions and ideas for discussion with the Management Board. Measures and transactions requiring approval were consulted about and suitably decided upon between the Management and Supervisory boards.

Personnel changes in the Supervisory and Management boards

No personnel changes occurred in the Supervisory Board in the reporting period. Dr. Joachim Kuhn continues as Management Board Chairman (CEO). In the past financial year, the Supervisory Board extended the appointment of Stefan Döhmen as the company's Chief Financial Officer (CFO) for a further three years until the end of 2022. With this contract extension, the Supervisory Board acknowledges Mr. Döhmen's important contributions within his department to the successful development of va-Q-tec AG since its IPO.

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

Meetings of the Supervisory Board and its committees

The Supervisory Board concerned itself with va-Q-tec's operative and strategic position as part of its regular consultations, with written and verbal reports by the Management Board providing it with extensive information about business and financial developments. For va-Q-tec, the 2019 financial year was marked by a return to dynamic growth in both revenue and EBITDA. In accordance with the bylaws, the Supervisory Board held a total of six plenary meetings. All meetings were held in Würzburg.

The central part of the **first meeting on 25 March 2019** comprised the presentation, discussion and resolution relating to the annual financial statements, the management report and the notes to the separate and consolidated financial statements of va-Q-tec AG for the 2018 financial year. At this meeting, the auditors reported in summary form on the results of their audit. Following in-depth discussion, the Supervisory Board passed a unanimous resolution concerning the approval and adoption of the 2018 separate annual financial statements as well as the approval of 2018 consolidated financial statements, including the management reports. The Management Board also reported on the gratifyingly dynamic business trend in the first two months of 2019, as well as the current status of the "Power 20+" program, which the Supervisory Board monitors closely. The corporate governance statement and the statement of conformity with the German Corporate Governance Code were also discussed and approved. The financing and liquidity trend at the start of the year against the backdrop of significantly reduced investment activity as well as risk management (including Brexit risks) were also discussed.

The **second meeting on 30 April 2019** focused on a discussion of current business trends and the Group's liquidity on the basis of the figures for the first quarter of 2019. Accordingly, the very good performance of the UK subsidiary led to a strong start to the year. In addition to the current progress of the "Power 20+" program, in its comments the Management Board also compared the original planning and current performance of the subsidiaries newly established since the IPO. Overall, the companies are performing well and are contributing to the expansion of va-Q-tec's international business, so that the Management and Supervisory boards continue to regard having founded these companies as having been the right decision. In addition to investor relations and the significant gain in the share price, the head of IT also reported at this meeting on IT strategy, and presented measures for data protection and IT security. Moreover, the Supervisory Board addressed the issue of financing and liquidity again. The committee also discussed proposals for adjusted rules of business procedure for the Management and Supervisory boards. Furthermore, the preparations for the forthcoming Annual General Meeting of va-Q-tec AG were presented to the Supervisory Board.

The **third meeting on 12 July 2019** focused on discussing the Group's current business performance based on the figures for the first five months of 2019. Accordingly, business trends continued to be very good, which is mainly thanks to the very positive performance of the container rental business in va-Q-tec Ltd. (UK) and the "Power 20+" measures. In addition, the Management Board addressed the current market and competitive trends in the refrigerator and food sector. A further focus of the Supervisory Board meeting was the topic of Global Business Development. The management of this area reported in detail on the tasks and structure of Global Business Development at va-Q-tec, as well as its separation from other functional areas. The main tasks of Global Business Development are to support the business units in entering the market, to define globally uniform standards and processes for the subsidiaries, to provide them with operational support and to identify market potential. The Management Board also explained the impending change in the IFRS valuation of the SUMTEQ investment from "at equity" to "fair value", due to the loss of significant influence over the company. Furthermore, the Management Board provided information on its current initiatives with financing partners regarding long-term and short-term debt financing.

At the **fourth meeting on 19 September 2019**, Group business trends up until the end of August were analyzed and discussed intensively. In addition, the Management Board presented the trend in quarterly key figures since Q1 2016. The presentation showed that strong investment activity in 2017 and 2018 was reflected in a significant decline in the EBITDA margin and the other key earnings metrics. With the conclusion of the investment phase and disproportionately high revenue growth in the high-margin Services business since the start of the 2019 financial year, key figures are once again on a clearly positive trend. At this meeting, the Management Board again presented the current status of the "Power 20+" program, remarking that the savings and efficiency targets associated with the program were met overall as of the end of August. In addition to current liquidity and financing issues, the Management Board also reported on the newly implemented factoring arrangements. The head of the Technics and Industry area presented product developments in this business unit by means of reference to numerous examples. These include projects aimed at expanding the VIP business with applications in the automotive, aviation and pipeline construction sectors. The Supervisory Board also discussed the new requirements of the German Corporate Governance Code (DCGK) and the German Act on the Implementation of the Second Shareholders' Rights Directive (ARUG II), and their current and future implementation.

At the **fifth meeting on 12 November 2019**, the sales organization's current global positioning was discussed. In particular, marketing and sales activities in the USA, the home of many market players in the thermal packaging sector, were discussed. The Global Head of Sales of va-Q-tec explained the company's personnel and operational situation in the USA to the Supervisory Board. In addition, the Supervisory Board discussed business trends during the first nine months. Accordingly, total revenue after nine months was still significantly higher than the previous year's revenue and the expectations for this financial year. Furthermore, profitability reported a very satisfactory trend. The "Power 20+" program made a significant contribution to the improvement in profitability. Business Development reported to the Supervisory Board on market opportunities and possible options for va-Q-tec in the Indian market. In addition, an external insurance expert explained current trends in the insurance market. Given potential new risks (such as cybercrime) and the company's growing internationality, the committee intensively discussed the current insurance structure for the Group.

The **sixth and last meeting** of the plenary Supervisory Board in the 2019 financial year was held on **13 December 2019**. The presentation and explanation of the planning figures for 2020 by the Management Board and the management of va-Q-tec UK formed a central topic. Overall, the company is expected to continue its very positive performance in 2019 into 2020 and beyond, generating sustained positive results and cash flows. After in-depth discussion, the Supervisory Board approved the Group budget including the investment budget for the 2020 financial year as well as the medium-term planning. The Management Board also provided information on the planned liquidity and financing measures. The status of investments in 2019 and the expected trend until the end of the financial year had already been addressed as part of the budget discussion. A further topic of the meeting was the very pleasing share price performance in 2019, which can be attributed quite considerably to the positive operating trend, as well as to numerous and intensive IR activities.

In the reporting year, all members of the Supervisory Board participated at more than half of the Supervisory Board meetings; all Supervisory Board members also participated in more than half of the meetings of committees of which they were members (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).

The following table shows the individual participation of each member of the Supervisory Board:

Name	1. Meeting	2. Meeting	3. Meeting	4. Meeting	5. Meeting	6. Meeting
Dr. Gerald Hommel	✓	✓	✓	✓	✓	✓
Uwe Lamann	✓	✓	✓	✓	✓	✓
Winfried Klar	✓	✓	✓	✓	✓	✓
Uwe Andreas Kraemer	✓	✓	✓	✓	✓	✓
Dr. Barbara Ooms-Gnauck	✓	✓	✓	✓	✓	✓
Dr. Eberhard Kroth	✓	✓	✓	✓	✓	✓

The following table shows the individual attendance of the meetings of the Management Board members:

Name	1. Meeting	2. Meeting	3. Meeting	4. Meeting	5. Meeting	6. Meeting
Dr. Joachim Kuhn	✓	✓	✓	✓	✓	✓
Stefan Döhmen	✓	✓	✓	✓	✓	✓

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 (DCGK). Specifically, these are the Nomination, Audit and General committees.

No conflicts of interest occurred in the Supervisory Board during 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, Nuremberg, 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 2019, together with the respective management reports for va-Q-tec AG and the va-Q-tec Group, including the financial accounts, and in each case awarded them unqualified audit certificates on 19 March 2020. The auditors also assured themselves that the Management Board has established an internal control and risk management system appropriate in its implementation and design to provide early warning of developments jeopardizing the company as a going concern.

At the Audit Committee meeting and at the Supervisory Board meeting on 20 March 2020, 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 2019 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 remains convinced of the va-Q-tec's outstanding potential for success, and appreciates the trusting and open cooperation that it enjoys with the Management Board. The Supervisory Board's very special thanks are due to all staff at va-Q-tec. 2019 was characterized by very dynamic growth in the Services business and excellent operating performance. This would not have been possible without all employees' commitment and positive attitude.



Dr. Gerald Hommel
Chairman of the Supervisory Board of va-Q-tec AG