

1.2 SUPERVISORY BOARD REPORT



Dr. Gerald Hommel, Chairman of the supervisory board

Dear shareholders,

In the year of the company's 20th anniversary, va-Q-tec's revenue growth and operating momentum were outstanding – and this despite at times considerable restrictions due to the pandemic. As the Supervisory Board, we are particularly proud of this achievement by the company, the Management Board and all employees.

The Supervisory Board held seven meetings in the 2021 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 AG. An important focus was also on opportunities and risks. Further topics of our activities in the reporting period included, in particular, the critical evaluation of the strategy and business area development, the international orientation of va-Q-tec AG, overseeing the strong growth during the reporting period as well as corporate finance and liquidity, particularly the supervision of the capital increase in November 2021.

The Annual General Meeting was held on 20 May 2021. Despite the purely virtual format, attendance was high at 56 % of the share capital. All agenda items were approved by large majorities of in excess of 90 %. From the innovative, multimedia "Curve" event room at the Vogel Convention Center in Würzburg, the Management Board reported in detail on the performance of va-Q-tec AG in the 2020 financial year, for which the actions of the Management Board and Supervisory Board were approved by a clear majority. More than 100 questions from shareholders were answered. We would like to thank all shareholders for their active participation.

In the year under review, the Supervisory Board of va-Q-tec AG performed all of the duties incumbent upon it under the law, the bylaws and the rules of procedure with the requisite care and diligence, and in doing so was guided by the German Corporate Governance Code ("DCGK"). We advised and supervised the Management Board in its management of the company. The Management Board involved us directly, at an early stage and comprehensively in all

fundamental decisions. It provided us with regular, timely and comprehensive information through written and oral reports both within and outside the context of meetings. In this connection, we were informed about all relevant aspects of business planning, including financial, investment and personnel planning, as well as the company's financial position and profitability. 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 kept directly informed about the current business trends, especially with regard to the challenges relating to the coronavirus issue, and the main business transactions. In particular, due to the current performance of va-Q-tec AG during the pandemic, in addition to the regular meetings, a total of three telephone conferences were held with the participation of the Management Board and the entire Supervisory Board; furthermore, regular internal consultations took place within the Supervisory Board.

va-Q-tec AG has created a strong basis for the further development of the company, as presented in this annual report. 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

Dr. Burkhard Wichert was elected as a new member of the Supervisory Board by the Annual General Meeting of va-Q-tec AG. Dr. Wichert takes over from Uwe H. Lamann, who passed away in 2020.

No personnel changes occurred in the Management Board in the reporting period. Dr. Joachim Kuhn is Chair of the Management Board (CEO). Mr. Stefan Döhmen also continues to serve as the company's Chief Financial Officer (CFO).

Training and development of the Supervisory Board

In the 2021 financial year, the Supervisory Board fulfilled its training and development obligations responsibly, appropriately and in a variety of ways. The members of the Supervisory Board are responsible for the training and development measures required for their tasks, such as on corporate governance issues and changes to the legislative framework (e.g. due to the German Act Implementing the Second Shareholders' Rights Directive [ARUG II], the new German Corporate Governance Code [DCGK], and the German Financial Market Integrity Strengthening Act [FISG]), and are supported in this by the company. The Supervisory Board also regularly trains itself with regard to new technologies or the digitalization area.

In addition, the Supervisory Board was informed at an early stage about new products developed inhouse by the managers concerned, so that all members of the Supervisory Board were always well informed about current issues affecting the company. In addition, the individual members of the Supervisory Board continued the further training for which they themselves are responsible by way of studying relevant professional journals and literature as well as by participation in training measures offered outside the company.

The new member of the Supervisory Board, Dr. Wichert, was able to gain deep insights into the respective areas of the company through personal contacts and discussions with the Management Board as well as with employees at the first management level below the Management Board as part of the on-boarding process.

Meetings of the Supervisory Board and its committees

As part of its regular consultations, the Supervisory Board concerned itself with the operative and strategic position of va-Q-tec AG, with written and verbal reports by the Management Board providing it with extensive information about business and financial developments. The Supervisory Board held a total of seven plenary meetings. In accordance with the suggestions of the DCGK, telephone and video conferences should not be the rule. At va-Q-tec AG, personal attendance at meetings is the general case. All meetings of the full Supervisory Board and of the committees were held in person, with the possibility of participation in virtual form. The possibility of participation in virtual form was only used in a few individual cases.

The central part of the **first meeting on 26 March 2021** was the presentation, discussion and approval of the separate annual financial statements, the management report and the notes to both the separate and consolidated financial statements of va-Q-tec AG for the 2020 financial year. At the meeting, the auditors reported on the results of the audit in summary form. After extensive discussion, the Supervisory Board passed a unanimous resolution, on the recommendation of its Audit Committee, to approve and adopt the 2020 separate annual financial statements of va-Q-tec AG and to approve the 2020 consolidated financial statements, including the management reports. Further topics included the statement of conformity with the German Corporate Governance Code (DCGK), preparations for the Annual General Meeting and the proposal to replace Dr. Wichert on the Supervisory Board, as well as current business trends. In addition, plans to establish a subsidiary in Brazil were presented to the Supervisory Board. Possible adjustments to the corporate law structures of va-Q-tec AG and the adjustment of the compensation scheme for the Management Board to reflect current regulations were also topics of the meeting.

The **second meeting on 4 May 2021** focused on a discussion of current business trends and the Group's liquidity on the basis of the figures for the first quarter of 2021. The outlook for the remainder of the year, which was already characterized by high growth dynamics due to high demand for transport solutions for coronavirus vaccines, was also discussed. This additional demand encountered an already dynamically growing base business, which led to challenges in the production area. A further topic of the meeting related to risk management and personnel changes in the management of the two subsidiaries in the UK and Singapore. In addition, the Supervisory Board discussed ideas for establishing a subsidiary in China. In the course of the growing number of international subsidiaries, the topic of investment controlling, which is to be established on an even stronger basis, was addressed. Finally, the Supervisory Board discussed the preparations of the Management Board for the Annual General Meeting of va-Q-tec AG. Due to the coronavirus situation, this meeting will again have to be held virtually and will decide, among other matters, on a new Management Board compensation scheme more closely aligned with the current German Corporate Governance Code (DCGK).

The **third meeting on 21 May 2021**, following the Annual General Meeting, focused on a detailed presentation of the plans for a new subsidiary in China by the Business Development and Sales areas. The founding of this company is intended to improve local market development in the world's second largest pharmaceutical market. Due to the rapidly growing middle class (increased access to pharmaceutical products) and a simultaneously structurally aging population, a direct presence in China is particularly important for va-Q-tec for future growth. Due to complex customs and tax issues, a local company is necessary or advisable at the same time. The Supervisory Board again discussed changes relating to corporate law. For this purpose, an external expert reported.

At the **fourth meeting on 29 June 2021**, the focus was again on current business performance, as well as the liquidity and financing situation and strategy. In particular, the meeting focused on the wide range of measures to expand the scope for debt financing, which might also be accompanied by an equity measure. Given the very encouraging growth momentum, the Supervisory Board discussed the potential bottlenecks and obstacles to growth for the company. It is generally agreed that in a manufacturing company with disruptive products such as va-Q-tec, limitations to growth usually stem from a combination of restrictions in the areas of production and supply chain, sales, recruitment and financing (not least working capital). The management strives to continuously reduce such restrictions depending on urgency and importance. Particularly given potential consolidation trends in the industry and the stock market listing, sustained high growth momentum is crucial. The Supervisory Board is also closely monitoring such focus issues as part of the ongoing "Power 20+" efficiency projects. Further topics discussed at the meeting included the management teams in the UK and Singapore and the continuing plans to establish new subsidiaries in China and Brazil. According to the plans of the Management Board and the Business Development area, a further target for internationalization will be India – one of the largest pharmaceutical exporting countries and, due to the climatic challenges, particularly attractive for the company.

At the **fifth meeting on 23 September 2021**, Group business trends up until the end of August were analyzed and discussed in-depth. Overall, the Group was well above the previous year's level as of the end of August, although at the same time behind the original budget. The most striking aspect of the balance sheet analysis is the significant increase in inventories and trade accounts receivable, which tie up liquidity and have a negative impact on operating cash flow, which is significantly higher than planned before working capital is included. While the increase in trade accounts receivable was mainly due to the strong growth of the "small" subsidiaries, the need to build up higher reserve stocks of many materials and higher inventories of finished products in order to ensure the highest possible delivery capability in light of many "ad hoc" orders led to the significant increase in inventories. As a consequence, total assets grew significantly. In addition to various measures to reduce inventories, the possibility and options of a capital increase are also discussed in order to keep the equity ratio within the envisaged range. The Management Board and the Business Development area also reported on further refined plans to establish three new subsidiaries in Brazil, India and China, which had already been discussed in previous meetings.

At the **sixth meeting on 19 November 2021**, the Management Board reported on the current, very dynamic business performance and the current planning status for 2022. To this end, the sales managers of the two areas Thermal Energy Efficiency and TempChain reported on current targets and provided an outlook for the following financial year. In the TempChain area, the company is planning for continued dynamic growth thanks to its further expanded global presence (new subsidiaries), new partnerships and greatly enhanced perception as a "coronavirus helper". As far as the "Thermal Energy Efficiency" area is concerned, the focus is on

developing further interesting technical applications (such as pipe insulation and mobility) that promise better margin potential thanks to their differentiation from the competition. The meeting also dealt with the further development of the structures under company law (SE conversion) and the planned further development of investment management to support the growing number of international subsidiaries. Further topics discussed at the meeting included the positive liquidity situation and further financing options, including against the backdrop of the capital increase completed in November 2021. One topic of the meeting was also the weak share price performance at the end of 2021, which failed to reflect the very positive operating trend despite numerous and intensive IR activities. Overall, the medium-term growth prospects do not yet appear to be fully priced in. However, analysts' consensus expectations are fully in line with what va-Q-tec can deliver. Public perception and media presence (underlined, for example, by the Financial Times Tech Champion Award) are also very positive in 2021.

The last meeting of the plenary Supervisory Board in the 2021 financial year was held on **16 December 2021**. The central topic was the presentation and explanation of the target figures for 2022 as well as the medium-term planning by the Management Board and the management of va-Q-tec Ltd.(UK). Overall, the company is expected to continue its very positive performance in 2021 into 2022 and beyond. The TempChain market for thermal boxes and containers continues to form the company's central growth area. The other target industries outside the healthcare sector are also already significant today and also hold out the prospect of promising opportunities. After in-depth discussion, the Supervisory Board approved the Group budget including the investment budget for the 2022 financial year as well as the medium-term planning.

Work in the Supervisory Board committees

At present, the Supervisory Board has set up three committees in order to perform its duties efficiently. Specifically, these are the General, Audit and Nomination committees. These prepare resolutions and issues to be dealt with by the full Supervisory Board. To the extent permitted by law, the Supervisory Board's decision-making powers have been devolved to committees. The committees' chairs report to the Supervisory Board on the work of the committees at the following full Supervisory Board meeting.

In addition to three meetings of the full General Committee and two meetings of the Nomination

Committee, the General and Nomination committees held various further votes on the development of the new Management Board compensation scheme and on filling the vacant post on the Supervisory Board. One meeting of the General Committee was held in person, and the other meetings of the committees were held virtually. A total of three meetings of the Audit Committee were held in presence.

The following table shows the individual attendance of the individual members of the Supervisory Board at the meetings of both the full Supervisory Board and its Audit Committee:

Individualized disclosure of Supervisory Board members' attendance at meetings

(Sitzungsanzahl/ Teilnahme in %)	Supervisory Board plenum		Audit Committee		General Committee		Nomination Committee	
	Number	in %	Number	in %	Number	in %	Number	in %
Dr. Gerald Hommel Chair	7/7	100 %	3/3	100 %	3/3	100 %	2/2	100 %
Dr. Barbara Ooms-Gnauck (Deputy Chair since 14 August 2020)	7/7	100 %			3/3	100 %	2/2	100 %
Uwe Andreas Kraemer	7/7	100 %					2/2	100 %
Winfried Klar	7/7	100 %	3/3	100 %				
Dr. Eberhard Kroth	7/7	100 %	3/3	100 %	3/3	100 %		
Dr. Burkhard Wichert ¹	4/4	100 %						

¹ Dr. Burkhardt Wichert – AR Mitglied seit 21. Mai 2021

No conflicts of interest arose within the Supervisory Board during the reporting period.

Audit of the separate and consolidated financial statements

The consolidated financial statements of va-Q-tec AG were prepared on the basis of the International Financial Reporting Standards (IFRS), as applicable in the European Union, and the requirements of Section 315e (1) of the German Commercial Code (HGB). 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 2021, together with the combined management report 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 28 March 2022. 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 on 24 March 2022 and at the Supervisory Board meeting on 25 March 2022, 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 the unappropriated net result, 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.

By resolution of 28 March 2022, the Supervisory Board follows the recommendation of the Audit Committee and approves the separate annual financial statements and the consolidated financial statements together with the combined management report of va-Q-tec AG for the 2021 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 the unappropriated net result.

Thanks and outlook

The Supervisory Board remains convinced of the outstanding potential for success of va-Q-tec AG, and appreciates the trusting and open cooperation that it enjoys with the Management Board. On behalf of the Supervisory Board, I would like to thank all employees of va-Q-tec AG for their extraordinary commitment in an outstanding anniversary year for va-Q-tec, which was characterized by enormous revenue growth. We would like to thank you, our shareholders, for your confidence in the company, the management and our work.



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