3 CONSOLIDATED FINANCIAL STATEMENTS 2017 OF VA-Q-TEC AG

CONSOLIDATED INCOME STATEMENT

kEUR	Notes	2017	2016
Revenue	**4.1.1**	**46,926**	**35,529**
Change in inventories		671	743
Work performed by the company and capitalised	4.1.2	6,702	4,507
Other operating income	4.1.3	3,148	2,099
Total income		**57,447**	**42,878**
Cost of raw materials and services	4.1.4	-24,676	-17,325
Gross profit		**32,771**	**25,553**
Personnel expenses	4.1.5	-15,616	-11,815
Other operating expenses	4.1.7	-9,945	-8,522
EBITDA		**7,210**	**5,216**
Depreciation, amortisation and impairment losses	4.1.6	-7,528	-5,639
Earnings before interest and tax (EBIT)		**-318**	**-423**
Result from equity accounted investments	**4.1.8**	**-79**	**-59**
Financial income		387	4
Financial expenses		-900	-1,623
Net financial result	**4.1.9**	**-513**	**-1,619**
Earnings before tax (EBT)		**-910**	**-2,101**
Income tax	4.1.10	52	313
Net income		**-858**	**-1,788**
Consolidated net income attributable to owners of va-Q-tec AG		**-858**	**-1,727**
Consolidated net income attributable to non-controlling interests		-	-61
Earnings per share - basic	**4.1.11**	**-0.07**	**-0.17**
Earnings per share - diluted	**4.1.11**	**-**	**-0.17**

CONSOLIDATED STATEMENT OF COMPEHENSIVE INCOME

kEUR	Notes	2017	2016
Net Income		**-858**	**-1,788**
Consolidated other comprehensive income			
Currency translation differences	4.2.2.1	6	-12
Total other comprehensive income that will be reclassified to profit or loss		**6**	**-12**
Consolidated total comprehensive income		**-852**	**-1,800**
Consolidated total comprehensive income attributable to owners of va-Q-tec AG		**-852**	**-1,739**
Consolidated total comprehensive income attributable to non-controlling interests		-	-61

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets

kEUR	Notes	**31/12/2017**	31/12/2016
Non-current assets			
Intangible assets	4.2.1.1	885	441
Property, plant and equipment	4.2.1.2	55,402	31,411
Investment property	4.2.1.3	1,614	-
Equity accounted interest	4.2.1.4	357	436
Financial assets	4.2.1.5	283	67
Other non-financial assets	4.2.1.6	634	234
Deferred tax assets	4.1.10	2,880	2,839
Total non-current assets		**62,055**	**35,428**
Current assets			
Inventories	4.2.1.7	8,942	5,684
Trade receivables	4.2.1.8	8,005	7,142
Other financial assets - of which deposits (6 - 12 months): kEUR 9,000 (previous year: kEUR 30,000)	4.2.1.5	9,117	30,184
Current tax assets		67	378
Other current assets	4.2.1.6	2,104	748
Cash and cash equivalents	4.2.1.9	5,201	4,600
Total current assets		**33,436**	**48,736**
Total assets		**95,491**	**84,164**

Equity and Liabilities

kEUR	Notes	31/12/2017	31/12/2016
Equity	**4.2.2.1**		
Issued share capital		13,090	13,090
Treasury shares		-54	-471
Additional paid-in capital		46,158	46,666
Cumulative other comprehensive income		-28	-33
Retained earnings		-6,174	-5,316
Total equity		**52,992**	**53,936**
Non-current liabilities			
Provisions	4.2.2.2	39	17
Bank borrowings	4.2.2.3	11,146	2,173
Other financial liabilities	4.2.2.4	3,949	4,012
Other non-financial liabilities	4.2.2.5	8,438	7,151
Total non-current liabilities		**23,572**	**13,353**
Current liabilities			
Provisions	4.2.2.2	38	38
Bank borrowings	4.2.2.3	2,958	5,410
Other financial liabilities	4.2.2.4	6,507	5,791
Trade payables	4.2.2.6	5,244	2,347
Tax liabilities		15	215
Other non-financial liabilities	4.2.2.5	4,165	3,074
Total current liabilities		**18,927**	**16,875**
Total equity and liabilities		**95,491**	**84,164**

CONSOLIDATED STATEMENT OF CASH FLOW

kEUR	2017	2016
Cash flow from operating activities		
Net income	-858	-1,788
Current income taxes recognised income statement	-7	-163
Income taxes paid	-	4
Net finance costs recognised income statement	513	1,619
Interest received	1	-
Interest paid	-1,387	-1,200
Non-cash losses from equity accounted investments	79	59
Depreciation, amortisation and impairment losses	7,528	5,639
Gain/loss from disposal of non-current assets	-418	-386
Change in other assets	-1,578	-790
Change in other liabilities	1,649	790
Change in provisions	23	-69
Other non-cash expenses or income	-2,355	-1,610
Cash flow from operating activities before working capital changes	**3,190**	**2,105**
Change in inventories	-3,147	-1,197
Change in trade receivables	-862	-2,726
Change in trade payables	2,289	714
Net cash flow from operating activities	**1,470**	**-1,104**
Cash flow from investing activities		
Payments for investment in intangible assets	-581	-181
Proceeds from disposal of property, plant and equipment	921	385
Payments for investments in property, plant and equipment	-22,439	-5,412
proceeds from the release of short term time desposits	21,000	-
Payments for investments in short-term deposits	-	-30,000
Payments for acquisition of interests in associates	-	-125
Net cash flow from investing activities	**-1,099**	**-35,333**

kEUR	**2017**	2016
Cash flow from financing activities		
Proceeds from equity increases	-	46,125
Proceeds from shareholders' reimbursement for equity transaction	-	469
Payments to purchase of treasury shares	-92	-763
Payments for equity transaction costs	-	-2,327
Proceeds from bank loans	5,411	1,367
Repayments of bank loans	-5,060	-2,694
Repayment of other financial liabilities	-	-1,323
Proceeds from sale-and-finance-leaseback transactions	6,726	4,087
Proceeds from government grants	795	-
Payments for finance leases liabilities	-7,486	-5,091
Net Cash flow from financing activities	**294**	**39,850**
Change in cash and cash equivalents before exchange rate effects	**665**	**3,413**
Effect of exchange rate changes on cash and cash equivalents	-64	1
Change in cash and cash equivalents	**601**	**3,414**
Cash and cash equivalents at start of period	**4,600**	**1,186**
Cash and cash equivalents at end of period	**5,201**	**4,600**

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

CONSOLIDATED CHANGES IN EQUITY

kEUR	Issued share capital	Treasury shares	Additional paid-in capital
01/01/2016	**4,578**	**-**	**9,030**
Net income	-	-	-
Consolidated other comprehensive income	-	-	-
Consolidated total comprehensive income	**-**	-	-
Issue of share options	-	-	169
Purchase of treasury shares	-	-763	-
Sale of treasury shares	-	360	1,187
Capital increase from company funds (share split)	4,579	-68	-4,511
Non-cash capital increase/acquisition of non-controlling interests	183	-	-295
Capital increase through issue proceeds	3,750	-	42,375
Transfer to reserves	-	-	-
Change in non-controlling interest	-	-	-
Distributions	-	-	-
Equity transaction costs	-	-	-1,615
Proportional reimbursement of equity transaction costs	-	-	326
31/12/2016	**13,090**	**-471**	**46,666**

Retained earnings	Cumulative other comprehensive income	Equity attributable to parent company owners	Non-controlling interests	Total equity
	Currency translation reserves			
-3,589	**-21**	**9,998**	**-7**	**9,991**
-1,727	-	-1,727	-61	-1,788
-	-12	-12	-	-12
-1,727	**-12**	**-1,739**	**-61**	**-1,800**
-	-	169	-	169
-	-	-763	-	-763
-	-	1,547	-	1,547
-	-	-	-	-
-	-	-112	68	-44
-	-	46,125	-	46,125
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-1,615	-	-1,615
-	-	326	-	326
-5,316	**-33**	**53,936**	**-**	**53,936**

kEUR	Issued share capital	Treasury shares	Additional paid-in capital
01/01/2017	**13,090**	**-471**	**46,666**
Net income	-	-	-
Consolidated other comprehensive income	-	-	-
Consolidated total comprehensive income	**-**	**-**	**-**
Issue of share options	-	-	-
Purchase of treasury shares	-	-	-
Sale of treasury shares	-	-	-
Capital increase from company funds (share split)	-	-	-
Non-cash capital increase/ acquisition of non-controlling interests	-	-92	-
Capital increase through issue proceeds	-	509	-509
Transfer to reserves	-	-	-
Change in non-controlling interest	-	-	-
Distributions	-	-	-
Equity transaction costs	-	-	-
Proportional reimbursement of equity transaction costs	-	-	-
31/12/2017	**13,090**	**-54**	**46,158**

For more information please see note 4.2.2.1 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			
-5,316	**-33**	**53,936**	**-**	**53,936**
-858	-	-858	-	-858
-	6	6	-	6
-858	**6**	**-852**	**-**	**-852**
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-92	-	-92
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-6,174	**-28**	**52,992**	**-**	**52,992**

1 GENERAL INFORMATION

1.1 INFORMATION ABOUT THE COMPANY

The company va-Q-tec AG, which has its headquarters in Germany, 97080 Würzburg, Alfred-Nobel-Strasse 33, 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 logistics 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: Appliances & Food, Technics & Industry, Mobility and Building.

This set of consolidated financial statements of va-Q-tec for the financial year ending 31 December 2017 was approved for publication by the Management Board on 9 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 2017 based on 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 thousands of euros (kEUR), which is both the functional and the reporting currency of va-Q-tec. Differences of up to one unit (kEUR, %) relate to arithmetic rounding differences.

1.3 EFFECTS OF NEW ACCOUNTING STANDARDS

The va-Q-tec Group has applied uniform accounting methods for all the periods presented in its IFRS consolidated financial statements. These comply with the mandatory applicable IFRS in the EU in the 2017 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 2017, and were applied for the first time by the company.

Standard	Title	Mandatory application for financial years commencing from
Amendments to IAS 7	Disclosure Initiative	01/01/2017
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses	01/01/2017

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 2017. The company has not applied these regulations early.

Standard	Title	Mandatory application for financial years commencing from
Improvements to IFRS (2014-2016)	Annual Improvements to IFRS, Cycle 2014-2016	01/01/2017 and 01/01/2018 respectively
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	01/01/2018
IFRS 15	Revenue from Contracts with Customers	01/01/2018
Clarifications relating to IFRS 15	Revenue from Contracts with Customers	01/01/2018
IFRS 9	Financial Instruments	01/01/2018
Amendments to IAS 40	Transfers of Investment Property	01/01/2018
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions	01/01/2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	01/01/2018
Amendments to IFRS 9	Prepayment Features with Negative Compensation	01/01/2019
IFRS 16	Leases	01/01/2019

In May 2014, the IASB published IFRS 15 “Revenue from Contracts with Customers”, which fully replaces the previous revenue recognition regulations, consisting of standards IAS 18 and IAS 11 as well as various interpretations of standards. The new standard determines uniform basic principles applicable for all sectors and for all categories of sales revenue transactions. The level and timing, or period, for which revenue is to be recognised is to be assessed in future is based on a five-step model. IFRS 15 also includes expanded requirements relating to disclosures in the notes to the financial statements and includes several further regulations concerning detailed presentations, such as the presentation of contract costs and contract amendments. The standard is applicable for financial years beginning from 1 January 2018. EU endorsement occurred on 22 September 2016.

The clarification of IFRS 15 was published in April 2016 and includes three specific amendments and exempting transition regulations relating to IFRS 15. The transition regulations relate to two exceptions in practice. Firstly, a company must not re-present contracts concluded at the start of the earliest presented period. Secondly, the effects of all amendments implemented before the earliest presented period are reported on an aggregated basis. The published amendments are applicable for financial years beginning on or after 1 January 2018. The effective date is consequently the same date as the introduction of IFRS 15 itself. EU endorsement occurred on 31 October 2017.

In 2017, the va-Q-tec Group generated revenues with sales of transportation containers, VIPs and PCMs in an amount of kEUR 28,851 (previous year: kEUR 21,713), equivalent to 61.5 % (previous year: 61.1 %) of total revenue, and with the rental of containers and boxes an amount of kEUR 17,366 (previous year: kEUR 13,189), equivalent to 37.0 % of total revenue (previous year: 37.1 %). These revenue areas comprise 98.5 % of total revenue (previous year: 98.2 %). Accordingly, in examining the effect of the new regulation, we have focused on these business areas of significance for the Group. Within these business areas, the main customer contracts of significant Group companies were examined and analysed according to the principles-based, five-step IFRS 15 model. For some partial services of certain contract types, the timing of revenue recognition will change, as period-related revenue recognition is to be applied for such partial services, instead of date-related revenue recognition, with variable contract components being recognised earlier. This will lead to changes to the statement of financial position due to the separate reporting of contract assets and contract liabilities, as well as in the notes the financial statements due to expanded quantitative and qualitative disclosures. Overall, the Group expects no significant effect on the presentation of the Group's financial position and performance, or earnings per share.

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

On 13 January 2016, the IASB published IFRS 16 Leases, which was adopted by the EU and also published on 9 November 2017.

This standard must be applied for the first time for financial years beginning on or after 1 January 2019. The Group is utilising the transition option and is also not applying IFRS 16 until from this date.

This new standard abolishes the differentiation between finance leases and operating leases, leading to a standard lease accounting model for all lessees. Accordingly, all leases with a term of more than 12 months and leases for low-value assets must be recognised at the lessee.

With the introduction of IFRS 16, the Group anticipates significant effects on parts of the consolidated financial statements and the presentation of the financial position and performance:

- Consolidated statement of financial position: First-time application will lead to a considerable increase in both non-current assets and financial liabilities. This balance sheet lengthening will reduce the consolidated equity ratio and increase net debt accordingly.
- Consolidated income statement: In contrast to previous reporting, amortisation of right-of-use assets and interest expenses deriving from the reversal of discounts applied to lease liabilities will be recognised in the future. This leads to an improvement in EBIT. The interest expense from the lease payment initially affects earnings before tax. Assuming constant interest payments, earnings before tax are lower in the first years compared to an expense recognised straight-line pursuant to IAS 17 (Operating Lease).
- Consolidated statement of cash flows: The modified reporting of lease expenses leads to improvements in cash flows from operating activities and a deterioration in cash flows from financing activities.
- Notes to the consolidated financial statements: Expanded disclosures (leasing expense for low-value assets, leasing expense for current assets, interest payments on the lease liability). Moreover, a term analysis of the lease liabilities is to be implemented separately from other financial liabilities.
- In the lessor balance sheet, IFRS 16 does not differ significantly from the previous IAS 17. Lessors continued to differentiate between finance leases and operating leases.

As the container fleet is already recognised as a finance lease, the Group expects no further adjustments in this area due to the introduction of IFRS 16.

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

Standard	Title	Mandatory application for financial years commencing from
Improvements to IFRS (2015-2017)	Annual Improvements to IFRS, Cycle 2015-2017	01/01/2019
Amendments to IAS 28	Investments in Associates and Joint Ventures	01/01/2019
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement	01/01/2019
IFRIC 23	Uncertainty over Income Tax Treatments	01/01/2019
IFRS 17	Insurance Contracts	01/01/2021
Modifications to the framework concept	Revisions of the framework concept	01/01/2020

The company is currently analysing the 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.

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 resultant 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 2017, the following subsidiaries were fully consolidated:

Name	Headquarters	Equity interest 31.12.2017	Equity interest 31.12.2016
va-Q-tec Ltd. (UK)	Rochester, UK	100 %	100 %
va-Q-tec Inc. (USA)	East Rutherford, NJ, USA	100 %	100 %
va-Q-tec Ltd. (Korea)	Joong-gu, Incheon, Republic of Korea	100 %	100 %
va-Q-tec Switzerland AG (Switzerland)	Zürich, (Switzerland)	100 %	0 %
va-Q-tec Japan G.K. (Japan)	Tokyo, Japan	100 %	0 %

va-Q-tec AG and its subsidiaries together form the va-Q-tec Group. Please refer to the segment reporting for key financial information about the subsidiaries.

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

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.

Moreover, va-Q-tec founded a subsidiary in Japan in April 2017. A stronger local presence to support commercial activities in Japan is to be established with this company. No significant revenues have yet been generated with the two companies, and no significant effects on results arise.

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.

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, South Korea, Switzerland and Japan 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 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 rate prevailing 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	
	31/12/2017	31/12/2016	**2017**	2016
British pound	0.8872	0.8562	0.8761	0.8444
US dollar	1.1993	1.0541	1.1293	1.0543
South Korean won	1,279.6100	1,269.3600	1,275.8267	1,248.4762
Swiss franc	1.1702	-	1.1116	-
Japanese Yen	135.0100	-	126.6544	-

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 have transferred 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 taking 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 need 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. No potentially dilutive instruments were in issue as of 31 December 2017, by contrast with the previous year.

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 is depreciated straight-line in accordance with its type of use and duration of use. Depreciation starts 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 mainly of the following useful lives:

Buildings	
Buildings	33 – 40 years
Outdoor and other facilities	8 – 19 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 – 4 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.

Investment property

Investment property comprises land and buildings held to generate rental income and for the purposes of value appreciation, rather than being utilised for the company's own production, to deliver goods or render services, for administrative purposes or for sale as part of ordinary operating activities. Investment property is measured at cost less accumulated depreciation and impairment losses.

If indications of impairment exist, investment property is tested for potential impairment accordingly.

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. 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 to sell, 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 applied 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) resulting from the sale of containers over the carrying amount or the own work capitalised 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 5-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.

As in 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. The consolidated statement of changes in equity presents the development of the consolidated equity of the va-Q-tec Group for the 2017 and 2016 financial years.

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.

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 program with allocations in 2013 and 2016 respectively lead to a fair value of zero euros 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. An exit event occurred with the implementation of the IPO in September 2016, making the options exercisable and discontinuing the option program.

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. In 2017, va-Q-tec AG received kEUR 795 of public grants to purchase non-current 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 onhistorical 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:

kEUR	**2017**	2016
Products	18,031	11,287
Systems	10,820	10,426
Services	17,366	13,189
Other	709	627
Group, total	**46,926**	**35,529**

The product and system business comprises the production and sale of vacuum insulation panels and heat storage components. These products are sold in the following sectors: Healthcare & Logistics, Appliances & Food, Technics & Industry, Mobility and Building. Revenue increased significantly thanks to acquiring new customers in the target sectors of Appliances & Food as well as Technics & Industry, and through expanding business with existing customers, reflecting the high quality, performance and durability of VIPs.

The Systems business comprises the sale of thermal packaging to customers in the Healthcare & Logistics sector. First customers were acquired in the Systems area with the newly introduced "va-Q-one" thermal box, a cost-efficient one-way solution.

The Services business comprises the container and box rental business for the transportation of temperature-sensitive goods, predominantly products from the pharmaceuticals and biotech sectors. In particular, revenues from renting high-performance thermal boxes from the hub in Dublin reported significant growth in 2017. Other revenues are generated through thermal consulting and government-subsidised research projects.

Compared with the previous year, the business in the three main divisions of Products, Systems and Services together generated 32 % sales revenue growth. Service division revenues also include compensation payments from customers for thermal boxes unreturned within the rental network in an amount of kEUR 921 (previous year: kEUR 528).

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 2016 and 2017 financial years. Work performed by the company and capitalised deriving from the container and box fleets registered a significant increase in 2017 due to the strong growth of operating activities in this area.

kEUR	**2017**	2016
Work performed by the company and capitalised arising from container sale-and-finance-leaseback transactions	4,557	2,145
Work performed by the company and capitalised arising from expansion of rental-boxes-fleet	1,312	1,287
Other work performed by the company and capitalised	833	1,075
Group, total	**6,702**	**4,507**

Of the total research and development costs of kEUR 1,938 incurred in 2017 (previous year: kEUR 1,246), kEUR 104 (previous year: kEUR 52) 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

kEUR	2017	2016
Income from release of special item for deferred container profits	1.813	1.418
Income from release of special item for grants	456	79
Income from other accounting periods	432	434
Exchange rate gains	268	33
Renewable energy subsidies	21	20
Gains on fixed asset disposals	2	-
Income from insurance compensation	-	4
Other income	156	111
Group, total	**3.148**	**2.099**

Other operating income of kEUR 3,148 (previous year: kEUR 2,099) derives mainly from scheduled and continuous releases from the special item from sale-and-finance-leaseback transactions and government grants, as well as foreign currency transactions and income relating to other accounting periods.

4.1.4 Cost of materials and services

kEUR	2017	2016
Cost of raw materials and supplies	16,658	13,363
Cost of purchased services	8,018	3,962
Group, total	**24,676**	**17,325**

The cost of materials was up from kEUR 17,325 to kEUR 24,676 (+42 %), faster than the rate of total income growth, and corresponding to a higher cost of materials ratio of 43 % (previous year: 40 %). Costs of materials include costs for raw materials and for purchased services, especially logistics services in the container rental business. The cost ratio is burdened by the change in the product mix, despite greater efficiency in purchasing, and optimised fleet management. The effects from producing vacuum insulation panels, which is intensive in terms of cost of materials, outweighs due to the strong growth in the Products division.

4.1.5 Personnel expenses

The following table shows the trend in personnel expenses in the 2016 and 2017 financial years:

kEUR	2017	2016
Wages and salaries	13,243	10,228
Social security contributions	2,373	1,587
Group, total	**15,616**	**11,815**

Personnel expenses were up from kEUR 11,815 in the previous year to kEUR 15,616 in the 2017 reporting period (+32 %), with the personal expense ratio in relation to total income thereby reducing from 28 % to 27 %. The absolute increase is attributable mainly to both the hiring of new staff in the production area as well as the recruitment of highly qualified specialist personnel. The growth of the va-Q-tec Group, the current product mix and the constant optimisation of business processes have led to this rise.

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 kEUR 892 in the reporting year (previous year: kEUR 657). In addition, va-Q-tec AG renders contributions of kEUR 86 (previous year: kEUR 74) to direct insurance as part of its company pension scheme. A defined contribution pension plan also exists at the subsidiaries in the UK and Korea. Contributions of kEUR 57 (previous year: kEUR 40) were expensed at the UK company and kEUR 12 (previous year: kEUR 0) were expensed at the Korean company. Defined contribution commitments have also existed for the Management Board members since 2014, for which kEUR 20 (previous year: kEUR 22) was paid into an external, congruently reinsured, pension fund in the current financial year. As a consequence, kEUR 1,067 (previous year: kEUR 794) of expenses for defined contribution pension plans were recognised.

Wages and salaries for the 2017 financial year do not include any costs from granting options to staff (previous year: kEUR 169). See section 5.3 for more information about share-based payment.

The average number of employees in the 2016 and 2017 financial years is presented below:

	2017	2016
Male employees	258	193
Female employees	100	74
Group, total	**358**	**267**

4.1.6 Depreciation, amortisation and impairment losses

Depreciation and amortisation charges of kEUR 7,528 were expensed in the 2017 financial year (previous year: kEUR 5,639). No impairment losses or reversals of impairment losses occurred in either of these financial years. The 34 % increase is chiefly attributable to the high level of investments to establish and expand the container and box fleets.

4.1.7 Other operating expenses

kEUR	2017	2016
Legal, patent and consulting costs	2,208	1,356
Marketing and sales	1,551	1,389
Rent and leasing	1,092	958
Freight	728	509
Exchange rate losses	723	84
Repair and maintenance	705	639
Expense for asset disposal (boxes)	539	327
Other personnel expense	516	318
IT and other office costs	463	377
Insurance and contributions	314	191
Expense relating to other accounting periods	260	138
Supervisory Board compensation	164	125
IPO related expense	-	1,568
Other	682	543
Group, total	**9,945**	**8,522**

Despite the IPO costs incurred only in the previous year, other operating expenses in the 2017 reporting period registered an increase of 17% to kEUR 9,945 (previous year: kEUR 8,522). Related reasons included effects from foreign currency transactions as well as higher costs for IT consulting, legal advice and certification costs due to the greater requirements made as part of the stock market listing and as part of business expansion. Both insurance expenses and fees registered a rise, reflecting the company's growth. In the reporting period, expenses relating to other accounting periods include for the first time expenses for the 2016 annual report. Moreover, extraordinary and one-off expenses of around kEUR 539 for rental boxes that have left the network, but that are also offset by proceeds, led to an increase in expenses.

4.1.8 Result from equity accounted investments

A proportional negative result of kEUR 79 (previous year: kEUR 59) was incurred from an equity accounted investment in the current financial year.

4.1.9 Net Financial result

kEUR	2017	2016
Interest income	360	-
Income from derivative financial instruments	27	4
Financial income	**387**	**4**
Interest expense	-377	-462
Expenses from derivative financial instruments	-	-388
Interest expense from finance lease	-523	-773
Financial expenses	**-900**	**-1,623**
Net financial result	**-513**	**-1,619**

The net financial result is mainly characterised by a one-off effect connected with the purchase of land and buildings for the new corporate headquarters in Germany. The obligations initially assumed from the buyer as part of the purchase agreement, measured at a fair value of kEUR 7,024, were reduced as part of the subsequent refinancing negotiations with the banks. This generated net income of kEUR 360 in the second quarter. Moreover, the fact that expenses for interest on finance leases reduced thanks to the improved rating, and despite the significant fleet expansion, also exerted a positive effect.

4.1.10 Income tax

kEUR	2017	2016
Actual tax expense (tax income)		
Current period	7	-159
Prior periods	-	-4
Deferred tax expense (tax income)	**-59**	**-150**
Group, total	**-52**	**-313**

Deferred tax is calculated applying tax rates that are valid or expected to be valid based on 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 30.2 % income tax rate (previous year: 30.6 %). 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 reduced in 2017 due to a lower applicable trade tax rate at va-Q-tec AG.

kEUR	2017	2016
Consolidated earnings before tax	**-910**	**-2,101**
Expected income tax expense	30.2 %	30.6 %
Expected income tax expense (tax income)	**-275**	**-642**
Tax-free income	-13	-2
Non-tax-deductible operating expenses	54	51
Non-capitalised deferred taxes on temporary differences and tax loss carryforwards	148	505
Not recognised deferred tax for current income (IAS 12.15b)	-254	-
Effects from tax rate changes	154	-58
Utilisation of non-capitalised loss carryforwards	0	-149
Reported tax expense	-48	4
Divergent foreign tax rates	232	-24
Other effects	-50	2
Reported tax expense (tax income)	**-52**	**-313**

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

kEUR	2017 Before tax	2017 Deferred tax	2017 After tax	2016 Before tax	2016 Deferred tax	2016 After tax
Equity transaction costs offset in additional paid-in capital	-	-	-	-2,327	711	-1.615
Proportional reimbursement of equity transaction costs by previous shareholders	-	-	-	470	-144	326
Effect on additional paid-in capital	-	-	-	-1,857	568	-1,289

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

31/12/2017 kEUR	**Deferred tax assets 31/12/2017**	**Deferred tax liabilities 31/12/2017**
ASSETS		
Intangible assets	-	243
Property, plant and equipment	332	37
Interests in subsidiaries, joint ventures and associates	-	-
Non-current financial assets	-	10
Inventories	56	-
Trade receivables	-	14
Other current financial assets	-	1
Other current non-financial assets	-	-
EQUITY AND LIABILITIES	-	-
Non-current provisions	-	-
Non-current financial liabilities	16	-
Other non-current non-financial liabilities	1,637	-
Current provisions	-	-
Trade payables	-	-
Other current financial liabilities	-	-
Other current non-financial liabilities	705	-
Loss carryforwards	439	-
Total before offsetting	**3,185**	305
Offsetting	-305	
As reported	**2,880**	

31/12/2016 kEUR	Deferred tax assets 31/12/2016	Deferred tax liabilities 31/12/2016
ASSETS		
Intangible assets	-	30
Property, plant and equipment	166	182
Interests in subsidiaries, joint ventures and associates	-	-
Non-current financial assets	-	23
Inventories	87	-
Trade receivables	-	12
Other current financial assets	-	-
Other current non-financial assets	-	-
EQUITY AND LIABILITIES	-	-
Non-current provisions	-	-
Non-current financial liabilities	24	-
Other non-current non-financial liabilities	1,887	-
Current provisions	4	-
Other current financial liabilities	-	-
Other current non-financial liabilities	-	-
Loss carryforwards	919	-
Total before offsetting	**3,087**	**247**
Offsetting	-247	
As reported	**2,840**	

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, kEUR 684 (previous year: kEUR 1,013) 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 2017. 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 2017, tax loss carryforwards amount to EUR 1,872 (31 December 2016: EUR 1,305), for which no deferred tax assets were recognised. These tax loss carryforwards derive from the subsidiary in the UK. In 2017, 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. In 2017, no further impairment losses for deferred tax assets were required (previous year: kEUR 91). The tax loss carryforwards in the UK can be utilised on an unlimited basis.

The deferred tax assets of kEUR 572 recognised in relation to loss carryforwards of va-Q-tec AG in 2016 were already utilised in an amount of kEUR 310 thanks to the positive business trend in 2017, and still amount to kEUR 262 as of 31 December 2017.

The deferred tax assets recognised for the first time in 2016 in relation to the tax loss carryforwards of the subsidiaries in Korea in an amount of kEUR 11 and in the USA in an amount of kEUR 152 report the following changes: the deferred tax assets in relation to the tax loss carryforwards in Korea have been almost fully utilised to date thanks to the positive business trend. In the USA, the change in the tax rate reduced the tax loss carryforwards in an amount of kEUR 51. The change in the loss carryforward as well as a currency effect exerted a countervailing effect, as a consequence of which the deferred tax asset on the tax loss carryforward in the USA amounts to kEUR 110.

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.

A dilution of earnings per share it is no longer reported in the financial year lapse, as the stock options were fully exercised in 2017.

Earnings per share are as follows:

	2017	2016
Consolidated net result after non controlling interests (EUR)	**-858**	**-1,727**
Weighted average number of shares	12,992,236	10,089,773
Earnings per share (EUR) (prior year incl. preference shares)	-0.07	-0.17
Weighted average number of shares - diluted	-	10,186,068
Earnings per share -diluted (EUR)	-	-0.17

Weighted average number of shares

Number of shares	**2017**	2016
Shares issued as 1 January	12,955,036	4,578,187
Retrospective effect of capital increase from company funds (share split)	-	4,578,187
Effect of purchase of treasury shares	-6,390	-186,144
Effect from issuing easury 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 - 31.12.2017	-	32,098
Effect of excercise of share options	43,590	-
Weighted average number of ordinary shares (undiluted / basic) as of 31 December	**12,992,236**	**10,089,773**
Effect of vested share options - for 01.01.2016 - 30.09.2016	-	96,295
Weighted average number of ordinary shares (diluted) as of 31 December	**12,992,236**	**10,186,068**

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 4.2 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

4.2.1 Assets

4.2.1.1 Intangible assets

Non-current assets

	Aquisition and production cost					
kEUR	**Balance on 01/01/2017**	Exchange rate differences	Additions	Reclassi-fications	Disposals	**Balance on 31/12/2017**
1. Software	758	-	82	-	-	840
2. Internally generated intangible assests	107	-	320	-	-	427
3. Internally generated intangible assests in production stage	-	-	179	-	-	179
Intangible assets, total	**865**	**-**	**581**	**-**	**-**	**1,446**

Non-current assets

	Depreciation, amortisation and impairment losses						Carrying amounts	
kEUR	**Balance on 01/01/2017**	Ex-change rate differen-ces	Depre-ciation, amortisati-on and Im-pairment losses in the finan-cial year	Reclassi-fications	Dispo-sals	**Balance on 31/12/2017**	**Balance on 31/12/2017**	Balance on 31/12/2016
1. Software	415	-	108	-	-	523	317	343
2. Internally gen-erated intangi-ble assests	9	-	29	-	-	38	389	98
3. Internally generated in-tangible assests in production stage	-	-	-	-	-	-	179	-
Intangible as-sets, total	**424**	**-**	**137**	**-**	**-**	**561**	**885**	**441**

Non-current assets

kEUR	**Aquisition and production cost**					
	Balance on 31/12/2016	exchange rate differences	Additions	Reclassi-fications	Disposals	**Balance on 31/12/2016**
1. Software und sonstige erworbene immaterielle Vermö-genswerte	657	-	130	-	29	758
2. Selbsterstellte imma-terielle Vermögens-werte	-	-	52	55	-	107
3. Selbsterstellte imma-terielle Vermögens-werte im Bau	55	-	-	-55	-	-
4. Geschäfts- oder Firmenwert	-	-	-	-	-	-
Summe immaterielle Vermögenswerte	**713**	**-**	**181**	**-**	**29**	**865**

Non-current assets

kEUR	**Depreciation, amortisation and impairment losses**						**Carrying amounts**	
	Balance on 31/12/2016	Ex-change rate differen-ces	Depre-ciation, amortisati-on and Im-pairment losses in the finan-cial year	Reclassi-fications	Dispo-sals	**Balance on 31/12/2016**	**Balance on 31/12/2016**	Balance on 31/12/2015
1. Software und sonstige erworbene immaterielle Vermögens-werte	347	-	96	-	28	415	343	310
2. Selbsterstellte immaterielle Vermögens-werte	-	-	9	-	-	9	98	-
3. Selbsterstellte immaterielle Vermögens-werte im Bau	-	-	-	-	-	-	-	55
4. Geschäfts- oder Firmen-wert	-	-	-	-	-	-	-	-
Summe imma-terielle Vermö-genswerte	**347**	**-**	**105**	**-**	**28**	**424**	**441**	**365**

The additions to the internally generated intangible assets item include the company's product and software development work, which it has capitalised.

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

	Aquisition and production cost					
kEUR	**Balance on 01/01/2017**	exchange rate differences	Additions	Reclassi-fications	Disposals	**Balance on 31/12/2017**
1. Land and buildings	6,636	-	14,842	-1,642	-	19,836
2. Production equipment and machinery	11,890	-	1,563	1,366	-24	14,843
3. Other plant, operating amd office equipment	5,275	-5	2,725	399	1,071	7,323
4. Container fleet	18,534	-	11,099	179	3,416	26,396
5. Plant under construction	3,910	-1	6,341	-1,916	-	8,334
Property, plant and equipment, total	**46,245**	**-6**	**36,570**	**-1,614**	**4,463**	**76,732**

Non-current assets

kEUR	Depreciation, amortisation and impairment losses						Carrying amounts	
	Balance on 01/01/2017	ex-change rate diffe-rences	Depreciati-on, amorti-sation and Impairment losses in the financi-al year	Reclassifi-cations	Disposals	**Balance on 31/12/2017**	**Balance on 31/12/2017**	**Balance on 31/12/2016**
1. Land and buildings	980	-	340	-9	-	1,311	18,525	5,656
2. Produc-tion equip-ment and machinery	5,386	-	1,336	-169	-30	6,583	8,260	6,505
3. Other plant, operating amd office equip-ment	2,526	2	1,324	65	577	3,340	3,983	2,749
4. Container fleet	5,942	-	4,391	113	350	10,096	16,300	12,591
5. Plant under construc-tion	-	-	-	-	-	-	8,334	3,910
Intangible assets, total	**14,834**	**2**	**7,391**	**-**	**897**	**21,330**	**55,402**	**31,411**

Non-current assets

kEUR	Aquisition and production cost					
	Stand am 01/01/2016	exchange rate differences	Additions	Reclassi-fications	Disposals	**Stand am 31/12/2016**
1. Land and buildings	4,980	-	1,656	-	-	6,636
2. Production equip-ment and machinery	11,555	-	302	37	4	11,890
3. Other plant, operating and office equipment	2,892	1	1,824	1,196	638	5,275
4. Container fleet	14,086	-	4,565	-31	86	18,534
5. Plant under construction	4,185	-	927	-1,202	-	3,910
Property, plant and equipment, total	**37,698**	**1**	**9,274**	**-**	**728**	**46,245**

Non-current assets

kEUR	Depreciation, amortisation and impairment losses						Carrying amounts	
	Balance on 31/12/2016	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	816	-	164	-	-	980	5,656	4,164
2. Production equipment and machinery	4,078	-	1,189	122	3	5,386	6,504	7,477
3. Other plant, operating amd office equipment	2,102	-	749	-	325	2,526	2,749	789
4. Container fleet	2,659	-	3,432	-122	27	5,942	12,592	11,428
5. Plant under construction	-	-	-	-	-	-	3,910	4,185
Property, plant and equipment, total	**9,655**	**-**	**5,534**	**-**	**355**	**14,834**	**31,411**	**28,043**

Assets arising from finance leases are reported under property, plant and equipment. As of 31 December 2017, these are attributable in a net carrying amount of kEUR 14,634 to the container fleet (previous year: kEUR 12,254). Technical plant and machinery includes assets from finance leases with a net carrying amount as of 31 December 2017 of kEUR 961 (previous year: kEUR 844).

The parent company has also acquired an existing industrial property in Würzburg for the company's operating expansion. The purchase costs of the land and buildings including ancillary costs amounted to kEUR 10,632. In February 2017, a space with a warehousing hall in the Heuchelhof industrial zone was already purchased in an amount of kEUR 2,609.

Plant under construction increased to kEUR 8,334 as of the balance sheet date (previous year: kEUR 3,910). This increase derives mainly from the additional production building in Kölleda that is under construction, and the planned redevelopment of the new location in Würzburg.

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.
- • Building and land Alfred-Nobel-Str. 33 in Würzburg serves as collateral for two long-term bank loans with a land charge of kEUR 11,500.
- • The photovoltaic plant and a production plant at the Kölleda site with a carrying amount of kEUR 881 (previous year: kEUR 844) serve as collateral for the financing from the bank and from the leasing company respectively. Of the other technical plant and machinery, a proportion with a carrying amount of kEUR 5,607 (previous year: kEUR 4,731) serves as collateral for long-term bank loans.
- • From the "Other equipment" category, assets amounting to kEUR 1,037 (previous year: kEUR 950) 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 179 (previous year: kEUR 382) serve as collateral for the multi-bank loan that was arranged in 2016.
- • The entire container fleet deriving from sale-and-finance-leaseback transactions serve the leasing companies as

collateral for the financing they grant.
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

Non-current assets

	Aquisition and production cost					
in kEUR	**Balance on 01/01/2017**	exchange rate differences	Additions	Reclassi-fications	Disposals	**Balance on 31/12/2017**
Investment Property	-	-	-	1,614	-	1,614

Non-current assets

	Depreciation, amortisation and impairment losses						Carrying amount	
in kEUR	**Balance on 01/01/2017**	ex-change rate diffe-rences	Depreciati-on, amorti-sation and Impairment losses in the financi-al year	Reclassifi-cations	Disposals	**Balance on 31/12/2017**	**Balance on 31/12/2017**	**Balance on 31/12/2016**
Investment Property	-	-	-	-	-	-	1,614	-

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 construct an integrated production and administration site there. Due to a market opportunity arising short-term, a further large plot of land along with existing production and administrative buildings was acquired in April 2017 in Alfred-Nobel-Strasse 33 in Würzburg, in order to use it to aggregate the Würzburg locations into a management, technology and logistics headquarters. A start was made with this in 2017.

By contrast with the original planning, the undeveloped land plots acquired in 2016 are held for value appreciation purposes as of 31 December, as the company is currently examining to which future utilisation the land plots are to be allocated. For this reason, these land plots were reclassified as of the reporting date to "investment property" with a carrying amount of kEUR 1,614. Given the short period since the purchase from third parties, the land plots' fair value corresponds to their reported carrying amount. The fair value of investment property is measured according to hierarchy Level 1 in the meaning of IFRS 13.

No indicators of potential impairment were identified. Accordingly, no impairment losses pursuant to IAS 36 were applied in the period under review.

4.2.1.4 Equity accounted investments

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

In July 2017, a convertible loan agreement was arranged between va-Q-tec AG, a further investor and SUMTEQ GmbH. According to the agreement, SUMTEQ can draw down kEUR 450 of loans from va-Q-tec AG. In return, va-Q-tec AG is entitled to waive the repayment of the loan amount and to instead receive further shares in SUMTEQ on reduced terms. As of 31 December 2017, SUMTEQ had not yet drawn down any loans from the shareholders. The section "Other financial obligations" presents further information about the convertible loan agreement.

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 that is presented includes the results of SUMTEQ for the 2017 financial year as well as for the comparable 2016 period.

Financial information for SUMTEQ GmbH

kEUR	**31/12/2017**	31/12/2016
Non-current assets	1,402	1,497
Current assets	72	382
Non-current liabilities	-420	-449
Current liabilities	-196	-146
Net assets (100 %)	**858**	**1,284**
Group share of net assets (18.5 %; previous year: 18.5 %)	159	238
Goodwill	198	198
Carrying amount of equity accounted investments	**357**	**436**

Financial information for SUMTEQ GmbH

kEUR	**2017**	2016
Revenues	132	64
Net result for the period	-426	-320
Other comprehensive income	-	-
Total comprehensive income (100 %)	**-426**	**-320**
Group share of total comprehensive income (18.5 %)	**-79**	**-59**

4.2.1.5 Other non-current and current financial assets

Other financial assets

kEUR	Non-current	Current	**Balance on 31/12/2017**
Fixed term deposits (6-12 months)	-	9,000	9,000
Suppliers with debit balances	-	33	33
Deposits	170	2	172
Miscellaneous	113	82	195
Group, total	**283**	**9,117**	**9,400**

Other financial assets

kEUR	Non-current	Current	**Balance on 31/12/2016**
Fixed term deposits (6-12 months)	-	30,000	30,000
Suppliers with debit balances	-	80	80
Deposits	64	1	65
Miscellaneous	3	103	106
Group, total	**67**	**30,184**	**30,251**

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.

4.2.1.6 Other non-current and current non-financial assets

Other non-financial assets

kEUR	Non-current	Current	**Balance on 31/12/2017**
Advance payments on intangible assets	458	-	458
Advance payments on property, plant and equipment	1	-	1
Advance payments on inventories	-	12	12
VAT receivables	-	1,623	1,623
Advance payments and accrued income	175	306	481
Miscellaneous	-	163	163
Group, total	**634**	**2,105**	**2,739**

Other non-financial assets

kEUR	Non-current	Current	**Balance on 31/12/2016**
Advance payments on intangible assets	41	-	41
Advance payments on property, plant and equipment	-	-	-
Advance payments on inventories	-	1	1
VAT receivables	-	545	545
Advance payments and accrued income	194	171	365
Miscellaneous	-	31	31
Group, total	**235**	**748**	**983**

The other non-financial assets comprise mainly claims to reimbursement of energy tax as well as claims arising from customer relationships.

4.2.1.7 Inventories

The level of inventories rose by kEUR 3,258 overall (previous year: kEUR 1,107) thanks to the higher level of business activity at va-Q-tec.

Inventories

kEUR	**31/12/2017**	31/12/2016
Raw materials and supplies	4,994	2,603
Work in progress	307	233
Finished products and goods	3,641	2,848
Group, total	**8,942**	**5,684**

Inventories as of 31 December 2017 include kEUR 356 of impairment losses (previous year: kEUR 292). 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 kEUR 912 as of 31 December 2017 (previous year: kEUR 586).

Inventories of the parent company in an amount of kEUR 8,827 (previous year: kEUR 5,621) served as collateral assigned for a multi-bank loan arranged in 2016. For more information about the multibank loan, please refer to the notes on bank borrowings (section 4.2.2.3).

4.2.1.8 Trade receivables

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

Changes in valuation allowances to trade receiveables

kEUR	**2017**	2016
Balance at 1 January	**31**	**40**
Consumption	-	-
Release	-	-9
Addition	15	-
Balance at 31 December	**46**	**31**

Trade receivables in an amount of kEUR 4,644 (previous year: kEUR 4,273) served as a global assignment of collateral for a multi-bank 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).

4.2.1.9 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.

kEUR	**31/12/2017**	31/12/2016
Current account balances	5,189	2,599
Savings account balances	10	2,000
Cash balances	2	1
Group, total	**5,201**	**4,600**

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.

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 kEUR 13,090 and 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 13,566 treasury shares. For this reason, the company's issued capital amounts to 13,075,936 shares as of the balance sheet date.

	Number of shares	Nominal value in EUR
Ordinary shares	13,089,502	13,090
Balance on 31/12/2017	**13,089,502**	**13,090**
Ordinary shares	13,089,502	13,090
Balance on 31/12/2016	**13,089,502**	**13,090**

Approved share capital

Based on an AGM resolution of 31 May 2016, the Management Board is authorised to increase the share capital, with Supervisory Board assent, once or on several occasions until 30 May 2021 against cash and/or non-cash capital contributions by a total of up to kEUR 4,278, whereby shareholders' subscription rights can be excluded.

Contingent capital

The company's share capital was unchanged in 2017. The contingent 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, based on the authorisation resolution of the AGM of 31 May 2016. An increase in the share capital from the contingent capital was not implemented in 2017.

Treasury shares

Treasury shares in 2017 reduced by 120,900 shares, from 134,466 shares as of 31 December 2016, as in February (18,790 shares) and October (109,610 shares) the exercising of employee stock options occurred, which va-Q-tec AG settled through transfer of its treasury shares. This was offset by the repurchase of shares in February (7,500 shares). As a consequence, the number of treasury shares amounts to 13,566 shares as of 31 December 2017.

Additional paid-in capital

Additional paid-in capital mainly comprises shareholders' cash and non-cash capital contributions. Additional paid-in capital reduced by a total of kEUR 509 to kEUR 46,158 in 2017 (previous year: kEUR 46,666). The change arises from the transfer of shares to employees as part of the stock option program.

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

kEUR	Warranties	Archiving	Litigation costs	Other	Total
Balance on 01.01.2017	-	13	26	16	55
Addition	-	4	25	35	64
Utilisation	-	-	26	12	38
Release	-	-	-	4	4
Balance on 31/12/2017	**-**	**17**	**25**	**35**	**77**
Non-current	**-**	**17**	**-**	**22**	**39**
Current	**-**	**-**	**25**	**13**	**38**

Provisions

kEUR	Warranties	Archiving	Litigation costs	Other	Total
Balance on 01.01.2016	25	17	17	64	123
Addition	-	-	23	12	35
Utilisation	-	-	6	-	6
Release	25	4	8	60	97
Balance on 31/12/2016	**-**	**13**	**26**	**16**	**55**
Non-current	**-**	**13**	**-**	**4**	**17**
Current	**-**	**-**	**26**	**12**	**38**

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. The long-term loans have remaining terms of up to 10 years. The risk arising from variable-interest 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 kEUR 11,000 and covers the overdrafts of both the parent company and the UK subsidiary. The contract currently expires as of 31 March 2018. The renegotiation, which is in an advanced stage, should have been concluded by then, taking into consideration the changed capital base after the IPO. The current multi-bank 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 as well as receivables from sponsorship and research projects. The draft version of the new multi-bank agreement no longer includes any collateral requirements, for example. Instead, the compliance with certain covenants by va-Q-tec AG is under consideration.

4.2.2.4 Other non-current and current financial liabilities

Financial liabilities

kEUR	Non-current	Current	**Balance on 31/12/2017**
Finance leases	3,793	3,323	7,116
Derivative financial instruments	52	-	52
Deferred liabilities for outstanding invoices	-	2,573	2,573
Accrued liability for financial auditors	-	233	233
Debtors with credit balance	-	32	32
Miscellaneous	104	346	450
Group, total	**3,949**	**6,507**	**10,456**

Financial liabilities

kEUR	Non-current	Current	Balance on 31/12/2016
Finance leases	3,926	3,951	7,877
Dormant investment	80	-	80
Derivative financial instruments	-	1,579	1,579
Factoring	-	186	186
Deferred liabilities for outstanding invoices	-	42	42
Miscellaneous	6	33	39
Group, total	**4,012**	**5,791**	**9,803**

The lease liabilities arise from property, plant and equipment capitalised by way of a finance lease. These primarily concern leases to finance the UK subsidiary's container fleet assets, which are financed chiefly through sale-and-finance-leaseback transactions, as well as production plants at the locations in Kölleda and Würzburg. The leased assets are reported under non-current assets.

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

31/12/2017 kEUR	Future minimum lease payments	Interest	Present value (finance lease liabilities)
up to one year	3,612	288	3,324
longer than one year and up to five years	4,042	249	3,793
over five years	-	-	-
Total minimum lease payments	**7,654**	**537**	**7,117**

31/12/2016 kEUR	Future minimum lease payments	Interest	Present value (finance lease liabilities)
up to one year	4,444	493	3,951
longer than one year and up to five years	4,222	296	3,926
over five years	-	-	-
Total minimum lease payments	**8,666**	**789**	**7,877**

The derivative financial instruments position includes the negative market values from interest-rate swaps to hedge variable-interest non-current bank borrowings in an amount of kEUR 52 (previous year: kEUR 80).

4.2.2.5 Other non-current and current non-financial liabilities

Non-financial liabilities

kEUR	Non-current	Current	**Balance on 31/12/2017**
Special item for grants	3,560	423	3,983
Special item for deferred container profits	4,878	2,272	7,150
Employee bonuses	-	415	415
Liabilities from other taxes	-	163	163
Prepayments received for orders	-	271	271
Liabilities for unutilised vacation	-	219	219
VAT liabilities	-	10	10
Miscellaneous other non-financial liabilities	-	392	392
Other personnel liabilities	-	267	267
Social security liabilities	-	76	76
Miscellaneous	-	49	49
Group, total	**8,438**	**4,165**	**12,603**

Other non-financial liabilities

kEUR	Non-current	Current	**Balance on 31/12/2016**
Special item for grants	3,164	456	3,620
Special item for deferred container profits	3,987	1,556	5,543
Employee bonuses	-	345	345
Liabilities from other taxes	-	76	76
Prepayments received for orders	-	146	146
Liabilities for unutilised vacation	-	264	264
VAT liabilities	-	1	1
Miscellaneous other non-financial liabilities	-	230	230
Other personnel liabilities	-	167	167
Social security liabilities	-	14	14
Miscellaneous	-	49	49
Group, total	**7,151**	**3,074**	**10,225**

Government grants

In 2017, the company received an investment grant of kEUR 795 from the Government of Lower Franconia to invest in the new site at Würzburg. A further grant of kEUR 838 has already been approved for 2018. The investment grants serve the construction investments, machinery and facilities as well as the overall investment of the building in Würzburg newly acquired in 2017. These grants do not need to be repaid as long as the conditions are complied with, as expected.

Special item for grants

EUR	**2017**	2016
Balance at 1 January	3,620	4,054
Addition	795	-
Release	432	434
Neutral release	-	-
Balance at 31 December	**3,983**	**3,620**
- of which non-current	3,560	3,164
- of which current	423	456

Deferred income from sale-and-finance-leaseback transactions

In 2017, containers worth kEUR 6,726 (previous year: kEUR 4,087), employed as part of the container fleet, were sold via sale-and-finance-leaseback transactions. The significant increase in lease financing arises from greater demand in the container service business in 2017 and the resultant additions to the fleet. 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 their availability is not restricted.

The cash inflows and outflows from investing and financing activities are presented in accordance with the direct method. The cash inflows and cash outflows from investing activities in the current business comprise not only additions to intangible assets, disposals and additions to property, plant and equipment, but also the release of most of the term deposits with a term of between six and twelve months, which in the previous year reflected the investment of the IPO proceeds, as they were utilised to finance the capital expenditures. Financing activities include cash inflows from real estate financing and cash outflows from the repayment of bank borrowings, as well as outgoing payments for 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 release of special items, the measurement of financial instruments, the fair value measurement of the assumed loan, 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 the cash flow statement.

	Carrying amount 31/12/2016	cash transactions	non-cash transactions			Carrying amount 31/12/2017
kEUR			currency translation	change in valuation	other	
Bank borrowings	7,583	351	-	-	6,170	14,104
Finance lease liabilities	7,877	-760	-	-	-	7,117
Financial liabilities	15,460	-409	-	-	6,170	21,221

The other changes are attributable to the assumption of an existing loan liability in an amount of kEUR 6,170 in connection with the acquisition of the land plot complex in Würzburg (non-cash).

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 2017

	Measurement category as per IAS 39 / IAS 17	Carrying amount		Fair value	of which: fair value		
		Amortized costs	Fair value				
kEUR		31/12/2017	31/12/2017	31/12/2017	Level 1	Level 2	Stufe 3
Financial Assets							
Trade accounts receivables	LaR	8,005		8,005			
Other financial assets							
of which: held to maturity	HtM	9,115		9,115			
of which: miscellaneous financial assets	LaR	286		286			
Cash and cash equivalents	LaR	5,201		5,201			
Total		**22,607**		**22,607**			
Financial liabilities							
Bank borrowings	FLAC	14,104		14,320		14,320	
Trade payables	FLAC	5,244		5,244			
Other financial liabilities							
of which: finance lease liabilities	IAS 17	7,117		7,338		7,338	
of which: derivative financial instruments without hedging relationship	FVtPL		52	52		52	
of which: miscellaneous other financial liabilities	FLAC	3,287		3,260		3,260	
Total		**29,752**	**52**	**30,214**			

Of which aggregated by measurement category as per IAS 39

kEUR		Carrying amount	Fair value
Loans and Receivables	LaR	13,492	13,492
Held to Maturity	HtM	9,115	9,115
Financial liabilities measured at amortised cost	FLAC	22,635	22,824
At fair value through P&L (liability)	FVtPL	52	52

Values by measurement categories 2016

	Measurement category as per IAS 39 / IAS 17	Carrying amount		Fair value	of which: fair value		
		Amortized costs	Fair value				
kEUR		31/12/2016	31/12/2016	31/12/2016	Level 1	Level 2	Level 3
Financial Assets							
Trade accounts receivables	LaR	7,142		7,142			
Other financial assets							
of which: held to maturity	HtM	30,000		30,000			
of which: miscellaneous financial assets	LaR	251		251			
Cash and cash equivalents	LaR	4,600		4,600			
Total		**41,993**		**41,993**			
Financial liabilities							
Bank borrowings	FLAC	7,583		7,583		7,583	
Trade payables	FLAC	2,347		2,347			
Other financial liabilities							
of which: finance lease liabilities	IAS 17	7,877		8,361		8,361	
of which: derivative financial instruments without hedging relationship	FVtPL		80	80		80	
of which: miscellaneous other financial liabilities	FLAC	1,847		1,847		1,847	
Total		**19,654**	**80**	**20,218**			

Of which aggregated by measurement category as per IAS 39

kEUR		Carrying amount	Fair value
Loans and Receivables	LaR	11,993	11,993
At fair value through P&L (aktiv)	FVtPL	30,000	30,000
Financial liabilities measured at amortised cost	FLAC	11,777	11,777
At fair value through P&L (passiv)	FVtPL	80	80

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

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:

2017 net results from

Measurement category as per IAS 39 / IAS 17	Interest income	Interest expense	Impairment losses	Subsequent fair value measurement	Currency translation
LaR	-	-	-	-	405
FVtPL	-	-	-	27	-
FLAC	360	-377	-	-	-45
IAS 17	-	-523	-	-	-
other	-	-	-	-	-5
Total	**360**	**-900**	**-**	**27**	**-455**

2016 net results from

Measurement category as per IAS 39 / IAS 17	Interest income	Interest expense	Impairment losses	Subsequent fair value measurement	Currency translation
LaR	-	-	-	4	-49
FVtPL	-	-	-	-	-
FLAC	-	-462	-	-388	-1
IAS 17	-	-772	-	-	-
other	-	-	-	-	-
Total	**-**	**-1,234**	**-**	**-384**	**-50**

4.6 RISK MANAGEMENT

As a company active 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 on 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 kEUR 17,405 as of the 31 December 2017 reporting date (previous year: kEUR 37,392). Due to the investments realised in the financial year under review, the reported credit risk has reduced accordingly, as most of the short-term deposits acquired in the previous year were utilised for the investments. The acquired short term deposits position amounted to kEUR 9,000 as of the financial year-end (previous year: kEUR 30,000).

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

Trade receivables

EUR	**31/12/2017**	31/12/2016
Not overdue	5,341	5,307
Less than 30 days	1,486	1,104
30-90 days	806	558
91-360 days	364	92
More than 360 days	3	75
Unimpaired receivables	**8,000**	**7,136**
Carrying amount of impaired receivables	**5**	**5**
Total	**8,005**	**7,141**

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

Liquidity risk i.e. the risk that va-Q-tec is unable to meet its financial obligations, is limited through the creation of the requisite financial flexibility, and through an effective cash management system. To manage its future liquidity position, va-Q-tec employs corresponding liquidity planning instruments. No liquidity bottlenecks were identifiable as of the reporting date. Unutilised overdraft lines existed were available to a sufficient extent.

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

2017 | Repayment amounts on respective due date

kEUR	Bank borrowings	Other financial liabilities: Finance lease liabilities	Other financial liabilities: Derivative financial instruments	Other financial liabilities: Miscellaneous other financial liabilities	Trade payables	Total
2018	3,186	3,612	23	3,184	5,244	**15,249**
2019	1,251	1,429	18	103	-	**2,801**
2020	1,238	1,216	12	-	-	**2,466**
2021	1,150	872	6	-	-	**2,028**
2022	872	524	1	-	-	**1,397**
2023 and after	8,029	-	-	-	-	**8,029**
Total 31/12/2017	**15,726**	**7,653**	**60**	**3,287**	**5,244**	**31,970**

2016 | Repayment amounts on respective due date

kEUR	Bank borrowings	Other financial liabilities: Finance lease liabilities	Other financial liabilities: Derivative financial instruments	Other financial liabilities: Miscellaneous other financial liabilities	Trade payables	Total
2017	5,533	4,443	29	1,847	2,347	**14,199**
2018	567	2,885	23	6	-	**3,481**
2019	554	703	17	-	-	**1,274**
2020	540	489	11	-	-	**1,040**
2021	491	146	5	-	-	**642**
2022 and after	138	-	1	-	-	**139**
Total 31/12/2016	**7,823**	**8,666**	**86**	**1,853**	**2,347**	**20,775**

Collateral in the form of land charges on land and buildings at the Kölleda site and at the new headquarters in Würzburg, 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 and receivables from sponsorship and research projects) as well as a collateral assignment of inventories at the Würzburg site.

Currency risks

Foreign currency exchange rate risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate due to changes in foreign currency exchange rates. va-Q-tec is exposed to this risk mainly from its operating activities (if revenues and/or expenses denominated in a currency differing from the functional currency of the respective Group company). 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 consideration.

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 2017 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 arise: If the value of the USD had been 10% higher against the EUR as of the reporting date, consolidated profit/loss would have been kEUR 208 (previous year: kEUR 149) higher, and consolidated equity would have been kEUR 208 (previous year: kEUR 149) 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 kEUR 208 (previous year: kEUR 149) lower, and consolidated equity would have been kEUR 208 (previous year: kEUR 149) 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 kEUR 107 (previous year: kEUR 7) higher, and consolidated equity would have been kEUR 107 (previous year: kEUR 7) 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 kEUR 107 (previous year: kEUR 7) lower, and consolidated equity would have been kEUR 107 (previous year: kEUR 7) 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 kEUR 22 (previous year: kEUR 12) higher, and consolidated equity would have been kEUR 22 (previous year: kEUR 12) 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 kEUR 22 (previous year: kEUR 12) lower, and consolidated equity would have been kEUR 22 (previous year: kEUR 12) 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 a 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 kEUR 12 lower (previous year: kEUR 28 lower), and consolidated equity would have been kEUR 12 lower (previous year: kEUR 28 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 kEUR 7 higher (previous year: kEUR 40 higher), and consolidated equity would have been kEUR 7 higher (previous year: kEUR 40 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 40% equity ratio as the medium-term target. The equity ratio stood at 55% as of the balance sheet date (previous year: 64%), thereby in the 2017 financial year lying significantly above the target set by the Management Board. The high level of investments and requisite financing will lead to a marked reduction in the equity ratio in the coming years.

With the IPO and current account overdrafts available as part of the multibank agreement arranged in September 2016, va-Q-tec AG has created a solid liquidity basis for the next years' business planning.

In the 2017 financial year, financial liabilities of the parent company va-Q-tec AG in amount of kEUR 2,094 (previous year: kEUR 2,592) 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 defined by the banks, 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 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. Financial liabilities of va-Q-tec Ltd (UK) from finance leases of kEUR 5,729 as of 31 December 2017 (previous year: kEUR 5,669) 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 kEUR 2,500 as of the balance sheet date. This covenant was met as of the balance sheet date, as in the previous year.

5 OTHER DISCLOSURES

5.1 SEGMENT INFORMATION

For the purpose of segment reporting, the activities of the va-Q-tec Group are separated by operating segments based on 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".

The activities of the German and UK reporting segments are unchanged compared with the previous year. In the Other reporting segment, the two newly founded subsidiaries in Switzerland and Japan strengthen the local presence in the respective regions. A fulfilment centre (conditioning and cleaning of rental boxes) was opened in Switzerland in the 2017 reporting period. The Korean subsidiary renders purchasing services. Along with sales services, the US subsidiary is generating the first independent third-party sales revenues for the Group.

By contrast with the previous year, the reporting and reporting management of the individual segments at va-Q-tec is directly according to IFRS. Insofar they are material, the supply and service relationships between the reporting segments are presented on a consolidated basis.

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.

Segment reporting FY 2017

kEUR	va-Q-tec AG	va-Q-tec Ltd. (UK)	Other	Operating divisions, total	Consoli-dation	Group
	IFRS	IFRS	IFRS			
External revenue	32,613	13,987	326	46,926	-	46,926
Internal revenue	10,561	1,414	1,078	13,053	-13,053	-
Total sales revenue	43,174	15,401	1,404	59,979	-13,053	46,926
Total income	47,354	15,867	1,416	64,637	-7,190	57,447
Cost of materials and services	-20,615	-6,273	-152	-27,040	2,364	-24,676
Personnel expenses	-13,297	-2,044	-353	-15,694	78	-15,616
Other operating expenses	-7,702	-2,894	-897	-11,493	1,548	-9,945
EBITDA	**5,740**	**4,656**	**14**	**10,410**	**-3,200**	**7,210**
Depreciation, amortisation and impairment losses	-2,990	-4,908	-13	-7,911	383	-7,528
EBIT	**2,750**	**-252**	**1**	**2,499**	**-2,817**	**-318**
Result from equity accounted investments	**-**	**-**	**-**	**-**	**-79**	**-79**
Financial income	549	-	-	549	-162	387
Financial expenses	-354	-690	-18	-1,062	162	-900
EBT	**2,945**	**-942**	**-17**	**1,986**	**-2,896**	**-910**
FY 2017 invest-ments	25,400	16,467	216	42,083	-4,934	37,149
Assets 31/12/2017	90,718	24,742	934	116,394	-20,902	95,493
Non-current assets 31/12/2017	39,202	18,359	225	57,786	-1,499	56,287
Equity accounted investments	-	-	-	-	357	357
Liabilities 31/12/2017	26,239	21,049	714	48,002	-5,503	42,501
FY 2017 employees [1]	317	32	9	358	-	358

[1] The number of employees includes Management Board members and trainees (2017:17; previous year: 0)

Notes

Segment reporting FY 2016

	va-Q-tec AG	va-Q-tec Ltd. (UK)	Other	Operating divisions, total	Consoli-dation	Group
kEUR	IFRS	IFRS	IFRS			
External revenue	27,991	11,613	12	39,616	-4,087	35,529
Internal revenue	1,233	946	711	2,890	-2,890	-
Total sales revenue	29,224	12,559	723	42,506	-6,977	35,529
Total income	33,578	12,559	726	46,863	-3,985	42,878
Cost of materials and services	-13,666	-5,591	-8	-19,265	1,940	-17,324
Personnel expenses	-10,014	-1,657	-266	-11,937	123	-11,815
Other operating expenses	-7,392	-1,950	-342	-9,684	1,162	-8,522
EBITDA	**2,506**	**3,361**	**110**	**5,977**	**-760**	**5,217**
Depreciation, amortisation and impairment losses	-2,093	-3,529	-6	-5,629	-11	-5,640
EBIT	**413**	**-168**	**103**	**348**	**-771**	**-423**
Result from equity accounted investments					-59	-59
Financial income	76	-	-	76	-72	4
Financial expenses	-850	-821	-24	-1,695	72	-1,623
EBT	**-361**	**-989**	**80**	**-1,270**	**-831**	**-2,101**
FY 2016 invest-ments	4,780	4,449	5	9,234	221	9,455
Assets 31/12/2016	76,904	16,734	462	94,100	-9,936	84,164
Non-current assets 31/12/2016	18,891	13,149	28	32,068	-216	31,852
Equity accounted investments					436	436
Liabilities 31/12/2016	14,685	13,521	519	28,725	1,503	30,228
FY 2016 employees	238	25	4	267	-	267

In the 2017 financial year, va-Q-tec AG had one customer accounting for more than 10% of total consolidated revenue. Sales revenues of kEUR 5,765 were generated with this customer.

In the 2016 financial year, va-Q-tec AG and va-Q-tec UK Ltd each had one customer whose share of revenue accounted for more than 10% of total consolidated revenue. The corresponding sales revenues amounted to kEUR 5,697 and kEUR 5,264.

The revenues are distributed geographically as follows:

kEUR	**2017**	2016
Germany	15,386	11,183
Rest of European Union	15,949	13,439
Other EU countries	15,591	10,907
Group, total	**46,926**	**35,529**

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: Sales revenues of kEUR 18,031 (previous year: kEUR 11,287) were generated with product (vacuum insulation panels and individually sold heating storage components) in the financial year under review. The Group generated kEUR 10,820 of sales revenue with systems (thermal packaging and related components) in the reporting year (previous year: kEUR 10,426). Sales revenues of kEUR 17,366 were generated from services in the financial year under review (previous year: kEUR 13,189). Other sales revenues amounted to kEUR 709 in the financial year (previous year: kEUR 626).

5.2 CONTINGENCIES AND OTHER FINANCIAL OBLIGATIONS

Other financial obligations exist deriving mainly from acceptance obligations, the construction stage in Würzburg and Kölleda, as well as marketing costs, operating leases for IT equipment and company vehicles, as well as from rental obligations for buildings. Furthermore, the obligation to grant a loan to the associated company SUMTEQ GmbH as part of a convertible loan agreement existed as of the reporting date. In July 2017, a convertible loan agreement was arranged between va-Q-tec AG, a further investor and SUMTEQ GmbH. According to the agreement, SUMTEQ can draw down kEUR 450 of loans from va-Q-tec AG. In return, va-Q-tec AG is entitled to waive the repayment of the loan amount and to receive further shares in SUMTEQ on reduced terms instead. As of 31 December 2017, SUMTEQ had not yet drawn down any loans from the shareholders.

The due dates of the other financial obligations are as follows::

Other financial liabilities (contingencies)

kEUR	**31/12/2017**	31/12/2016
Group, total	**12,793**	**1,398**
due within one year	10,720	844
due between one and five years	2,052	554
due after five years	21	-

The significant year-on-year increase is chiefly attributable to the acceptance obligations and the still-outstanding works in connection with the renovation of the property in Würzburg and the new construction in Kölleda as well as the convertible loan agreement with SUMTEQ GmbH. Moreover, a bill guarantee line in an amount of kEUR 24 exists with Commerzbank AG, under which va-Q-tec AG is liable for lending to third parties.

The stock option program for va-Q-tec staff announced in December 2017, which includes the rendering of part of the price paid for demonstrably purchased va-Q-tec shares, also led to a slight scope of contingent liabilities.

5.3 SHARE-BASED PAYMENT

In 2013, va-Q-tec had set up a virtual option program with a total volume of up to 188,591 virtual options (377,182 after the share split). The company had the unilateral right to settle the virtual options either through equity instruments or cash. va-Q-tec recognised the virtual option program as equity-settled share-based payment.

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

In the 2013 financial year, initially just one key management member was allocated 94,296 (after the share split: 188,592) virtual options with an exercise price of EUR 7.73 (after the share split: EUR 3.87) from the option program. The fair value on the grant date was calculated applying a standard option valuation model (Black Scholes). This assumed a share price of EUR 1.44 (after the share split: EUR 0.72), a term of three years, a yield rate of 5.0 %, a congruent-maturity risk-free rate of 0.5 % and the volatility of 25 %. This volatility was assumed in light of the historical revenue and earnings trend and the still-early development stage of va-Q-tec. The calculation generated a fair value of zero euros per option. Accordingly, no expense was recognised over the accumulation period to date. One of the requisite exit events occurred with the implementation of the IPO in September 2016, making the options exercisable and also closing the option program.

As part of the first exercising of stock options that occurred in February 2017, 18,790 treasury shares were issued for all the exercisable options of the two senior employees. As of the end of the exercise period on 30 September 2017, all further still-outstanding stock options were served through issuing 109,610 treasury shares, so that no more options were outstanding as of 31 December 2017. Above and beyond the options allocated and vested up until this exit event, no further allocation of options will occur under this program. The options not allocated until this date and 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 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.

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% at the start of the financial year (previous year: 16.33% interest), Cleantech Europe II S.à.r.L., Luxembourg, still represented a related company with significant influence during the course of the year. Due to the reduction of the interest to less than 10.00% during the course of the financial year under review, however, the company is no longer a related company with significant influence as of the 31 December 2017 reporting date. 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. No further equity investments in SUMTEQ GmbH were realised in the reporting period (previous year: kEUR 125). Concerning the credit commitment arising from the convertible loan to SUMTEQ GmbH, please refer to the remarks concerning contingent liabilities in section 5.2 and the events after the reporting date in section 5.5.

Key management personnel of the va-Q-tec Group

Management Board	
Dr. Joachim Kuhn	since 01/04/2001
Stefan Döhmen	since 01/07/2017
Dr. Roland Caps	until 30/06/2017
Christopher Hoffmann	until 31/12/2017

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
Sven Larsen – va-Q-tec Ltd. (UK)	since 01/01/2017
Dominik Hyde – va-Q-tec Ltd. (UK)	until 23/06/2017
Kevin Smith – va-Q-tec Ltd. (UK)	from 01/01/2017 until 13/08/2017

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

kEUR	**2017**	2016
Short-term employee benefits	1,333	1,068
Post-employment benefits	37	29
Total compensation of key management members of the va-Q-tec Group	**1,370**	**1,097**

Management Board compensation

kEUR	**2017**	2016
Short-term employee benefits	719	616
Post-employment benefits	21	22
Total Management Board compensation	**740**	**638**

Compensation totalling kEUR 740 was paid to the Management Board in 2017 (previous year: kEUR 638). This compensation consisted of basic compensation of kEUR 593 (previous year: kEUR 501), performance-based annual bonuses of kEUR 126 (previous year: kEUR 115) and contributions to the company's pension scheme. Defined contribution pension commitments have existed for the Management Board members since 2014. To this end, kEUR 21 (previous year: kEUR 22) 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. These were fully vested as of 30 September 2016 and were exercised by the option beneficiaries on time before 30 September 2017.

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

As of 31 December 2017, one member of the Management Board had a personal guarantee outstanding to the Thüringer Aufbaubank in an amount of kEUR 200 (previous year: kEUR 345). This guarantee was issued in 2011 without consideration being granted in return by va-Q-tec AG. The reduction in the scope of guarantees issued by Management Board members in 2017 is attributable to the departure of one Management Board member.

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 of kEUR 159 was granted to the Supervisory Board members for the 2017 financial year (previous year: kEUR 125). 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. In addition, consultancy services in an amount of kEUR 27 (previous year: kEUR 75) were compensated, rendered especially as part of the acquisition and renovation a real estate and in connection with establishing the international business.

As of 31 December 2017, this Supervisory Board compensation generates kEUR 48 of payment obligations for the company (31 December 2016: kEUR 44).

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
In contrast with the previous year, in the 2017 financial year there were neither cost reimbursements as part of the IPO by management members or a significantly involved company, nor the contribution of non-controlling interests in the UK subsidiary by a key management member, nor other miscellaneous transactions with related parties.

5.5 EVENTS AFTER THE REPORTING DATE

In relation to the convertible loan agreement, which was concluded between va-Q-tec AG and SUMTEQ GmbH in July 2017, SUMTEQ drew down the first tranche of kEUR 300 in January 2018. If the contractual conditions are met, SUMTEQ GmbH is entitled to call down the second tranche of kEUR 150. The total loan sum, which is available for a twelve-month period, amounts to kEUR 450 according to the agreement.

Former Management Board member Christopher Hoffmann, who was most recently responsible for the international business development of va-Q-tec and was previously the CFO, left the company as of 31 December 2017.

With effect as of 28 March 2018, va-Q-tec AG renewed the EUR 11 million multi- bank agreement existing since September 2016 with its house banks on amended terms, thereby taking into account the changing the financial position since the IPO. After the discontinuation of the distribution block, one of the significant changes consists in the discontinuation of any collateralisation of the agreed lending facility. Compliance with certain covenants by the company has been agreed instead. Furthermore, approval and reporting obligations were reduced considerably and adjusted to those of a listed company. The UK subsidiary was released from joint liability.

In the first quarter of 2018, the European Patent Office awarded va-Q-tec an important and very far-reaching patent concerning vacuum insulation panels (VIPs) and phase change materials (PCMs). The patent is European Patent EP 2 876 389 B1, which is valid in significant European countries. This patent includes, for example, all products of the va-Q-tainer series enabling the transportation of temperature-sensitive goods in compliance with international regulations, especially for the pharmaceuticals and biotech industries. va-Q-tec AG assumes that various market participants with their container solutions will infringe the patent that has now been issued, and is examining taking legal steps to protect the technical lead position of va-Q-tec in the passive containers area.

5.6 AUDITOR'S FEES

The fees for the services of the auditor Rödl & Partner GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Jena, of kEUR 330 (previous year: kEUR 783) comprise the following amounts:

kEUR	**2017**	2016
Financial statements audit (of which previous years: 24)	189	355
Other certification services	-	375
Tax advisory services (of which previous years: -1)	12	25
Other services (of which previous years: 10)	129	28
Group, total	**330**	**783**

The decrease in auditor's fees in the 2017 financial year reflects a reduction in advisory services, which were incurred in the previous year as part of the IPO, mainly due to the preparation of a letter of comfort.

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 within the Investor Relations area the corporate governance statement pursuant to Section 289f 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/erklaerungen-und-dokumente.html

Würzburg, 9 April 2018

va-Q-tec AG
The Management Board

Dr. Joachim Kuhn

Stefan Döhmen

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Würzburg, 09 April 2018

Dr. Joachim Kuhn (Vorsitzender des Vorstands)	Stefan Döhmen (Finanzvorstand)

INDEPENDENT AUDITOR’S REPORT

To va-Q-tec AG, Würzburg

Report on the audit of the consolidated financial statements and the Group management report

Audit opinions

We have audited the consolidated financial statements of va-Q-tec AG and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of comprehensive income , consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2017, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the Group management report of va-Q-tec AG for the financial year from 1 January to 31 December 2017. In accordance with the German legal requirements we have not audited the content of those parts of the Group management report listed in the appendix.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) of the German Commercial Code (HGB) and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2017, and of its financial performance for the financial year from 1 January to 31 December 2017, and
- the accompanying Group management report as a whole provides an appropriate view of the Group’s position. In all material aspects, this Group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks entailed in future development. Our audit opinion on the Group management report does not cover the content of the parts of the Group management report listed in the appendix.

Pursuant to Section 322 (3) Clause 1 HGB, we declare that our audit has not led to any reservations concerning the legal compliance of the consolidated financial statements and the Group management report.

Basis for the audit opinions

We conducted our audit of the consolidated financial statements and of the Group management report in accordance with Section 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as “EU Audit Regulation”) and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor’s responsibilities for the audit of the consolidated financial statements and of the Group management report” section of our auditor’s report. We are independent of the Group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the Group management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, we do not provide a separate audit opinion on these matters.

In our view, the matters presented below were the most significant as part of our audit.

Recognition and measurement of the operating property acquired for the new corporate headquarters in Würzburg

- Significance for the consolidated financial statements

Pursuant to a notary purchase agreement dated 5 April 2017, va-Q-tec AG acquired, in proximity to its corporate headquarters at that time, a business property, which until then was being used mainly by the vendor, including office and manufacturing buildings standing thereon, with the transfer of ownership, benefits and encumbrances at the latest as of 1 May 2017. The portion of the purchase price not to be rendered in cash related contractually to the assumption of loans with which the property had been financed previously.

This property serves as the new corporate headquarters and was generally usable for va-Q-tec AG on transfer. The property did not correspond to the condition planned by the management for its intended utilisation as an administrative headquarters and production site. For this purpose, extensive renovation, modernisation and reconstruction measures (building costs) of EUR 7.7 million were budgeted to be required. These measures were, and are still being, implemented by way of construction stages. As the stages are completed, the various corporate divisions will move into the property. The construction measures had been completed on two construction stages as of the balance sheet date. Full utilisation of the property is planned by mid-2018.

The property was recognised under property, plant and equipment under the "land and buildings" item and, to the extent that completion had not yet occurred, under the item "plant under construction". The measurement is based on purchase costs plus ancillary purchase costs taking straight-line depreciation into account, applied from the date of usability and taking subsequent capitalisations into consideration. The purchase costs include the contractually agreed cash component, the loan liability as per the purchase agreement assumed at fair value measurement in accordance with IFRS, as well as the subsequent construction costs, including work performed by the company. The useful life as well as the benchmarks for the allocation of the purchase price to the individual assets are derived based on a valuation survey. As of the balance sheet date, the level of the construction costs to be capitalised under "plant under construction" for the construction works that had been started but not yet billed was calculated based on the extent of building work completed.

Overall, the capitalised carrying amounts for the aforementioned property stand at EUR 15.2 million as of 31 December 2017. The recognition on the balance sheet of the property is partly subject to uncertainty due to the scope for the Management Board members to exercise discretion in producing estimates. Given this, and due to the one-off nature and related value level, the aforementioned matter was particularly important for our audit.

- Our approach in the audit

To audit the recognition and measurement of the acquired operating property, we obtained a detailed explanation of the accounting approach and the related internal control system that had been established in this connection, and assessed it for propriety and reliability. We also gained certainty concerning the existence of the construction measures as recognised on the balance sheet by way of examination as part of the preliminary audit, as of the balance sheet date, and for the main audit. Based on varied random samples, we checked whether the intended approach was implemented in this manner, and whether the costs underlying the valuation are attestable. We critically evaluated the valuation survey that was utilised, and analysed whether it was fit to serve as the basis for the resultant accounting decisions derived from it. We analysed the deferred and accrued items as of the balance sheet date through comparing our knowledge gained from the respective inspection with the records submitted to us, as well as the notification concerning the status of construction, and examined these for plausibility.

- Our conclusions

Our audit procedures relating to the recognition and measurement of the acquired operating property at the new company headquarters in Würzburg showed that the accounting treatment in the consolidated financial statements was applied objectively, appropriately and in accordance with applicable accounting regulations.

Accounting treatment of the containers the company produces, rents and finances through sale-and-leaseback transactions

- Significance for the consolidated financial statements

va-Q-tec AG sells thermal containers it produces itself to various leasing companies in the UK both directly as part of sale-and-leaseback transactions and, since the 2017 financial year, also indirectly through its subsidiary VA-Q-TEC LIMITED (UK). At the same time, VA-Q-TEC LIMITED(UK) leases these containers back from the leasing companies before renting them short-term to various customers. On an economic observation and from the Group's perspective, the rental containers are consequently produced for the purpose of short-term rental to third parties. The purpose of the business with the leasing companies is to finance the expansion of the rental business through further containers. In the 2017 financial year, Group companies arranged EUR 6.7 million of new sale-and-finance-leaseback transactions for containers (previous year: EUR 4.1 million).

Selling containers to the leasing companies and at the same time leasing them back represents a sale-and-leaseback transaction in the meaning of IAS 17.58. In accounting terms and pursuant to IAS 17.60, the transactions are to be treated as a sale-and-finance-leaseback transaction where the leasing company provides the financing to the Group and the containers serve as collateral. Pursuant to IAS 17.59, a surplus of sales proceeds over the costs of production of the containers may not be recognised directly in profit or loss. For the purposes of recognition in the income statement, a gross presentation was selected where the sale of the containers is reflected through deferring the profit, and where the finance lease is recognised according to the general regulations of IAS 17. In consequence, this leads to a remeasurement of the containers at the lower of fair value or the present value of the minimum lease payments. In subsequent measurement, the transactions are recognised according to general IAS 17 accounting regulations for finance leases. The deferred profit is recognised in profit or loss straight-line over the agreed lease period of five years.

The accounting presentation of such transactions is subject to particular risk given the Group's business model, the level of such transactions in terms of their value, and the complexity of the adjustment bookings required for their appropriate recognition and deferral. The appropriate application of the accounting standards is complex and partly based on the Management Board members' estimates and assumptions. Understanding the accounting treatment of the aforementioned transactions requires corresponding disclosures to be made in the notes to the financial statements.

- Our approach in the audit

Our audit approach comprised auditing the systematic approach and the relevant internal controls as well as implementing extensive statement-based audit procedures (especially individual-case audits), primarily relating to the accounting of the sale-and-leaseback of the thermal containers, the classification as finance leasing, as well as the level of the resultant obligations, the deferral of the disposal gain, as well as the accompanying consistent accounting treatment in accordance with IAS 17. Through corresponding instructions to the component auditor, we also ensured consistent application of the audit procedures for VA-Q-TEC LIMITED (UK).

- Our conclusions

From our perspective, the recognition and measurement of items connected with such sale-and-finance-leaseback transactions are presented objectively and appropriately in the consolidated financial statements, taking into consideration the requisite disclosures in the notes to the financial statements.

Other information
The Management Board members are responsible for the other information. The other information comprises:

- The remaining parts of the annual report, with the exception of the audited consolidated financial statements and Group management report and our auditor's report,
- Unaudited content of those parts of the Group management report listed in the appendix to the auditor's report,
- The corporate governance report pursuant to No. 3.10 of the German Corporate Governance Code, and
- The confirmation pursuant to Section 297 (2) Clause 4 of the German Commercial Code (HGB) regarding the consolidated financial statements and the confirmation pursuant to Section 315 (1) Clause 5 HGB regarding the Group management report.

Our audit opinions on the consolidated financial statements and on the Group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the Group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Management and Supervisory boards for the consolidated financial statements and the Group management report

The Management Board members are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the Management Board members are responsible for such internal controls as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Management Board members are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the Management Board members are responsible for the preparation of the Group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the Management Board members are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a Group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the Group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the Group management report.

Auditor's responsibilities for the audit of the consolidated financial statements and of the Group management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the Group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the Group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this Group management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the Group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the Group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems
- Evaluate the appropriateness of accounting policies used by the Management Board members and the reasonableness of estimates made by the Management Board members and related disclosures
- Conclude on the appropriateness of the Management Board members' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the Group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the Group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the Group management report with the consolidated financial statements, its conformity with the legal provisions, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the Management Board members in the Group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the Management Board members as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Further information pursuant to Article 10 of the EU Audit Regulation
We were elected as Group auditor by the Annual General Meeting on 19 June 2017. We were engaged by the Supervisory Board on 26 October 2017. We have been the auditor of the separate annual financial statements of va-Q-tec AG since the 2011 financial year and of its consolidated financial statements since the 2014 financial year.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Thomas Rattler.

Jena, 9 April 2018

Rödl & Partner GmbH
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Maaß	Rattler
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Appendix to the auditor's report: Parts of the Group management report whose contents are unaudited

We have not audited the content of the following parts of the Group management report:
- the Group statement on corporate governance included in section 1.7 of the Group management report.