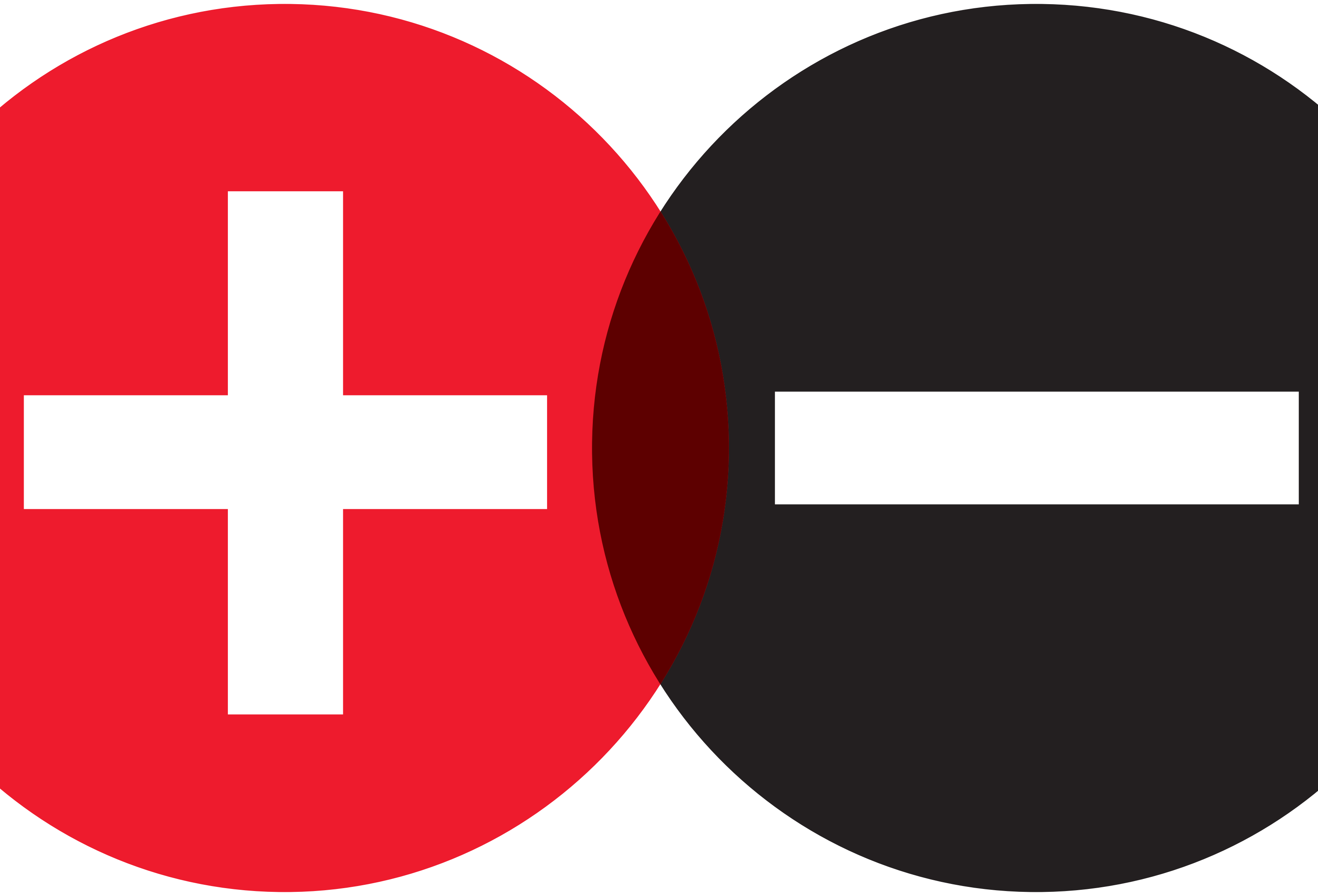
Voltabox electrifies!



VOLTABOX®

Annual Report 2018

Highlights from Fiscal Year 2018

Group sales
€ million

2018 **66.9**

+145,3 %

2017 27.3

EBITDA
€ million

9.6 -0.4

2018 2017

EBIT
€ million

5.6 -2.8

8.4 % -10.3 %

2018 2017

Free Cashflow

±0

Balanced free cash flow is expected in the current fiscal year

Revenue growth
€ million

105–115

Expected revenue growth for 2019 with an EBIT margin of 8–9 %.

Group Key Figures at a Glance (IFRS)

€ ’000	**Jan. 1 to Dec. 31, 2018**	Jan. 1 to Dec. 31, 2017	Change	**Oct. 1 to Dec. 31, 2018**	Oct. 1 to Dec. 31, 2017	Change
Revenue	**66,909**	27,273	145.3 %	**33,445**	11,921	180.6 %
EBITDA	**9,593**	-389	n. a.	**4,644**	1,229	277.9 %
EBITDA margin in %	**14.3**	-1.4	n. a.	**13.9**	10.3	n. a.
EBIT	**5,611**	-2,819	n. a.	**3,264**	-644	n. a.
EBIT margin in %	**8.4**	-10.3	n. a.	**9.8**	-5.4	n. a.
Consolidated net income	**2,579**	-6,514	n. a.	**788**	-2,281	n. a.
Earnings per share in €	**0.16**	-1.39	n. a.	**0.05**	-0.14	n. a.
Investments (CAPEX) [1]	**13,563**	6,328	114.3 %	**5,932**	2,804	111.5 %
Operating cash flow	**-54,823**	-4,683	-1,070.7 %	**-24,736**	-10,198	-142.6 %
Free cash flow [2]	**-68,386**	-11,011	-521.1 %	**-30,668**	-13,002	-135.9 %

€ ’000	**Dec. 31, 2018**	Dec. 31, 2017	Change	**Dec. 31, 2018**	Sep. 30, 2018	Change
Total assets	**181,516**	167,774	8.2 %	**181,516**	176,304	3.0 %
Equity	**154,484**	152,111	1.6 %	**-154,484**	154,237	0.2 %
Equity ratio in %	**85.3**	90.7	n. a.	**85.3**	87.5	n. a.
Cash and cash equivalents	**28,234**	102,679	-72.5 %	**28,234**	55,832	-49.9 %
Net debt/EBITDA	**-2.6**	253.4	n. a.	**-2.6**	2.9	n. a.
Net debt [3]	**-24,512**	-98,557	75.1 %	**-24,512**	3,580	n. a.
Employees [4]	**235**	99	137.4 %	**235**	193	21.8 %

Share

	Dec. 31, 2018	Dec. 31, 2017	Change	**Dec. 31, 2018**	Sep. 13, 2018	Change
Closing price in Xetra in €	**12.25**	23.42	-47.7 %	**12.25**	20.00	-38.8 %
Number of shares issued	**15,825,000**	15,825,000	0.0 %	**15,825,000**	15,825,000	0.0 %
Market capitalization in € millions	**193.9**	370.6	-176.7 %	**193.9**	316.5	-122.6 %

[1] CAPEX = investments in property, plant and equipment + investment in intangible assets.
[2] Free cash flow = operating cash flow – investments (CAPEX).
[3] Net debt = interest-bearing liabilities – available liquidity.
[4] Plus 42 temporary workers as of December 31, 2018 (December 31, 2017: 22; December 31, 2017: 27).

Voltabox – sustainable and efficient mobility

Modular system

Short time-to-market
Minimum initial costs for customers

Application specialist

Tailored systems for any application
Maximizing customer benefits

High level of automation

Consistent quality standards
Efficiently controlled series production

Development edge

„First Mover-Advantage“ due to early market entrance and electronic expertise adopted from paragon

Li-ion based battery systems are the innovative technology which can change the future. Being a reliable and experienced partner in modern electromobility Voltabox develops and manufactures system-specific solutions – for industrial use in demanding and fast-growing market segments, efficient and flexible, perfectly designed for the given applications from the Voltabox modular systems.

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Letter From the Management Board

Dear Shareholders, Customers, Business Partners and Employees,

In 2018, we developed as planned and proved that our business model is valid. All in all, we can proudly say that Voltabox delivered. We last raised our ambitious sales target on August 21, 2018. We regard the achievement of this target as even more of a success, since the reason for the forecast adjustment, the planned acquisition of Navitas, did not materialize. Our growing business successfully compensated for this.

At the same time, we had lowered our EBIT forecast from originally 9 % to 7 % in order to reflect the charges arising from the renegotiation of the contract with our customer Triathlon. With an EBIT margin of 8.4 %, we almost reached the previous forecast. This is mainly the result of economies of scale effects. Furthermore, we were able to achieve a very good development of our personnel deployment and material input ratio.

Last year's highlights certainly include the two successful takeovers. With Concurrent's team in Texas, we are optimally positioned to accelerate our projects for Komatsu, our customer in the field of mining. At the beginning of the year, Wolf Mueller, our new CEO in the USA, invited Komatsu's top management to our location near Austin in Cedar Park, Texas. The meeting was more than satisfactory. The responsible staff and involved project managers have agreed on a binding road map for the coming months. The encouraging result: We plan to introduce further systems for new mining vehicles into series production later this year. This means we're finally getting into the pace of work that we aimed for with our acquisition of Concurrent.

With the acquisition of ACCURATE in Germany, we have consistently implemented our M&A growth strategy. Especially in terms of profitability, this takeover is already proving to be extremely valuable. In the 2019 fiscal year, we also expect very good sales performance in this area. Finally, the market for pedelecs and e-bikes, which still represent the main sales driver for ACCURATE, is developing very dynamically. In mid-January, the online edition of Handelsblatt was headlined "German bike manufacturers are experiencing a renaissance thanks to e-bikes," citing various OEMs who consistently speak of very good sales figures. With the small-format round cells in the 18650 and 21700 variants, including tailor-made battery management systems and charging technology, we are also pursuing our system approach, which provides us with significant advantages in the competitive environment. The merger of ACCURATE into the Voltabox Group is scheduled to take effect in the second quarter.

We withdrew from the acquisition of our intralogistics competitor in the USA, Navitas Systems, on November 14. One reason was that, contrary to our expectations and despite prior announcement, the Committee on Foreign Investment Control in the United States (CFIUS) continuously postponed the approval of the transaction. Ultimately, however, Navitas' economic performance since the announcement of the purchase has prevented us from completing the acquisition. We made timely use of our contractually agreed termination right so that no penalties or similar consequences arose.

We will now establish our own direct sales channel in the field of intralogistics in 2019. Following the canceled takeover of Navitas, our standalone strategy for the U.S. provides all important steps to successfully enter the market, from the development of a tailor-made system to automated production to the expansion of our own distribution network in the U.S. During the current fiscal year, we are striving for the UL certification of our new battery system family which is designed to perfectly meet the requirements of the North American market. We plan to generate our first sales in this market in the course of this year.

Jürgen Pampel
Chairman of the Board, CEO

Jörg Dorbandt
Member of the Board, COO

After the intralogistics market segment was one of our major sales drivers in the prior year, the production of battery modules for use in forklifts and industrial trucks was also a significant part of our overall performance in the 2018 fiscal year. As you know, we have been successfully cooperating with Triathlon Batterien GmbH in this area for many years, who has refined the modules we have produced into systems and launched them via their distribution network. We have strengthened this sales channel by renegotiating our cooperation agreement. In addition, we have secured the right to open up the market in Europe and North America via direct sales with the new contractual agreement. After building up the necessary resources, we were able to significantly expand our activities in Germany in the second half of 2018. The share of revenue generated through this sales channel will increase significantly in 2019. We will successively undertake the system assembly ourselves. Special attention will be paid here to establishing a product offering on the market that sets itself apart from comparable solutions with regard to the quality of the cells as well as the performance data of the systems, among other things.

More on Triathlon: As we have previously communicated, the extension of the payment period for Triathlon until the end of 2018 was also a part of the contractual amendment. We thereby strategically used our high cash holdings to support sales development at Triathlon, which of course helped us a lot too. These trade receivables are by definition initially a lump sum risk. However, as of the second quarter of 2019, these will be successively reduced, thus having a clear positive effect on free cash flow, which we expect to be balanced by the end of the year.

Triathlon has always adhered to the agreed payment terms in the past. Some amounts were also repaid prematurely. In November 2018 Triathlon received the rating “Investment Grade” from the Deutsche Bundesbank.
At the beginning of the year, the payment terms for Triathlon also changed back to the regular terms, which

are usually 30 days net. In addition, we have agreed on far-reaching safeguards for outstanding claims. The decline in cash and cash equivalents as of the balance sheet date is thus obviously not an unexpected effect, but rather follows a strategy that has been secured on all sides. Through their implementation, we were able to gain significant market shares in intralogistics last year. The daily monitoring of our key financial figures as well as compliance with our budget figures in close cooperation with our finance department are of the utmost importance, and not only against this background.

In the past fiscal year, the Voltabox Group generated revenue of € 66.9 million, which corresponds to revenue growth of around 145 %. In the year under review, we applied the new accounting standard IFRS 15 (revenue recognition) for the first time, although this had only a minor impact. Of course our forecast was also based on that. The main revenue driver was once again the business with battery modules for use in forklifts and automated guided vehicles. In addition, serial production of battery systems for trolleybuses also contributed to revenue. The transfer of the battery system for the Battery Hauler 18/20 mine vehicle from pre-series to series production finally provided the starting point for further electrification of the Komatsu fleet. We earned a smaller amount of revenue with the production of starter batteries and the delivery of two prototypes as well as the start of series production of the battery systems for the Schäffer compact and wheel loaders. In addition, initial revenues from our ACCURATE acquisition have been included in our consolidated financial statements.

We are firmly convinced that Voltabox is on the right track. And at the same time, we are confirming our operative performance quarter on quarter with strong results and rapid growth. In conjunction with our very good order backlog, this state of affairs gives us a very optimistic outlook for the current 2019 fiscal year.

Indeed, the overall market we address continues to develop well. We expect global growth of around 12 % in the markets we serve. Particularly in the field of intralogistics, we will significantly expand our market position – which will be additionally forwarded by our entry into the North American market.

In the current fiscal year, we expect revenue growth of around 60 % to about € 105 to 115 million, with an EBIT margin of around 8 to 9 %. The intralogistics and Trolley as well as EV-Bus market segments will be the main growth drivers here. In the current fiscal year, we will also generate significant sales with battery packs for pedelecs and e-bikes for the first time. Compared to the prior year our investments will increase only slightly to € 14 million – in the course of this the share of capital expenditure for intangible assets will increase to 57% due to the capitalization of development costs.

We would like to thank all our employees for their commitment and outstanding work and our business partners, customers and shareholders for their trust.

Jürgen Pampel
Chairman of the Board
CEO

Jörg Dorbandt
Member of the Board
COO

Voltabox – Pioneer in Electromobility

How Voltabox uses existing potential and resources for future growth.

“Last year, we were able to take our new colleagues from Concurrent on board. Over the past few months, we have worked intensively on our structures and processes and significantly optimized them. We have consistently focused on the most important future projects. The Voltabox of Texas is facing an exciting future!”

Wolf Mueller, President and CEO of Voltabox of North America, Inc. on the integration of Concurrent Design and the prospects for the Voltabox of Texas, Inc.

“Our involvement with Voltabox came at just the right time. This has opened a lot of new doors for us. While our technology was already outstanding, we can now get it on the road even faster with Voltabox’s production capacity and sales power. In addition, we have significantly strengthened our position as a system supplier with Voltabox. Our customers appreciate that we are able to offer a package from a single source to electrify their products.”

Marcel Wilke, Founder of ACCURATE and site manager Korntal-Münchingen, on the acquisition of ACCURATE by Voltabox

M&A Highlights 2018

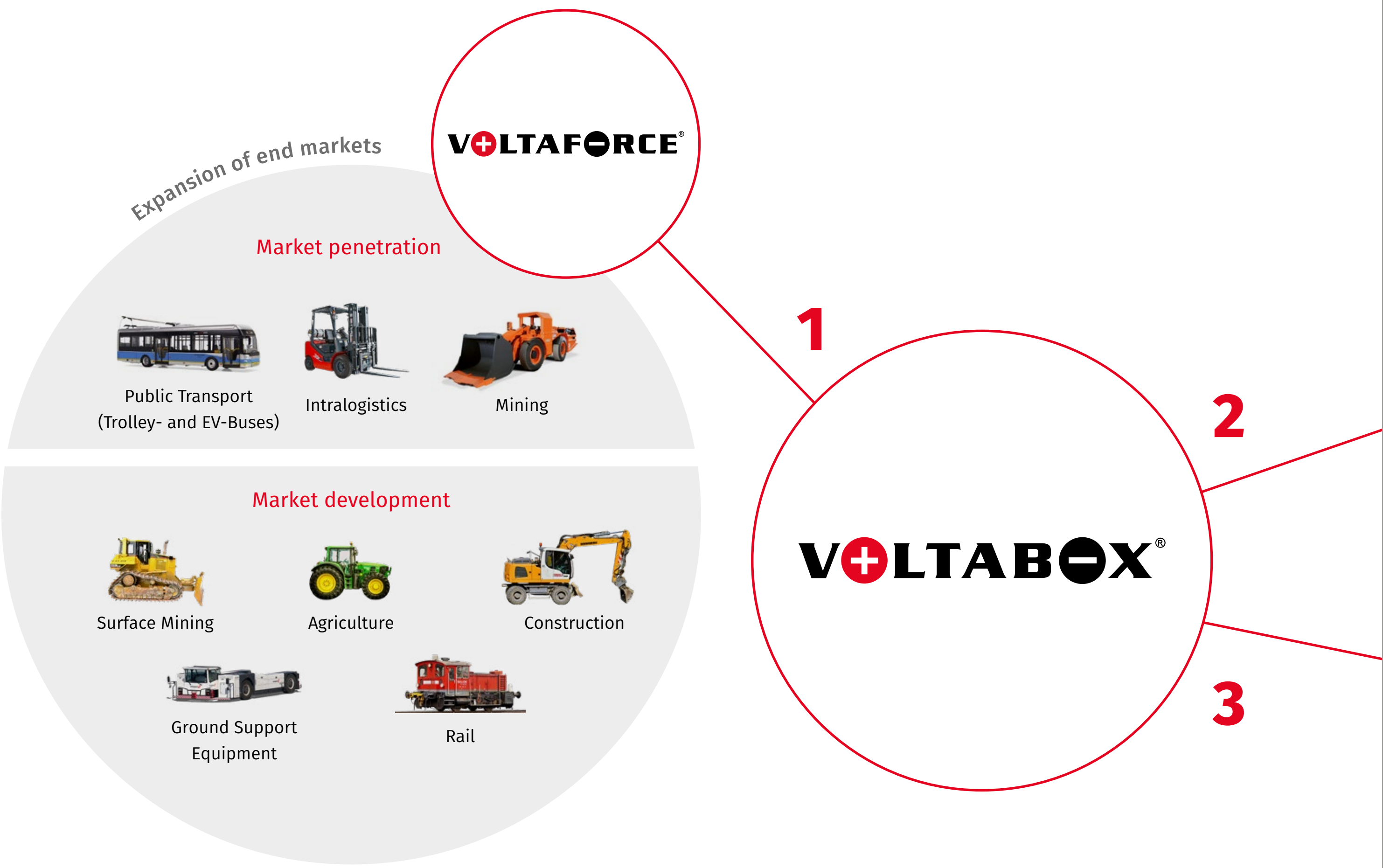
Voltabox of Texas, which has existed since 2014, develops and produces lithium-ion battery systems primarily for customers in the mining and trolleybus industries, and as of the current fiscal year, also intralogistics. The expertise in large battery systems was strengthened last year by the acquisition of Concurrent Design. On this basis, Voltabox of Texas aims to further penetrate existing ones and enter new market segments, including rail applications. The site is currently being significantly expanded. 70 employees now work in the 2,294 square meter facility. Currently, the location is being significantly expanded, both in terms of office space and production area. The American subsidiary has had a highly experienced CEO in Wolf Mueller since October 1, 2018.

Voltabox of Texas, Inc. in Austin, TX

With the acquisition of ACCURATE in August last year, Voltabox secured an important building block for the expansion of its own modular product range, which will enable it to enter selected mass markets. In its high-performance battery systems, ACCURATE uses small-format round cells, the so-called 18650 and 21700 versions, in conjunction with NCA cell chemistry. These cells have a low weight yet a high energy density. In the course of the third quarter, the team will move into a modern new building in Markgröningen. Voltabox will also use the young Kunshan site in China for production.

Future Voltaforce core site in Markgröningen

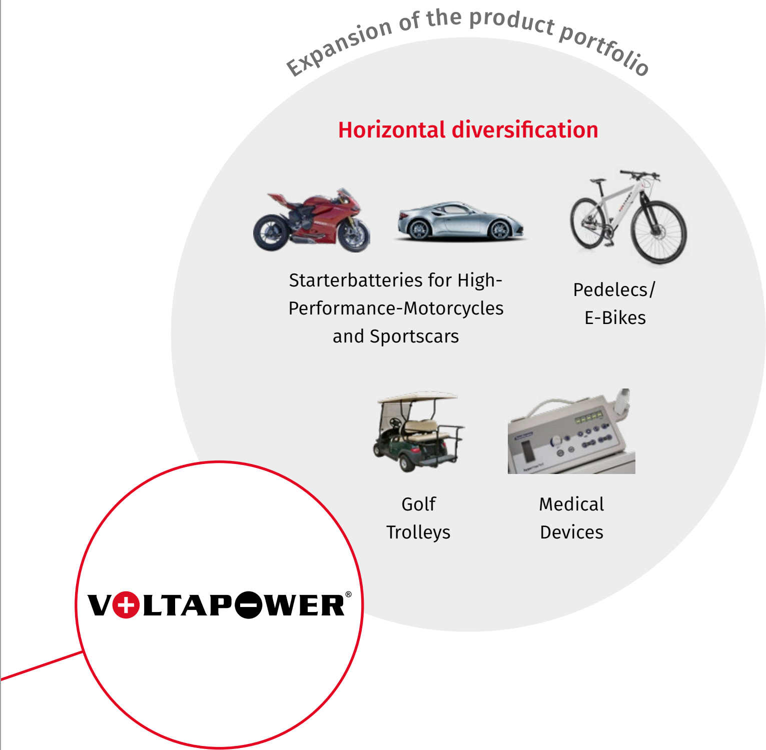
The three Voltabox growth paths

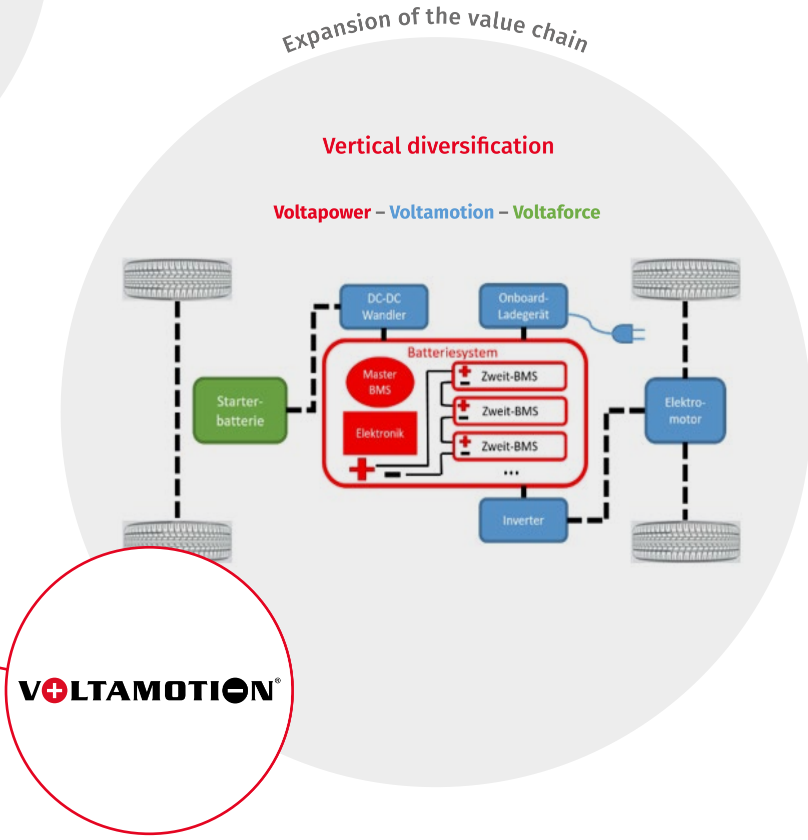


1 – Market penetration and market development

By expanding its market position in already occupied market segments and opening up new end markets in its core area of Voltapower, Voltabox is aiming for dynamic, yet sustainable, market penetration and increasing its market share in previously addressed markets. This is true for intralogistics in particular, but not exclusively. As a result of the new cooperation agreement with its partner Triathlon, Voltabox has entered direct sales here and since then has focused on its own sales channel both for manufacturers as well as large logistics companies and departments stores.

In addition, the planned entry into the promising U.S. intralogistics market in the current fiscal year represents another important step for market development. Furthermore, the expansion of Voltabox's business activities offers additional markets that are close to the already occupied industrial sub-markets, or within which an increase in the substitution process can be expected through corresponding, particularly regulatory, drivers. In addition to agricultural vehicles, these include construction vehicles, airport apron vehicles and various rail vehicle applications.





2 – Horizontal diversification

With the expansion of its existing product portfolio through standardized battery systems, Voltabox aims to tap into selected segments of the mass market, such as the pedelecs and e-bikes segment that ACCURATE addresses. By standardizing its products in the Voltaforce product segment, Voltabox is seeking to increasingly internationalize its business activities for specialty applications.

3 – Vertical diversification

With the Voltamotion product segment, Voltabox intends to broaden its product and service portfolio, especially by adding power electronics and powertrain components to the value chain. The activities are pooled in the development center in Aachen. Linked to this is the overarching goal of strenghtening Voltabox as a system provider and thus becoming a one-stop shop for the entire electrification of vehicles.

Three questions for COO Jörg Dorbandt

Mr. Dorbandt, you were appointed to the Voltabox Management Board at the beginning of December 2018. Explain what impressions you gained during the first few months.

Voltabox is a leading company in the field of lithium-ion battery systems that shows extremely dynamic development. This can be felt at every turn. We are expanding our capacities on a regular basis. The number of our employees is growing each month. In 2018 alone, we grew from 99 employees to 235 employees in the group. This dynamic, which obviously also shows in the utilization of our production, requires that we optimally manage the available resources. This also calls for keeping an eye on the spacial resources and adjusting them if necessary. For example, at the end of last year, Voltabox built modular, optimally equipped premises to develop the headquarters in Delbrück flexibly and relatively quickly. This was a smart, efficient response to the increased need for space from the administration, the development department and particularly sales department, which we strengthened substantially in 2018.

As COO, you are responsible for the finances in addition to the operational processes. What do you see as your central tasks?

It is my responsibility to ensure that Voltabox's production meets the needs of our ever expanding business in terms of quality and efficiency. Of course this applies not only to our production in Germany, but also worldwide. Abroad, Voltabox has mainly produced at the U.S. site in Cedar Park, near Austin, Texas, so far. The US subsidiary has existed for a few years now and is therefore settled. We would also like to gradually increase automation here in order to achieve the appropriate economies of scale. Especially in fast-growing companies, there is always the potential for optimization with regard to the efficiency of operational processes. However, we are at a very good level considering our already significant sales generation in light of how young our company still is.

My many years of experience in positions where I have been responsible for the finances of global companies help me personally with managing the finance department. At the same time, Voltabox has significantly strengthened the finance and controlling departments over the past few months, giving me an extremely dedicated and highly capable team.

And last but not least, what are your priorities for 2019?

For 2019, the initial goal is to implement the company's planned strong growth at an operational level as well. In Texas, the production building is currently being expanded and will be ready for occupancy this year. The automated production line for intralogistics battery modules is being ramped up, and the start of series production for the standard containers for the Kiepe order is planned and orders from other customers will be started.

Area expansion is also necessary in Delbrück. Preparations are underway here too to give us much more space from mid-2020.

In addition to the growth in capacity and staff, great attention must be paid to the growth of our skills and the level of the organization. The importance of controlling and our finance department as well as of suitable instruments will continue to increase in order to maintain a low expense growth and to minimize risks.

Thank you, Mr. Dorbandt!

About Jörg Dorbandt

Jörg Dorbandt was appointed to the Management Board of Voltabox AG on December 1, 2018. He has over 27 years of experience in the automotive supply industry. He initially worked for ten years as an IT manager, logistics manager and project manager for the construction of new production facilities at Nexans autoelectric, a system supplier for wiring systems. Mr. Dorbandt subsequently set up subsidiaries of Nexans as greenfield operations in the USA and Mexico and then led these rapidly growing companies with several hundred employees for many years. After successfully completing his projects in North America, Jörg Dorbandt returned to Germany and for more than six years, he was the Managing Director of Erich Jaeger GmbH & Co. KG, a manufacturer of electrical connectors, with responsibility for the operations and finance divisions.

Jörg Dorbandt, COO

300 MWh

...that's the maximum MWh production capacity of both highly automated lines in the plants in Delbrück and Cedar Park, Texas, near Austin. These lines process prismatic cells to battery modules which are mainly used in intralogistics applications. The second latter was sent by ship to Voltabox of Texas' site last year, where it was built in the fourth quarter. It was put into operation as planned in the first quarter of the current year.

Production line for prismatic cells in Delbrück, Germany

From the cell to the syst-em

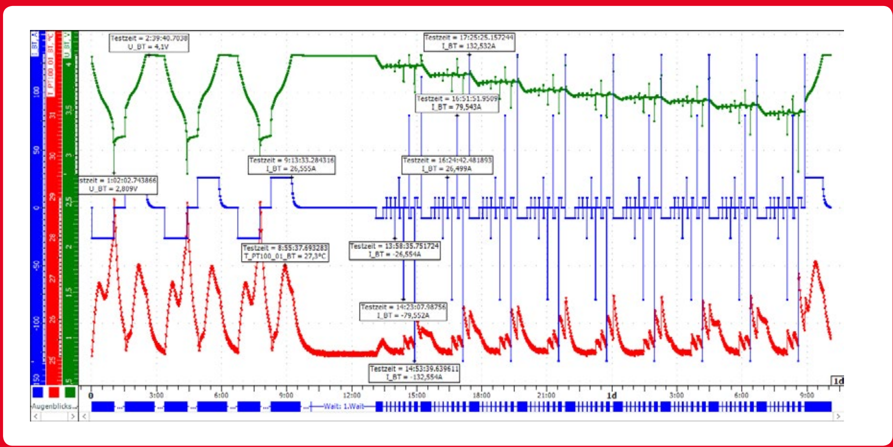
"Lithium-ion cell technology is clearly superior to conventional battery chemistry.In order to make optimum use of these advantages, we start developing customer solutions as early as possible and check which cell offers the best properties for the particular application and the corresponding application profile. Voltabox is absolutely cell-agnostic. This requires a deep understanding of the performance characteristics, special features and challenges in handling the cell. Only in this way can are able to provide our customers with tailor-made solutions for even the most demanding applications."

Dr. Fabian Wohde, Cell expert at Voltabox,
Head of Electrical and Electronics Development

Dr. Fabian Wohde has a profound knowledge of cells and their characteristics. He is therefore one of Voltabox's key contacts when it comes to selecting and qualifying cells for customer-specific applications. In addition, he performs technical coordination with the worldwide cell suppliers. Dr. Wohde holds a PhD in chemistry from the Philipps University of Marburg

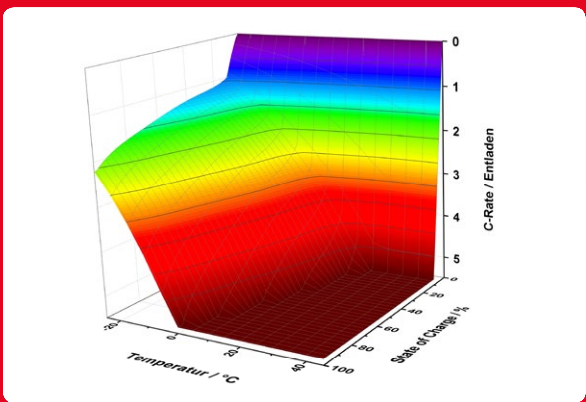
User-oriented developments

→ Measure



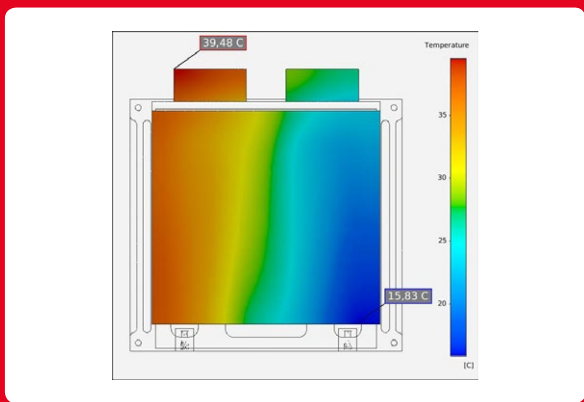
In order to select a particular cell type for a specific application, it is first necessary to measure the nominal capacity of a cell and thus compare it with the manufacturer's specifications. In a second step, the temperature-dependent cell resistance is determined in a wide range from -20 to 50° C.

→ Evaluate



The cell is then classified using benchmarks in order to obtain an objective evaluation of the various characteristics such as manufacturer, format and cell chemistry. Now individual performance parameters can be derived. The battery management system (BMS) is coordinated on the basis of the cell resistance. Already at this stage fast-charging strategies are being developed that also guarantee the highest possible cycle stability of the cell.

→ Simulate



The temperature dispersion within the cell is simulated under current load. The knowledge gained is used to develop efficient cooling and operating strategies to avoid cell-damaging hot spots. The developers are now able to select exactly that cell that is best suited for the respective application.

Voltabox is cell agnostic!

In its batteries, Voltabox uses cylindrical, prismatic and pouch cells in different lithium-ion cell chemistries. Currently, these primarily include lithium-ion phosphate (LFP), nickel manganese cobalt (NMC), lithium titanate oxide (LTO) and nickel cobalt aluminum oxide (NCA), which are each characterized by different properties and are therefore particularly suitable for certain fields of application. Therefore, the Voltabox solutions for industrial applications currently only use the cell power variants that are able to deliver and provide a lot of energy in the short term. The cell energy variants that are designed to deliver energy consistently over a longer period of time, however, are appropriate for other applications, such as cars.

Cell formats

Cylindrical

A spirally wound design (jelly-roll). Designated by size, e.g. 26650 cylindrical battery (Diameter: 26 mm, length: 65.2 mm; code for cylindrical shape: 0).

Prismatic

A prismatic design indicate a flat battery design. The stacks can be wound (as shown in the photo) or stacked (with alternating cathode/separator/anode structure). The stacks are usually inserted into rigid casing to form prismatic.

Pouch

Rather than rigid metallic casing, conductive foil-tabs are welded to the electrodes and seal the battery fully. The tacks inside can be wound or stacked. Swelling and gassing could be a concern for pouch cells.

Cell chemistries

LFP
Lithium Iron Phosphate

- Nominal cell voltage: 3.2 V to 3.3 V
- No risk of thermal runaway (in case of an accident)
- High cycle stability of up to 4,000 cycles at 80% DoD
- Large operating temperature range -20/+55 °c
- High energy density (125 Wh/kg and 292 Wh/l)
- Using only a small portion of rare earths

NMC
Nickel Manganese Cobalt

- Nominal cell voltage: 3.6 V to 3.7 V
- High cycle stability of at least 6,000 cycles at 80% DoD
- Great operating temperature range of -30/+60 °C
- High energy density (136–230 Wh/kg and at least 309 Wh/l)

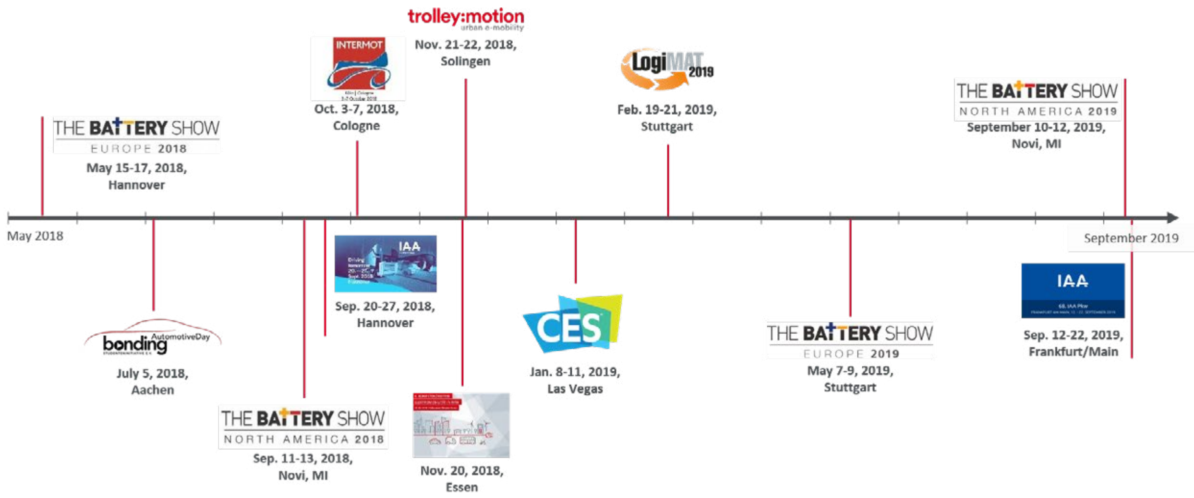
LTO
Lithium Titanium Oxide

- Nominal cell voltage: 2.3 V
- Highest cycle stability of up to 30,000 cycles at 80% DoD
- Great operating temperature range of -30/+55 °C
- High level of safety thanks to LTO anode
- Energy density of 96 Wh/kg or 202 Wh/l
- Great SoC range useable with the highest performances

NCA
Nickel Cobalt Aluminum Oxide

- Nominal cell voltage: 3.6–3.7 V (vs. graphite)
- High cycle stability of up to 1,500 cycles at 80-70% DoD
- Very wide operating temperature range of -20 /+75°C
- High energy density (140–280 Wh/kg and 300–590 Wh/L)
- Currently being tested or upscaled by many cell manufacturers

Increased industry presence



In the 2018 fiscal year, Voltabox significantly expanded its presence at the relevant industry trade fairs. The company is continuing this strategy of lead generation in the current fiscal year. With its appearances at battery shows, which regularly address a European and North American expert audience, Voltabox has set the benchmark as the largest exhibitor. With the targeted selection of trade fairs and conferences, including Intermot, an international motorcycle trade fair, and trolley:motion, an internationally recognized e-bus conference, interaction with a specialist audience and potential customers was further intensified in 2018. A highlight of the current fiscal year was Voltabox's first appearance at the Consumer Electronics Show in Las Vegas, which focused on the product portfolio suitable for individual mass markets.

Voltabox electrifies! – Battery Show Europe, Battery Show Novi, IAA Nutzfahrzeuge, CES

Key events in 2018

January 29, 2018
Publication of preliminary figures for the 2017 fiscal year – Forecast achieved!

March 13, 2018
Publication of the consolidated financial statements and confirmation of forecast

April 4, 2018
Acquisition of Concurrent Design

May 9, 2018
Successful first Annual General Meeting in Delbrück

June 19, 2018
Conclusion of the renegotiation of the cooperation agreement with Triathlon

July 2018
Entry into direct sales in intralogistics

August 20, 2018
Acquisition of ACCURATE

August 21, 2018
Adjustment of the forecast to € 65–70 million and 7% EBIT margin as part of the publication of the half-year report

November 13, 2018
9M report: Achieved break-even for the first time

November 14, 2018
Withdrawal from the Navitas Systems acquisition to regain planning security – maintained the forecast adjusted for revenue expectations based on the proposed acquisition

November 29, 2018
Appointment of Jörg Dorbandt as COO to the Management Board to optimally adapt the company to the challenges of further growth management.

Voltabox Investor Relations

Capital Market Environment

Despite the absence of a year-end rally in 2017, medium term-oriented investors in particular began the first quarter of 2018 with an optimistic attitude. This quickly deteriorated, however, due to profit-taking. Although the DAX recorded a new all-time high in January, fear of an adjustment increased among investors. This was supported by the implicit announcement of the U.S. Federal Reserve to raise the key interest rates in March. This was followed at the beginning of February by the biggest positive change in sentiment since October 2012, which led to renewed profit-taking, especially among international investors. In the subsequent consolidation phase with falling prices, only private investors were on the buyer's side. This trend intensified in March with increasing volatility.

Following a rather moderate start to the year, overall economic activity expanded strongly as macroeconomic capacity utilization in the second quarter increased. By contrast, however, growth prospects declined. The greatest economic risk for the international financial markets stemmed from a possible slowdown in economic activity in conjunction with a rise in prices resulting from a tightening of the hegemonic U.S. trade policy. The sharp rise in interest rates since the beginning of the year and the growing interest rate differential between U.S. government securities and German government securities were also of particular importance. While private investors were still on the buyer side during the consolidation phase on the German stock market at the end of the first quarter, the Frankfurt Sentiment Index for this group fell to 0 at the beginning of the second quarter, while medium-term institutional investors were again cautiously optimistic after the profit-taking in the previous quarter. As the second quarter continued, concerns about a sustained correction of the stock markets predominated among both investor groups, not least because of the increasing geopolitical risk of U.S. policy regarding the nuclear treaty with Iran and disappointing Purchasing Manager Index figures in the eurozone. While the sentiment indicator turned negative and institutional investors were increasingly short selling, private investors hardly reacted. However, their sentiment continued to deteriorate – reaching the greatest level of pessimism in nearly five years. At the end of the second quarter, the U.S. administration's newly announced punitive tariffs on car imports from the EU to the U.S. contributed to a further deterioration in sentiment. Stocks in the automotive sector were particularly affected.

While sentiment initially improved slightly on the German stock market at the start of the third quarter and German investors closed out short positions, institutional investors exploited the market environment in order to take profits. However, negative market sentiment continued to predominate among private investors. As a result, no clear trend emerged on the market. In the end, private investors increased their short positions again. Halfway through the quarter, this group of investors then exploited the DAX's sideways movement in order to exit their short positions while avoiding losses. Private investors subsequently switched to the buyer side, while institutional investors increasingly sold off their stocks. The leading indices suffered a significant decline in early September, without this prompting purchasing on the part of the active traders among the institutional players. Accordingly, the bear camp – measured in terms of sentiment on the Frankfurt Stock Exchange – increased by more than a third. At the end of the quarter, private investors especially were once again bullish, while international institutional investors continued to reallocate their investments to the USA and significantly expanded their short positions in German stocks. At the same time, profits were taken so as to be able to reinvest at a lower level amid an anticipated sideways trend. On the other hand, private investors were increasingly optimistic and did not engage in profit-taking. In the third quarter, the automotive sector was particularly badly affected by speculation over the impact of American trade policy as well as increased profit warnings from manufacturers and various suppliers.

At the beginning of the fourth quarter, the news environment worsened. Institutional investors initially tried to improve their previous performance in the existing sideways movement against the price trend. However, a clear shift in sentiment toward the bearish camp was already apparent in the second half of October. The high market volatility was demonstrated by the immediate subsequent recovery with massive purchases of German blue chips. After the U.S. midterm elections in early November, in which the Democrats regained the majority in the House of Representatives, the optimism of professional investors even jumped to a two-year high. At the beginning of December, the mood worsened again drastically. In addition to geopolitical risks and the uncertainty about the global economic impact of U.S. trade policy, the change in the U.S. yield curve was particularly seen as an indicator of a looming weakening in the real economy. As of mid-December, institutional investors still made purchases to improve their yearly performance, while private investors maintained their holdings despite some large book losses.

On balance, the latest sentiment survey of the past year revealed a mixed picture among institutional and private investors. While private investors still showed a slight optimism in absolute terms, the mood over the course of the year had to be rated as relatively pessimistic. On the other hand, there was slight optimism among institutional investors, at least temporarily. However, year-end profit-taking was seen as a burden on the entire market in the absence of foreign demand. As a result, market participants had to accept the first year of losses since 2011.

Share: Price Performance and Trading Volumes

The price performance of the Voltabox share was disproportionately affected by the increasingly difficult market environment in the past fiscal year. With a Xetra closing price of € 12.25 as of the reporting date (prior year: € 23.42), the share showed a price loss of 47.69 %. This corresponds to a loss in stock market value for the company of about € 176.7 million. The technology sector as a whole was not able to escape the negative trend in the year as a whole. While the TecDAX increased by 0.1 % in the same period, the SDAX, DAX and companies in the Prime Technology Index were all in the minus with -1.6 %, -0.6 % and -0.2 %, respectively.

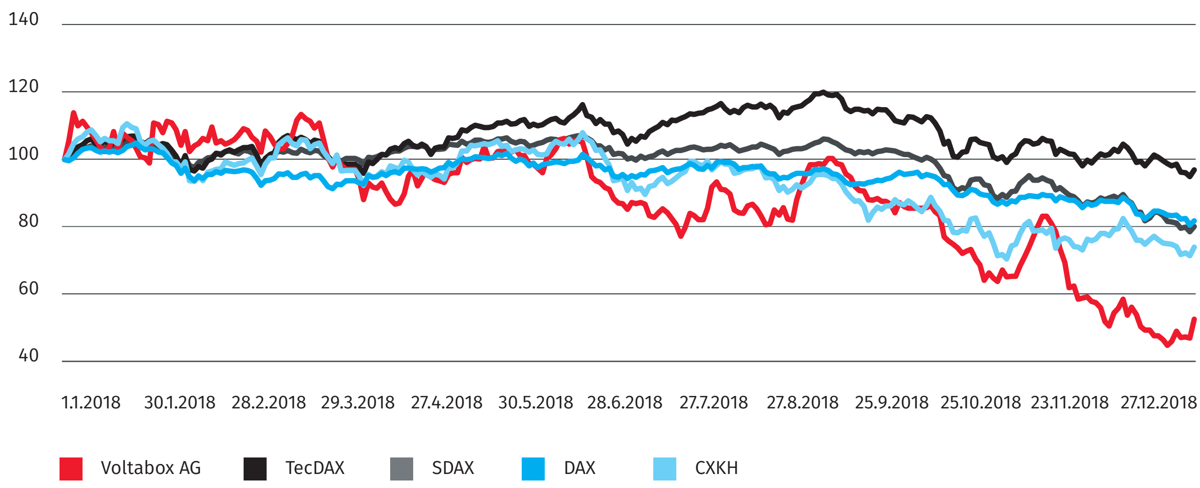
Most of the German stock indices concluded the first quarter with losses (DAX -6.4%, SDAX 0.3 %, TecDAX -1.4 %). This volatile and generally weak market environment also had an impact on the Voltabox share. The stock lost 3 % in value in the first half of the year. The share jumped from an initial price of € 23.42 to its high of € 26.70 on the second trading day of the year. Subsequently, the share was increasingly burdened by low trading volumes, especially in the second half of February. The share fell from an interim high in mid-march to its lowest price of € 22.72 at the end of March, which also marked the closing price of quarter. This equates to a company stock market value of around € 359.7 million as at this reporting date or a stock market loss of around € 11.1 million in the first quarter.

The second quarter saw a mixed picture among the most important German stock indices. While the broad DAX was up slightly by 1.7 % and the SDAX by 0.2 %, the TecDAX was comparatively robust at 7.9 %. The Voltabox share recorded a price loss of -10.2 %. Based on an initial price of € 22.72, the share price performed relatively weakly in the further course of trading until the beginning of May. Then at the beginning of June, the share initially reached its highest price of € 24.90. Subsequently, however, the share was hit by a significant downward trend. At the end of the second quarter in particular, several lines of technical support were broken through without any sustained upward movements arising to reverse the short-term trend. Shortly before the end of the half-year, the share reached its lowest price in the first six months of the year at € 19.92. The closing price on June 29 was € 20.40. This corresponds to a market value of € 322.9 million or a market value loss of around € 47.8 million during the first half of the year, of which a loss of € 36.8 million is attributable to the second quarter alone.

All in all, the key German stock indices moved sideways in the third quarter. The broad indices posted a slightly negative movement of -0.5 % in the DAX and -0.7 % in

Performance of Voltabox share

in %



the SDAX. Only the technology stocks sold positively again with a 4.5 % increase in value in the TecDAX. The Voltabox share could not resist the general market sentiment once again with a price performance of -2 %. Starting from an initial price of € 20.40, the share initially decreased until mid-July, when the low of € 18.05 was reached. The share subsequently recovered again, reaching the high of € 23.50 at the end of August. The Voltabox price was then increasingly burdened by some very small trading volumes. The closing price was ultimately € 20.00. This equates to a company stock market value of around € 316.6 million as at this reporting date or a stock market loss of around € 6.3 million in the third quarter.

The fourth quarter was the quarter with the heaviest losses by far for all of the key indices (TecDAX -12.9 %, SDAX -19.8 % and DAX -13.8 %). The Voltabox share experienced an above-average loss in value of 38.7 %. Starting from an initial price of € 20.00, near the high of € 20.20, a downward trend began in the first half of October. The price initially stabilized at the beginning of November up to the € 20 mark. The stock then became extremely volatile and the price plummeted. It had exceptionally high trading volumes in the second half of November in particular. Finally, the lowest price of € 10.40 was reached in mid-December. On the last trading day of the year, the share made another leap, which ultimately led to the closing price of € 12.25. This equates to a company stock market value of around € 193.9 million as at this reporting date or a stock market loss of around € 122.7 million in the fourth quarter.

Trading volumes varied over the course of the year. On an annual average, the volume traded per month was approximately 927 thousand shares (prior year: 880 thousand shares). Of this amount, around 86.4 % was attributable to the trading platforms from Deutsche Börse AG (prior year: 94.4 %) As a result, the proportion from dark pools, i.e. intra-bank or exchange-based trading activities, decreased slightly in the past fiscal year compared with around three months after the IPO.

In the first quarter, the volume traded per month was above the annual average at around 970 thousand shares, while in the second quarter trading activity declined sharply at around 580 thousand shares per month. The reason for this was the below-average trading activity in June with around 216 thousand shares. The third quarter was affected by the usual reduced trading activity during the summer months at around 793 thousand shares per month in trading volume. In the fourth quarter, the monthly trading volume increased again significantly to 1.3 million shares. October was the month with the highest trading volume with around 2 million shares.

Financial Communications

Voltabox AG regularly and simultaneously informed all capital market participants about the economic situation of the company. The continuous reporting included the annual report for fiscal year 2017 (published on March 13, 2018), the interim report as of March 31, 2018 – 1st quarter (published on May 8, 2018), the interim report as of June 30, 2018 – 1st half-year (published on August 21, 2018) and the interim report as of September 30 – 9 months 2018 (published on November 13, 2018), among others. Parallel to these dates, Voltabox AG published corresponding financial notifications, which also included the Management Board's assessment of further business development among other things.

The Management Board's revenue and earnings forecast for the 2018 fiscal year from January 29, 2018 was explained in the Group management report published on March 13, 2018 as a point forecast with a "circa" indication, including the key assumptions on which the forecasts are based. It was finally increased on August 21, 2018 with regard to revenue in a range (interval forecast) and reduced in terms of EBIT margin.

In the past fiscal year, the Investor Relations department was significantly managed by the parent company paragon GmbH & Co. KGaA and supplemented by its own internal resources. This allowed the company to solidify and further expand its ongoing communications with institutional and private investors since the company's IPO. Particularly since the IPO, existing shareholders have made extensive use of the company's offer for direct dialog at the Management Board and Investor Relations level. In addition, a large number of potential new investors were reached through extensive IR activities.

More than 250 individual meetings were held with institutional investors from Germany, the U.K., France, Finland, Sweden, Denmark, Luxembourg, the Netherlands, Switzerland, Austria, Italy, Spain, Poland, the USA and Canada. In the course of the year, three research institutions have published a total of 27 studies on Voltabox AG.

The company sees effective financial communication as the targeted reduction in the asymmetric flow of information between management and shareholders on the current economic situation and specific future potential of Voltabox AG. Accordingly, the ongoing dialog with professional capital market participants is given a high priority. Furthermore, the company aims to provide the broader public with up-to-date and relevant information via diverse media channels as well as to be available as a personal contact for private investors.

Supervisory Board Report

Monitoring and Consulting in Continuous Dialog with the Management Board

The Management Board and Supervisory Board of Voltabox AG uphold the obligation highlighted in the German Corporate Governance Code (GCGC) of ensuring the continued viability of the company and its sustained value creation (corporate interests) in conformity with the principles of the "social market economy." There were no conflicts of interest among the Management Board or Supervisory Board members in fiscal year 2018. The mandates of the Supervisory Board members are listed in the notes (Note (40)).

The Supervisory Board of Voltabox AG fulfilled the consulting and monitoring obligations incumbent upon it according to law, the Articles of Association, German Corporate Governance Code and rules of procedure with great care in fiscal year 2018. Here, the Supervisory Board supervised the Management Board on an ongoing basis and made sure of its legal and regulatory compliance, appropriateness and effectiveness. Furthermore, the Supervisory Board was available to the Management Board for consultation and was involved in discussions and decisions regarding issues of material importance. Thanks to the good cooperation between the Supervisory Board members, even time-sensitive decisions were resolved quickly.

In March 2019, the Management Board and Supervisory Board updated the company's Declaration of Compliance according to Section 161 of the German Stock Corporation Act (AktG) and made it publicly available on the Investor Relations page of the Voltabox AG website. The deviations from the recommendations of the GCGC and additional information on corporate governance at Voltabox AG are also provided here.

The Management Board comprehensively informed the Supervisory Board in written and oral form in the Supervisory Board meetings on all proceedings of material importance, the Company's general performance and its current situation. Here, it gave particular priority to the topics of strategy, planning, business development, risk situation and risk management. The Supervisory Board intensively reviewed the Management Board's reports and discussed them at its meetings. In addition to the Supervisory Board meetings and conference calls involving all members of the Management Board and Supervisory Board, the Supervisory Board Chairman and the Management Board discussed important matters when necessary. The Supervisory Board was fully informed about exceptional instances that were of material importance for assessing the year's results.

Composition of the Supervisory Board

The Supervisory Board of Voltabox AG consisted of three members in the 2018 fiscal year: From January 01, 2018, to December 31, 2018, they were Mr. Klaus Dieter Frers (Chairman), Prof. Dr. Martin Winter (Vice-Chairman) and Mr. Hermann-Josef Börnemeier.

The Supervisory Board oversaw the work of the Management Board and provided them with advice.

Supervisory Board Meetings

In fiscal year 2018, the Supervisory Board convened at five ordinary plenary meetings, one ordinary conference call and four extraordinary conference calls. In addition, two resolutions were circulated. In principle, the Super-

Klaus Dieter Frers, Chairman of the Supervisory Board

visory Board was fully present at all meetings. In two ordinary plenary meetings and an ordinary conference call, members of the Supervisory Board gave their consent in writing.

In the first ordinary plenary meeting on January 16, 2018, the Supervisory Board was informed by the Management Board about the course of business in the 2017 fiscal year.

At the ordinary conference call on February 19, 2018, the Supervisory Board approved the resolution on the business plan for the 2018 fiscal year submitted by the Management Board.

At a plenary meeting on March 12, 2018, the Supervisory Board approved the conclusion of a share purchase agreement for the acquisition of all shares of Concurrent Design, Inc. by the subsidiary Voltabox of Texas and authorized the Management Board to conclude or deliver all further legal transactions and statements in connection with the acquisition of the shares. Furthermore, the auditor's report on the past fiscal year was heard. The Supervisory Board approved the annual financial statements and the consolidated financial statements for the 2017 reporting year. The Management Board was also authorized to increase Voltabox of Texas, Inc.'s share capital from the current USD 100 to USD 5,000,000. The capital increase was not carried out in 2018. In addition, resolutions were passed on the determination of the Annual General Meeting agenda, the use of the balance sheet profit, and the proposal for appointing Baker Tilly GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, Düsseldorf as auditor.

The Supervisory Board met for another plenary meeting on May 8, 2018. At this meeting, the Management Board presented the business development, order situation and financial performance in the first quarter of 2018.

On June 29, 2018, the Supervisory Board approved the conclusion of a share purchase agreement to acquire all shares in NAVITAS Systems, LLC. In a further conference call on November 14, 2018, the Supervisory Board resolved to cancel the purchase of all shares in NAVITAS Systems, LLC.

In a conference call on August 13, 2018, the Supervisory Board approved the conclusion of a share purchase agreement for the acquisition of all shares of ACCURATE – SMART BATTERY SYSTEMS – GmbH and authorized the Management Board to conclude or deliver all further legal transactions and statements in connection with the acquisition of the shares.

In an ordinary plenary meeting on September 3, 2018, the Supervisory Board was informed by the Management Board about the business development, order situation and financial performance in the first half of 2018.

As part of an extraordinary conference call on November 29, 2018, the Supervisory Board appointed Mr. Jörg Dorbandt to the Management Board of Voltabox AG with effect from December 1, 2018. Mr. Andres Klasing was dismissed from the Management Board with effect from December 1, 2018.

On December 3, 2018, the Supervisory Board met for an ordinary plenary meeting. At the meeting, the Management Board explained the business development in the third quarter of 2018.

The assessment and approval of the consolidated financial statements for Voltabox AG for fiscal year 2017 was completed and approved by the Voltabox AG Annual General Meeting on May 9, 2018.

Forming Committees

As in the past, the three-member Supervisory Board did not form any committees in fiscal year 2018 and dealt with all issues as a single body.

Audit of the Annual Financial Statements and Consolidated Financial Statements for Fiscal Year 2018

Baker Tilly GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, Düsseldorf, was appointed by resolution of the Annual General Meeting on May 9, 2018 as auditor for the fiscal year from January 1 to December 31, 2018, and accordingly commissioned by the Supervisory Board Chairman. The Supervisory Board was provided a statement of independence from the auditor pursuant to No. 7.2.1 of the German Corporate Governance Code.

The scope of the audit included the Voltabox AG annual financial statements prepared by the Management Board pursuant to the provisions of the German Commercial Code (HGB) for the fiscal year from January 1 to December 31, 2018, the consolidated financial statements prepared by the Management Board pursuant to Section 315a HGB and on the basis of the International Financial Reporting Standards (IFRS) for the fiscal year from January 1 to December 31, 2018, the summarized management report for the Voltabox Group and for Voltabox AG and the dependency report.

Upon completion of the audit, Baker Tilly GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, Düsseldorf, provided an unqualified audit certificate for the annual financial statements, the consolidated financial statements and the summarized management report for the Voltabox Group and for Voltabox AG.

The auditor also determined that the information and monitoring system established by the Management Board meets the statutory requirements and is suitable for recognizing developments that could endanger the continued existence of the company at an early stage.

The auditor made the documents submitted for auditing the annual financial statements, the consolidated financial statements, the summarized management report for the Voltabox Group and for Voltabox AG, the proposal on the appropriation of the net income for the year and the report on the audit available to every member of the Supervisory Board. The audit was reported on and discussed at the Supervisory Board meeting on March 27,

2019. The auditors participated in the discussions on the annual and consolidated financial statements. They reported on the key audit results and were available to the Supervisory Board to answer any questions and provide additional information. Based on the final outcome of its examinations, the Supervisory Board approved the annual and consolidated financial statements. The annual financial statements are thereby approved.

The Supervisory Board also assessed the proposal from the Management Board on the appropriation of the balance sheet profits at its meeting on March 27, 2019, and discussed this with the auditor. The Supervisory Board subsequently agreed with the Management Board's proposal. The balance sheet profit will be carried forward to the 2019 financial year.

A dependency report for the 2018 financial year was submitted to the Supervisory Board. This report was prepared by the Management Board of Voltabox AG. The auditor issued an audit certificate for this report. The auditor reported the main results of the audit to the Supervisory Board. The Supervisory Board has examined the report and will tell about it at the Annual General Meeting and declare that there are no objections to the report from the Management Board.

The Supervisory Board did not exercise its right to inspect the company's accounts and correspondence in the past fiscal year.

The Supervisory Board would like to take this opportunity to expressly thank Mr Andres Klasing for his contribution during his time as a member of the Management Board of Voltabox AG.

The Supervisory Board expresses its gratitude and appreciation to the members of the Management Board and all of the Group's employees for their hard work and personal commitment in 2018.

Delbrück, Germany, March 27, 2019

For the Supervisory Board,

Klaus Dieter Frers
Chairman of the Supervisory Board

Summarized Management Report

Key Facts About the Group

Business Model

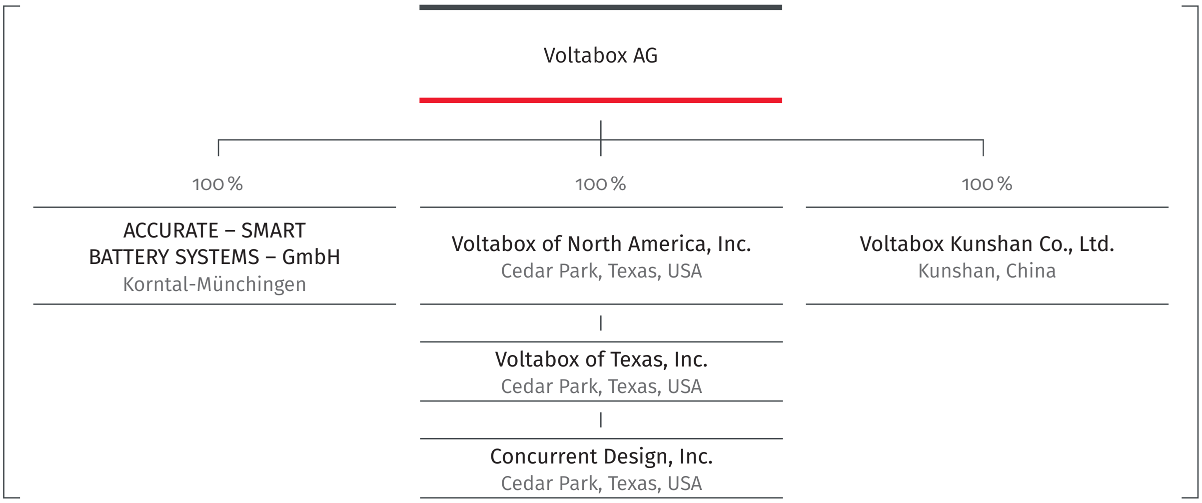
According to its Articles of Association, the business purpose of Voltabox AG (hereinafter also “company”) is the development, manufacture and sale of e-mobility solutions, particularly Li-ion battery systems, as well as the management of patents, licenses and utility models. The company can purchase other companies domestically or abroad, hold interests in companies, establish branches, take over the management or representation of other companies and conclude intercompany agreements, as well as implementing all other measures and legal transactions that appear appropriate toward achieving or promoting the company’s aims provided no separate authorization is required.

The business model of the Voltabox Group (hereinafter also “Voltabox”) is based on the modular development, manufacture and sale of advanced battery systems for use in industrial sub-markets as well as in select high-margin mass markets. As such, Voltabox particularly benefits from the consistent modularization and scalability of the individual components, including the software for battery management. The modular nature of Voltabox battery systems and the automation of manufacturing ensure fast market launch in the select markets. At the system level, Voltabox is also increasingly pursuing a standardization approach, which enables more flexible scalability and thus significantly reduces development and integration time into vehicle architecture for customers. For example, Voltabox now has a standard battery container for bus applications.

Hardware and software are constantly being refined and coordinated to ensure the efficiency, performance and safety of the battery systems and thus their technological advantage. The self-developed, modular battery management system, currently in the fifth generation, plays a special role in this context because it is essential for the performance of the entire battery system.

In addition to its core business, which consists mainly of industrial applications, Voltabox is also developing and manufacturing high-performance lithium-ion batteries for select segments of the mass market. On the one hand, the focus here is on starter batteries for high-performance motorcycles and sports cars. The Voltabox batteries replace conventional lead-acid batteries. As a result of the acquisition of ACCURATE – SMART BATTERY SYSTEMS – GmbH in the reporting year, Voltabox also develops, produces and sells standardized battery systems, also known as battery packs, which are mainly used in pedelecs and e-bikes. The development center in Aachen, which will continue to expand in terms of personnel, is developing electrical drive systems with the aim of becoming a full-service supplier for the electrification of vehicles. State-of-the-art power electronics and efficient electric motors make it possible to obtain all the components for electrically powered vehicles under one roof at Voltabox.

The level of automation in series production is constantly being increased to thereby improve the cost structure over the life cycle of the individual product series. In this respect, the serial production of the various battery modules with different cell formats and different cell chemistries represents an independent area of innovation within the company. At the end of



the prior fiscal year, Voltabox installed a total of eight line-integrated industrial robots for manufacturing.

Group Structure

Voltabox Aktiengesellschaft (hereinafter “Voltabox AG”) is a joint stock corporation incorporated under German law. The company’s headquarters are at Artegastrasse 1, 33129 Delbrück, Germany. Voltabox AG’s shares are traded on the Frankfurt Stock Exchange in the Prime Standard segment. Around 60 % of the subscribed capital is owned by paragon GmbH & Co. KGaA (formerly paragon AG), which is also listed on the Frankfurt Stock Exchange in the Prime Standard segment. As such, Voltabox AG is a subgroup of its parent, paragon GmbH & Co. KGaA. The administrative headquarters of Voltabox AG are located in Delbrück, with a branch in Aachen.

As of April 1, 2018, our subsidiary, Voltabox of Texas, Inc., acquired 100 % of the shares in Concurrent Design, Inc. (Texas). The company offers product design and development services for electromechanical industrial products. This includes technical services in the areas of conception, technical analysis, detailed construction design and documentation as well as prototype development and development for series production. Concurrent was assigned to the North America segment and serves in particular to build up resources in the Voltapower product segment.

Effective June 1, 2018, Voltabox Kunshan Co., Ltd. is also part of the Voltabox Group. The company unites all Voltabox’s activities in China.

As of September 1, 2018, 100% of the shares in ACCURATE – SMART BATTERY SYSTEMS – GmbH (Korntal-Münchingen) were acquired. The purpose of the company is to develop, produce, manufacture and sell battery systems. ACCURATE is assigned to the Europe segment and strengthens the Group’s activities in the Voltaforce product segment.

Since October 1, 2018, Voltabox of North America has existed as a holding company combining the current and future activities of Voltabox in North America. These currently include Voltabox of Texas, Inc. and Concurrent Design, Inc. Voltabox of North America, Inc. gained Wolf Mueller as CEO and he has been working in that position since this date.

The Voltabox Group’s scope of consolidation now includes the wholly-owned subsidiaries Voltabox of Texas, Inc. (Cedar Park, Texas, USA), Voltabox of North America, Inc. (Cedar Park, Texas, USA), ACCURATE – SMART BATTERY SYSTEMS – GmbH (Korntal-Münchingen) and Voltabox Kunshan Co., Ltd. (Kunshan, China).

Aachen Site

Our Aachen site houses a development center for drive components with now 10 highly qualified employees and an area of 790 square meters. The team of experts develops drive components, including power electronics, which enables the all-round electrification of high-performance vehicles and integrated solutions. In the current fiscal year, human resources will be further developed. This will address the individual markets for inverters, chargers, DC-to-DC converters, electric motors and similar, in future, too.

Korntal-Münchingen Site

The Korntal-Münchingen site is the headquarters of ACCURATE – SMART BATTERY SYSTEMS – GmbH, which was acquired in the reporting year. This is where the development and distribution of ACCURATE's standardized battery systems is predominantly carried out. Likewise, part of the production took place in Korntal-Münchingen, near Stuttgart, until the end of 2018. With the takeover, the site will also focus on the Voltabox Group's activities within the Voltaforce segment. As of the balance sheet date, 16 employees worked here. So far, ACCURATE has had an area of 450 square metres at its disposal, of which 250 square metres were used for part of the production and as warehouse. As of September 1, 2019, the employees will move into new, modern premises in the directly adjacent town of Markgröningen. The area then increases to 600 square meters for development and project management alone - production will then take place as planned mainly at the Voltabox site in Kunshan. In the second quarter of 2019, the merger of ACCURATE into the Voltabox Group will be implemented operationally.

Cedar Park, TX (USA) Site

The Cedar Park, Texas (USA) site, near Austin, has existed since 2014 and focuses on the application development and production of battery systems for trolleybuses and mining market segments. In addition to the holding company for North America, Voltabox of North America, Inc., the other U.S. subsidiaries, Voltabox of Texas, Inc. and Concurrent Design, Inc., are also based here. Currently, the production area of the site is being more than doubled to account for the increased space requirements and the expected utilization of production. In the reporting year, the same production line for the automated production of prismatic cells into modules, which has also been in operation at the Delbrück headquarters since 2017, was built here. In the current fiscal year, battery modules and systems will be manufactured here for the U.S. intralogistics market that the company is preparing to enter. So far, Voltabox has a development and production area of 2,300 square meters in Cedar Park. As of December 31, 2018, the Voltabox Group employed 70 people at this site.

Kunshan (China) Site

The Kunshan, China site in the eastern Chinese province of Jiangsu was equipped in the reporting year with the necessary resources for predominantly manual production. This was done to enable the initial boost of the production of battery packs – in particular for pedelecs and e-bikes – at the site in 2019. The available production area is 2,600 square meters.

Corporate Strategy

Voltabox AG's strategic focus is on the early expansion into specific fast-growing industrial sub-markets of e-mobility in the capital goods market in order to rapidly gain significant market shares in this dynamic environment. In addition to local public transportation (trolleybuses), intralogistics (forklifts and automated guided vehicles) and mining applications (underground mining vehicles), these sub-markets include vehicles in the agricultural and construction sectors (compact-, wheel- and teleloaders). On this basis, the consumer market will also be specifically developed for individual applications in the future. Voltabox is already active in select mass markets including starter batteries (especially for motorcycles) as well as standardized battery systems and battery packs (especially for pedelecs and e-bikes). To enter into the global car mass market, Voltabox will address individual niches with tailor-made battery systems and use them as the opportunity arises.

Industrial sub-markets are characterized by the substitution of lead-acid batteries and diesel backup generators with modern lithium-ion battery systems. Voltabox benefits directly from these continuing substitution effects resulting from users' overall cost consideration (including the ecological advantages). Global market access is generally achieved through cooperation with leaders in the respective sub-markets.

In the future, Voltabox will also deal with other sub-markets such as the electrification of rail vehicle applications (locomotives), municipal utility vehicles, airport apron vehicles, etc. Finally, Voltabox is gradually expanding its range of powertrain components such as electric motors and power electronics like DC/DC converters and charging equipment.

Voltabox has strategically positioned itself as a pioneer in the e-mobility sector for high-performance battery systems. Its market position rests on four major strengths:

- Technology: technological edge over the competition
- Modularization: quick and cost-efficient development thanks to its modular design approach
- Specialist applications: optimum system configuration for the application relevant to the customer
- Automation: cost-effective and reliable serial production

The competitive strategy of Voltabox can therefore largely be described as a niche strategy. In the medium term, the niche strategy of diversification also offers large sales opportunities in other sub-markets in which similar substitution effects are to be expected or introduced. The complex requirements regarding the performance, safety and reliability of the lithium-ion battery systems developed by Voltabox often play a decisive role here.

The company has defined three levels contributing to its future growth:

- Expanding the market position in already occupied end markets (market penetration) as well as developing new end markets (market development) in the Voltapower core area as well as in the product segment Voltaforce
- Expanding the existing product portfolio with standardized battery systems to tap into select segments of the mass market (horizontal diversification)
- Broadening the service portfolio by expanding the value added change with regard to power electronics and powertrain components (vertical diversification)

Market Penetration and Market Development

In order to further implement its growth strategy, Voltabox is focusing in particular on increasing its market share in already occupied end markets such as local public transport, intralogistics and automated guided vehicles, mining vehicles, and construction and agricultural applications. This includes expanding into new regional markets and the acquisition of new customers, as planned for battery systems and intralogistics. The customer base has already been significantly expanded in the 2018 fiscal year, especially in the area of automated guided vehicles. The entry into direct sales in intralogistics will significantly increase the number of direct customers in the future. In this respect, Voltabox is also opening up new regional sales territories through this sales channel, which was added in 2018, and as a result of its entry into the North American intralogistics market. Accordingly, one focus will be on the fast-growing markets in Asia and North America, where the Group already has branches.

Furthermore, the expansion of Voltabox's business activities offers additional markets that are close to the already occupied industrial sub-markets, or within which an increase in the substitution process can be expected through corresponding, particularly regulatory, drivers. In addition to agricultural machines, these include construction vehicles, vehicles and machines for surface mining, airport apron vehicles and rail vehicle applications in particular.

Horizontal Diversification

In the Voltaforce product segment, Voltabox is seeking to internationalize its specialty application business to expand even into other select, attractive mass markets, including gardening tools, medical technology and sports and leisure applications. Due to the relatively low production costs, Voltabox plans to mass produce mainly standardized batteries for this segment in the Chinese plant in the future. Against the backdrop of urgent challenges as a result of a long period of inadequate environmental protection, China has become a trailblazer in the use of e-mobility technology, especially in mass-market applications such as e-bikes, e-cars and e-buses. To enter into the global car mass market, for example, Voltabox will address individual niches with tailor-made battery systems and use them as the opportunity arises.

Vertical Diversification

Voltabox sees itself as a technological leader in the development of battery systems for special electromobility applications. Select mass applications such as starter and universal batteries complete the product portfolio. Voltabox is expanding its range of services along the value chain with the goal of becoming a full-service provider. This is to be made possible by the integration of electric powertrain solutions via the Voltamotion product segment.

In order to secure and expand its market position, Voltabox strives to continuously expand its research and development and production facilities. This expansion may also include the acquisition of other companies that are either leaders in certain technologies or have access to specific markets.

Therefore, Voltabox is currently becoming a provider of complete systems. Management believes that this positioning can create further market entry barriers for new market participants and thereby consolidate and expand the market position of the Voltabox Group. As part of the implementation of the defined business strategy, the development of powertrain components and power electronics has already begun. Voltabox's goal is to become a one-stop shop for all electrification needs.

Control System

Alongside a high level of innovation, the organizational structure at Voltabox is characterized by flat hierarchies and fast decision-making. The company also has the character of a medium-sized company while combining a long-term strategic orientation with the integration abilities of a publicly traded company.

The Management Board of Voltabox AG regularly compares its strategy with the actual results achieved by the company. In review meetings, follow-up activities and optimization measures are determined at the management level as well as fundamental changes in direction when necessary.

To provide the Group with a better overview of the economic situation as well as improved planning and management of operational processes, the ERP system Microsoft Dynamics AX is used throughout the Group.

Voltabox AG has a comprehensive planning and control system for the operational implementation of strategic planning. This includes constant monitoring of weekly, monthly and annual plans. Both the Management Board and the Supervisory Board of Voltabox AG receive a detailed report as part of a regular review on business development. These reports document possible deviations from the planned figures in a target/actual comparison and provide the basis for business decisions. Another important control instrument is the regular manager meetings, where current developments and medium to long-term outlooks are discussed in addition to regular project status meetings.

Financial Performance Indicators

The Management Board regularly uses key figures to measure the economic success of the operative implementation of its corporate strategy. The control system takes into account the type and/or amount of one-time or extraordinary effects on the performance indicators, which are based on the development of the business. Due to the dynamic business development, the internal targets are generally set as bandwidths for measuring and managing operative performance, depending on the respective planning horizon. The relative development of the key figures in the Voltabox Group of revenue, EBIT margin and investments is observed using rolling medium-term planning that accounts for experience curve effects within a given corridor. For Voltabox AG, sales and EBIT margin are also financial performance indicators. Given the dynamic growth strategy, this facilitates forward-looking management in terms of both risk- and opportunity-oriented corporate governance.

Group Revenue

Series-produced battery modules with different cell formats, different cell chemistries and performance specifications are currently the main revenue drivers for our business. They are delivered to different end markets. In intralogistics, these are forklifts and automated guided vehicles in particular. In addition, complete battery systems are supplied to specific end markets, particularly for use in trolleybuses, mining vehicles and agricultural and construction vehicles. Through the acquisition of ACCURATE – SMART BATTERY SYSTEMS – GmbH in the reporting year, Voltabox is also generating revenue through the development, production and sale of standardized battery systems, which are mainly used in bicycles with a support engine called pedelecs. Select mass markets such as these will be additional revenue drivers in the future. For some time, this has included the production of starter batteries for use in high-performance motorcycles and sports cars. Finally, an as-yet small proportion of our revenue is currently generated from services related to the development of prototypes for innovative battery systems.

The revenue contribution of individual product series generally varies during the various phases of its product life cycle. Furthermore, battery use in trolleybuses has the character of project business with defined quantities for the respective system.

The generally new sub-markets of e-mobility are also growing at different speeds. The future annual growth rates of revenue depend on the mix of the respective application areas. While trolleybuses and particularly mining vehicles use large and complex battery systems with multiple battery modules as part of project business, the series manufacture of battery modules for use in forklifts and automated guided vehicles, as well as starter batteries for motorcycles and battery packs for pedelecs, comes closer to being definable as mass production.

As such, Group revenue is subject to a series of influencing factors relating to type, scope and direction, all of which are regularly evaluated. This fact is accounted for with the provision of a target corridor (range) when providing forecasts.

EBIT Margin

EBIT represents Group earnings before interest and taxes and provides a general snapshot of a company's operative profitability or efficiency. Profitability can be compared over time and internationally – irrespective of varying financial structures and income taxes.

In terms of corporate management, however, EBIT is not defined by the Management Board as a stand-alone corporate monetary target (in absolute terms). Instead, the development of operative earnings is managed in such a way that the strategically defined growth course can be implemented with appropriate profitability. Taking into account the development of revenue, all relevant expenses are therefore included in the company's forward-looking management. In addition, the amount of capitalized development services according to IAS 38 (as an investment in intangible assets) is a key factor in corporate management as the realization of revenue from product innovations developed for the company's own account will only take place in future accounting periods.

This fact is accounted for with the provision of the EBIT margin as a relative key figure in a range when providing forecasts. This means that medium-term planning also accounts for the dynamic effects that can arise over time in expenditure and income positions.

Investments

For Voltabox, investments are a key factor in the growth and expansion of the business as part of medium-term planning. Since this involves the long-term commitment of financial resources in property, plant and equipment and intangible assets, the investment decisions of the Management Board are made as a result of a structured and careful decision-making process. This process takes into particular account the impact of investment decisions on the non-monetary corporate objectives stemming from the dynamic growth strategy. In addition to an early expansion into profitable market niches and carefully selected mass markets, the high technological and quality requirements in the serial production of large quantities of battery modules is particularly relevant. Investment decisions in intangible assets also reflect Group-wide R&D activities.

The investment decisions are used to react individually to market developments within the framework of the dynamic growth strategy, thereby making the most of the potential for growth in the short and medium term. Therefore, information about total investments in property, plant and equipment and intangible assets included in the annual investment plan is given when reporting the forecast. Investments in financial assets and the acquisition of consolidated companies and other business units are not included.

In the past fiscal year, Voltabox invested in the further expansion of its business activities. Investments in intangible assets amounted to € 11.9 million (prior year: € 5.3 million). Of the development work capitalized amounting to € 3.0 million (prior year: € 5.3 million), € 2.9 million (prior year: € 5.2 million) related to own work pursuant to IAS 38, about € 2.4 million of which can be attributed to the Europe segment and about € 0.6 million to the North America segment.

Investments in property, plant and equipment amounted to € 1.6 million (prior year: € 1.0 million). In addition to the investment in the production site in Texas, these related in particular to machinery at the Delbrück site.

Nonfinancial Performance Indicators

As the company is strategically positioned as an innovative provider of technologically sophisticated and high-quality electrification solutions, with particular attention paid to high-performance and tailor-made battery systems, the Management Board also uses non-financial performance indicators as part of its corporate management. The non-financial performance indicators are not material for the management of the Voltabox Group.

Employees

The electromobility megatrend is pervading mass markets and the industry with increasing speed. While conventional technologies will become less important in the future, and as a result, corresponding qualifications will be less in demand, the dynamic transformation of mobility into electronic drives will result in an increasing need for personnel in order to further accelerate the process of substituting from conventional drives to electronically powered vehicles. For Voltabox, this means that in addition to development and construction experts, particular emphasis must be placed on recruiting specialists who manage projects, manage sales and customer proximity and satisfy the growing structures and the related increased administration requirements. Critical factors for employee recruitment are also Voltabox site factors and working conditions as well as demographic trends.

The operational implementation of the Voltabox growth strategy requires a continuous review and adaptation of both its organizational and operational structures. In the second half of the reporting year, the focus was particularly on integrating the acquired ACCURATE – SMART BATTERY SYSTEMS –GmbH into the Voltabox Group. In addition, management continues to focus on the targeted distribution of human resources across the five sites. Recruiting suitable specialists for the production site in Kunshan, China is only starting in this context. At the same time, the Voltabox business model requires the targeted further development of the existing innovation culture within the fast-growing company. Essential elements for this are the anchoring of entrepreneurial thinking and responsible, independent action along with barrier-free internal communication. Development processes are constantly being optimized in order to be able to offer customers suitable solutions to their challenges as quickly as possible, thus keeping the time-to-market ratio as low as possible. Creativity, self-confidence, inspiration and courage play a special role here. The training of efficient project teams – even across sites – continues to increase in importance.

In order to provide all employees with equal opportunities and motivate them to realize their potential, the Voltabox Group cultivates an organizational culture that is based on mutual respect and appreciation of each individual, regardless of gender, nationality, ethnic origin, religion or beliefs, disability, age, sexual orientation and identity.

In order to promote the personal and professional development of each individual employee in the face of short technical and economic development cycles, equal opportunities and work-life balance, the company has created its own processes and projects.

Personnel development, which starts with the long-term planning of jobs and ranges from personnel selection to continuous promotion of employees and their adequate employment in the respective divisions, is a central component of Voltabox's sustainable corporate success.

In order to continuously promote the professional and personal potential of its employees, the company offers on-the-job training and further education, day seminars or in-house training and practical seminars and training. This also includes strengthening social skills, for example through communication training.

The successful recruitment, development and retention of qualified employees are therefore seen as particularly important for the successful implementation of the growth strategy. In fiscal year 2018, a total of 145 (prior year: 47) new employees were hired. Of those, 51 (prior year: 12) were at the subsidiary Voltabox of Texas, Inc. In this context, a total of 64 (prior year: 35) new jobs were created at Voltabox in Germany. A further 32 employees (prior year: 0 employees) were added by the companies acquired in the reporting year. The turnover rate was 6.9 % (prior year: 9.6 %). The share of female employees at Voltabox increased to 14.1 % (prior year: 12.1 %). At 45.5 %, the number of employees with university degrees, however, decreased slightly (prior year: 49.7 %). The share of severely disabled employees was 0 % (prior year: 0 %). The average age remained virtually unchanged at 38.3 years (prior year: 38.3) and the average length of employment fell to 0.9 years (prior year: 1.4) due to extensively hiring new employees.

Employee development in the Voltabox Group:

	Dec. 31, 2018	Dec. 31, 2017	Change
Number of employees	**235**	99	137.4 %
Number of those engaged in development	**81**	37	118.9 %
Number of temporary employees	**42**	22	90.9 %
Number of those engaged in development	**0**	2	-100.0 %

In the reporting period, personnel costs amounted to € 13.6 million (prior year: € 6.7 million). Of this, € 10.3 million (prior year: € 5.0 million) was attributable to wage and salary costs, € 1.6 million (prior year: € 0.8 million) to social contributions and pensions as well as € 1.7 million (prior year: € 0.9 million) to expenses for temporary workers.

Distribution of permanent employees at Group sites:

	Dec. 31, 2018	Dec. 31, 2017	Change
Delbrück (corporate headquarters, North Rhine-Westphalia)	**139**	78	78.2 %
Aachen (North Rhine-Westphalia)	**10**	3	233.3 %
Korntal-Münchingen (Baden-Württemberg)	**16**	n. a.	n/a
Total in Germany	**165**	81	103.7 %
Cedar Park (Texas, USA)	**70**	18	288.9 %
Kunshan (China)	**0**	0	0
Total abroad	**70**	18	288.9 %

Quality and the Environment

In the 2018 fiscal year, Voltabox focused on further developing the small control loops in production in order to continuously promote process optimization in production. In combination with the large control loop to the customer, Voltabox strives for a consistent expansion of service and customer focus, thus ensuring the overall further improvement of quality standards and customer satisfaction.

Voltabox AG has established a management system according to IATF 16949 and ISO 9001 standards both at its German sites and at Voltabox of Texas. The certification of the German Delbrück site already took place in the 2018 fiscal year. Establishing an interactive and process-oriented management system guarantees the Group-wide knowledge management at all levels of product development and realization. The system provides for continuous improvements, emphasizing preventing errors and avoiding waste.

The following specific measures were in focus for fiscal year 2018:

- IATF 16949 certification
- Reducing internal scrap costs

As a result, scrap and customer-related quality costs (customer complaints) were able to be reduced by around 15 % (prior year: reduced by 10 %). The costs were mainly incurred in the Voltapower product segment.

We have integrated environmental protection and occupational health and safety requirements into our management system, making them an integral part of our corporate mission statement. The efficacy of this process is confirmed via an annual audit according to DIN EN ISO 14001.

Voltabox also pursues sustainability through the use of state-of-the-art production technologies as well as the careful handling of raw materials and energy resources. As such, energy consumption in the Delbrück facility was constant in the prior fiscal year as compared with 2018 despite increasing production volumes.

In 2018, Voltabox put two charging stations for battery-operated vehicles into operation at its headquarters in Delbrück. In addition, the Delbrück site is using fully electric battery-operated transport vehicles, which are therefore CO_2 neutral. Since these vehicles handle many of the necessary trips in everyday operational production on the company's premises in Delbrück, Voltabox saves a considerable amount of CO_2 emissions.

With regard to transport packaging, Voltabox Group employees make sure that, in line with customer specifications, reusable packaging is used first and foremost. This serves to reduce material consumption and, as a result, to save natural resources. Voltabox's packaging regulations are based on quality and enviornmental requirements. Voltabox is also careful to ensure that customer's packaging regulations also meet these requirements.

Other Control Benchmarks

In addition to the most important financial and non-financial performance indicators, further control benchmarks are used to manage Voltabox. These other control benchmarks are of subordinate importance compared to the performance indicators. The Management Board pays particular attention to activities in research and development, materials management and free liquidity as indicators for control and further development.

Research and Development

In fiscal year 2018, Voltabox capitalized a total of € 3.0 million (prior year: € 5.3 million) for development expenses. This corresponds to 4.5 % of revenue (prior year: 19.1 %). The ratio of capitalized development costs was approximately 37.9 % (prior year: 99.1 %) of overall research and development costs.

Across the period from 2011 to 2018, the ratio of cumulative capitalized development costs to total development costs was 83.8 %. The number of employees in research and development increased during the reporting year by 107.7 % to a total of 81 (prior year: 39). The companies acquired during the year also added 13 employees from

Concurrent Design, Inc. and 3 employees from ACCURATE – SMART BATTERY SYSTEMS – GmbH. This corresponds to a ratio of approximately 29.3 % (prior year: 32.3 %) of the employees in the Group as of the balance sheet date.

The principal remit of the development department included the expansion of the product portfolio and successfully completed customer projects. A characteristic of Voltabox is that it is always informed about and included in new cell developments at an early stage through existing long-standing contacts with cell manufacturers. This allows for the early alignment of its own R&D activities regarding the use of new technologies and finding solutions for individual customer requirements in challenging applications.

In the reporting year, a 10 Ah motorcycle starter battery from pilot series was converted into series production for the customer BMW Motorrad in addition to the existing product portfolio, which previously included a 5 Ah motorcycle starter battery. As of the beginning of 2019, BMW Motorrad has begun offering optional lithium-ion starter batteries from Voltabox for new orders. The penetration of the model portfolio is expected to increase steadily this year. Based on the significant weight and performance advantages of lithium-ion starter batteries compared to conventional lead-acid cell chemistry, it is estimated that this technology will rapidly conquer the market. Accordingly, Voltabox has been ramping up series production since the beginning of the year.

At the end of 2017 at Agritechnica, the Schäffer compact loader was presented as the first customer project in the new market segment of agriculture and construction. After comprehensive market feedback on this innovation was gathered at the trade fair, the Voltabox development team continued to optimize the system in the year under review. As a result, two prototypes were delivered to Schäffer, whose use provided further valuable insights for the final validation of the 400 V system. The successful completion of this process led to the successful start of series production for the world's first electrified compact and wheel loader in the fourth quarter of the 2018 fiscal year. For compact loader operators, noiseless and low-emission vehicle operation powered by lithium-ion technology is relevant – be it in animal husbandry or cemetery during a funeral. Added to this are the cost advantages over the lifetime of the vehicle, otherwise known as the total cost of ownership analysis. The low-maintenance lithium-ion batteries save costs since they can be charged with self-generated energy – for example from a photovoltaic system, wind power or a biogas system.

The system approach and the scalability of the products in the area of battery systems for automated guided vehicles (AGVs) has been significantly improved once again. Specifically, the Voltabox battery assembly for AGVs has been supplemented by another battery assembly for autonomous mobile robots. Thanks to the systematic expansion of the standardization of battery containers for floor-bound conveyors and the modular design of the Voltabox system, the customer base was expanded by several OEMs in the reporting year. Thus the battery system for a new customer was entered series production in a few months. In 2018, Voltabox also initiated UL certification, which is crucial for the North American market, for various battery systems for Kuka and is aiming for a successful completion of this process in the current fiscal year.

The increase in flexibility and better scalability were also the main drivers for the development of the standard container, which forms the basis for any expandable battery system for trolleybuses. The standardization of the battery, which allows the modular design of a larger system, enables mass production of identical system units even in the case of using the battery system in different trolleybus models. Weight-optimized standard containers have an energy content of 15.2 kWh. Long-term charging and discharging amounts to 50 kW, but can reach up to 80 kW. The standard container has an ISO 26262 complementary design as well as an ECE R 100 certificate, the achievement of which was the focus of the validation process in the past fiscal year. As planned, this development will be transferred to series production in the middle of the current fiscal year. In addition to trolleybuses, the standard container is suitable for use as a traction battery for hybrid and electric buses. This also gives Voltabox the right technology for the overhead line concept for trucks that is currently being increasingly discussed.

The standard container provides a basis for the easy scalability of battery systems for trolleybuses. Thanks to the simple and flexible linking of different standard containers, a wide variety of bus types with different mission profiles can be equipped with tailor-made lithium-ion battery systems in a very short time.

In the reporting year, the development projects for Komatsu Mining formed a key area of activity for the subsidiary Voltabox of Texas at the site in Cedar Park, Austin, Texas. In 2018, the pilot series of the battery system for the Battery Hauler 18/20, a vehicle for use in underground mining with a nominal capacity of up to 20 tons, was completed. The complexity of the system required further adjustments and fine tuning through the R&D department in 2018 prior to the start of series production. As a result, the Battery Hauler was the first electrified vehicle in series production in the Komatsu fleet for use in underground mining. In total, Voltabox's development teams are currently working on the design of battery systems for vehicles from three categories. In addition to the Battery Hauler and its different variations, this also includes driving drills for drilling blast holes in underground mining and for tunneling, as well as loaders, including the load haul dump that can transport up to 14 tons, also known as "Big Bertha" internally. Development activities at the Cedar Park site in Austin, Texas, focused on further design optimizations and additions as part of the forthcoming design as a complete system. During the current fiscal year, decisive steps will also be taken with regard to the implementation of battery systems in the vehicle architecture of the first prototype.

In 2018, progress was made at the Aachen development center with regard to the further development of future-oriented power electronics. For example, the integration of the high-performance onboard charger (OBC) for charging vehicles directly onboard as well as the necessary cooling has also been performed in extremely compact installation spaces. The R&D activities in the reporting year also focused on enabling the widest possible high-voltage OBC output range. To make this possible, modern semiconductor devices made of silicon carbide (SiC) are installed, which allow much higher switching frequencies than conventional components.

The need for a product of this class has already become apparent several times in existing business relationships and also in the context of development projects. The market's interest in the solution is rated so highly by Voltabox that this project was given the top priority as part of the building and establishment of the Aachen development center. Specifically, the R&D team set the goal of developing a 44 kW high-performance charger for installation space specifications that are customary for devices from the 22 kW class. They also aspired to offer the 400 V and 800 V voltage architectures common in the automotive industry in just one device. This results in possible output voltages in the range of 220 V to 480 V as well as 440 V to 960 V. These specifications allow high-performance onboard charging in a wide range of electromobility applications, from electric cars to heavy electrified construction and mining vehicles.

In addition, a functional model of a DC/DC converter, which is now in validation, was completed in the last fiscal year. The voltage converter makes it possible to convert the DC high voltage supplied by the lithium-ion battery system into a DC voltage with a lower voltage level. This allows onboard electronics to be supplied with the energy from a high-voltage battery system, for example. The solution Voltabox developed has 3.3 kW and an output voltage of 12 volts. The DC/DC voltage converter is extremely low-loss in terms of voltage conversion and also has a very compact design as an essential feature. In the reporting year, great emphasis was placed on optimizing the reliability and safety of the product in light of the extremely high input voltage that it must convert. Furthermore, the validation process was prepared for by creating the necessary laboratory conditions.

Materials Management

Materials management plays a special role at Voltabox with its increasingly automated series production in Germany and the U.S. and a broad portfolio of battery modules and systems. In the reporting year, the material usage ratio (calculated from the ratio of cost of materials to revenue and inventory changes) was 56.4 % (prior year: 64.0 %).

Battery cells bought up in great quantities by world-leading cell manufacturers represent the majority of our material costs as intermediates for battery modules. In the fiscal year under review, battery cells made up about 66 % of the total material costs. As a result, variations in commodities prices on the global markets, as well as strategic price changes by suppliers for intermediates and exchange rate developments, have a fundamental influence on production costs for Voltabox battery modules.

Cell manufacturers orderly replace the battery cells used by us in line with their own innovation cycle with new versions featuring improved performance characteristics. In the event that a certain cell type is completely discontinued, the company switches the respective system to other cells of a successor format or to a completely new cell form. Generally speaking, Voltabox is integrated very early on into the relevant innovation processes by manufacturers. In this regard, materials management in close cooperation with the internal team of cell characterization specialists has the function of an internal benchmark.

The close cooperation with select high-performance suppliers and a demand-oriented purchasing policy also formed the basis for procurement in fiscal year 2018. The aim of this approach was to be able to achieve ambitious production targets even in the case of short-term and large-volume orders, especially in the intralogistics market segment as well as for individual project developments.

Voltabox is pursuing the goal of systematically increasing vertical integration in materials management. For this purpose, a new precision laser system was recently put into operation. This makes it possible to flexibly weld various cell types used now and in the future with internal resources. This extends the value chain in the production of battery systems based on pouch modules in particular since the flexible arresters of pouch cells could not previously be connected by internal system technology.

In connection with the integration of ACCURATE – SMART BATTERY SYSTEMS – GmbH that was acquired in the reporting year, synergy effects in materials management will not be achieved until the expiration of the contracts with ACCURATE’s current suppliers in this fiscal year. These relate primarily to circuit board assembly, which will take place in the future within the paragon plant in Suhl and will be sold to Voltabox at market conditions.

Liquidity

In addition to the organic expansion of the product portfolio and the relevant production capacities, the Voltabox AG growth strategy also comprises the acquisition of companies and/or complementary technology. The business model of Voltabox AG requires the ongoing availability of sufficient liquid funds.

Liquidity is also an important economic indicator for third parties looking to comparatively assess the business situation of companies in an industry. Finally, the company’s liquidity planning contributes to the internal management of the balance sheet structure.

Cash and cash equivalents developed as of the reporting date as follows:

€ ’000	2018	2017
Liquid funds	**28,234**	102,679

Financial Management

The financial management of the company does not include an independent target system. Rather, the Management Board uses internal financial management to plan and monitor the implementation of its growth strategy. In this context, comprehensive financial planning is carried out on the basis of revolving sales planning, from which investment and liquidity plans are then derived for the Voltapower, Voltaforce and Voltamotion product segments. Additionally, the subsidiaries are consolidated at a Group level on a monthly basis. The introduction of Microsoft Dynamics AX as a uniform ERP system throughout the Group is intended to facilitate further expansion into integrated financial planning.

Dividend Policy

The Management Board has formulated a dividend policy that is designed to meet the company's strategic goal of profitable growth. On the one hand, this is intended to enable Voltabox shareholders to increase the value of their shares over the medium term through dividend payments to provide an additional incentive for long-term investment decisions. On the other hand, the company's available liquidity should be invested as profitably as possible during its capital-intensive growth phase. Future corporate profits should therefore be largely reinvested. In the medium term, however, the Management Board considers as appropriate a disbursement ratio in the range of 20 to 40 % of Voltabox AG's balance sheet profit (as reported in the financial statements according to the German Commercial Code).

The Executive Board and the Supervisory Board will propose to the Annual General Meeting to distribute an amount of 474,750 Euro from the balance sheet profit of 1,494,282.84 Euro. This corresponds to 0.03 Euro per share. The remaining amount is to be carried forward to new account.

Remuneration Report of the Management Board and Supervisory Board

The company is committed to a high degree of transparency in its reporting. This also applies to the remuneration of the Management Board, which is disclosed and explained in full in the remuneration report, together with all its components and on an individualized basis. The Management Board and Supervisory Board have therefore decided to use the Management Board remuneration sample tables provided by the German Corporate Governance Code (GCGC) in the remuneration report.

Management Board Remuneration

The remuneration of the members of the Management Board consists of an annual fixed remuneration, ancillary benefits and a one-year variable remuneration component. In addition to the fixed remuneration and ancillary benefits paid to a former member of the Management Board in the fiscal year, remuneration was paid out for post-employee benefits and was partially accrued in the past fiscal year. A cap (minimum/maximum) is provided for the variable compensation component. A variable compensation component for multiple years has been specified. Finally, the total remuneration still includes a service cost under IAS 19. This is recognized pursuant to the GCGC as part of total remuneration, even though this is not a newly granted contribution in the narrower sense, but a past decision of the Supervisory Board that continues to be effective.

The total remuneration of the Management Board contains salaries and short-term benefits of € 596 thousand (prior year: € 148 thousand) and includes fixed components of € 486 thousand (prior year: € 131 thousand) and variable components of € 110 thousand (prior year: € 17 thousand). The main variable remuneration components are oriented on EBIT as defined by IFRS and the positive economic growth of the company's share price, both as compared with the balance sheet date.

The following table shows the contributions granted to the members of the Management Board in the reporting year:

Contributions granted	Jürgen Pampel Chief Executive Officer CEO Entry date: Aug. 9, 2017		Jörg Dorbandt Management Board COO Entry date: Dec. 1, 2018		Andres Klasing Management Board CFO Entry date: Aug. 9, 2017 Leaving date: Dec. 1, 2018	
€	**2018**	2017	**2018**	2017	**2018**	2017
Fixed remuneration	**168,000**	66,733	**17,000**		**135,667**	58,789
Ancillary benefits	**21,307**	2,376	**928**		**136,333**	
Post-employee benefits					**6,488**	2,700
Total	**189,307**	69,109	**17,928**		**278,488**	61,488
Annual amount to be included in the multi-year variable remuneration*	**38,000**	9,100	**0**		**72,333**	8,017
Total remuneration	**227,307**	78,209	**17,928**		**350,821**	69,505

* Capped (maximum) and divided as a variable compensation component for multiple years, which takes into account positive and negative development.

The following table shows the contributions paid to the members of the Management Board in the reporting year:

Contributions granted	Jürgen Pampel Chief Executive Officer CEO Entry date: Aug. 9, 2017		Jörg Dorbandt Management Board COO Entry date: Dec. 1, 2018		Andres Klasing Management Board CFO Entry date: Aug. 9, 2017 Leaving date: Dec. 1, 2018	
€	**2018**	2017	**2018**	2017	**2018**	2017
Fixed remuneration	**168,000**	66,733	**17,000**		**135,667**	58,789
Ancillary benefits	**21,307**	2,376	**928**		**6,488**	2,700
Post-employee benefits					**62,333**	
Total	**189,307**	69,109	**17,928**		**204,488**	61,488
Annual amount to be included in the multi-year variable remuneration*	**38,000**	9,100	**0**		**72,333**	0
Total remuneration	**227,307**	78,209	**17,928**		**276,821**	61,488

*Capped (maximum) and divided as a variable compensation component for multiple years, which takes into account positive and negative development.

Supervisory Board Remuneration

In accordance with the Articles of Association, the remuneration of members of the first Supervisory Board is established by the Annual General Meeting, which decides on the discharge of the members of the first Supervisory Board.

The members of the Supervisory Board receive a fixed remuneration of € 10 thousand, in line with the Articles of Association. The Supervisory Board Chairman receives € 20 thousand, while the Vice-Chairman of the Supervisory Board receives € 15 thousand per fiscal year. If a member is only appointed to the Supervisory Board for part of the fiscal year, the remuneration is recognized pro rata temporis. If the remuneration is subject to withholding tax, the sum of the remuneration is paid minus the withholding tax due.

The company has included the members of the Supervisory Board in a directors' and officers' liability insurance policy to the benefit of the members of the Management Board and Supervisory Board at market conditions.

In addition, the members of the Supervisory Board receive compensation for any reasonable, proven expenses associated with the fulfillment of their duties, as well as for any sales tax allocated to the remuneration received as Supervisory Board members, provided they are authorized to invoice the company separately for sales tax and to exercise this right.

In the 2018 and 2017 reporting years, the members of the Supervisory Board received fixed remuneration totaling € 45 thousand.

The following table shows the remuneration of the Supervisory Board members:

€ '000	**Klaus Dieter Frers** Supervisory Board Chairman		**Prof. Dr. Martin Winter** Supervisory Board Vice-Chairman		**Hermann Börnemeier** Supervisory Board Member	
	2018	2017	**2018**	2017	**2018**	2017
Fixed remuneration	**20.0**	n.a.	**15.0**	15.0	**10.0**	10.0
Total remuneration	**20.0**	n.a.	**15.0**	15.0	**10.0**	10.0

Economic Report

Global Economic Conditions

In October 2018, the International Monetary Fund (IMF) outlined the somewhat subdued and less balanced global growth prospectives over the course of 2018 in its World Economic Outlook[1]. A weakening of trade, manufacturing and investment on a global scale contributed to this in particular. Overall, global economic growth was still considered solid, albeit at a plateau level with mixed dynamics in the individual economic regions.

Global economic growth was estimated at 3.7 % for 2018, after having still expected global growth of 3.9 % in April. In this adjustment, the IMF reflected the economic risk due to heightened political uncertainty. The uneven distribution of economic growth between developed economies (2.4 %) and emerging markets (4.7 %) remained unchanged. In particular, economic growth in 2018 in the U.S. was estimated to have amounted to 2.9 % (prior year: 2.2 %), in the eurozone 2.0 % (prior year: 2.4 %), in Germany 1.9 % (prior year: 2.5 %) and in China 6.6 % (prior year: 6.9 %).

In this still good global economic environment, the German economy grew for the ninth consecutive year

1 https://www.imf.org/en/Publications/WEO/Issues/2018/09/24/world-economic-outlook-october-2018

in the past fiscal year, but the growth has lost momentum.

According to data from the German Federal Statistical Office (“Destatis”)[2], following price, seasonal and calendar adjustment, gross domestic product (GDP) rose 0.9 % in the fourth quarter of 2019 (prior year: 2.2 %). This follows increases of 1.1 % (prior year: 2.2 %) in the third quarter, 2.3 % (prior year: 0.9 %) in the second quarter and 1.4 % (prior year: 3.4 %) in the first quarter.

As a manufacturer of battery systems for industrial applications, Voltabox generated the majority of its revenues in the 2018 fiscal year with companies in the intralogistics market segment (especially forklifts and automated guided vehicles). In addition, revenue was also realized from customers in the fields of trolleybuses and mining vehicles. Voltabox’s activities focus on business partners in Germany, the European Union, and the USA. These, in turn, sell the vehicles and systems they produce worldwide. Overall economic development is therefore important for Voltabox in that it affects the sales opportunities for the vehicle and system manufacturers it supplies, and thus also indirectly affects the development of end user demand for Voltabox products.

2018 Market Development

The reporting year was characterized by ongoing dynamic market growth in the industrial sub-markets relevant to Voltabox as well as in the addressed mass markets. This market dynamic in the industry was based in particular on persistent substitution effects where diesel backup generators and lead-acid batteries are replaced by modern lithium-ion battery systems.

In its report entitled “Industrial and Commercial Electric Vehicles on Land 2017 – 2027,” the market research institute IDTechEx estimates[3] growth in industrial market segments currently occupied by Voltabox (trolleybuses, forklifts, mining vehicles and construction and agricultural vehicles) at 12 % for 2018.

Trolleybuses represent a subsegment of the market for electric buses, with a total of approximately 40,000 vehicles in 370 cities and 47 countries worldwide[4]. A trolleybus travels along a defined route, powered by electricity from overhead lines. The customized Li-Ion battery systems from Voltabox make it possible for trolleybuses to deviate briefly for a limited period of time from the defined routes and overhead lines. As a result of the increasing electrification of buses, trolleybuses are also benefiting increasingly from the rapid development in drive technology, electrical energy storage and charging infrastructure.

Market research institute IDTechEx estimates that around 400,000 forklifts with internal combustion engines were in operation worldwide in 2018. In fact, Asia is the largest sales market for intralogistics, especially for forklifts. However, the trend toward electrification has made the most progress in Western industrialized countries, with Europe as the largest individual market for electric forklifts (with lead-acid batteries).

According to estimations by experts,[5] there are currently around 33,000 vehicles and drilling machines in use in underground mining. Of these, load haul dumps make up the largest vehicle group with around 13,500 units, followed by mining vehicles with an estimated 8,400 units and drilling machines with around 11,100 units.

Business Performance

The excellent performance of the business with battery modules for use in forklifts and battery systems for use in trolleybuses and mining vehicles was a key factor in the company’s growth in the 2018 fiscal year. Once again, there was a leap in revenue from battery modules for intralogistics, especially in the second half of the year.

2 Federal Office of Statistics, press release from February 22, 2019 – 064/19
3 IDTechEx, “Industrial and Commercial Electric Vehicles on Land 2017–2027” study: https://www.idtechex.com/research/reports/industrial-and-commercial-electric-vehicles-on-land-2017-2027-000505.asp
4 www.trolleymotion.eu
5 Mining Report 153, 2017, no. 2

Revenue in the amount of € 66.9 million (prior year: € 27.3 million) was generated entirely with third parties (prior year: € 24.7 million). With an increase of 145.3 %, Voltabox posted disproportionately high growth dynamics. The largest growth driver was the serial production of battery modules for intralogistics applications, especially for forklifts. Other revenue drivers were battery systems for trolleybuses and for use in mining vehicles, agricultural vehicles and starter batteries for motorcycles. Furthermore, ACCURATE – SMART BATTERY SYSTEMS – GmbH (Korntal-Münchingen), which was acquired by Voltabox AG on August 20, 2018, contributed € 2.2 million in revenue for the first time. The EBIT for the Voltabox Group was € 5.6 million (prior year: € -2.8 million), which corresponds to an EBIT margin of 8.4 % (prior year: -10.3 %).

Key Factors of Business Performance

In the past fiscal year, the development, production and sales of lithium-ion battery systems for industrial applications in the Voltapower product segment had a major impact on the Voltabox Group's business performance. This includes in particular the market segments of intralogistics (forklifts and automated guided vehicles), local public transportation (trolleybuses) and mining vehicles. In fiscal year 2018, the Voltabox Group focused on the areas of expansion, diversification and securing market share. In particular, the milestones achieved include the new and further development of modular components and innovative product solutions, the implementation of the M&A growth strategy, the increase of production capacities and the development of further market segments. In addition, expanding the customer portfolio was a focal point of sales activities.

As the reporting year progressed, business performance was increasingly dominated by automated series production of ready-to-use battery modules for intralogistics. In the second quarter of 2018, the company renewed collaboration with the partner Triathlon Batterien GmbH ("Triathlon"), which has existed since 2014, for the production of battery systems for forklifts. The new version of the cooperation agreement created the conditions for entry into direct sales. As a result, Voltabox internally expanded and developed the appropriate structures in order to integrate itself into the dynamically developing intralogistics market, particularly the OEM and wholesale business.

In addition, serial production for the first mining vehicle was started up during the course of the year. Furthermore, the production of battery systems for trolleybuses for use in various public transport networks worldwide, including in San Francisco, Seattle, Cagliari and Linz, has been a focus. Business performance was also influenced by the development of power electronics components in the Voltamotion product segment. Here, the first notable sales were generated in the year under review by development services for pre-series production and prototypes of various automotive projects in the meaning of reference projects.

The relative customer structure composition also changed over the course of the year as a result of the acquisition of ACCURATE– SMART BATTERY SYSTEMS – GmbH in Korntal-Münchingen and the related entry into select mass markets, particularly the pedelecs and e-bikes market segment.

The subsidiary Voltabox of Texas, Inc. focused on expanding the organization through the acquisition of Concurrent Design, Inc. (Austin, Texas). This was offset by the time-shifted revenue so that no economies of scale could be realized in the year under review. The U.S. subsidiary Voltabox of Texas, Inc. accounted for around 17.7 % of revenue in the reporting year.

The acquisitions made in 2018 have already had a positive influence on Group earnings in the reporting year. The additional EBIT effects exceeded the ineligible M&A costs.

Due to a limited extension of the payment period with the main customer Triathlon to support and accelerate its specialty sales of lithium-ion battery systems, there was a negative effect on maturity matching in terms of operating cash flow, which will reverse accordingly in the following period.

Especially in the fourth quarter, Voltabox was able to significantly increase its production capacity and place its product systems on the market more strongly.The Group was able to close out the fiscal year with a clearly positive consolidated net income as a result. In the past fiscal year, the Group took organizational measures to ensure full performance in financial advance payments, which is why, in line with the underlying planning, the return on investment has not yet fully adjusted, despite capacity expansion.

Assets, Financial Position and Earnings

Earnings of the Voltabox Group

With Voltabox Group revenues growing by 145.3 % to € 66.9 million (prior year: € 27.3 million) the existing growth momentum continued in fiscal year 2018 and fulfilled the sales forecast of € 65–70 million issued by the Management Board. The sales forecast raised in the course of the planned takeover of Navitas Systems, which was canceled in November, was achieved thanks to very good operating performance. With a Group EBIT margin of 8.4 %, the earnings forecast, which was reduced from the original 9 % for the year under review to 7 % as of the half-year report following the renegotiation of the cooperation agreement with intralogistics partner Triathlon, was significantly exceeded.

Other operating income increased to € 2.1 million. (prior year: € 0.2 million), which was mainly due to currency translation gains. The inventory of finished goods and work in progress increased to € 8.3 million, while in the previous year it had decreased by € 1.4 million. This development is most notably due to the upstream production of modules for sales in the first quarter of 2019. Due to an increase in direct revenue recognition in the context of long-term, combined development and series supply contracts, capitalized development costs fell by 43.4% to € 3.0 million (prior year: € 5.3 million). The cost of materials developed particularly strongly, increasing 152.7% to € 42.2 million (prior year: € 16.7 million) as a result of higher output volumes. The material usage ratio (calculated from the ratio of costs of materials to revenue and inventory changes) fell to 56.4% mainly due to economies of scale (prior year: 64.0 %). This resulted in a gross profit for the 2018 fiscal year of € 37.8 million (prior year: € 14.6 million), which represents a gross profit margin of 56.5 % (prior year: 53.6 %).

Personnel costs increased, mainly as a result of new hires in connection with the operational growth at existing sites and the acquisition of new companies, by 103.0 % to € 13.6 million (prior year: € 6.7 million). As a result of the strong revenue growth, the personnel expense ratio decreased to 20.3 % (prior year: 24.6 %). Other operating expenses increased to € 14.6 million in particular due to general administrative expenses, rent and lease payments (prior year: € 8.3 million), after a portion of other operating expenses was offset against equity with no effect on income in the prior year. Earnings before interest, taxes, depreciation and amortization (EBITDA) thus rose to € 9.6 million (prior year: € -0.4 million), which corresponds to an EBITDA margin of 14.3 % (prior year: -1.4 %).

After depreciation of property, plant and equipment and intangible assets of € 3.6 million (prior year: € 2.4 million) and an impairment of property, plant and equipment and intangible assets in the amount of € 0.4 million (prior year: € 0), earnings before interest and taxes (EBIT) improved to € 5.6 million (prior year: € -2.8 million). As a result, the EBIT margin rose to 8.4 % (prior year: -10.3 %).

As a result of lower financing costs, the financial result improved to € -0.1 million (prior year: € -0.7 million). This results in an increase in earnings before taxes (EBT) to € 5.5 million (prior year: € -3.5 million). Considering a sharp rise in income taxes of € 2.9 million (prior year: € 3.0 million), the Voltabox Group generated a consolidated income of € 2.6 million in the period under review due to effects from deferred taxes (prior year: € -6.5 million). This corresponds to earnings per share of € 0.16.

Net Assets of the Voltabox Group

Voltabox Group's assets increased to € 181.5 million (December 31, 2017: € 167.8 million) as of the balance sheet date mainly due to the expansion of business activities which has become apparent, above all, in the increase in trade receivables and inventories. However, the capitalization of development costs and the expansion of the scope of consolidation also led to an increase in assets.

Noncurrent assets increased to € 51.9 million (December 31, 2017: € 28.2 million). The main reasons for this increase are additions from company acquisitions, a long-term investment subsidy for the build-up of capacities at an important customer and the rise in intangible assets due to the capitalization of development costs. The intangible assets increased from € 16.5 million to € 28.0 million. Goodwill increased as a result of the acquisitions to € 9.7 million (December 31, 2017: € 3.2 million) while other assets amounted to € 5.0 million (December 31, 2017: € 0) at the balance sheet date, which are predominantly attributable to long-term accrued expenses and contractual assets.

Current assets decreased to € 129.7 million (December 31, 2017: € 139.6 million). This is mainly due to the decline in cash and cash equivalents. At the end of the fiscal year, these amounted to € 28.2 million (December 31, 2017: € 102.7 million). Decisive factors for this were the increase in inventories of € 23.0 million to € 27.2 million (December 31, 2017: € 4.2 million) due to the expansion of the operating business and in this context the entry into the intralogistics direct business as well as the significant increase in trade receivables by € 34.0 million to € 56.0 million (December 31, 2017: € 22.1 million) as a result of the payment terms extended to 360 days for fiscal year 2018 for the customer Triathlon in the course of the renegotiation of the joint cooperation agreement for sales support. Other current assets also increased significantly to € 6.5 million (December 31, 2017: € 0.3 million) due to prepaid expenses and the recognition of contractual assets.

Noncurrent provisions and liabilities increased to € 19.2 million (December 31, 2017: € 7.4 million), whereby the noncurrent loans decreased significantly about € 3.4 million to € 0.1 million (December 31, 2017: € 3.5 million) as a result of reclassifications to the current segment, while deferred taxes increased significantly in turn to € 7.7 million primarily as a result of the effects of the first-time consolidation of new subsidiaries (December 31, 2017: € 4.8 million). Current provisions and liabilities increased to € 18.9 million (December 31, 2017: € 7.4 million). The main reason for this is the increase in trade payables due to the expansion of business operations to € 9.3 million (December 31, 2017: € 3.6 million).

The increase in current loan liabilities to € 3.5 million (December 31, 2017: € 0.5 million) is due to a reclassification from noncurrent liabilities. While liabilities to related parties were reduced to € 0.6 million (December 31, 2017: € 1.8 million), other current liabilities increased by € 3.5 million to € 4.8 million (December 31, 2017: € 1.3 million).

Voltabox Group's equity increased slightly to € 154.5 million (December 31, 2017: € 152.1 million), which results in particular from the consolidated net income of the 2018 reporting year. Given the sharp rise in total assets, the equity ratio decreased, as expected, to 85.3 % (December 31, 2017: 90.7 %).

Financial Position of the Voltabox Group

Cash flow from operating activities decreased in the period under review to € -54.8 million (prior year: € -4.7 million) due to the significant increase in net working capital. This was mainly due to the significant increase in trade receivables owing to strong revenue in the third and in the fourth quarter as well as to the extended payment terms of 360 days for an important customer in the intralogistics market segment valid from the second quarter until the end of 2018. Furthermore, the increase in inventories in the second half of 2018 against the backdrop of the entry into Intralogistics direct sales had a significant impact on the negative operating cash flow.

Cash flow from investment activity decreased to € -19.1 million (prior year: € -6.0 million). Payments for investments in property, plant and equipment in the amount of € 1.6 million (prior year: € 1.0 million) and payments for investments in intangible assets in the amount of € 12.0 million (prior year: € 5.3 million) reflect CAPEX investments of € 13.6 million (prior year: € 6.2 million) which are therefore in line with the target figures of around € 13.4 million forecast by the Management Board. In addition, cash flow from investing activities was influenced by payments of EUR 7.3 million for the acquisition of subsidiaries as part of the M&A growth strategy.

This results in a free cash flow adjusted for transaction investments of € -68.4 million (previous year: € -11.0 million).

Cash flow from financing activities fell to EUR -0.5 million (previous year: EUR 112.4 million) in the year under review following the IPO in 2017.

Cash and cash equivalents fell to € 28.2 million as of the end of the reporting period (prior year: € 102.7 million), which is mainly attributable to short-term capital commitment in operating activities as a result of the expansion of the Group's business operations. The solvency of the Voltabox Group was assured at all times during the year under review.

General Statement on the Net Assets, Financial Position and Earnings of the Voltabox Group

In the year under review, net assets, financial position and earnings were all influenced by strong revenue growth. Earnings mainly benefited from growth in revenue and the normalization of the material input ratio. In addition, the lower personnel cost ratio, only slightly higher depreciation and the change in inventories contributed to the improvement in the earnings position against the background of the expansion of business operations within the Group. The financial position is influenced in particular by short-term capital commitments from operating business and additions in connection with company acquisitions. Thanks to the high equity ratio, Voltabox Group's financial position is strengthened.

The Voltabox Group fully met its sales and EBIT forecast. The forecast for the 2018 financial year foresaw sales of EUR 65 - 70 million and an EBIT margin of 7%. The company achieved sales of EUR 66.9 million and an EBIT margin of 8.4% in the year under review.

Earnings of Voltabox AG (Separate Financial Statements)

With Voltabox AG's revenues growing by 111.8 % in the individual financial statements to around € 52.1 million (prior year: € 24.6 million), the Group's existing growth dynamics were also maintained in fiscal year 2018.

This significantly exceeded the sales forecast of around EUR 33 million. The EBIT margin improved to 6.4 % (prior year: -38.6 %) mainly due to the higher overall performance and lower personnel cost ratio as well as the reduced material cost ratio. As a result, the forecast EBIT margin of 10 % could not be achieved.

The cost of materials increased 140.6 % to € 38.5 million (prior year: € 16.0 million). Influenced by an improved purchasing management, the materials ratio (calculated from the ratio of cost of materials to sales and changes in inventories) reduced slightly to 64.4 % (prior year: 66.8 %). This leads to a gross profit for the 2018 fiscal year of € 22.9 million (prior year: € 8.2 million), which represents a gross profit margin of 43.9 % (prior year: 33.3 %).

Personnel costs increased less strongly than revenue, mainly as a result of the new hires in connection with the operational growth at existing sites and due to acquisitions, by 69.3 % to € 7.5 million (prior year: € 4.5 million). As a result of the particularly strong revenue growth, the personnel expense ratio decreased to 14.5 % (prior year: 18.1 %). Other operating expenses amounted to € 10.3 million (prior year: € 12.5 million) in particular due to transaction costs in connection with the acquisition of subsidiaries and the absolute increase in general administrative expenses .

Earnings before interest, taxes, depreciation and amortization (EBITDA) thus rose to € 5.0 million (prior year: € -8.7 million), which corresponds to an EBITDA margin of 9.6 % (prior year: -35.5 %).

Despite slightly increased depreciation and amortization of € 1.7 million (prior year: € 0.8 million), earnings before interest and taxes (EBIT) improved significantly to € 3.4 million (prior year: € -9.5 million). The EBIT margin decreased as scheduled to 6.5 % (prior year: -38.7 %).

As a result of the low level of debt, the financial result remained unchanged at € -0,4 million (prior year: € -0.4 million) and earnings before taxes (EBT) improved to € 3.3 million (prior year: € -9.9 million). In the period under review, Voltabox AG generated net income of € 2.6 million (prior year: € 0 after loss assumption by parent company).

Net Assets of Voltabox AG

Voltabox AG's assets increased by € 10.3 million to € 165.8 million (December 31, 2017: € 155.5 million) as of the balance sheet date mainly due to the increase in inventories, trade receivables and financial assets.

Noncurrent assets increased by 79.6 % to € 47.9 million (December 31, 2017: € 31.1 million). Financial assets increased by € 19.0 million to € 37.6 million mainly due to the increase in loans to subsidiaries. The increase in intangible assets to € 7.9 million (December 31, 2017: € 0.2 million) can be particularly attributed to the acquisition of a right of use.

Current assets decreased by € 16.5 million to € 118.0 million (December 31, 2017: € 134.5 million). This is mainly due to the reduction in cash and cash equivalents due to short-term and temporary capital commitment in operating activities. These now amount to € 26.8 million (December 31, 2017: € 102.7 million). Trade receivables rose by 156.6 % to € 50.5 million (December 31, 2017: € 19.7 million) primarily due to the limited extension of payment terms for an important customer.

Deferred income amounted to € 3.7 million (December 31, 2017: € 0.0 million) as of the reporting date.

Liabilities increased to € 11.5 million (December 31, 2017: € 4.4 million). In particular, trade payables rose significantly by € 4.2 million to € 7.5 million (31. Dezember 2017: 3,3 Mio. Euro), which is, above all, attributable to the expansion of business operations. Other liabilities increased to € 3.1 million (December 31, 2017: € 0.1 million).

Voltabox AG's equity increased slightly to € 152.5 million (December 31, 2017: € 149.9 million).

Given the sharp rise in total assets, the equity ratio decreased to 92.0 % as of the reporting date (December 31, 2017: 96.4 %).

Financial Position of Voltabox AG

Cash flow from operating activities decreased in the period under review to € -47.0 million (prior year: € -9.8 million). This was due to the significant increase in trade receivables due to strong revenue in the fourth quarter and temporary extended payment terms for an important customer as well as an increase in inventories for revenue recognition in fiscal year 2019.

Cash flow from investing activities fell by € 8.9 million to€ 28.4 million (prior year: € 19.5 million). This development mainly resulted from payments for the acquisition of ACCURATE – SMART BATTERY SYSTEMS – GmbH of € 5.5 million and from the increase in loans to affiliated companies of € 13.5 million.

Cash and cash equivalents decreased to € 26.8 million as of the end of the reporting period (prior year: € 102.7 million), which was mainly due to the short-term financing of operating activities and investments in the acquisition of subsidiaries. In 2018, cash flow from financing activities was € 0.4 million (prior year: € 131.0 million) after the IPO in the previous year.

General Statement on the Net Assets, Financial Position and Earnings of Voltabox AG

In the year under review, net assets, financial position and earnings were all influenced by strong revenue growth and the resulting financing of working capital. The earnings situation has benefited greatly from the expansion of business operations and the resulting revenue growth as well as achieved economies of scale. In addition, the financial position is influenced in particular by short-term receivables, and the financial position as of the balance sheet date changed significantly as a result of the short-term capital commitment for the operating business.

Voltabox AG exceeded its sales forecast in the 2018 financial year. On the other hand, the EBIT forecast was clearly undercut. The forecast for the 2018 financial year foresaw sales of EUR 33 million and an EBIT margin of 10%. In the year under review, the company achieved sales of 52 million euros with an EBIT margin of 6.4 %.

Opportunity and Risk Report

Voltabox has established a comprehensive risk management system to identify opportunities and risks in corporate development. The risk management system described below refers both to Voltabox AG and the Voltabox Group. All the operating segments regularly issue risk reports, from which management is informed about the probability of occurrence and possible damages resulting from the risks identified. The risk reports contain an assessment of the risks as well as suggestions for appropriate countermeasures. For information on the risk management objectives and methods with regard to the use of derivative financial instruments, please refer to the notes (34).

Opportunity Report

Opportunities

In its current global economic outlook, the International Monetary Fund expects to see global growth of up to 3.7 %, with 1.5 % expected for Germany and 2.9 % for the U.S. There are opportunities associated with this for Voltabox in the Voltapower, Voltaforce and Voltamotion product segments. For years now, the Management Board has been pursuing the aim of securing and building on revenue and market share in its defined core markets by seeking orders with market leaders in a targeted manner. With application-oriented, customer-specific systems developed based on a modular concept and manufactured in large series, we are able to realize exceptional customer benefit and solid economic advantages for the customer in the course of cost-effective manufacturing. The megatrend of e-mobility further continued to gain importance and attracted public attention in the past year. Voltabox benefits from this in individual target markets for capital goods, such as trolleybuses for public transport, forklifts used in intralogistics and automated guided vehicles in networked production, starter batteries for the motorcycle market and underground mining vehicles. The other target markets currently include the markets for agricultural and construction machinery as well as pedelecs and e-bikes.

In particular, the acquisition of the companies ACCURATE – SMART BATTERY SYSTEMS – GmbH and Concurrent Design, Inc. (Texas) in the reporting year resulted in special opportunities from the expansion of the product portfolio and the expected synergy effects. With ACCURATE, Voltabox AG is entering select mass markets with the modern and powerful lithium-ion technology. Through the acquisition of Concurrent, the Grop is gaining many years of expertise in research and development, which is intended for the execution of projects with the strategic customer Komatsu in particular. Concurrent has the relevant expertise, especially in manufacturing and testing automation.

In 2019, the market research institute IDTechEx[6] expects a market growth of about 12 % for battery systems in the sub-markets currently occupied by Voltabox. The average annual growth rate until 2023 is estimated at around 19 % in these sub-markets (reference year: 2018).

As a result, the following opportunities exist for Voltabox's product segments, especially in the medium-term, which the Company considers to be all equally significant, as in the previous year:

- Voltapower
  The electromobility megatrend has already led to the first applications in individual capital goods sub-markets such as trolleybuses for public transport, intralogistics forklifts and automated guided vehicles in networked production as well as underground mining vehicles. With the help of strong cooperation partners, Voltabox is able to benefit from substitution effects here that result from the economic and ecological advantages its battery technologies offer compared to the lead-acid batteries or diesel backup generators used to date. In these fast-growing sub-markets, Voltabox has the opportunity to significantly increase its relative market share within a short period of time and thus occupy a leading market position (market

6 IDTechEx, "Industrial and Commercial Electric Vehicles on Land 2017–2027" study:
https://www.idtechex.com/research/reports/industrial-and-commercial-electric-vehicles-on-land-2017-2027-000505.asp

penetration and market development). This includes, for example, the entry into the market segment for agricultural and construction vehicles.

New market opportunities are also emerging as a result of the dynamic technology shift surrounding the e-mobility megatrend in lucrative industrial sub-markets. This includes, for example, the market for municipal vehicles, vehicles and machines for surface mining, construction vehicles, airport apron vehicles and rail vehicles. In addition, opportunities are arising for Voltabox through entering into the global car mass market by addressing individual niches with tailor-made battery systems.

- Voltaforce
  The niche strategy of horizontal and vertical diversification offers large sales opportunities in further sub-markets in the medium term. These include, for example, the completed expansion of the existing market position for motorcycle starter batteries as well as in the field of motorsport and racing batteries. Often it is the complex requirements regarding the performance, safety and reliability of the lithium-ion battery systems developed by Voltabox that play a decisive role.

  By building a production and distribution location in China for parts of the fast-growing global mass market for standard battery systems and deepening the involvement in the mass market, made possible from this financial year onwards by the acquisition of the subsidiary ACCURATE, with a focus on the retail sector, especially pedelecs, well-developed sales territories can be tapped well beyond their home markets.

- Voltamotion
  The innovative product developments in the Voltamotion product segment offer significant opportunities for the vertical expansion of the product and service portfolio in the high-growth industrial market for complete systems, which include the charging and drive units in addition to the energy storage system. This includes, for example, the recent development of a battery system and an electric drive for pumping milk into and out of transport vehicles.

Overall Assessment of Opportunities

Through the regular and structured monitoring of opportunities within the Voltabox Group and the relevant sales markets as well as the internal, barrier-free communication at the various levels of management, the Management Board is in a good position to identify opportunities for the Group. The consistent utilization of business opportunities in the form of planning adjustments can make a positive contribution to the company's strategic and operational success. At the end of the 2018 fiscal year, both external and internal opportunities were identified. External and internal opportunities from the prior year remain basically unchanged.

The significance of the listed opportunities as well as the resulting positive effects on the financial performance indicators projected for fiscal year 2019 – and thus on the short-term development of the Voltabox Group as a whole – is classified as low. The Management Board therefore expects the development of business described in the forecast.

Risk Report

Risk Management

Voltabox uses a comprehensive risk management system as part of its risk-oriented corporate governance.

Risks are defined in the Voltabox Group not only as activities, events and developments endangering the company's existence, but also those affecting its business success. Particular attention is paid to risk concentrations, e.g. dependencies on individual customers, suppliers, products or countries. In the case of material risks, mutual dependencies and impacts are taken into account, since individual risks can mutually reinforce each other or cause compensation effects between them. In addition, opportunities are also subsumed under the risk concept. We understand business success in terms of measurable values, e.g. revenue and EBIT. Risks are therefore represented in these figures in the evaluations from the respective process owners. Risk assessment is always based on the risk outcome. A risk is the possibility that a threat exposes a vulnerability and causes damage to or the loss of an object and thereby directly or indirectly results in a negative impact. The aim is also to identify and evaluate these risks in order to be able to select suitable and appropriate countermeasures on this basis.

Strategic Governance and Risk Management

The aim of risk management is to secure the company's continued existence, i.e., securing its future development and profitability as well as reducing the risks of breaching the confidentiality, integrity and availability of the information or data used or contained in the performance of activities. The task of risk management is also to report deviations from the corporate objectives at an early stage and thereby enable timely countermeasures. Risk guidelines are defined in the risk manual.

Group-wide responsibility for risk management lies with the Management Board. Risk management at the respective sites is adequately covered and secured in regular (roundtable, video and telephone) meetings with the respective senior management. This means that the Management Board is directly informed of the situation and the corresponding risks are continuously monitored and managed by the Management Board. In risk fields where quantification is not possible or useful, work is also done to identify risk factors.

Central Risk Management

An important role in the risk management and control process belongs to central risk management. Within its responsibility for the risk situation of the company, the Management Board transfers the task of implementing permanent risk management activities to the central risk management team. Responsibility for central risk management lies directly with the Chief Operating Officer (COO) of Voltabox AG. Voltabox's central risk management team is responsible for coordinating all decentralized risk management functions, evaluating risk analyses and consolidating them into risk reporting as well as improving and enhancing the risk management system. Working with the Management Board the central risk management team determines the reporting cycles and defines the thresholds for the risks which, when exceeded, require a risk control report to be prepared outside the obligatory reporting requirements. Both the threshold values and the reporting cycles are based on the relevance of the risks.

Central risk management supports the decentralized risk managers in the preparation of risk analyses and checks their returns and plausibility. It summarizes the individual risk profiles in a joint document. This means that interactions between the risks can be analyzed and the overall risk situation at Voltabox can be recorded, evaluated and commented on. This summary is referred to as risk reporting. This task is of particular importance because the objective of an integrated risk management system is the holistic consideration of a company's risk situation. Risk reporting acts as the basis for the statements on Voltabox's risk situation in the management report.

The decentralized risk managers are consulted whenever new risk management measures are established or existing measures are adapted.

Decentralized Risk Management

Decentralized risk management at Voltabox is located within the company's individual segments and sites. The area and process managers are responsible for risk management in their respective areas of work as decentralized risk managers. The decentralized risk management team reports on the development of risks in these areas as part of risk control measures. For each quarterly reporting cycle, the decentralized risk managers write up a report on the risks for which they are responsible. The focus here is on the description of the expected development of the risk. With this, measures for future risk management or the improvement of existing measures are developed and included in the risk control report as proposed measures for implementation. The decision on implementation is the responsibility of the Management Board. In addition, the Management Board must be informed without delay of any risks incurred during the entire year (ad-hoc risk reporting). Individual discussions are held with the decentralized risk managers at regular intervals.

Risk Monitoring

Risk monitoring is the task of both decentralized and central risk management. The decentralized risk manager defines early warning indicators for critical success factors, which are monitored by central risk management. As soon as the defined thresholds are reached, a risk report is prepared by the decentralized risk manager, i.e. a forecast of the expected effects of the risk event for Voltabox. These forecasts are to be supplemented by scenario analyses, which take into account different data constellations. Risk monitoring thus serves as a form of knowledge enhancement to assist with management decisions, as attempts are made to reduce uncertainty regarding the future development of the company or the risk situation.

Based on this information and the recommendations made by the decentralized risk managers and central risk management, the Management Board decides whether and to what extent measures are to be implemented or whether an adjustment of the company's objectives is necessary. The monitoring of the early warning indicators and their associated threshold values as well as the creation of scenario analyses is the responsibility of decentralized risk management.

Risk Reporting

The quarterly report to the Management Board contains all new risks identified in the reporting month as well as those risks that have changed by a degree greater than or equal to 50% from the prior report.

Central risk management is required to provide an ad hoc report to the Management Board in the case of risks with a change of 100% or more as compared to the previous month. The Management Board, in turn, is then obliged to provide a report to the Supervisory Board within 24 hours of being informed about the risk.

The risks continually analyzed by Voltabox as part of risk monitoring can be assigned to the following risk categories, each of which is divided into individual risks:

- Strategic and Environmental Risks
- Market Risks
- Operating Risks
- Financial Risks
- Management and Organizational Risks

At the end of the reporting year, 15 individual risks were recorded in the Voltabox Group. In the opinion of Voltabox AG, none of these individual risks endangered the company's continued existence.

Risks

Strategic and Environmental Risks

Overall economic development is observed in the risk management system due to its possible influence on patterns of demand in Voltabox's major markets (such as local public transport, intralogistics and mining), particularly in Germany and Europe, but also within the U.S. market owing to its strategic significance. This can lead to fundamental changes to supply and demand behavior in the procurement and sales markets for Voltabox. For example, a longer-term economic downturn, possibly triggered by the economic policy measures of individual sub-markets such as the U.S., could have a negative impact on the company's assets, financial position and earnings. A politically motivated move away from the rule-based international trade system or its disturbance through isolated protectionist measures could lead to distortions in the global value-added chains. As the Voltabox Group has its own production facility in the U.S., and as it has a specific customer/product structure, the Management Board views the overall risk of protectionist influence on earnings as low.

Market Risks

For years now, Voltabox has been building on its growing market position as a well-established and innovative supplier of battery systems for industrial use, increasingly also for major clients in e-mobility. The two biggest sales markets of Western Europe and the U.S. continued to grow as expected in 2018. According to the market research institute IdTechEX, the growth dynamic of the sub-markets occupied by Voltabox is likely to be maintained[7] in the 2019 fiscal year, and thus also the growth rate of the global sales market.

Due to its specific customer/product structure, Voltabox grew significantly faster than the market in the past fiscal year at a rate of around 140 %. On the one hand, the Management Board sees this being due to the fact that Voltabox's largest customers are among the leaders within the e-mobility megatrend, and that they boast very promising future prospects. The increasing electrification of mobility in every area of daily life as well as in industrial manufacturing is leading to a very clear increase in demand for battery systems, and furthermore also for all-round electrification solutions. Given the overall economic environment, this trend looks set to continue in the years to come, and will likely become even stronger. Further potential arises from the company acquisitions made in the reporting year. In the reporting year, the acquisition of 100 % of the shares in Concurrent Design, Inc. Austin, Texas and 100% of the shares in ACCURATE – SMART BATTERY SYSTEMS – GmbH, Korntal-Münchingen furthered the M&A growth strategy in the defined fields for action. In the year under review, Concurrent Design is included in the consolidated figures for nine months and ACCURATE for four months. The growth effects will increase accordingly in 2019.

The focus on specific market niches and close ties to important customers are what shape Voltabox's strategic positioning. Sales opportunities and risks are assessed through a comprehensive operative sales management system. Key components of this system are the analysis of market and competition data, rolling planning for the short and medium term and regular coordination between sales, development, manufacturing and purchasing. The Voltabox modular system developed and continuously optimized over the last few years enables the use of a wide range of cell technologies and cell types available on the market in a way that is tailored to the application and is testament to the basic independence of individual product groups and customers. Within very short development phases, we are able to offer perfectly customized battery systems that are ideal for the customer's application.

Due to the relatively high concentration on just a few customers in the 2018 fiscal year, the loss of an important customer could have a significant impact on the assets, financial position and earnings in the medium-term. However, due to the long-term contract periods of the various framework contracts with our customers, the loss of a key customer would be known at an early stage. This risk is counteracted by comprehensive development work on product innovations as well as detailed permanent order backlog analyses focusing on early risk identification, as well as by expanding the customer base with extensive marketing activities in our defined core markets.

The Voltabox innovation process is characterized by its own product development, taking into account noted and anticipated trends and tendencies in the market. The development team not only waits for potential customers to make certain demands or specify requirements – it also works on vertical integration. This is a major step on the company's path toward offering complete solutions. Voltabox develops its own, innovative solutions, which are implemented in cooperation with pilot customers and subsequently offered to a wider customer base in carefully selected target markets. However, it cannot be ruled out that a product development may not achieve its expected quantities or that its economic success may be lower or later than originally planned. This could have a negative impact on the Group's revenue and earnings. The Management board estimates the risk as moderate overall.

Operating Risks

In terms of operating risks, Voltabox is currently focusing on its research and development, materials management, production and information technology activities.

The e-mobility market is subject to disruptive, dynamic technological change. The future economic success of

7 IDTechEx, "Industrial and Commercial Electric Vehicles on Land 2017–2027" study: https://www.idtechex.com/research/reports/industrial-and-commercial-electric-vehicles-on-land-2017-2027-000505.asp

Voltabox will therefore depend on the ability to continuously develop new and innovative products on time and successfully introduce them to the market. Recognizing new technological developments at an early stage and implementing them in partnership with customers is key here. Should Voltabox not be able to, or not quickly enough, recognize and implement new trends, changing customer requirements or future technological advances or to develop new products and adapt existing products in accordance with business principles, this may have a detrimental effect on the company's assets, financial position and earnings.

In addition, development costs may not be recoverable if Voltabox's customers do not subsequently issue serial production orders or if the quantities Voltabox sells are significantly lower than expected. Given the high proportion of capitalized development activities on the balance sheet, a corresponding valuation allowance for intangible assets could have a negative impact on the company's assets, financial position and earnings.

In close cooperation with the development departments of key customers, Voltabox contributes to product innovations with its wide range of development projects and innovative solutions. Significant deviations from the project objectives in terms of time and money may result in cost and legal risks (e.g., contractual penalties). Ongoing development and project monitoring is undertaken to limit associated risks.

Voltabox took advantage of the global price competition on all relevant procurement markets and secured a substantial portion of its procurement prices through framework contracts, annual agreements and long-term supplier relationships. The payment terms are regarded as above-average by the Management Board as compared with the industry. The Group continues to purchase more than 65 % of its purchasing volumes from Asian contract partners, while the rest is purchased directly in Europe and the U.S. The regular purchasing currency is the euro, whereby the share of purchases made in U.S. dollars was around 64 % in the reporting year. The volume of purchases in U.S. dollars will continue to increase as a result of the expected sales growth In addition to individual price reductions when procuring cells that were paid in dollars, cheaper prices were negotiated in the 2018 fiscal year, especially for various products procured in Europe. Currency risks arise primarily for purchases in U.S. dollars that are intended for the European currency area, as well as for loans issued in euros to the subsidiary in the U.S. These risks are reduced on the procurement side by price sliding clauses and generally by other appropriate measures.

Voltabox outsourced major commercial functions from the parent company paragon and took them on itself. Two functions are still currently covered by paragon and are being sold to Voltabox for standard market prices. One of these functions is the area of Investor Relations, which is covered by the centralized paragon department, and the other is IT, which is managed by paragon's centralized IT department, particularly with regard to the network and its management. The relevant service agreements have already been concluded.

With the rapid spread of information technology (IT) and the ubiquitous connectivity provided by the internet, IT risks, such as system failures and unauthorized access to company data and information, are also on the rise. As a service provider for Voltabox, paragon has – in cooperation with specialized service companies – established modern security solutions that protect its data and IT infrastructure in order to avert possible dangers. In the 2018 fiscal year, the company continued to promote the modernization of its IT infrastructure. In addition, work began on converting to new, integrated ERP software and linking the acquisitions to the Group IT landscape. This involved use of the servers and systems that have been assembled in recent years. This resulted in synergies in processes and cooperation. Finally, various organizational security measures have been established to protect the company from internet threats (cyber attacks).

Financial Risks

In addition to interest rate, liquidity and currency risks, Voltabox also monitors risks associated with the loss of receivables, balance sheet risks and tax risks in the financial risks category. Only two risks were assessed by the company at more than € 0.5 million. These were the dependency on individual large corporations (€ 0.9 million) and quality risks (€ 1.0 million). The other risks are rated as low by the company.

Interest rate risks are virtually meaningless for Voltabox, as long-term liabilities have only been agreed for the financing of the building work at the U.S. site, and these are associated with fixed interest rates. Financial covenants do not exist with any credit institutions in general.

The company's ability to pay is generally ensured by comprehensive planning and monitoring of liquidity. These plans are prepared on a short, medium and long-term basis. In addition, Voltabox has a rigorous receivables management system to ensure timely cash inflows. A growing portion of the receivables is also hedged by means of a commercial credit insurance or by debtor sureties. An additional possibility for short-term financing exists in the form of factoring agreements.

The company monitors possible currency risks on the procurement and sales side by continuously tracking foreign currency exchange rates. At present, Voltabox does not use financial instruments to hedge currency risks. The scope of risks arising from financial instruments (such as receivables and liabilities) is described in detail in the notes.

Management and Organizational Risks

In this risk category, Voltabox is primarily observing risk factors resulting from the dynamic growth strategy. This includes primarily personnel and organizational risks, as well as management and communication risks. Clear assignments and demarcations in the respective areas of responsibility within the system of corporate governance have been laid out in order to prevent cases of lacking interfaces and functional overlaps. Currently, the Management Board does not consider there to be any material risks to Voltabox in this area.

However, the company is fundamentally dependent on attracting and retaining qualified personnel and persons in key positions in the long-term. The future economic success of Voltabox depends to a considerable extent on the continued involvement of its executives, senior employees and employees in key positions. This particularly applies to highly qualified staff in the areas of management, R&D and sales. The company cannot guarantee that it will be able to hold key executives, senior executives and employees in key positions or attract new executives and employees with appropriate qualifications. There is increasing competition for such qualified employees and the personnel market, particularly in regions outside major German cities, is comparatively small. This means that individual experts can only be replaced with difficulty or not at all. If Voltabox is unable to obtain sufficient personnel in the future, the strategic and economic objectives of the company may not be achievable or only achievable at a later date. This could have a detrimental impact on the company's assets, financial position and earnings.

Overall Assessment of the Risk Situation

The company's risk management continued to be adapted to the dynamic development of Voltabox in the past year. The organizational structure, with the Voltapower, Voltaforce and Voltamotion product segments, was accounted for according to the internal management system. The Management Board currently expects that the ongoing Group-wide monitoring of operating risks will become increasingly important as business activities expand.

Voltabox will also hedge itself against general market risks in e-mobility in the future, too. In the reporting year, the share of sales with important customers pursuant to IFRS 8.34 was still around 65.8 % (prior year: 76.7 %). Of that, the share of sales with the largest customer is 65.5 % (prior year: 67.2 %). Risk continues to be weakened continually and over the long term with the company's strategic positioning as a well-established supplier of high-performance battery systems for industrial applications with long-term, successful business ties to high-profile customers in specific markets, the horizontal and vertical growth strategy with the acquisition of new customers in existing markets, the already initiated entry into new markets such as pedelecs, and not least the development of power electronics in order to become a full service provider on the market. Therefore, the relative dependence on economic fluctuations in the global sales markets will also be reduced in the future. Existing customer contacts also offer considerable opportunities to position new product innovations within all three product segments of Voltapower, Voltaforce and Voltamotion.

The decline in cash and cash equivalents in the reporting year means that liquidity management has become more important. Voltabox AG will continue to focus heavily on ongoing liquidity planning to ensure continued expansion.

With Voltabox's capital-intensive growth strategy, the company's overall economic development remains closely linked to the economic development of the major markets in Germany, Europe and the U.S. and, particularly, its important customers.

As of the publication date of this report, no risks have been identified that could jeopardize the company's continued existence. A differentiated view on the development of the e-mobility industry shows that the company is positioned in forward-looking market segments or sub-markets, has promising customer relationships and offers a product portfolio that is only offered in this form by a few or no other competitors.

The potential impact from the various risks on the overall future performance of Voltabox, as well as its financial and nonfinancial performance indicators for the 2019 fiscal year, are regarded as low by the Management Board as a whole. Accordingly, the Management Board expects that the business development described in the forecast will not be significantly impacted by the disclosed risks.

The extension of payment terms with the customer Triathlon in fiscal year 2018 resulted in an increase in the relevance of counterparty default risks for trade receivables compared to the previous year. The Group attaches corresponding importance to the relevance of this risk position, although there was no increase in the underlying individual risks. The relevance of the counterparty default risk in general was unchanged in the 2018 financial year and is expected to decrease in the current financial year. The Group considers the other risks of Voltabox AG to be equivalent.

Description of the Key Characteristics of the Internal Control and Risk Management System

with Regard to Group Accounting Process (Section 315 (4) HGB)

Since the internal control and risk management system is not legally defined, Voltabox bases its definition on that of the Institut der Wirtschaftsprüfer in Deutschland e.V., Düsseldorf, Germany, regarding accounting-related internal control systems (IDW PS 261).

An internal control system is therefore understood as the principles, procedures and measures enacted by management that are aimed at the organizational implementation of management's decisions. The objectives are as follows:

a) Ensure the effectiveness and profitability of the business (including the protection of assets and the detection and prevention of asset damages)
b) Ensure the regularity and reliability of internal and external accounting
c) Comply with the legal and statutory regulations applicable to the company

The Group's risk management system includes all organizational regulations and measures for risk identification and handling risks related to entrepreneurial activity.

The Management Board of Voltabox AG bears the overall responsibility for the internal control and risk management system with regard to the accounting process. The principles, procedural instructions, procedural organization and processes of the accounting-related internal control and risk management system are laid down in organizational instructions that are adapted at regular intervals to current external and internal developments. In view of the size and complexity of the accounting process, management has determined the scope and design of the control activities and implemented them in this process. Independent controls have also been established. The control activities address those control risks which, in terms of their probability of occurrence and their impact, could have a significant influence on the accounting and overall statement of the consolidated financial statements, including the Group management report. Key principles, procedures, measures and control activities include:

- Identification of the key control risks relevant to the accounting process
- Process-independent controls for monitoring the accounting process and its results at the level of the Management Board of Voltabox AG
- Control activities in the finance department of Voltabox AG, which provide essential information for the preparation of the annual financial statements and management report, including the required separation of functions and approval procedures
- Measures that ensure the proper computerized processing of accounting-related information

Risk Reporting in Relation to the Use of Financial Instruments (Section 315 (2) no. 1 HGB))

The following risks arise from the Voltabox Group's use of financial instruments:

Interest rate risks are virtually meaningless for Voltabox, as fixed interest rates are currently agreed upon for most of its long-term liabilities. Financial covenants were not concluded with any financing financial institutions.

The company's ability to pay is ensured by comprehensive planning and monitoring of liquidity. These plans are prepared on a short, medium and long-term basis. In addition, Voltabox has a rigorous receivables management system to ensure timely cash inflows. Receivables management includes the regular assessment of the default risk of long-term receivables. Medium-term planning takes account of risks from extended payment terms with individual customers. A growing portion of the receivables is also hedged by means of a commercial credit insurance. An additional possibility for short-term financing exists in the form of factoring agreements.

The company monitors possible currency risks on the procurement and sales side by continuously tracking foreign currency exchange rates. At present, Voltabox does not use financial instruments to hedge currency risks.

Forecast

Market Development 2019

The International Monetary Fund (IMF) published its outlook for the global economy in October 2018[8]. In the report, it pointed out the somewhat subdued and less balanced growth prospects over the course of 2018. Overall, global economic growth was still considered solid, albeit at a plateau level with mixed dynamics in the individual economic regions. In the run-up to the World Economic Forum in Davos, the IMF published an updated forecast[9] with slightly reduced growth prospects in January 2019. It expects global growth to slow to 3.5% in 2019 and 3.6% in 2020.

Growth in the United States – driven by a pro-cyclical, expansionary fiscal policy – is still considered by the IMF to be extraordinarily robust. However, this could strain growth in the USA and worldwide beginning in 2020. However, a downgrading of the short-term growth prospects occurred for China as a result of weaker credit growth and growing barriers to trade in the form of U.S. import tariffs, as well as for the eurozone and the UK as a result of the uncertainty surrounding the specific nature of Brexit

8 https://www.imf.org/en/Publications/WEO/Issues/2018/09/24/world-economic-outlook-october-2018
9 https://www.imf.org/en/Publications/WEO/Issues/2019/01/11/weo-update-january-2019

January's 0.2 percentage point reduction in global growth prospects in 2019 and 0.1 percentage points in 2020 reflects in part the carryover of recent developments in the second half of 2018. In addition to the introduction of new emissions standards for motor vehicles in Germany, this includes concerns about governmental and financial risks in Italy, which has strained domestic demand. Furthermore, the IMF cites the weakened mood in the financial markets among others.

At the same time, however, the IMF sees declining risks to global growth overall, with further escalation of the trade conflict remaining the main source of risk in the outlook.

The IMF continues to expect an uneven distribution of economic growth between developed economies (2.0 % in 2019 and 1.7 % in 2020) and emerging economies (4.5 % in 2019 and 4.9 % in 2020). Specifically, economic growth in the USA is expected to reach 2.5 % in 2019 and 1.8 % in 2020, in the eurozone 1.6 % in 2019 and 1.7 % in 2020, in Germany 1.3 % in 2019 and 1.6 % in 2020, and in China 6.2% in 2019 and 2020.

Voltabox is mainly active in specific industrial sub-markets. These currently include:

- Trolleybuses used in public transport
- Forklifts and automated industrial trucks in intra-logistics and networked production environments
- Underground mining vehicles
- Agricultural and construction vehicles

The development in these sub-markets is essentially characterized by a substitution process for lead-acid batteries, or diesel generators in the case of trolley-buses, with lithium-ion batteries – from which Voltabox benefits with its modular product portfolio. These are trends that have a period of several years and typically show a saturation curve with increasing market penetration.

In 2019, the market research institute IDTechEx[10] expects a market growth of about 12 % for battery systems in the sub-markets currently occupied by Voltabox. The average annual growth rate until 2023 is estimated at around 19 % in these sub-markets (reference year: 2018).

As a result, the following assumptions are particularly important for establishing the Voltabox Group's forecast:

- Continuing positive global economic trend with slightly weakened momentum
- Continuous substitution of lead-acid batteries and diesel backup generators with lithium-ion batteries in occupied sub-markets
- Global market growth of around 12 % for battery systems in Voltabox's sub-markets

The Voltabox Group

The Group's corporate planning is based on detailed sales and revenue planning and is broken down by customer to the product level. The main cost components are planned via individual planning models for a period of several years and are then updated in proportion to the development of revenue.

Significant parameters, such as price changes in purchasing or sales as well as possible cost increases in personnel or changes in the tax base, are integrated into the planning. The constantly updated risk management system allows the company to identify risks at an early stage and, if necessary, counter them accordingly.

In view of the positive order situation for 2019, the Management Board expects that Voltabox will experience growth in its existing market segments that outstrips the rest of the market, along with increasing profitability. With expected Group sales of € 105 million to € 115 million and a Group EBIT margin of 8 to 9 %, the company's dynamic growth strategy should be continued. In addition to the intralogistics segment, Trolley and EV-Buses as a result of increasing demand for modern lithium-ion battery systems for commercial vehicles and electric cars as well as the market segment Pedelecs and E-Bikes will also be major growth drivers.

10 IDTechEx, study "Industrial and Commercial Electric Vehicles on Land 2017–2027": https://www.idtechex.com/research/reports/industrial-and-commercial-electric-vehicles-on-land-2017-2027-000505.asp

The forecast was created based on the order backlog. The order backlog is defined as “signed orders” and “framework contracts” that are rated with an order probability of 100 %. In addition, the order backlog also includes orders that are rated with an order probability between 90 % and 30 %. Some framework contracts are nominations, preliminary contracts and collaboration agreements, which will need to be specified later through requests, as well as proposal opportunities that are adjusted according to their likelihood.

The Management Board expects to see an investment volume of around € 14.0 million in the current year. Own work capitalized should amount to around 57 % of the investment total for the current year.

Furthermore, the Executive Board plans to further increase the number of employees in line with the company’s growth and to further reduce quality costs.

Development of Key Performance Indicators:

€ ’000 / as indicated	2017	2018	Change in %	Forecast 2018	Forecast 2019
Financial Performance Indicators					
Group Revenue	27,273	66,909	145.3	€ 65 to 70 million	€ 105–115 million
EBIT Margin	-10.3 %	8.4 %	n/a	approx. 7 %	8–9 %
Investments (CAPEX)	6,328	13,563	114.3	approx. € 13.4 million	approx. € 14 million

Voltabox AG

The Management Board expects to see a significant increase in sales with an EBIT margin unchanged from the previous year. The planned investments amount to € 6 million.

General Statement on the Company’s Expected Development

Based on the current order backlog, the current product portfolio and the measures introduced regarding the operational implementation of the growth strategy, the Management Board of Voltabox AG expects a positive overall development of the Voltabox Group. Voltabox will continue to pursue its existing modular concept in the development of new battery systems when tapping into new markets in order to further expand on the strategic competitive advantage in the fast-growing market for Li-ion battery systems. The vertical range of manufacture will be further optimized for all Voltabox products, particularly via a high level of automation in manufacturing, in order to increase the operative profitability of the Voltabox Group over the long term.

Dynamic business growth that simultaneously secures and expands sustainable profitability are the core elements of this business orientation. In addition, the further organic and inorganic development of additional fields for action with regard to portfolio expansion is being pursued – with close proximity to the core business and under tight profitability and investment requirements.

Disclosures required under takeover law pursuant to sections 289a (1) and 315a (1) HGB

Composition of the Subscribed Capital

Voltabox AG’s subscribed capital amounts to € 15,825,000.00 and is divided into 15,825,000 no-par-value shares with a nominal value of € 1.00 each. All shares are entitled to dividends. Each share grants one vote at the Annual General Meeting.

Stock Voting Right and Transfer Restrictions

The Management Board is not aware of any limitations affecting voting rights or the transfer of shares.

Holdings That Exceed 10 Percent of the Voting Rights

As of December 31, 2018, paragon GmbH & Co. KGaA, Delbrück, held 9,500,000 shares in the company, corresponding to around 60 % of the company's subscribed capital.

Shares With Special Rights of Control

There are no shares that confer special rights of control.

Voting Right Controls for Employees Participating in the Capital

Insofar as employees participate in the capital as shareholders, they cannot derive any special rights from them.

ppointment and Dismissal of Members of the Management Board and Amendments to the Articles of Association

Regarding the rules for appointing and dismissing the members of the Management Board, reference is made to the statutory provisions of Sections 84 and 85 of the German Stock Corporation Act (AktG).

Regarding the rules for amending the Articles of Association, please refer to the statutory provisions of Sections 133 and 179 AktG.

Authorization of the Management Board to Issue Shares

With the resolution of the Annual General Meeting on September 22, 2017, the Management Board is authorized, with the consent of the Supervisory Board, to increase the company's share capital once or several times by up to € 6,675,000.00 until September 21, 2022, via the issue of up to 6,675,000 new no-par-value shares against contribution in cash and/or in kind (Authorized Capital 2017).

Shareholders are entitled to a subscription right. The new shares can also be purchased by one or more banks or any equivalent institution or enterprise pursuant to Section 186 (5) of the German Stock Corporation Act (AktG) under the obligation to offer them to shareholders for subscription. The Management Board is however authorized, with the consent of the Supervisory Board, to exclude the subscription rights of shareholders in the cases specified in Item 4.5 of the Articles of Association as updated in October 2017.

A resolution at the Annual General Meeting on September 22, 2017, approved the conditional increase in the subscribed capital by up to € 5,000,000.00, divided into 5,000,000 no-par-value shares (Conditional Capital 2017).

The conditional capital increase will only take place to the extent that the holders or creditors of the respective options or conversion rights or holders of warrant or conversion obligations arising from warrants or convertible bonds issued or guaranteed on the basis of the authorization granted to the Management Board by the Annual General Meeting on September 22, 2017, exercise their option or conversion rights, to the extent that they fulfill their conversion obligations if they are obliged to exercise conversion, and to the extent that no other forms of fulfillment are used to service these rights. As of the start of the fiscal year, the new shares will carry dividend rights for all fiscal years for which no resolution has yet been made by the Annual General Meeting on the distribution of profits. The Management Board is authorized, with the consent of the Supervisory Board, to determine the further details regarding the implementation of the conditional capital increase.

Change of Control and Compensation Agreements

There are no special provisions for a change of control nor are there any compensation agreements for possible takeover offers.

Declaration on Dependency Reporting Pursuant to Section 312 (3) HGB

Pursuant to section 312 (3) AktG, the Management Board declares that Voltabox AG was granted appropriate consideration in accordance with the circumstances known to the Management Board at the time at which the legal transactions were carried out. Voltabox AG has not suffered any unbalanced disadvantage on account of measures which have or have not been implemented.

The Management Board of Voltabox AG has submitted this report to the auditor. The auditor issued an audit certificate. The report was subsequently presented to the Supervisory Board for review. The Supervisory Board will report to the Annual General Meeting on the results of its review of the dependent company report.

Sustainability report

Voltabox AG voluntarily made a sustainability report for the 2018 fiscal year. This report is not a part of the management report. The Management Board made this report separately and published it on the company's website (https://ir.voltabox.ag/websites/voltabox/English/0/investor-relations.html).

Voltabox AG includes the legally required components in the report an extends them to further explain as far as it is helpful to understanding. Voltabox AG uses the framework of the German Sustainability Code (DNK) for sustainability reporting.

Corporate Governance Statement Pursuant to Sections 315d in Conjunction With Section 289f (1) of the German Commercial Code (HGB)

The Management Board and the Supervisory Board of Voltabox AG are committed to the principles of a transparent and responsible corporate governance and control structure. They ascribe a high priority to the standards of good corporate governance. With the CEO of the parent company paragon GmbH & Co. KGaA as the majority shareholder, the working methods of the Management Board conform with the principles of the "honorable merchant" in terms of its entrepreneurial responsibilities. This includes the obligation to ensure the continued viability of the company and its sustained value creation (corporate interests) in conformity with the principles of the "social market economy."

The Corporate Governance Statement pursuant to Section 315d in conjunction with Section 289f (1) of the German Commercial Code (HGB) can be accessed at any time on the Voltabox website at https://ir.voltabox.ag. It contains the corporate governance declaration pursuant to Section 161 of the German Stock Corporation Act (AktG) and the corporate governance report pursuant to No. 3.10 of the German Corporate Governance Code (GCGC).

The management of Voltabox AG as a German joint stock corporation is specified by the German Stock Corporation Act, the company's Articles of Association, the voluntary commitment to the provisions of the German Corporate Governance Code (GCGC) in their respective current versions and the respective current rules of procedure for the Management Board and Supervisory Board.

Pursuant to the statutory provisions, Voltabox AG has what is known as a dual management system. This is characterized by a strict separation of personnel between the Management Board as the management body and the Supervisory Board as the supervisory body. The Management Board and the Supervisory Board work together closely in the interests of the Company. The Management Board is directly responsible for leading the Company according to the laws, the Articles of Association and its rules of procedure. The rules of procedure include regulations on the allocation of responsibilities, the decision-making authority of the entire Management Board, the rights and responsibilities of the Chief Executive Officer, as well as on resolutions and meetings, among other things. The Management Board of Voltabox AG consists of two people. Mr. Jürgen Pampel is the Chief Executive Officer. Effective December 1, 2018, Mr. Andres Klasing (Chief Financial Officer) was dismissed as a member of the Management

Board and Mr. Jörg Dorbandt (Chief Operations and Finance Officer) was appointed as a member of the Management Board. With this change in personnel for the Management Board, the company should be optimally adapted to the challenges of further growth management.

The Supervisory Board oversees the Management Board in leading the company and provides advice. It appoints and discharges the members of the Management Board, determines the transactions requiring approval, decides the remuneration system for the Management Board and sets its respective total remuneration. It is involved in all decisions of fundamental importance for Voltabox AG, which are provided for in the German Stock Corporation Act and the rules of procedure. The Supervisory Board comprises three members. The rules of procedure for the Supervisory Board govern the principles for the cooperation of the Supervisory Board. In particular, they specify decision-making and confidentiality procedures. According to its own assessment, the Supervisory Board works efficiently with three members. Due to the small size of the Supervisory Board, it was decided not to form committees.

The Supervisory Board of Voltabox AG fulfilled the consulting and monitoring obligations incumbent upon it according to law, the Articles of Association, German Corporate Governance Code and rules of procedure with great care in fiscal year 2018. Here, the Supervisory Board supervised the Management Board on an ongoing basis and made sure of its legal and regulatory compliance, appropriateness and effectiveness. Furthermore, the Supervisory Board was available to the Management Board for consultation and was involved in discussions and decisions regarding issues of material importance. Thanks to the good cooperation between the Supervisory Board members, even time-sensitive decisions were discussed adequately and resolved quickly.

The Management Board comprehensively informed the Supervisory Board in written and oral form in the Supervisory Board meetings on all proceedings of material importance, the Company's general performance and its current situation. Here, it gave particular priority to the topics of strategy, planning, business development, risk situation and risk management. The Supervisory Board intensively reviewed the Management Board's reports and discussed them at its meetings. In addition to the Supervisory Board meetings and conference calls involving all members of the Management Board and Supervisory Board, the Supervisory Board Chairman and the Chief Executive Officer discussed important matters when necessary. The Supervisory Board was fully informed about exceptional instances that were of material importance for assessing the year's results.

With regard to Section 76 (4) and Section 111 (5) of the German Stock Corporation Act as well as points 4.1.5 and 5.1.2 of the Corporate Government Code in the version dated February 7, 2017 on the topic of diversity, the Management Board and Supervisory Board jointly determined the current proportion of women in 2018 and the target figures. The current proportion of women for Voltabox is zero for both bodies. The targets for both bodies were also set at zero. A possible enlargement of the Management Board is not planned at present. For the downstream management levels in the company, the current female quota is 17.9 % (prior year: 14.3 %). The current target for the proportion of women is 25 %.

At Voltabox AG, entrepreneurial activity is closely linked with responsibility towards employees, customers, the environment and society. Values such as taking responsibility, team spirit, integrity, passion and a respectful, appreciative approach to daily interaction play a decisive role for Voltabox AG and form the core of its corporate culture. The members of the Management Board are aware of their own function as role models and, in addition, pay particular attention to ensuring that all company executives exemplify the aforementioned values through model behavior.

Delbrück, Germany, March 2019

The Management Board

Corporate Governance Report

German Corporate Governance Code

The recommendations of the German Corporate Governance Code (GCGC) promote transparency and thereby strengthen the trust of international and national investors, business partners and company employees. The Management Board and Supervisory Board of Voltabox AG uphold the obligation highlighted in the German Corporate Governance Code (GCGC) of ensuring the continued viability of the company and its sustained value creation (corporate interests) in conformity with the principles of the "social market economy."

Annual General Meeting

The shareholders exercise their rights in the company's affairs in the Annual General Meeting, unless the law stipulates otherwise. The Annual General Meeting passes resolutions on issues expressly specified in the law and in the Articles of Association. Only those shareholders who have registered in good time and proven their right to participate in the Annual General Meeting and to exercise their voting right are entitled to take part in the Annual General Meeting and exercise voting rights. Registration must be done in writing (Section 126b of the German Civil Code [BGB]) and must be in German or English. The right to participate in the Annual General Meeting and to exercise voting rights is demonstrated by means of a written proof of share ownership from the custodial institution.

At the Annual General Meeting, the Management Board shall, upon request, provide each shareholder or shareholder representative with information on the company's affairs, including the company's legal and business relationships with affiliated companies, as well as on the Group's position and that of the companies included in the consolidated financial statements, insofar as the disclosure is necessary for the proper assessment of an item on the agenda and there is no right to withhold the information.

Voltabox AG's listing took place on October 13 at the Frankfurt Stock Exchange (prime standard). Since then, the parent company paragon GmbH & Co. KGaA has held 60% of Voltabox AG, while the remaining share capital is in free float. paragon GmbH & Co. KGaA also intends to remain the majority shareholder of Voltabox in the long term.

At the Annual General Meeting on May 9, 2018, the (former) Management Board submitted to the shareholders the company's adopted annual financial statements, the approved consolidated financial statements and the summarized management report for the company and the Group for the 2017 fiscal year, the explanatory Management Board report on the information required in accordance with Sections 289a (1), 315a (1) HGB as well as the respective Supervisory Board report for fiscal year 2017.

In addition, the following resolutions were passed with the required majority of voting capital in each case:

- Resolution on the discharge of the Management Board for fiscal year 2017,
- Resolution on the discharge of the Supervisory Board for fiscal year 2017,
- Determination of the remuneration of the Supervisory Board for fiscal year 2017,

- Selection of the auditor for fiscal year 2018 as well as of the auditor for a possible audit review of the half-year financial report for fiscal year 2018,

Supervisory Board

The Supervisory Board of Voltabox AG consisted of three members throughout the 2018 fiscal year: Mr. Klaus Dieter Frers (Chairman), Prof. Dr. Martin Winter (Vice-Chairman) and Mr. Hermann Börnemeier.

The Supervisory Board oversaw the work of the Management Board and provided them with advice. In fiscal year 2018, there were no conflicts of interest among the members that would have to have been disclosed to the Supervisory Board. The Supervisory Board regularly assesses the efficiency of its work through self-evaluation.

Please refer to the notes in the consolidated financial statement and the combined management report for Voltabox AG and the Voltabox Group with regard to the services provided personally by members of the Supervisory Board for the company in fiscal year 2018.

Management Board

The Management Board of Voltabox AG comprised two people in fiscal year 2018. From January 1, 2018 to November 30, 2018, the Management Board comprised Mr. Jürgen Pampel (CEO) and Mr. Andres Klasing (CFO) and since December 1, 2018, the Management Board comprises Mr. Jürgen Pampel (CEO) and Mr. Jörg Dorbandt (Chief Operations and Finance Officer).

The remuneration of the members of the Management Board is based on the sustainable growth of the company, comprising a fixed annual salary, ancillary benefits and a variable remuneration component. Both an annual cap (maximum) and a variable compensation component for multiple years, which takes into account positive and negative development, have been specified for the variable remuneration component.

The company is committed to a high degree of transparency in its reporting. This also applies to the remuneration of the Management Board, which is disclosed and explained in full in the remuneration report, together with all its components and on an individualized basis. The Management Board and Supervisory Board have therefore decided to use the Management Board remuneration sample tables provided by the GCGC in the remuneration report, which is included in the Group management report for fiscal year 2018.

Cooperation Between the Management Board and the Supervisory Board

The dialog between the Management Board and the Supervisory Board in fiscal year 2018 was characterized by trustworthy cooperation. The Management Board comprehensively informed the Supervisory Board in written and oral form in the Supervisory Board meetings on all proceedings of material importance, the Company's general performance and its current situation. Here, it gave particular priority to the topics of strategy, planning, business development, M&A, risk situation and risk management. The Supervisory Board intensively reviewed the Management Board's reports and discussed them at its meetings. In addition to the Supervisory Board meetings and conference calls involving all members of the Management Board and Supervisory Board, the Supervisory Board Chairman and the Chief Executive Officer discussed important matters when necessary. The Supervisory Board was fully informed about exceptional instances that were of material importance for assessing the year's results.

Financial Communications

Voltabox AG regularly and simultaneously informed all capital market participants about the economic situation of the company. The continuous reporting included the annual report for fiscal year 2017 (published on March 13, 2018), the interim report as of March 31, 2018 – 1st quarter (published on May 8, 2018), the interim report as of June 30, 2018 – 1st half-year (published on August 21, 2018) and the interim report as of

September 30 – 9 months 2018 (published on November 13, 2018), among others. Parallel to these dates, Voltabox AG published corresponding financial notifications, which also included the Management Board's assessment of further business development among other things.

The Management Board's revenue and earnings forecast for the 2018 fiscal year from January 29, 2018 was explained in the Group management report published on March 13, 2018 as a point forecast with a "circa" indication, including the key assumptions on which the forecasts are based. It was finally increased on August 21, 2018 with regard to revenue in a range (interval forecast) and reduced in terms of EBIT margin.

In the past fiscal year, the Investor Relations department was significantly managed by the parent company paragon GmbH & Co. KGaA and supplemented by its own internal resources. This allowed the company to solidify and further expand its ongoing communications with institutional and private investors since the company's IPO. Particularly since the IPO, existing shareholders have made extensive use of the company's offer for direct dialog at the Management Board and Investor Relations level. In addition, a large number of potential new investors were reached through extensive IR activities.

More than 250 individual meetings were held with institutional investors from Germany, the U.K., France, Finland, Sweden, Denmark, Luxembourg, the Netherlands, Switzerland, Austria, Italy, Spain, Poland, the USA and Canada. In the course of the year, three research institutions have published a total of 27 studies on Voltabox AG.

The company sees effective financial communication as the targeted reduction in the asymmetric flow of information between management and shareholders on the current economic situation and specific future potential of Voltabox AG. Accordingly, the ongoing dialog with professional capital market participants is given a high priority. Furthermore, the company aims to provide the broader public with up-to-date and relevant information via various media channels and to be available to private investors as a personal contact.

Directors' Holdings

The largest shareholder of the company is paragon GmbH & Co. KGaA with 9,500,000 shares. This corresponds to around 60 % of the share capital. As far as the company is aware, members of the Management Board of Voltabox AG did not hold any shares in the company as of the balance sheet date of December 31, 2018. However, the Chairman of the Supervisory Board Klaus Dieter Frers holds or controls 2,263,134 shares of paragon GmbH & Co. KGaA, which represents 50 % of the share capital plus one share, and thus indirectly also has a controlling influence on Voltabox AG.

Accounting

Voltabox AG prepared the consolidated financial statements as of December 31, 2018 in accordance with the International Financial Reporting Standards (IFRS) and the International Accounting Standards (IAS) as adopted by the EU. The Annual General Meeting on May 9, 2018 selected Baker Tilly GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, Düsseldorf, to be the auditor for the fiscal year from January 1, 2018 to December 31, 2018, and the company was subsequently commissioned accordingly by the Supervisory Board.

Declaration from Voltabox AG on the German Corporate Governance Code

Pursuant to section 161 (1) sentence 1 AktG, the Management Board and the Supervisory Board are required to make a statement at least once a year about to what extent the recommendations of the German Corporate Governance Code (GCGC) have been complied with in the past and how this is planned for in the future. Since Voltabox AG's shares were included in trading on the regulated market (prime standard) of the Frankfurt Stock Exchange for the first time on October 13, 2017, there were no declarations of compliance from Voltabox AG previously.

Pursuant to Section 161 AktG, the Management Board and Supervisory Board of Voltabox AG make the following declaration of compliance with the recommendations of the Government Commission on the German Corporate Government Code in the version from February 7, 2017, that was published on April 24, 2017, in the German Federal Gazette:

The Management Board and Supervisory Board welcome the suggestions and rules of the German Corporate Governance Code. They are committed to transparent, responsible and value-oriented management and governance. Voltabox AG complied and complies with the recommendations of the German Corporate Governance Code with following deviations:

- Currently, the company does not yet have a complete compliance management system. The implementation of a compliance management system in accordance with ISO 19600 is planned for 2019 (No. 4.1.3).
- No provision for a severance cap has been agreed with the Management Board (No. 4.2.3).
- When appointing its current Management Board, the Supervisory Board was not governed by the issue of diversity (No. 5.1.2).
- The Supervisory Board has not formed any committees as this is considered inefficient by the three members due to the small size of the Supervisory Board (Nos. 5.3.1 to 5.3.3).
- •No age limit has been set for the members of the Supervisory Board or Management Board since the expertise of the members is given priority (Nos. 5.1.2 and 5.4.1).
- Voltabox AG publishes the annual financial statements and the interim reports in accordance with legal requirements and also strives to comply with the periods recommended by the Code (90 days for annual financial statements, 45 days for interim financial statements). However, these periods may be exceeded for organizational reasons (No. 7.1.2).

Delbrück, Germany, March 2019

The Management Board The Supervisory Board

Voltabox standard battery container
for bus applications

Consolidated Financial Statement 2018

Consolidated income statement

€ '000	Notes	Jan. 1 to Dec. 31, 2018	Jan. 1 to Dec. 31, 2017[1]
Revenue	11, 39	**66,909**	27,273
Other operating income	12	**2,139**	179
Increase or decrease in inventory of finished goods and work in progress		**8,016**	-1,424
Other own work capitalized	13	**3,005**	5,263
Total operating performance		**80,069**	31,291
Cost of materials	14	**-42,247**	-16,661
Gross profit		**37,822**	14,630
Personnel expenses	15	**-13,622**	-6,709
Depreciation of property, plant and equipment and amortization of intangible assets	17	**-3,608**	-2,430
Impairment of property, plant and equipment and intangible assets		**-374**	0
Other operating expenses	16	**-14,607**	-8,310
Earnings before interest and taxes (EBIT)		**5,611**	-2,819
Financial income	18	**2**	6
Financial expenses	18	**-149**	-703
Financial result		**-147**	-697
Earnings before taxes (EBT)		**5,464**	-3,516
Income taxes	19	**-2,885**	-2,998
Profit/loss assumption	4	**0**	0
Consolidated net income		**2,579**	-6,514
Earnings per share in € (basic)	4, 20	**0.16**	-1.39
Earnings per share in € (diluted)	4, 20	**0.16**	-1.39
Average number of shares outstanding (basic)	4, 20	**15,825,000**	4,685,753
Average number of shares outstanding (diluted)	4, 20	**15,825,000**	4,685,753

[1] The adjustment of the previous year's figures can be found in section (4).

Consolidated statement of comprehensive income

€ '000	Notes	**Jan. 1 to Dec. 31, 2018**	Jan. 1 to Dec. 31, 2017
Consolidated net income		**2,579**	-6,514
Currency translation reserve	8, 29	**-296**	770
Total comprehensive income		**2,283**	-5,744

Consolidated balance sheet

€ '000	Notes	**Dec. 31, 2018**	Dec. 31, 2017[1]
ASSETS			
Noncurrent assets			
Intangible assets	21, 37	**27,992**	16,481
Goodwill	22, 37	**9,706**	3,187
Property, plant and equipment	23, 37	**9,179**	8,125
Other assets	24	**4,986**	0
Deferred tax liabilities	19	**0**	357
		51,863	28,150
Current assets			
Inventories	25	**27,228**	4,206
Trade receivables	26	**56,025**	22,069
Receivables from related parties	34, 42	**11,683**	10,413
Other assets	27	**6,483**	256
Cash and cash equivalents	28	**28,234**	102,679
		129,653	139,623
Total assets		**181,516**	167,773

[1] The adjustment of the previous year's figures can be found in section (4).

€ '000	Notes	**Dec. 31, 2018**	Dec. 31, 2017 [1]
LIABILITIES AND EQUITY			
Equity			
Subscribed capital	29	**15,825**	15,825
Capital reserve	29	**127,992**	127,992
Profit/loss carried forward	29	**7,614**	14,038
Consolidated net income	29	**2,579**	-6,514
Currency translation differences	29	**474**	770
		154,484	152,111
Noncurrent provisions and liabilities			
Noncurrent finance lease liabilities	30	**17**	16
Noncurrent loans	31	**141**	3,532
Deferred tax liabilities	19	**7,650**	4,739
		7,808	8,287
Current provisions and liabilities			
Current portion of finance lease liabilities	30	**25**	42
Current loans and current portion of noncurrent loans	31	**3,539**	532
Trade payables		**9,257**	3,591
Liabilities to related parties		**557**	1,813
Other provisions	33	**467**	142
Income tax liabilities	19	**618**	0
Other current liabilities	32	**4,761**	1,255
		19,224	7,375
Total equity and liabilities		**181,516**	167,773

[1] The adjustment of the previous year's figures can be found in section (4).

Consolidated cash flow statement

€ ’000	Notes	Dec. 31, 2018	Dec. 31, 2017[1]
Earnings before taxes (EBT)		**5,464**	-3,516
Depreciation/amortization of noncurrent assets		**3,392**	2,430
Financial result		**146**	696
Gains (-) / losses (+) from the disposal of property, plant and equipment and financial assets		**44**	-7
Increase (+) / decrease (-) in other provisions and pension provisions		**303**	-440
Other non-cash income and expenses		**-345**	1,529
Increase (-) / decrease (+) in trade receivables, other receivables, and other assets		**-45,275**	-14,152
Impairment of intangible assets		**374**	0
Increase (-) / decrease (+) in inventories		**-22,532**	-251
Increase (+) / decrease (-) in trade payables and other liabilities		**3,718**	9,731
Interest paid		**-149**	-703
Income taxes		**35**	0
Cash flow from operating activities	38	**-54,823**	-4,683
Cash receipts from disposals of property, plant and equipment		**0**	353
Cash receipts from disposals of intangible assets		**1.788**	0
Cash payments for investments in property, plant and equipment		**-1,620**	-981
Cash payments for investments in intangible assets		**-11,943**	-5,347
Cash payments for investments in financial assets		**0**	0
Cash payments for acquiring subsidiaries, less acquired cash and cash equivalents		**-7,311**	0
Interest received		**2**	6
Cash flow from investing activities	38	**-19,083**	-5,969
Cash payments for loan repayments		**-526**	-20,742
Proceeds from loans		**3**	0
Cash payments for finance lease liabilities		**-16**	-16
Cash inflow from equity contributions		**0**	133,148
Cash flow from financing activities	38	**-540**	112,390
Changes in cash and cash equivalents		**-74,446**	101,739
Cash and cash equivalents at beginning of period		**102,679**	940
Cash and cash equivalents at end of period	38, 28	**28,234**	102,679

[1] The adjustment of the previous year’s figures can be found in section (4).

Statement of changes in equity

€ '000	Sub-scribed capital	Capital reserve	Currency translation reserve	Balance sheet profit: Profit carried forward	Balance sheet profit: Consoli-dated net income	Total
January 1, 2018	**15,825**	**127,992**	**770**	**7,524**	**0**	**152,111**
Effects from first-time adoption of IFRS 15	0	0	0	89	0	89
Consolidated net income	0	0	0	0	2,579	2,579
Currency translation	0	0	-296	0	0	-296
Other comprehensive income	0	0	-296	0	0	-296
Total comprehensive income	0	0	-296	0	2,579	2,583
Capital increase	0	0	0	0	0	0
Dividend	0	0	0	0	0	0
Profit/loss assumption	0	0	0	0	0	0
December 31, 2018	**15,825**	**127,992**	**474**	**7,614**	**2,579**	**154,484**

The adjustment effects from new accounting standards and prior year corrections can be found in section (4).

€ '000	Sub-scribed capital	Capital reserve	Currency translation reserve	Balance sheet profit: Profit carried forward	Balance sheet profit: Consoli-dated net income	Total
January 1, 2017	**100**	**1,244**	**0**	**4,108**	**0**	**5,452**
Consolidated net income	0	0	0	0	-6,514	-6,514
Currency translation	0	0	770	0	0	770
Other comprehensive income	0	0	770	0	0	770
Total comprehensive income	0	0	770	0	-6,514	-5,744
Capital increase	15,725	126,748	0	0	0	142,473
PPA	0	0	0	0	0	0
Loss assumption	0	0	0	9,930	0	9,930
December 31, 2017	**15,825**	**127,992**	**770**	**14,038**	**-6,514**	**152,111**

Notes to the Consolidated Financial Statements 2018

1 General Information

Voltabox Aktiengesellschaft (hereafter "Voltabox AG" or "Voltabox") is a joint stock corporation incorporated under German law. The company's headquarters are at Artegastrasse 1, Delbrück, Germany. Voltabox AG is registered in the commercial register of the Paderborn District Court (HRB 12895). Voltabox develops and produces battery systems for use in the field of electromobility.

The Management Board of Voltabox AG authorized the consolidated financial statements as of December 31, 2018, and the combined management report for the period from January 1 to December 31, 2018, for submission to the Supervisory Board on March 27, 2019.

The consolidated financial statements and combined management report of Voltabox AG for the period from January 01 to December 31, 2018, are published in the electronic Federal Gazette and are available as part of the Annual Report on the company's website (www.voltabox.ag).

The parent company of the Group is paragon GmbH & Co. KGaA (formerly paragon AG), Delbrück, Germany. As the parent company, paragon GmbH & Co. KGaA prepares the consolidated financial statements for the largest group of consolidated companies. This financial statement will be submitted to the electronic German Federal Gazette and will be available as a part of the Annual Report on the company's website (www.paragon.ag).

2 Application of International Financial Reporting Standards (IFRS)

The consolidated financial statements of Voltabox AG as of December 31, 2018, have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), London, as adopted by the European Union (EU) and applicable on the balance sheet date, and in accordance with the interpretations of the International Financial Reporting Standards Interpretations Committee (IFRSIC).

3 Accounting Principles Due to New Standards

The implications of new accounting principles that apply to Voltabox AG's activities are described below. For reasons of materiality, Voltabox AG is dispensing with the presentation of changes in accounting that have no impact on the company.

IFRS 9 Financial Instruments

IFRS 9 introduces new appropriation and valuation regulations for financial instruments and replaces IAS 39 in particular. Voltabox AG has been using this accounting standard since January 1, 2018. The new regulations cover the classification of financial assets depending on the respective underlying business model as well as the cash flow characteristics of the instruments. The impairment provisions provide for the recognition of future expected losses as an expense when they are initially recognized and, in addition to financial debt instruments, also apply to contractual assets in accordance with IFRS 15. Section (9) explains the relevant accounting and valuation provisions.

IFRS 15 - Revenue from Contracts with Customers

Voltabox AG has been using IFRS 15 (revenue from contracts with customers) since January 1, 2018. The standard provides for a consistent, principle-based five-step model for revenue calculation and revenue recognition that applies to all contracts with customers. The accounting standard replaces IAS 18 and IAS 11 in particular. Voltabox AG is introducing IFRS 15 as part of a modified retrospective first-time application. Changeover effects were offset against the profit and loss carried forward as of January 1, 2018. As part of the transition to IFRS 15, there are no material changeover effects at the time of initial application, as shown in section (4). The application of IFRS 15 during the reporting period means that period-related revenues are partially reported earlier than was the case prior to the application of the new IFRS standard. This relates in particular to revenues from commissioned development work that was realized as part of series production. The treatment of revenues in relation to individual operating segments, in particular with regard to time and date-related revenue recognition, is described in detail in section (11). No customer acquisition costs were capitalized through the application of IFR 15 as these were not directly attributable. Changeover effects were taken into account with regard to internal risk management and performance indicators. Section (9) explains the relevant accounting and valuation provisions.

IFRS 15 - Clarification

This clarification deals with the identification and delimitation of contractual obligations, the delimitation of principal-agent relationships and corresponding application guidelines on the concept of the transfer of control in the provision of services by third parties. In addition, there is a clarification of the conditions for a period-related realization of the proceeds from licensing intellectual property. Furthermore, it facilitates the transition to IFRS 15. Using IFRS 15 is mandatory from January 1, 2018. Voltabox AG has taken into account the clarification in the context of first-time adoption and subsequent accounting in the reporting year.

IFRS 2 – Clarification

This clarification deals with the classification and valuation of share-based compensation agreements. Using IFRS 2 is mandatory from January 1, 2018. There are no consequences for Voltabox AG.

IAS 40 – Change

The change to transfers to and from investment property inventory is mandatory from January 1, 2018. Voltabox AG has no corresponding items in its balance sheet in the reporting year.

IFRIC 22 – Foreign Currency Transactions and Advance Consideration

A clarification is made which exchange rate to use when first recognizing a foreign currency transaction in a company's functional currency if the company makes or receives prepayments before the related asset, expense or income is recognized. The date to be used to determine the exchange rate for the underlying asset, income or expense is the date of initial recognition of the non-monetary prepayment asset or non-monetary deferred income liability. The clarification is effective for the first time from January 1, 2018. Voltabox AG does not expect any significant impact.

IFRIC 23 - Uncertainty over Income Tax Treatments

The interpretation applies to taxable profits (tax losses), tax bases, unused tax losses, unused tax credits and tax rates if there is uncertainty regarding the income tax treatment under IAS 12. Tax risks must recorded if it is probable that the tax authorities will not accept a certain tax-relevant circumstance as it has been included in the entity's tax calculation. It is always assumed that the tax authorities are fully informed, i.e., a possible discovery risk is irrelevant for both recognition and measurement. The measurement shall be based on the most probable value or expected value, depending on the value that best reflects the existing risk. The interpretation is effective from January 1, 2019. Voltabox AG does not expect any significant impact.

Annual Improvement Project 2014 – 2016

The project contains many clarifications to already published standards. There is a clarification of IAS 28 regarding optional treatment of investments in associated companies and joint ventures. Voltabox AG does not expect any impact from the clarifications. The changes were effective January 1, 2018.

Annual Improvement Project 2015 – 2017

The project addresses changes to IFRS 3, IFRS 11 and IAS 12, but they have no impact on Voltabox AG reporting. The changes are effective from January 1, 2019.

The change to IFRS 3 concerns previously held interests in joint operations. IFRS 11 was correspondingly amended. Voltabox AG did not participate in any related activities in the reporting year.

The amendment to IAS 12 deals with the income tax consequences of payments from financial instruments classified as equity. Voltabox AG does not expect any adjustment effects.

In addition, there is a change to IAS 23. The change clarifies that when an asset is ready for its intended use or sale, the company recognizes any existent borrowings that have been explicitly incurred to obtain that asset as a part of the general borrowings when calculating the capitalization rate of the general borrowings. This has no significant impact on Voltabox AG.

Change to IAS 28

The change to IAS 28 clarifies that a company applies IFRS 9 to long-term interests in an associated company or joint venture that form a part of the net investment in that associated company or joint venture, but that are not accounted for using the equity method. The amendment is effective from January 1, 2019. This does not affect Voltabox AG.

Change to IFRS 9

Beginning in the 2019 reporting year, the change to IFRS 9 with regard to the prepayment arrangements with negative compensation payments must be applied. The new regulation amends the existing provisions in IFRS 9 on termination rights in order to allow valuation at amortized costs or at fair value with no effect on earnings even in the case of negative compensation payments. According to the new regulation, it does not matter whether the compensation payment is positive or negative, which means that depending on the interest level prevailing at termination, a payment in favor of the contracting party is also possible, bringing about early repayment. The calculation of this compensation payment must be the same both in the case of a prepayment penalty and in the case of a prepayment profit. Voltabox is not currently affected by the change for the following reporting period. In addition, there was a clarification on another topic in the foundation for conclusions that the restructuring of financial liabilities that did not and does not result in their derecognition. Accordingly, after the restructuring, the carrying amount of a financial liability is to be adjusted directly in profit or loss. Thus, a retrospective change in accounting may become necessary if the effective interest rate, not the amortized cost, had been adjusted until now. Once again, Voltabox AG expects no impact for the future reporting period from this.

Change to IAS 19

The changes to IAS 19 on January 1, 2019 include the following areas:

In the future, it will be mandatory for any change, reduction or settlement of a defined benefit plan to recalculate the current service cost and net interest for the remainder of the fiscal year using the current actuarial assumptions used to revalue the net liability (asset).

Furthermore, additions were made to clarify how a plan change, curtailment or settlement affects the asset ceiling requirements.

IFRS 16 - Leasing

The new accounting standard IFRS 16 (leases) is effective for fiscal years beginning on January 1, 2019. It does not apply before that time. In the 2018 fiscal year, existing contracts within the scope of IFRS 16 are expected to be analyzed for their effects as of January 1, 2019. Voltabox AG has determined the expected changeover effects based on this analysis. The basic principle of the new standard is that lessees shall present all leases and the resulting contractual rights and obligations on the balance sheet. The obligation for the lessee to distinguish between finance leases and operating leases required to date under IAS 17 no longer applies. The lessee records a leasing liability in the balance sheet for the obligation to make lease payments in future periods in respect of all leases. At the same date, the lessee records a right of use in respect of the underlying asset, which shall represent the present value of the future lease payments plus any directly attributable costs. The lease payments include all fixed payments, variable payments that are index-based, expected payments based on residual value guarantees, and, where applicable, the exercise price for a purchase option and penalties for the early termination of lease agreements. During the term of the lease agreement, the leasing liability is carried forward in a manner similar to IAS 17 requirements for finance leases, while the right-of-use asset is amortized. This generally leads to higher expenses at the beginning of the contractual period of the lease. Simplified rules apply to short-term lease arrangements and to leased assets with a small value. For the lessor, however, the rules under the new standards are similar to those under the existing IAS 17 standard. Lease contracts will continue to be classified as either finance or operating leases. Leases that transfer all significant risks and rewards of ownership will be classified as finance leases, and all other leases will be classified as operating leases. The classification criteria under IAS 17 has been carried forward into IFRS 16. In addition, IFRS 16 includes a number of additional rules on disclosure requirements in the notes and requirements that apply to sale and leaseback transactions. Voltabox AG is introducing IFRS 16 using the modified retrospective method. Changeover effects from existing contracts as of December 31, 2018, will be offset against the profit and loss carried forward as of January 1, 2019. These contracts do not reassess whether financing or operating leases exist. Contracts previously classified as operating leases are recorded with a right of use at the carrying amount as of January 1, 2019, as if IFRS 16 had been applied at the beginning of the leasing relationship. The discounting takes place at the incremental borrowing interest rate applicable for the first application. The right of use to be recorded is tested for impairment at the time of conversion. The lease liability is recognized at the amount of the right of use. If there was a financing lease, there is no change in the book value of the assets and liabilities. Voltabox AG only makes an adjustment for reasons of materiality, provided that the remaining contract period on January 1, 2019, is more than 12 months and the outstanding leasing or rental payments exceed a threshold of € 5 thousand.

Due to a newly concluded long-term lease agreement, there will be a significant adjustment without effect on profit or loss on the changeover date. The Management Board of Voltabox AG does expect that there will be significant impact from the adoption of IFRS 16 in relation to the financial performance indicators.

Voltabox expects the first-time application to result in an increase in the balance sheet total in the lower double-digit million range.

Change to IAS 1 and IAS 8 – Definition of Materiality

The IASB has issued a definition for materiality. The goal is to sharpen and standardize the term. Voltabox AG will apply the definition from January 1, 2020, and will assess the implications of the new definition in the next reporting period. Voltabox expects the first-time application to result in an increase in the balance sheet total in the lower double-digit million range.

IFRS 17 – Insurance Contracts

The new insurance contract standard will be applied for the first time on January 1, 2021. Voltabox AG does not expect any impact as a result of the introduction of the new standard.

Change to IFRS 3 – Definition of a business operation

IFRS 3 is amended to define a business operation. Adoption into European law is still pending. First-time application is expected to take place in fiscal year 2020.

4 Adjustment of the 2017 Comparative Period Through the Application of IFRS 9, IFRS 15 and Error Corrections According to IAS 8

Voltabox AG is making corrections in this annual report which relate to the previous period.

The profit and loss transfer agreement with the parent company paragon GmbH & Co. KGaA was reported as income within the statement of comprehensive income. The presentation is adjusted in such a way that the income is not a part of the statement of comprehensive income but rather is transferred directly to equity.

For the 2017 financial year, the costs of the IPO of € 1,608 thousand are recorded under other operating expenses, which were previously offset against the capital reserve.

The Voltabox of Texas has currency translation effects from loans with paragon GmbH & Co. KGaA and Voltabox AG directly procured to currency translation reserve as a result of their classification as a net investment in a foreign operation.

Currency translation effects from the loan of paragon GmbH & Co. KGaA are treated affecting net income retroactively until the date of acquisition by Voltabox AG (€ 1,168 thousand).

The loan to Voltabox AG will be treated as a net investment in a foreign operation on 1 October 2017 (€ 621 thousand).

The capitalization of the excess of deferred taxes of the subsidiary Voltabox of Texas will be reversed in fiscal year 2017 (€ 2,879 thousand). In addition, a netting in the amount of € 101 thousand was made.

Regarding the scope of the disclosure, the amount of revenue with customers with which Voltabox AG realized revenue of more than 10 % in fiscal year 2017 is specified in section (39).

The calculation of earnings per share was based on an average number of shares outstanding of 11,251,986. The average number of shares outstanding in fiscal year 2017 has been adjusted to 4,685,753. For Q3 2017, the value was adjusted to 13,819,672. When calculating the average number of shares, the conversion of a debt instrument was not included correctly by mistake. Earnings per share in fiscal year 2017 increased as a result of the correction. Inversely, it is reduced by the statement of income from the profit and loss transfer agreement.

With retrospective effect from the 2017 Annual Report, it is added that Klaus Dieter Frers is in a position to control the parent company paragon GmbH & Co. KGaA (formerly paragon AG). In the future, we will provide the information in section (42).

Within the cash flow statement in the 2017 Annual Report, the acquisition of a loan to Voltabox of Texas from the parent company was allocated to cash flow from financing activities (€ 11,896 thousand). A retrospective allocation to the cash flow from operating activities will be made.

In addition to the notes to the consolidated financial statements for 2017, we would like to point out that the extension of the payment period with the customer Triathlon results in a change in the default risk for trade receivables and will have a negative effect on the operating cash flow for the following year. We have supplemented the previous year's information in sections (35) and (38).

The following table shows the effects of the correction in accordance with IAS 8. Since the errors shown only affect the statement of comprehensive income and cash flow, only the corresponding change items are listed below.

€ '000	**Original values Jan. 1, 2017 - Dec. 31, 2017**	Correction IAS 8	**Adjusted values Jan. 1, 2017 - Dec. 31, 2017**
Gross profit	**14,630**		**14,630**
	0		**0**
Personnel expenses	**-6,709**		**-6,709**
Depreciation of property, plant and equipment and amortiza-tion of intangible assets	**-2,430**		**-2,430**
Impairment of property, plant and equipment and intangible assets	**0**		**0**
Other operating expenses	**-4,913**	-3,397	**-8,310**
Earnings before interest and taxes (EBIT)	**578**		**-2,819**
Financial revenues	**6**		**6**
Financial expenses	**-703**		**-703**
Financial result	**-697**		**-697**
Earnings before taxes (EBT)	**-119**	-3,397	**-3,516**
Income taxes	**-119**	-2,879	**-2,998**
Profit/loss transfer	**9,930**	-9,930	**0**
Group result	**9,692**	-16,206	**-6,514**
Earnings per share in € (basic)	**0.86**	-2.25	**-1.39**
Earnings per share in € (diluted)	**0.86**	-2.25	**-1.39**
Average number of shares outstanding (basic)	**11,251,986**	6,566,232.58	**4,685,753**
Average number of shares outstanding (diluted)	**11,251,986**	6,566,232.58	**4,685,753**

€ '000	**Original values Jan. 1, 2017 - Dec. 31, 2017**	Correction IAS 8	**Adjusted values Jan. 1, 2017 - Dec. 31, 2017**
Group result	**9,692**	-16,206	**-6,514**
Currency translation reserve	**-1,019**	1,789	**770**
Total comprehensive income	**8,673**	-14,417	**-5,744**

€ ’000	**Original values as of Dec. 31, 2017**	Correction IAS 8	**Adjusted values as of Dec. 31, 2017**
ASSETS			
Noncurrent assets			
Intangible assets	16,481		16,481
Goodwill	3,187		3,187
Property, plant and equipment	8,125		8,125
Other assets	0		0
Deferred taxes	3,337	**-2,980**	357
	31,130	**-2,980**	28,150
Current assets			
Inventories	4,206		4,206
Trade receivables	22,069		22,069
Receivables from related parties	10,413		413
Income tax assets			0
Other assets	257		257
Liquid funds	102,679		102,679
	139,625		139,624
			0
Total assets	170,754	**-2,980**	167,774

TEUR	Original values as of Dec. 31, 2017	Correction IAS 8	Adjusted values as of Dec. 31, 2017
EQUITY AND LIABILITIES			
Equity			
Subscribed capital	**15,825**		**15,825**
Capital reserve	**126,384**	1,608	**127,992**
Revaluation reserve	**0**		**0**
Profit/loss carried forward	**4,108**	9,930	**14,038**
Group result	**9,692**	-13,327	**-6,514**
Currency translation differences	**-1,019**	1,789	**770**
	154,990	-2,879	**152,111**
Noncurrent provisions and liabilities			
Noncurrent liabilities from finance lease	**16**		**16**
Noncurrent loans	**3,532**		**3,532**
Deferred income tax liabilities	**4,840**	-101	**4,739**
	8,388	-101	**8,287**
Current provisions and liabilities			
Current portion of liabilities from finance lease	**42**		**42**
Current loans and current portion of noncurrent loans	**532**		**532**
Trade payables	**3,591**		**3,591**
Liabilities to related parties	**1,813**		**1,813**
Other provisions	**142**		**142**
Other current liabilities	**1,256**		**1,256**
	7,375		**7,376**
Total equity and liabilities	**170,754**	-2,980	**167,774**

The change in the statement of changes is presented in section (29).

Due to the modified retrospective first-time application of IFRS 15 (revenue from contracts with customers), changeover effects as of January 01, 2018, were booked against the profit and loss carried forward (see section (4)).

The modified retrospective first-time application of IFRS 9 does not result in any changeover effects.

The following table shows the effects of the conversion to IFRS 15.

€ ’000	Dec. 31, 2017	Changeover effect IFRS 15	Dec. 31, 2017
Other noncurrent assets	**0**	127	**127**
Total assets	**167,774**	127	**167,901**
Profit and loss carried forward	**14,038**	89	**14,127**
Deferred tax liabilities	**4,739**	38	**4,777**
Total equity and liabilities	**167,774**	127	**167,901**

5 Going Concern

The financial statements for the reporting period from January 1 to December 31, 2018, have been prepared under the going concern assumption. The carrying amounts of assets and liabilities were therefore determined on the basis of going concern values.

6 Events After the Balance Sheet Date

On 20 February 2019, a merger agreement was concluded between ACCURATE - SMART BATTERY SYSTEMS - GmbH and Voltabox AG. The company will be merged with Voltabox AG with retroactive effect to January 1, 2019.

The consolidated financial statements are prepared on the basis of the circumstances existing as of the balance sheet date. In accordance with IAS 10.7, events after the reporting period include all events up to the date the consolidated financial statements are authorized for issue. The consolidated financial statements as of December 31, 2018, were authorized by the Management Board and submitted to the Supervisory Board for approval on March 27, 2019. All information available up to that date with regard to the circumstances applying on the balance sheet date must be taken into account.

7 Scope of consolidation

As well as the parent company, Voltabox AG, Delbrück, a further subsidiary is fully consolidated. The reporting date for all companies is December 31. The consolidated financial statements are based on the separate financial statements of the companies included in the Group, which were prepared using uniform accounting policies under IFRS as of December 31, 2018. In addition, debt consolidation was carried out, as was consolidation of income and expenses. The differences arising from consolidation were offset through profit or loss. Assets arising from intercompany deliveries that are recognized in noncurrent assets and inventories are adjusted for interim profit and loss.

The scope of consolidation as of December 31, 2018 is as follows:

Company name and location	Shareholdings	**Consolidation**	Currency	Sales in local currency (before consolidation)
Voltabox of Texas, Inc. (Texas)	100 %	Consolidated subsidiary	USD	10,104,718.15
Voltabox Kunshan Co., Ltd. (Kunshan)	100 %	Consolidated subsidiary	RMB	0.00
ACCURATE – SMART BATTERY SYSTEMS – GmbH (Korntal-Münchingen)	100 %	Consolidated subsidiary	EUR	2,199,431.06
Concurrent Design, Inc. (Texas)	100 %	Consolidated subsidiary	USD	415,343.85

The following table shows the company acquisitions of ACCURATE – SMART BATTERY SYSTEMS – GmbH and Concurrent Design, Inc. carried out in fiscal year 2018.

€ '000	ACCURATE - SMART BATTERY SYSTEMS – GmbH -provisional-	Concurrent Design, Inc. -provisional-
Acquisition date	Sep. 1, 2018	Apr. 1, 2018
Equity share after transaction (= voting share)	100 %	100 %
Identifiable assets and liabilities acquired		
Intangible assets	3,404	683
Property, plant and equipment	57	82
Deferred tax assets	258	
Inventories	491	
Trade receivables	721	197
Other assets	152	6
Cash and cash equivalents	186	76
Deferred tax liabilities	1,016	205
Current liabilities	3,351	427
Other provisions	22	
Total identifiable net assets acquired	**879**	**412**
Goodwill	**4,121**	**2,580**
Transferred consideration	5,000	2,991
Less acquired cash and cash equivalents	186	76
Less payments outstanding as of Dec. 31, 2018	0	419
Net outflow of cash and cash equivalents from the acquisition	**4,814**	**2,497**

The goodwill of ACCURATE – SMART BATTERY SYSTEMS – GmbH primarily results from the special expertise of the company in the area of development, production, manufacturing, and sales of battery systems. ACCURATE has the ability to realize production for many more applications in the future. ACCURATE has realized revenues of € 2,199 thousand and a profit of € 812 thousand since first-time consolidation. If ACCURATE had been included in the Voltabox Group since the beginning of fiscal year 2018, revenues of € 4,258 thousand and a profit of € 79 thousand would have been included in the consolidated financial statements. As part of the company acquisition, a loan was acquired from former shareholders (€ 1,488 thousand). The fair value corresponds to the purchase price.

The acquisition of Concurrent Design, Inc. leads to a significant increase in Voltabox's development capacity. In addition, management expects additional valuable expertise that will further strengthen the company's technological leadership in the development and production of safe and economic lithium-ion battery systems. Concurrent Design has more than 1,700 projects in the fields of renewable energy, medical technology, semiconductors and electronics, among others. With the acquisition, Voltabox is expanding its position as the leading supplier in the development and production of lithium-ion battery systems. Outstanding payments as of December 31, 2018, were classified as consideration in the context of the acquisition. The Voltabox Group reports this as a liability. Concurrent has realized revenues of € 372 thousand and a profit of € 37 thousand since first-time consolidation. If Concurrent had been included in the Voltabox Group since the beginning of fiscal year 2018, revenues of € 932 thousand and a profit of € 343 thousand would have been included in the consolidated financial statements.

The acquired goodwill is not tax deductible.

Voltabox's presence in the North American Market was combined under the umbrella of newly-founded Voltabox of North America, Inc. in fiscal year 2018. It is a subsidiary of Voltabox AG. In future, all activities in the North American market (USA, Canada and Mexico) will be managed from the existing Cedar Park, Texas (USA), location. In addition to efficiency and cost reduction, the focus is also on the stringent alignment of the direct reporting line to the Voltabox Management Board in order to monitor and systematically implement the strategic development of the North American strategy.

Voltabox Kunshan Co., Ltd. was founded on May 18, 2018. The company was endowed with share capital of € 500 thousand. The goal of the company is to build a new production location.

8 Currency Translation

In Voltabox AG's consolidated financial statements, receivables and liabilities denominated in foreign currencies are measured at the transaction rate in effect at the date they are initially recognized, and subsequently adjusted to the exchange rate applicable as of the balance sheet date. Exchange rate gains and losses are recognized in profit and loss within other operating income or other operating expenses.

Exchange rate losses arising on operating activities of € 228 thousand (prior year: € 98 thousand) and exchange rate gains of € 1,368 thousand (prior year: € 0 thousand) are recognized in the consolidated statement of comprehensive income. These exchange rate differences are reported within other operating expenses and other operating income, respectively.

The exchange rates of the currencies of significance to the Voltabox Group developed as follows:

Foreign currency for € 1	**Balance sheet average exchange rate on Dec. 31, 2018**	**Income statement average price 2018**	Balance sheet average exchange rate on Dec. 31, 2017	Income statement average price 2017
US-Dollar (USD)	**1.1445**	**1.1376**	1.198	1.035
Chinese renminbi yuan (RMB)	**7.8713**	**7.8405**	n.a.	n.a.

Voltabox AG has valued a loan to Voltabox of Texas, Inc. as a net investment in an overseas business and presents the unrealized currency movements directly in equity under the currency translation differences item.

The functional currency of the US subsidiaries is USD as the companies mainly generate and spend cash in this currency.

The currency translation reserve amounts to € 474 thousand (previous year: € 770 thousand) as of 31 December 2018.

9 Description of Accounting Policies and Measurement Methods

The consolidated financial statements were prepared in euros (€). The reporting currency is euros. Unless stated otherwise, all amounts are stated in thousands of euros (€ thousand). The reporting period for Voltabox in these financial statements extends from January 1 to December 31, 2018. Individual items in the consolidated balance sheet and the consolidated statement of comprehensive income have been combined in order to provide better clarity and transparency. Where this has occurred, the items are explained individually in the notes to the financial statements. The consolidated statement of comprehensive income is presented using the nature of expense method, as in previous periods. Assets and liabilities are classified into noncurrent and current assets and liabilities in the balance sheet; further details on their maturity are presented in the notes. Assets and liabilities are recognized as current if they mature within twelve months.

The consolidated financial statements comprise the consolidated statement of financial position, the consolidated statement of comprehensive income, the notes to the consolidated financial statements, the consolidated cash flow statement and the consolidated statement of changes in equity. A Group management report has been prepared as a supplement to the above statements.

Recognition of Acquisitions

Goodwill is recognized in the Group’s statement of financial position as a result of acquisitions. When an acquisition is initially consolidated, all identifiable assets, liabilities and contingent liabilities are recognized at fair value as of the acquisition date. One of the most significant estimates relates to determining the fair values of these assets and liabilities as of the acquisition date. Property, buildings and office equipment are generally valued on the basis of independent expert opinions, while marketable securities are valued at the stock exchange price. If intangible assets are identified, the fair value is determined internally using an appropriate measurement technique, which is usually based on the estimate of total expected future cash flows. These valuations are closely linked to the assumptions made by management regarding the future performance of the respective assets and to the assumed changes in the discount rate to be applied.

Intangible Assets

Intangible assets acquired for monetary consideration are recognized in the balance sheet at their acquisition cost, taking into account ancillary costs and any purchase price reductions.

Research costs are recognized as expenses in the period in which they are incurred. Costs incurred in connection with the development of patents and customer-specific solutions are only recognized as intangible assets at their production cost when the costs are clearly attributable to the asset as required by IAS 38, the technical feasibility and marketability or use is assured, and when the anticipated realization of future economic benefits has been demonstrated. The costs of production comprise all costs that are directly or indirectly attributable to the development process, as well as a proportionate share of necessary project-related overhead costs. If the asset recognition requirements are not fulfilled, development costs are directly expensed in profit or loss within other operating expenses in the year in which they are incurred. Subsequent to initial recognition, development costs are reported in the balance sheet at cost less cumulative amortization and cumulative impairment losses. With regard to the realization of revenue, IAS 38.3 (i) has priority.

Intangible assets that have limited useful lives are amortized on a straight-line basis over their useful economic lifetimes. Amortization starts as soon as the asset is available for use, i.e., when it is at the location and condition necessary for it to be capable of operating in the manner intended by management. Intangible assets with indefinite useful lives are subject to annual impairment tests. At each balance sheet date, the carrying amounts of such intangible assets are examined in order to determine whether there are indications that the value of the asset may be impaired. An impairment test pursuant to IAS 36 (Impairment of Assets) was performed where there were such indicators. The residual values, useful lives and amortization methods are reviewed at the end of each fiscal year and amended as necessary.

The useful lives for internal development costs correspond to the expected product life cycles and regularly amount to 4 to 7 years. Voltabox AG carries out an individual assessment of the product lifetime and reviews the useful life annually. In previous reporting years, a lump sum depreciation period was applied. This has no longer been the case since January 1, 2018. The useful lives for licenses, patents and software are between 3 and 10 years.

Goodwill is carried at acquisition cost and tested for impairment each year and, additionally, at other dates when there are any indications of potential impairment. Impairment losses are recognized under impairments of property, plant and equipment and intangible assets.

Property, Plant and Equipment

Additions to property, plant and equipment are measured at cost plus incidental acquisition costs and less any purchase price reductions received. If the cost of individual components of an item of property, plant and equipment is significant when measured against the item's total purchase cost, then such components are recorded as separate assets and depreciated individually. Depreciation is generally recorded on a straight-line basis. The useful life for depreciation purposes ranges from 20 to 33 years for buildings, five to ten years for technical plants, and three to ten years for other plants, operating and office equipment.

Fully depreciated noncurrent assets are presented under cost and accumulated depreciation until the asset is retired. Amortized cost and accumulated depreciation are deducted from the sales proceeds generated on disposal. Gains and losses generated on disposal (disposal proceeds less residual carrying amounts) are shown in the consolidated statement of comprehensive income within other operating income or other operating expenses. All residual values, useful lives and depreciation methods are reviewed annually and amended as necessary.

At each balance sheet date, the carrying amounts of property, plant and equipment (which are depreciated in accordance with their useful lives) are examined in order to determine whether there are indications that the value of the asset may be impaired. If such indicators exist, an impairment test is performed.

Borrowing Costs

Borrowing costs are recognised as an expense in the period in which they are incurred. They are capitalized if they fulfill the requirements of a qualifying asset in accordance with IAS 23 (Borrowing cost). Borrowing costs are capitalized on the basis of a weighted average of the borrowing costs for such loans of the company.

Leases

Leases are classified as finance leases if all the risks and rewards associated with beneficial ownership of an asset are substantially transferred to Voltabox. Property, plant and equipment held under finance lease arrangements in accordance with IAS 17 (Leases) are capitalized at the lower of their fair value and the present value of the minimum lease payments at the beginning of the usage period. A liability is recognized in the balance sheet for the same amount, and, subsequent to initial recognition, measured at amortized cost using the effective interest method. The amortization methods and useful lives correspond to those of similar assets acquired under purchase arrangements.

A sale and leaseback transaction involves the sale of an asset owned and already used by the future lessee to the lessor and the subsequent continued use of the asset by the lessee under a lease agreement. In this respect, two economically interdependent agreements are involved (purchase agreement and lease agreement). The transaction is accounted for as a single transaction, either as an operating lease or a finance lease, depending on the nature of the leaseback agreement.

The expected effects due to the first-time adoption of IFRS 16 are presented in chapter (3).

Impairment of Nonfinancial Assets

At each balance sheet date, an assessment takes place to ascertain whether there are any indications that the value of nonfinancial assets (in particular intangible assets with definite useful lives) are impaired. If there are indications of impairment, an estimation of the recoverable amount of the relevant asset is made. In accordance with IAS 36.6 (Impairment of Assets), the recoverable amount reflects the higher of fair value less cost to sell and value in use of the asset or an identifiable group of assets that represent a cash-generating unit (CGU). If the carrying amount of an asset or a CGU exceeds the recoverable amount, the asset is impaired and written down to its recoverable amount.

For property, plant and equipment and intangible assets other than goodwill, an assessment is made at each balance sheet date to establish whether there is any indication that a previously recognized impairment loss no longer exists or has decreased. If there are such indications, an estimate of the recoverable amount of the asset or the CGU is made. A previously recognized impairment loss is reversed only if the assumptions used in determining the recoverable amount have changed since the last impairment loss was recognized. The reversal of the impairment loss is limited in that the carrying amount of an asset may not exceed its recoverable amount or the carrying amount that would have resulted after taking depreciation and amortization into account if no impairment loss had been recorded for the asset in earlier years.

Financial Instruments

Financial instruments are contracts that give rise to a financial asset for one party and a financial liability or equity instrument for the other party. Voltabox AG's original financial instruments include, in particular, trade receivables, loans, and cash and cash equivalents as well as financial liabilities and trade payables. Other financial assets and other financial liabilities also include only financial instruments.

The accounting treatment of original financial instruments takes place at the time of purchase or sale on the settlement date. Foreign currency receivables and payables are valued at the respective closing rates.

Financial assets and financial liabilities are shown as gross amounts at Voltabox AG. They are only netted if there is an enforceable set-off right in respect to the amounts at the present time and it is intended to bring about the offset on a net basis.

For accounting and valuation purposes, financial assets are grouped into the following categories:

- valued at amortized cost (AC),
- valued at fair value through profit or loss (FVTPL),
- fair value through other comprehensive income (FVOCI).

The following categories were created for the accounting and valuation of financial liabilities:

- valued at amortized cost (AC),
- valued at fair value through profit or loss (FVTPL),

Voltabox AG classifies financial assets and financial liabilities into these categories at the time of acquisition and periodically verifies compliance with the classification criteria.

At the time of the first adoption of IFRS 9, Voltabox AG reviewed the classification using the business model criteria for financial assets.

Voltabox AG derecognizes a financial asset when the contractual rights to cash flows from an asset expire or it transfers the rights to receive the cash flows in a transaction that also transfers all material risks and rewards associated with ownership of the financial asset. Derecognition also occurs if Voltabox AG neither has transferred all material risks and rewards of ownership nor has retained control of the transferred asset. Any portion of such transferred financial assets that accrue or remain with Voltabox AG is accounted for as a separate asset or separate liability.

Financial liabilities are derecognized when the contractual obligations have been met, canceled or expired.

Impairment losses on financial assets that are measured at amortized cost and on contractual assets from agreements with customers are based on a forward-looking model that takes into account expected credit losses.

Financial assets in the FVOCI category are not included in the consolidated financial statements as there were no receivables for sale to a factoring bank as of December 31, 2018 due to a new factoring partner.

When adopting IFRS 9 for the first time, assets measured at amortized cost were assessed for significant default risk. This was carried out using appropriate and reliable information that could be obtained in a timely manner.

Allowances for trade receivables, contractual assets, and lease receivables are determined using the simplified approach with lifetime expected credit loss.

With the exception of financial assets at fair value through profit or loss, financial assets are examined for possible impairment indicators at each reporting date. Financial assets are considered impaired if, as a result of one or more events occurring after the initial recognition of the asset, there is an objective indication that the expected future cash flows of the asset have changed negatively. Objective indications of an impairment loss may be various facts and circumstances such as payment delay over a certain period of time, initiation of coercive measures, impending insolvency or overindebtedness, filing for or initiating insolvency proceedings or failure of reorganization measures.

Financial assets are measured at amortized cost if the business model requires the financial asset to be held for the purpose of collecting the contractual cash flows and the terms of the instrument only result in cash flows representing interest payments and principal repayments.

Upon initial recognition, financial instruments in the AC category are recognized at fair value plus directly attributable transaction costs.

As part of the subsequent valuation, financial assets measured at amortized cost are valued using the effective interest method. When applying the effective interest method, all directly attributable charges, fees paid or received, transaction costs and other premiums or discounts used in the calculation of the effective interest rate are amortized over the expected life of the financial instrument.

Interest income and expenses from the application of the effective interest method are recognized in profit or loss under interest income or interest expenses from financial instruments.

Non-interest-bearing and low-interest receivables with a term of more than twelve months are discounted at the interest rate that is appropriate for the term.

Cash and cash equivalents include cash on hand and current account balances at banks and other financial institutions. These are only recognized as cash and cash equivalents provided that they can be converted at any time into amounts that can be determined in advance, that they are subject to only insignificant fluctuation risks and that they have a residual maturity of three months or less from the date of acquisition.

If the business model involves holding and selling the financial asset and the terms of the instrument only result in cash flows representing interest payments and principal payments, the financial asset is accounted for at fair value, with the changes in value recognized in other comprehensive income (FVOCI). Voltabox AG holds such financial assets with regard to receivables that are to be sold as part of factoring.

Financial assets held exclusively for trading purposes are recognized at fair value through profit or loss, with changes in value recognized in profit or loss (FVTPL). Derivatives belong to this category. There is also the option of measuring financial instruments carried at amortized cost using the fair value option at fair value through profit or loss if this significantly reduces or prevents valuation or recognition inconsistency. Voltabox AG does not use the fair value option.

Equity instruments are valued at fair value without exception. Upon initial recognition, there is an irrevocable option to present the realized and unrealized changes in value not in the income statement but rather in the statement of comprehensive income, unless the equity instrument is held for trading purposes. Amounts recognized in comprehensive income may not be reclassified to the income statement at a later point in time.

Noncurrent and current financial liabilities to banks, trade payables and other liabilities, with the exception of derivative financial instruments, are measured as financial liabilities at amortized cost. Noncurrent liabilities are measured using the effective interest method less directly attributable transaction costs.

Initial recognition is at fair value less directly attributable transaction costs.

Interest income and expenses from the application of the effective interest method are recognized in profit or loss under interest income or interest expenses from financial instruments.

A financial liability is measured at fair value through profit or loss if it is held for trading or determined accordingly at initial recognition. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near future. Directly attributable transaction costs are recognized in profit or loss as soon as they arise.

Fair Value Valuation

The valuation of financial instruments at fair value follows a three-level hierarchy and is based on the proximity of the valuation factors used to an active market. A market is said to be “active” if the quoted prices are easily and regularly available and these prices are based on actual, regularly occurring market transactions “at arm’s length”.

Level 1: quoted (unadjusted) prices for identical assets and liabilities in active markets.

Level 2: Input data for the asset or liability, either directly or indirectly observable, that do not represent the quoted prices at level 1. The fair values of level 2 financial instruments are determined on the basis of the conditions existing at the balance sheet date and calculated using recognized models, e.g. the discounted cash flow model.

Level 3: Input data that is not based on observable market data for the valuation of the asset and liability (unobservable input data).

The fair values were determined based on the market conditions available on the balance sheet date by means of financial mathematics valuation methods. They correspond to the prices that would be paid to sell an asset or to transfer a liability between independent market participants.

Reclassifications between the levels of the fair value hierarchy are taken into account at the respective reporting dates. In the 2017 and 2018 fiscal years, there were no reclassifications between level 1, level 2 or level 3.

Income Taxes

Income taxes contain both taxes that are payable on income and deferred taxes.

Income taxes payable for current and earlier periods are measured at the amount at which a refund from or payment to fiscal authorities is anticipated. The calculation of that amount is based on the current status of tax legislation and therefore on the tax rates that are in effect or that have been announced as of the balance sheet date.

Deferred taxes are recognized using the balance sheet liability method in accordance with IAS 12 (Income Taxes). Deferred tax assets and liabilities are recognized to reflect temporary differences between the carrying amount of a specific balance sheet item in the IFRS consolidated financial statements and its tax base (temporary concept). Deferred taxes are also recognized for future tax refund claims.

Deferred tax assets on deductible temporary differences and tax refund claims are recognized to the extent it can be assumed that they can be expected to be used in future periods, based on the availability of adequate taxable income.

The calculation of current and deferred taxes is based on judgments and estimates. If actual events deviate from these estimates, this could have a positive or negative impact on the assets, financial position and earnings. A deciding factor for the recoverability of deferred tax assets is the estimate of the probability of reversal of measurement differences or the usability of the tax loss carryforwards or tax benefits that led to recognition of the deferred tax assets. This is in turn dependent on the generation of future taxable profits during the period in which the tax loss carryforwards can be used. Deferred taxes are measured using the tax rates applicable at the time of realization based on the current legal situation as of the balance sheet date.

Current income tax assets and liabilities and deferred income tax assets and liabilities are only offset if it is legally permissible to do so and the deferred tax assets and liabilities relate to income taxes that have been levied by the same tax authority and if there is a legally enforceable right to offset current tax refund claims against current tax liabilities. Deferred taxes are reported as non-current in accordance with IAS 1.70.

Inventories

Inventories are measured at the lower of cost and net realizable value. In accordance with IAS 2 (Inventories), the costs of conversion include all costs directly related to the units of production as well as a systematic allocation of fixed and variable production overheads. In addition to direct materials and direct labor, they therefore also contain proportional indirect materials and overheads. Administration and social welfare expenses are taken into account provided they can be attributed to production. Financing costs are not recognized as part of the cost of acquisition or conversion because the assets do not meet qualification criteria. Inventory risks resulting from the storage period and reduced usability are taken into account during the calculation of the net realizable value by applying appropriate write-downs. Lower values at year-end resulting from reduced selling prices are also taken into account. Raw materials, consumables and supplies as well as merchandise are primarily measured using the moving average method.

Trade Receivables and Other Current Assets

Trade receivables are classified as loans and receivables and measured at amortized cost less any necessary write-downs. Write-downs in the form of specific valuation allowances take sufficient account of the expected default risks. Specific defaults lead to the derecognition of the receivables concerned. The calculation of write-downs for doubtful receivables is primarily based on estimates and evaluations of the creditworthiness and solvency of the respective customer.

Other current assets are measured at amortized cost, taking into account necessary write-downs sufficient to cover the expected default risks. If recourse to the courts is made for the collection of these receivables, Voltabox firmly expects that the amounts recognized in the balance sheet will be fully enforceable. Where these represent financial assets (financial instruments), they are classified as loans and receivables.

Cash and Cash Equivalents

Cash and cash equivalents include cash and bank balances with original maturities of up to three months. They are measured at nominal value. The total of cash and cash equivalents reported in the cash flow statement corresponds to the cash and cash equivalents stated in the balance sheet (cash and bank balances). The Group does not use cash pooling. As of December 31, 2018, the Group reported receivables of € 0 thousand (prior year: € 1,198 thousand) relating to factoring agreements under cash and cash equivalents. These claims are pledged to the factorer in the future.

Other Provisions

Other provisions are recognized in accordance with IAS 37 (Provisions, Contingent Liabilities and Contingent Assets) when Voltabox has a legal or constructive present obligation to third parties as a result of a past event that is likely to lead to an outflow of resources. Provisions are measured based on a best estimate of the expenditure needed to discharge the liability. Reimbursement claims are not offset against these amounts. Each situation is evaluated separately to determine the probability that pending proceedings will be successful or to qualify the possible amount of the payment obligations. In each case, the most probable settlement amount has been taken into account.

Noncurrent provisions have been measured at their discounted settlement amount as of the balance sheet date.

Due to the uncertainty associated with these evaluations, the actual settlement obligation or the actual outflow of resources may deviate from the original estimates and, accordingly, from the amounts of the provisions made. In addition, estimates may change based on subsequent new information, which may have a substantial impact on the future earnings position.

Recognition of Income and Expenses

Voltabox AG recognizes revenue when performance obligations to customers are met by transferring a promised good or a promised service. The transaction price is the consideration that the company expects to receive for the transfer of the goods and services to a customer. Variable transaction price components such as rebates, discounts, penalties or customer bonuses reduce revenue. Voltabox AG reports revenues from services in terms of time and period. Revenue over the period is either realized in the amount of the costs incurred in the period to the estimated total costs or recognized in the amount that the company is allowed to invoice. The simplification according to IFRS 15.B16 is not used. Costs of initiating a contract with a customer are capitalized as an asset if Voltabox AG believes that it will recover those costs and these costs are directly attributable. For the liquidation of the asset, Voltabox AG compares the fulfilled performance obligations with the total of the performance obligations of the respective contract with customers.

10 Use of Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with IFRS requires assumptions and estimates to be made that impact the assets and liabilities recorded, the disclosure of contingent liabilities as of the balance sheet date and the presentation of income and expenses during the period under review. If actual events deviate from these estimates, this could have a positive or negative impact on the assets, financial position and earnings.

When applying the accounting policies, the following estimates and assumptions were made that significantly influenced the amounts contained in the financial statements:

Measurement of the Fair Values of the Assets Acquired and Liabilities Assumed in Business Combinations

The fair values as well as the allocation of acquisition costs to the assets acquired and liabilities assumed were determined on the basis of experience and estimates regarding future cash inflows. The actual cash inflows may differ from the estimated amounts.

Goodwill

As described in the accounting principles, the Group tests goodwill for impairment once a year and when there are any indications that the value of goodwill may be impaired. This involves estimating the recoverable amount of the cash generating unit. This corresponds to the higher of fair value less costs of disposal and value in use. When determining the value in use, adjustments and estimates have to be made concerning the forecast and discounting of future cash flows. Although the Management Board believes that the assumptions used to determine the recoverable amount are appropriate, unforeseeable changes in these assumptions could lead to an impairment loss that could have a sustained negative influence on the assets, financial position and earnings.

Capitalized Development Costs

In order to measure capitalized development costs, assumptions have been made about the amount of anticipated future cash flows from assets, about the discount rates to be used and about the period of time during which these assets will generate anticipated future cash flows. The assumptions made regarding the timing and amount of future cash flows are based on expectations of the future development of the order backlog from those customers with whom development projects are being conducted. The duration of normal operating use corresponds to the estimated useful economic life. Since Januar 1, 2018, this has been valued individually.

Inventories

In specific cases, inventories are measured based on anticipated revenue less the estimated costs to completion and the estimated selling costs required. Actual revenue and the actual costs to completion may deviate from anticipated amounts.

Information about the measurement discounts can be found in the comments on inventories in the previous section.

Other Assets and Liabilities

Assumptions and estimates are also necessarily made when calculating allowances for doubtful receivables, for expected credit losses in accordance with IFRS 9, when estimating contingent liabilities and other provisions, and when determining the fair value of long-lived assets included in property, plant and equipment and intangible assets.

In individual cases, actual values may deviate from the assumptions and estimates made, requiring an adjustment of the carrying amounts of the assets or liabilities concerned.

Deferred Tax Assets

The amount of deferred tax assets that exceeds the deferred tax liabilities of the same taxable entity and the same tax authority is only recognized to the extent that a positive tax result can be expected in future periods and its realization thereby appears reasonably assured. In addition, there are estimation uncertainties regarding the reversal effects in accordance with IAS 12.29 a (ii). The actual taxable income situation in future periods may deviate from the estimate made at the time the deferred tax assets were recognized.

Other Provisions

The recognition and measurement of other provisions was based on the estimated probability of the future outflow of benefits and on experience values, and on the facts and circumstances known as of the balance sheet date. The subsequent actual outflow of benefits may therefore differ from the amount recorded within other provisions as of the balance sheet date.

Contingent Liabilities

The recognition of an identified contingent liability in the context of a purchase price allocation is based on assumptions derived by the Management Board on the basis of the information available at the time of acquisition.

Legal Risks

From time to time, Voltabox Group companies may become parties to legal disputes. Management regularly analyzes the latest information available for these cases and, where necessary, recognizes provisions to cover probable obligations, including the estimated amount of associated legal costs. External attorneys are consulted in the process of making these assessments. In determining the need for provisions, the Management Board accounts for the probability of an unfavorable outcome and whether the obligation can be measured with sufficient reliability. The filing of a lawsuit, the formal assertion of a claim or the presence of a disclosure for legal dispute in the notes does not automatically mean that a provision for the respective risk is appropriate.

Revenue

Discretionary decisions are made by the Management Board regarding the allocation of the transaction price to the performance obligations. The transaction prices are allocated to the performance obligations based on the relative individual selling prices.

11 Revenue

Revenue consists of the proceeds from sales of products, materials, distribution rights, and services less any sales deductions.

Of the revenues of € 27,273 thousand in the previous reporting period, € 23,920 thousand was generated in Germany and € 3,354 thousand was generated in foreign countries.

Revenues have been broken down by product segment and time or date-related realization since the 2018 reporting year due to the first-time application of IFRS 15 in particular. Voltabox AG has the product segments Voltapower, Voltaforce and Voltamotion. In addition, there is separate reporting by region.

€ ’000	Voltapower	Voltaforce	Voltamotion	Consolidation	Total
Domestic	48,945	2,124	3,098		
EU	648	142	0		
Rest of the world	13,707	53	0		
Total for geographical territories	63,300	2,319	3,098	-1,808	66,909
Time-related realization	59,309	2,319	1,788		
Period-related realization	3,991	0	1,310		
Total for product segments	63,300	2,319	3,098	-1,808	66,909
Product revenues	58,480	2,289	0		
Service revenues	4,820	30	3,098		
Total of revenue types	63,300	2,319	3,098	-1,808	66,909

Comparative figures for fiscal year 2017 are not available due to the modified retrospective first-time application of IFRS 15.

The Voltapower product segment produces complex lithium-ion battery systems for demanding industrial applications. The revenue in this product segment was realized in a time and period-related manner in the fiscal year. Revenue recognition takes place upon delivery and transfer of power of disposal to the customer. Period-related revenue results from pre-agreed order developments in the context of long-term production and delivery orders. Industry-standard payment terms without significant financing components are used. Variable consideration does not occur regularly.

The Voltaforce product segment comprises the development and production of standardized lithium-ion batteries for selected product segments in the mass market. Revenue is realized on a time-related basis. Realization takes place upon delivery of the goods. Contracts with customers include industry-standard payment terms without significant financing components. Variable consideration does not occur regularly. Contracts with customers in this segment include functional guarantees related to their intended use.

The third product segment, Voltamotion, comprises drive technology. Revenue is essentially realized on a time-related basis in this segment as well. Realization takes place upon delivery of the goods. Contracts with customers include industry-standard payment terms without significant financing components. Variable consideration does not regularly occur.

As of December 31, 2018, there were trade receivables of € 56,025 thousand (December 31, 2017: € 22,069 thousand, January 1, 2018: € 22,069 thousand) and contract assets of € 5,298 thousand (December 31, 2017: € 0 thousand, January 1, 2018: € 127 thousand).

In fiscal year 2018, no impairment losses were recognized on receivables or contract assets from contracts with customers.

12 Other Operating Income

In fiscal year 2018, other operating income essentially includes the following items:

€ '000	**Jan. 1 to Dec. 31, 2018**	Jan. 1 to Dec. 31, 2017
Income from currency translation	**1,368**	49
Income from the use of company cars by employees	**91**	68
Income from the repayment of advance payments	**117**	
Income from charging stations	**30**	
Income from the sale of fixed assets	**-**	7
Remaining other operating income	**532**	55
Total other operating income	**2,139**	179

13 Other Own Work Capitalized

For development projects that meet the requirements of IAS 38.21 and IAS 38.57 in the reporting period and for which project-related development costs have been capitalized, the capitalized development costs have been recognized in other own work capitalized. The amounts capitalized are recognized under intangible assets. Other own work capitalized also includes costs incurred in manufacturing test equipment.

€ '000	**Jan. 1 to Dec. 31, 2018**	Jan. 1 to Dec. 31, 2017
Project-related development costs	**2,897**	5,175
Production costs of test equipment	**108**	88
Other own work capitalized	**3,005**	5,263

R&D expenses of EUR 7,935 thousand (previous year: EUR 5,233 thousand) were expensed in fiscal year 2018.

14 Cost of Materials

€ '000	**Jan. 1 to Dec. 31, 2018**	**Jan. 1 to** Dec. 31, 2017
Raw materials, consumables and supplies	**39,289**	16,320
Expenses for purchased services	**2,958**	341
Cost of materials	**42,247**	16,661

15 Personnel Expenses

Personnel expenses amounted to € 13,622 thousand in the reporting period (prior year: € 6,709 thousand) and consist of the following:

€ '000	**Jan. 1 to Dec. 31, 2018**	Jan. 1 to Dec. 31, 2017
Wages and salaries	**12,043**	5,939
Social security contributions / pension expenses	**1,579**	770
Personnel Expenses	**13,622**	6,709

The average number of employees has changed as follows in comparison to the prior year:

	Jan. 1 to Dec. 31, 2018	Jan. 1 to Dec. 31, 2017
Salaried employees	**164**	73
Wage-earning employees	**71**	26
Number of employees	**235**	99

16 Other Operating Expenses

Other operating expenses include the following items:

€ '000	**Jan. 1 to Dec. 31, 2018**	Jan. 1 to Dec. 31, 2017
Expenses from currency translation	**228**	
Expenses from Group allocations and Group services	**1,781**	1,192
Expenses for insurance	**278**	
Expenses for third-party services for development costs and prototype material	**1,504**	627
Expenses for vehicle, advertising and travel costs	**992**	
Expenses for buildings and rent	**1,386**	409
Expenses for freight and packaging	**407**	338
Expenses for purchased services and IT	**2,070**	
Expenses for warranties	**323**	
Remaining other operating expenses	**5,937**	5,744
Total other operating expenses	**14,607**	8,310

17 Depreciation and Amortization

A breakdown of depreciation of property, plant and equipment, and amortization of intangible assets, can be found in the consolidated statement of noncurrent assets.

18 Financial Result

€ '000	Jan. 1 to Dec. 31, 2018	Jan. 1 to Dec. 31, 2017
Financial income	**2**	6
Interest income	**2**	6
Financial expenses	**-149**	-703
Other financial and interest expenses	**-149**	-703
Financial result	**-147**	-697

Other financial and interest expenses include interest expenses to banks of € 371 thousand (prior year: € 379 thousand). These are reduced under IAS 23.

The following table summarizes the net results from financial instruments broken down by valuation category. The book values of the valuation categories are shown in section (34).

€ '000	2018
Financial assets	
Valued at amortized cost	**2**
Valued at fair value through profit or loss	**0**
	2
Financial liabilities	
Valued at amortized cost	**-149**
Valued at fair value through profit or loss	**0**
	-149

The net results from financial instruments include the net income and expenses from interest, fair value valuations, currency translation, value adjustments and disposal effects.

19 Income Taxes

Domestic deferred taxes were calculated as of December 31, 2018, at an unchanged combined income tax rate of 30.0 %. This includes a corporate tax rate of 15.0 % and a solidarity surcharge of 5.5 %. The income tax rate also reflects trade taxes, taking into account the breakdown of the trade tax assessment rates among the municipalities in which the company's branches are located. Foreign deferred taxes were calculated as of December 31, 2018, at a combined income tax rate of 27.6 % (prior year: 27.6 %). The Group tax rate amounts to 28.8 % (prior year: 28.8 %).

The income tax expense in fiscal year 2018 is shown in the following table:

€ '000	Jan. 1 to Dec. 31, 2018	Jan. 1 to Dec. 31, 2017
Current taxes	**618**	0
Current taxes in Germany	**618**	0
Current taxes in foreign countries	**0**	0
Deferred tax liabilities	**2,268**	2,998
Deferred taxes in Germany	**1,468**	2,081
Deferred taxes in foreign countries	**799**	917
Income taxes	**2,885**	2,998

As of the end of the reporting period, of deferred tax assets in the amount of € 72 thousand (prior year: € 458 thousand), € 0 thousand (prior year: € 357 thousand) relates to Germany and € 72 thousand (prior year: € 101 thousand) relates to other countries. As of the end of the reporting period, of deferred tax liabilities in the amount of € 7,650 thousand (prior year: € 4,739 thousand), € 7,650 thousand (prior year: € 4,714 thousand) relates to Germany and € 72 thousand (prior year: € 101 thousand) relates to other countries.

Deferred tax assets and liabilities were recognized for the following items:

	Dec. 31, 2018		Dec. 31, 2017	
TEUR	**Deferred tax assets**	**Deferred tax liabilities**	Deferred tax assets	Deferred tax liabilities
Intangible assets	**0**	**5,846**	0	4,691
Property, plant and equipment	**0**	**0**	0	0
Receivables and other assets	**72**	**1,876**	101	149
Liabilities	**0**	**0**	0	0
Losses	**0**	**0**	357	0
Deferred tax assets and liabilities before netting	**72**	**7,722**	458	4,840
Netting	**-72**	**-72**	-101	-101
Deferred tax assets and liabilities after netting	**0**	**7,650**	357	4,739

Tax losses in Germany can be carried forward and used for an indefinite period of time, subject to minimum taxation rules. Foreign tax losses carried forward relate to Voltabox of Texas, Inc., and their use is limited to a period of 20 years. Tax losses carried forward from Voltabox of Texas, Inc., that have arisen since fiscal year 2018 can be carried forward indefinitely.

Deferred taxes on losses carried forward were not recognised in Germany for a total amount of € 4,209 thousand (previous year: € 3,397 thousand) and abroad for € 17,782 thousand (previous year: € 12,947 thousand).

The following table shows the tax losses carried forward following the year in which they arose and the year in which their usability ends:

Year of origin	**Amount (in USD thousands)**	End of usability
2014	**1,761**	2034
2015	**2,916**	2035
2016	**3,155**	2036
2017	**5,115**	2037
2018	**5,946**	indefinite

The following table shows a reconciliation between the actual tax expense and the expected tax expense, calculated as the product of accounting profit multiplied by the applicable tax rates in accordance with IAS 12.81 (c).

€ '000	**Jan. 1 to Dec. 31, 2018**	Jan. 1 to Dec. 31, 2017
Earnings before taxes	**5,764**	-3,516
Calculated tax expense at a tax rate of 28.8 % (prior year: 28.8 %)	**1,660**	-1,013
Non-recognition of deferred taxes	**1,225**	1,775
Change in valuation allowance on deferred tax assets	**0**	2,081
Other	**0**	154
Current tax expense	**2,885**	2,998

20 Earnings per Share

Basic earnings per share are calculated by dividing the result for the reporting period and the weighted average number of shares issued. The weighted average number of shares issued in the reporting period was 15,825,000 (prior year: 4,685,753)

Based on the result for the period of € 2,579 thousand (prior year: € -6,514 thousand) basic earnings per share amount to € 0.16 per share (prior year: € -1.39).

Stock option plans generally result in a potential dilution of earnings per share. As in the prior year, there were no share option rights to acquire outstanding Voltabox AG shares during the fiscal year from January 1 to December 31, 2018.

21 Intangible Assets

The changes in and analysis of intangible assets, property, plant and equipment as well as financial assets is shown in the consolidated statement of noncurrent assets. A description of investments made can be found in the management report.

Capitalized Development Costs

Intangible assets include capitalized development costs of € 16,153 thousand (prior year: € 16,284 thousand). Internal development costs of € 3,005 thousand (prior year: € 5,175 thousand) were capitalized as intangible assets in the reporting period. Intangible assets include capitalized borrowing costs of € 392 thousand (prior year: € 0 thousand). With regard to the development expenses of the fiscal year, please refer to the section "Other Performance Indicators" in the combined management report.

Amortization in the reporting period amounted to € 2,491 thousand (prior year: € 1,365 thousand). The depreciation period for development projects is a standard four-year period from the start of series production.

The capitalized development costs were subject to an impairment test in accordance with IAS 36. The impairment loss in accordance with IAS 36 totaled € 374 thousand in the reporting period (prior year: € 0 thousand).

The recoverable amount of internally generated intangible assets is determined based on the calculation of the value-in-use using estimated cash flows, which are in turn derived from sales forecasts adopted by the Management Board. The sales forecasts cover a period of five years. A growth rate is determined for each product based on market analyses. A risk-adjusted discount factor of 4% is applied to the estimated cash flows.

22 Goodwill

In accordance with IFRS 3 (Business Combinations) and the two standards revised in this respect, namely IAS 36 (Impairment of Assets) and IAS 38 (Intangible Assets), goodwill and internally generated intangible assets whose production is not yet complete are subject to regular impairment tests.

This involves goodwill and internally generated intangible assets whose production is not yet complete being tested for potential impairment once a year. In addition, the impairment test is also to be performed more frequently should any events or changes in circumstances indicate that a potential impairment has occurred.

The impairment tests performed at the Voltabox group involve comparing the residual carrying amounts of individual cash generating units (CGUs) with their respective recoverable amounts, i.e., the higher of their fair value less costs to sell and their value in use. Where the carrying amount of the cash-generating unit is higher than its recoverable amount, an impairment loss is recognized in the amount of the respective difference. The recoverable amount is determined by calculating the value in use by means of the discounted cash flow method. The cash flows used to calculate the value in use are determined on the basis of management's medium-term planning. These budgets are based on past experience and on expectations as to future market developments, taking account of strategic and operative measures already initiated to manage the respective business field. The detailed planning period is usually a period of five years.

The cost of capital is calculated as the weighted average of equity and debt capital costs (weighted average cost of capital – WACC). Equity costs are derived from a peer group analysis of the relevant market sector, i.e., information that can be obtained from capital markets. The weighted average cost of capital, i.e., WACC before taxes used to discount cash flows, amounted to 15.3 %. The growth assumption after the detailed planning period is 1 %.

No indication of impairment has resulted within the scope of the impairment test as of December 31, 2018.

Goodwill as of December 31, 2018, can be allocated to the following CGUs:

Company	Amount	CGU
ACCURATE – SMART BATTERY SYSTEMS – GmbH	4,121	EUROPE
Voltabox of Texas, Inc.	3,187	NORTH AMERICA
Concurrent Design, Inc.	2,580	

23 Property, Plant and Equipment

Amortization in the reporting period amounted to € 1,116 thousand (prior year: € 1,065 thousand). The plot of land and the building in the USA are subject to property charges as collateral for long-term bank loans.

Certain items of movable noncurrent assets are financed by finance leases. Generally, these leases have terms of 4 to 5 years. The corresponding payment obligations for future lease installments are recognized as liabilities. The net carrying amount of assets capitalized under financial leases amounted to € 42 thousand as of December 31, 2018 (prior year: € 58 thousand). The corresponding payment obligations for future lease installments amounted to € 42 thousand (prior year: € 58 thousand) and are recognized as liabilities at their present value. The capitalized assets under finance leases wholly relate to technical plants and machinery. The majority of these lease arrangements provide for the transfer of ownership without further payments after full settlement of all obligations during the basic lease period (full amortization). No firm agreements have been entered into concerning the further use of the leased assets following expiry of the basic lease period. Nevertheless, Voltabox assumes that the leased assets can be acquired at a favorable price after the basic lease period has expired or may continue to be used at a favorable lease rate.

Advance payments for machinery and equipment amounting to € 355 thousand were made in the reporting year (prior year: € 19 thousand).

The loss on disposal of property, plant and equipment amounted to € 0 thousand) (prior year: € 346 thousand).

24 Other Noncurrent Assets

Noncurrent assets as of December 31, 2018, include a rental payment of € 3,549 thousand (December 31, 2017: € 0 thousand) and contract assets of € 1,437 thousand (December 31, 2017: € 0 thousand, January 1, 2018: € 127 thousand). The rental prepayment represents a down payment in the context of a real estate operate lease.

25 Inventories

Inventories consist of the following:

€ ’000	**Dec. 31, 2018**	Dec. 31, 2017
Raw materials, consumables and supplies	**8,829**	3,960
Unfinished and finished products and services	**8,262**	246
Advance payments on inventories	**10,137**	0
Inventories	**27,228**	4,206

In addition, no reversals were recognized in the reporting period, as in the prior year. Inventories were written down in the reporting period with a volume of € 953 thousand (prior year: € 698 thousand). As in the prior year, no inventories were used to secure liabilities as of the balance sheet date.

26 Trade Receivables

The carrying value of trade receivables is derived as follows:

€ ’000	**Dec. 31, 2018**	Dec. 31, 2017
Trade receivables, gross	**56,025**	22,137
Less value adjustments	**0**	68
Trade receivables	**56,025**	22,069

Trade receivables are assigned as part of factoring, if possible and intended by the Management Board. As of the balance sheet date, there are no receivables whose assignment will be made in the following reporting year as part of factoring. Therefore, trade receivables are assigned to the valuation category AC according to IFRS 9.

The maturity structure of trade receivables for which no impairment allowances have been recorded as of the balance sheet date is as follows:

€ '000	Book value	thereof neither impaired nor past due	thereof past due as follows but not impaired			
Dec. 31, 2018			0 – 30 days	30 – 60 days	60 – 90 days	> 90 days
Trade receivables	**56,025**	54,234	22	1,681	45	42
Impairment recognized	**0**	0	0	0	0	0
Net amount	**56,025**	54,234	22	1,681	45	42
Dec. 31, 2017			0 – 30 days	30 – 60 days	60 – 90 days	> 90 days
Trade receivables	**22,069**	20,721	559	403	385	1

There were no indications as of the balance sheet date that debtors with receivables that are neither impaired nor overdue will fail to meet their payment obligations.

There are trade receivables with an extended payment term from one customer, Triathlon Batterien GmbH. There are no overdue receivables from this customer. The usual payment terms have been used since January 1, 2019.

27 Other Current Assets

Other current assets were as follows:

€ '000	Dec. 31, 2018			Dec. 31, 2017
	AC	FVPL	FVOCI	
Blocked account for validity guarantee	0	0	0	31
Deferred income	165	0	0	43
Contract assets	3,988	0	0	
Remaining assets	2,330	0	0	182
Other current assets	6,483	0	0	256

The remaining assets include VAT receivables in the amount of € 2,005 thousand (prior year: € 67 thousand).

Voltabox AG pledges a sight deposit in favor of the factoring bank as part of factoring. This account secures Voltabox AG's validity guarantee on sold receivables. Other bank balances with banks can be set off in the event of insolvency on all existing credit balances and liabilities between the counterparties concerned.

The overdue amounts included in other current assets as of the balance sheet date were as follows:

€ '000	Book value	thereof neither impaired nor past due	thereof past due as follows but not impaired			
Dec. 31, 2018			0 – 30 days	30 – 60 days	60 – 90 days	> 90 days
Other current assets	**6,483**	6,483	0	0	0	0
Dec. 31, 2017			0 – 30 days	30 – 60 days	60 – 90 days	> 90 days
Other current assets	**256**	256	0	0	0	0

As of December 31, 2018, there were no indications that significant amounts included in other current assets would not be collectible.

28 Cash and Cash Equivalents

Cash on hand and bank deposits are recognized at their nominal amounts. Cash and cash equivalents include € 2 thousand (prior year: € 1 thousand) in cash on hand and € 28,232 thousand (prior year: € 102,678 thousand) in bank deposits.

Voltabox does not operate cash pooling with Group companies and the parent company.

29 Equity

The changes in the individual components of equity for the reporting period from January 1 to December 31, 2018, are presented in the consolidated statement of changes in equity.

Subscribed Capital

Voltabox AG's subscribed capital amounts to € 15,825 thousand as of the balance sheet date (December 31, 2017: € 15,825 thousand).

On May 18 of the previous fiscal year, Voltabox Deutschland GmbH converted to Voltabox AG. This conversion was entered into the commercial register on May 18, 2017. On this date, the company's share capital amounted to € 100 thousand. Following the decision to increase the company's capital in return for a contribution in kind in the amount of € 9,900 thousand on September 6, 2017 (the entry in the commercial register was made on September 21, 2017), and another increase by € 5,000 thousand (resolution from September 22, commercial register entry made on October 11, 2017) and an increase of € 825 thousand due to a greenshoe option, as of December 31, 2017, the total share capital of Voltabox AG amounts to € 15,825 thousand (prior year: € 100 thousand) and is divided into 15,825,000 no-par-value shares with a notional share in the share capital of € 1.00 each.

Capital Reserve

As of December 31, 2018, the capital reserve amounted to € 127,992 thousand (prior year: € 127,992 thousand). In the prior year, there was an adjustment to the proceeds from the IPO to subtract the transaction costs of € 7,227 thousand.

Currency Translation Reserve

Loans granted by Voltabox AG to Voltabox of Texas, Inc. represent a net investment in a foreign operation. Resulting exchange rate effects are recognized directly in equity in the currency translation reserve. In addition, this item relates to currency translation differences from the reporting date translation of Voltabox of Texas, Inc.'s annual financial statements included in the consolidated financial statements. The currency translation reserve as of December 31, 2018, is € 474 thousand (prior year: € 770 thousand).

Profit Transfer

A profit and loss transfer agreement existed between paragon AG (now paragon GmbH & Co. KGaA) and Voltabox AG (formerly Voltabox Deutschland GmbH) from the 2015 fiscal year onwards. Through the conversion of Voltabox Deutschland GmbH into Voltabox AG and the admission of minority shareholders through the IPO as of October 13, 2017, this agreement will end pursuant to Section 307 of the German Stock Corporation Act (AktG) on December 31, 2017.

Accordingly, German Commercial Code earnings in the amount of € -9,930 thousand were transferred for the last time on December 31, 2017.

Adjustment of prior-year figures in accordance with IAS 8:

					Balance sheet profit		
€ '000 before correction	Sub-scribed capital	Capital reserve	Revaluation reserve	Currency translation reserve	Profit carried forward	Consoli-dated net income	Total
Jan. 1, 2017	**100**	**1,244**	**0**	**0**	**4,108**	**0**	**5,452**
Consolidated net income	0	0	0	0	0	9,692	9,692
Currency translation	0	0	0	-1,019	0	0	-1,019
Other comprehensive income	0	0	0	-1,019	0	0	-1,019
Total comprehensive income	0	0	0	-1,019	0	9,692	8,673
Capital increase	15,725	125,140	0	0	0	0	140,865
Dividend	0	0	0	0	0	0	0
Profit/loss assumption	0	0	0	0	0	0	0
Dec. 31, 2017	**15,825**	**126,384**	**0**	**-1,019**	**4,108**	**9,692**	**154,990**

€ '000 after correction	Subscribed capital	Capital reserve	Revaluation reserve	Currency translation reserve	Balance sheet profit: Profit carried forward	Balance sheet profit: Consolidated net income	Total
Jan. 1, 2017	**100**	**1,244**	**0**	**0**	**4,108**	**0**	**5,452**
Consolidated net income	0	0	0	0	0	-6,514	-6,514
Currency translation	0	0	0	770	0	0	770
Other comprehensive income	0	0	0	770	0	0	770
Total comprehensive income	0	0	0	770	0	-6,514	-5,744
Capital increase	15,725	126,748	0	0	0	0	142,473
Dividend	0	0	0	0	0	0	0
Profit/loss assumption	0	0	0	0	9,930	0	9,930
Dec. 31, 2017	**15,825**	**127,992**	**0**	**770**	**14,038**	**-6,514**	**152,111**

30 Finance Lease Obligations

Liabilities under finance leasing arrangements primarily relate to technical equipment and are recorded at their present value or amortized cost in accordance with IAS 17. The repayment obligations reported here are derived as follows:

€ '000	Remaining time < 1 year	Remaining time between 1 and 5 years	Remaining time > 5 years	**Dec. 31, 2018**	Dec. 31, 2017
Minimum lease payments	18	26	0	**44**	62
Future interest payments	-1	-1	0	**-2**	-4
Finance lease obligations (repayment portion)	25	17	0	**42**	58
thereof reported under noncurrent liabilities				**17**	16
thereof reported under current liabilities				**25**	42

31 Liabilities to Banks

Current and noncurrent liabilities to banks totaled € 3,681 thousand (prior year: € 4,065 thousand), and collateral for liabilities to banks was provided in the amount of € 3,681 thousand (prior year: € 4,065 thousand).

Liabilities to banks are secured by property charges for loan liabilities in the amount of € 3,280 thousand (prior year: € 3,239 thousand) and by charges over property, plant and equipment of € 970 thousand (prior year: € 970 thousand).

Liabilities to banks mature as follows:

€ '000	Remaining time < 1 year	Remaining time between 1 and 5 years	Remaining time > 5 years	**Dec. 31, 2018**	Dec. 31, 2017
Liabilities to banks	3,539	141	0	**3,680**	4,064

There is no exposure to interest rate risk for the loans with fixed interest rates. Loans with floating interest rates of € 3,280 thousand (prior year: € 3,239 thousand) are subject to interest rate risk (see section (35)).

The liabilities are allocated to IFRS 9 valuation category AC.

32 Other Liabilities

Other liabilities were as follows:

€ '000	**Dec. 31, 2018**	Dec. 31, 2017
Other Liabilities	**2,392**	1,169
Liabilities from other taxes	**2,369**	86
Other liabilities	**4,761**	1,255

Other liabilities include mainly personnel obligations from outstanding vacation entitlements as well as employee bonuses.

Other liabilities mature as follows:

€ '000	Remaining time < 1 year	Remaining time between 1 and 5 years	Remaining time > 5 years	**Dec. 31, 2018**	Dec. 31, 2017
Other liabilities	2,392	0	0	**2,392**	1,169
thereof reported under noncurrent liabilities				**0**	0
thereof reported under current liabilities				**2,392**	1,169

Liabilities from other taxes have a remaining term of less than one year.

The other liabilities are allocated to IFRS 9 valuation category AC.

33 Other Provisions

Other provisions are all due within one year. The movements on the provisions were as follows:

€ '000	Jan. 1, 2018	Utilization	Liquidation	Addition	**Dec. 31, 2018**
Other Provisions	142	65	0	390	**467**

Other provisions mainly include provisions for guarantee and warranty of € 433 thousand (€ 67 thousand) and € 28 thousand (prior year: € 10 thousand) for take-back obligations for used batteries and other provisions. A return rate of 70 % and a recyclability of 75 % of the returned batteries was assumed for the determination of the provision in the context of the take-back obligations for old batteries. Due to possible future income from utilizing raw materials, a range was determined for the provision to be formed. The provision is measured at the end of the year at the probable discounted disposal costs.

34 Additional Disclosures on Financial Instruments

This section provides an overview of financial instruments in use at Voltabox AG. The following overview summarizes the carrying amounts of the financial instruments included in the consolidated financial statements according to the measurement categories of IAS/IFRS:

€ '000	**Dec. 31, 2018**	Dec. 31, 2017
Financial assets		
Valued at amortized cost	**107,441**	135,417
Valued at fair value through profit or loss	**0**	0
Valued at fair value through equity	**0**	0
Financial liabilities	**107,441**	135,417
Valued at amortized cost	**18,297**	10,723
Valued at fair value through profit or loss	**0**	0
	18,297	10,723

Voltabox AG did not reclassify between these categories in fiscal year 2018.

The carrying amounts and fair values of current and noncurrent financial assets as of the reporting date are as follows:

Dec. 31, 2018	AC		FVPL		FVOCI	
€ '000	BW	**FV**	BW	**FV**	BW	**FV**
ASSETS						
Cash and cash equivalents	28,234	28,234	0	0	0	0
Trade receivables	56,025	56,025	0	0	0	0
Receivables from related parties	11,683	11,683	0	0	0	0
Other assets	11,469	11,233	0	0	0	0
Total assets	**107,411**	**107,175**	**0**	**0**	**0**	**0**
LIABILITIES AND EQUITY						
Liabilities to banks	3,722	3,722	0	0		
Trade payables	9,257	9,257	0	0		
Other liabilities	5,318	5,318	0	0		
Total equity and liabilities	**18,297**	**17,955**	**0**	**0**		

Jan. 1, 2018	AC		FVPL		FVOCI	
€ '000	BW	**FV**	BW	**FV**	BW	**FV**
ASSETS						
Cash and cash equivalents	102,679	102,679	0	0	0	0
Trade receivables	22,069	22,069	0	0	0	0
Receivables from related parties	10,413	10,413	0	0	0	0
Other assets	256	256	0	0	0	0
Total assets	**135,417**	**135,417**	**0**	**0**	**0**	**0**
LIABILITIES AND EQUITY						
Liabilities to banks	4,064	4,064	0	0		
Trade payables	5,404	5,404	0	0		
Other liabilities	1,255	1,255	0	0		
Total equity and liabilities	**10,723**	**10,723**	**0**	**0**		

The previous year's statement as of December 31, 2017, from the 2017 Annual Report in accordance with IAS 39 is presented below. Due to insignificant effects, a reconciliation from IAS 39 to IFRS 9 is waived.

Dec. 31, 2017	Nominal value		Amortized cost	
€ '000	BW	**FV**	BW	**FV**
ASSETS				
Cash and cash equivalents	102,679	102,679		
Trade receivables			22,069	22,069
Other assets			256	256
Total assets	**102,679**	**102,679**	**22,325**	**22,325**
LIABILITIES AND EQUITY				
Liabilities to Banks			4,064	4,070
Finance lease			58	59
Trade payables			3,591	3,591
Other liabilities			1,255	1,255
Total equity and liabilities	**0**	**0**	**8,968**	**8,975**

Voltabox AG does not hold any cash collateral and does not account for balance sheet offsets. Derivative financial instruments, bank balances and liabilities to banks are reported gross in the consolidated balance sheet.

Voltabox AG pledges a sight deposit in favor of the factoring bank as part of the factoring. This account secures Voltabox AG's validity guarantee on sold receivables. Other bank balances with banks can be set off in the event of insolvency on all existing credit balances and liabilities between the counterparties concerned. At present, Voltabox has neither any legal right to offset nor does Voltabox intend to offset on a net basis.

There are no significant offsetting potentials of involved parties in the event of insolvency.

Voltabox AG did not provide financial assets as collateral for financial liabilities. Voltabox does not hold collateral with regard to financial assets.

In collections, Voltabox distinguishes between doubtful or defaulted financial assets and non-recoverable financial assets. For recoverable financial assets, depreciation takes place after the expected 12-month credit loss. For doubtful or defaulted financial assets, a depreciation is made in the amount of the credit loss expected to maturity. Non-recoverable receivables are recognized as disposals. A claim is deemed to be defaulted (definition of default) if there is a significant reason why a debtor does not meet his payment obligations to Voltabox.

The following overview summarizes the credit quality and the maximum default risk of the financial assets valuated at amortized cost according to the aforementioned categories:

Dec. 31, 2018 € '000	Credit quality	Handling	Gross carrying amount	Valuation adjustment	Net carrying amount
Loan	Collectable	12-month ECL	0	0	0
	Collectable	12-month ECL	0	0	0
	Defaulted	Lifetime ECL	0	0	0
			0	**0**	**0**
Other receivables	Collectable	12-month ECL	0	0	0
	Collectable	12-month ECL	0	0	0
	Defaulted	Lifetime ECL	0	0	0
			0	**0**	**0**
Trade receivables	Lifetime ECL	Simplified approach	56,025	0	56,025
	Lifetime ECL	Simplified approach	0	0	0
	Defaulted	Lifetime ECL	0	0	0
			56,025	**0**	**56,025**
Receivables from related parties	Collectable	12-month ECL	11,683	0	11,683
	Collectable	12-month ECL	0	0	0
	Defaulted	Lifetime ECL	0	0	0
			11,683	**0**	**11,683**
Cash and cash equivalents	Collectable	12-month ECL	28,234	0	28,234
	Collectable	12-month ECL	0	0	0
	Defaulted	Lifetime ECL	0	0	0
			28,234	**0**	**28,234**

Jan. 1, 2018 € '000	Credit quality	Handling	Gross carrying amount	Valuation adjustment	Net carrying amount
Loan	Collectable	12-month ECL	0	0	0
	Collectable	12-month ECL	0	0	0
	Defaulted	Lifetime ECL	0	0	0
			0	**0**	**0**
Other receivables	Collectable	12-month ECL	0	0	0
	Collectable	12-month ECL	0	0	0
	Defaulted	Lifetime ECL	0	0	0
			0	**0**	**0**
Trade receivables	Lifetime ECL	Simplified approach	22,069	0	22,069
	Lifetime ECL	Simplified approach	0	0	0
	Defaulted	Lifetime ECL	0	0	0
			22,069	**0**	**22,069**
Forderungen gegen nahestehende Personen	Collectable	12-month ECL	10,413	0	10,413
	Collectable	12-month ECL	0	0	0
	Defaulted	Lifetime ECL	0	0	0
			10,413	**0**	**10,413**
Cash and cash equivalents	Collectable	12-month ECL	102,679	0	102,679
	Collectable	12-month ECL	0	0	0
	Defaulted	Lifetime ECL	0	0	0
			102,679	**0**	**102,679**

Voltabox recognizes allowances for loans and other receivables taking into account past events and expectations regarding the future development of credit risk. The methods used to measure the value adjustment have not changed compared to the prior year.

The balance of value adjustments has changed as follows:

€ '000	
Jan. 1,.2018	68
Adjustments through changes in the creditworthiness parameters	
Increase from revaluation of receivables	0
Reduction due to reversals	0
Adjustments due to changes in the gross amount of assets	
Reduction due to derecognition of assets	-68
Increase due to the capitalization of assets	0
Dec. 31, 2018	-

Cash and cash equivalents are cash on hand and bank balances. Voltabox places cash and cash equivalents only in banks with the highest credit and probabilities of default near zero. For reasons of materiality, the value adjustment was not recorded. If there is a significant increase in the probability of default, the Group companies are instructed to withdraw cash and cash equivalents immediately. For this reason, cash and cash equivalents fall into the categories of either recoverable (12-month ECL) or uncollectable (lifetime ECL). The change in the carrying amounts of uncollectable cash and cash equivalents is due to currency translation.

Trade receivables include a receivable from an individual customer of € 47,919 thousand (previous year: € 19,533 thousand). No loan defaults are expected from this. The Group uses external credit ratings to this end. The receivable is secured in partial amounts.

Allowances for trade receivables are consistently valuated at the expected loss until maturity in accordance with the simplified approach according to IFRS 9.5.5.15.

In determining the value adjustment, the receivables are subdivided into risk categories and assigned different impairment rates. Receivables are written off when a debtor is in grave financial difficulties and there is no prospect of recovery.

Companies in the Voltabox Group determine the default risk according to individual approaches taking into account business-specific risks. The companies use data from Schufa, historical default rates and customer-specific future-oriented credit risk analyses, inter alia. Voltabox AG has no significant holdings of past due assets.

Receivables due from related companies and liabilities to related parties exclusively apply in relation to the parent company of paragon GmbH & Co. KGaA. The carrying amounts correspond to the fair value of the receivables and liabilities. As these are not items from outside the Group, further disclosures in this and the following section regarding these receivables and liabilities are omitted.

35 Management of Risks Associated with Financial Instruments

The following section explains the Group's position with regard to financial risks and how these may affect the Group's net assets, financial position and result from operations in the future.

Market Price Fluctuations

Market price fluctuations can involve substantial cash flow and profit risks for Voltabox. Changes in exchange rates and interest rates influence business operations as well as investing and financing activities. In order to optimize the Group's financial resources, the risks associated with changes in interest rates and exchange rates are analyzed on an ongoing basis and used to manage and supervise current business and financial market activities. These risks are managed by using derivative financial instruments.

Fluctuations in currency exchange rates and interest rates can result in significant profit and cash flow risks.

Voltabox has implemented an internal sensitivity analysis system based on a variety of risk analysis and risk management methods. The use of sensitivity analyses enables the Group to identify risk positions within the segments. Sensitivity analyses quantify the risks that can arise within given assumptions when certain parameters are changed in a defined range. They include the following assumptions:

- An appreciation of the euro against all foreign currencies by 10 percentage points
- A parallel shift in interest rate curves of 100 basis points (one percentage point)

The potential effects of the sensitivity analysis are estimates and are based on the assumption that the supposed negative market changes will occur. The actual effects may differ significantly if market developments deviate from assumptions made.

Foreign Currency Risks

Due to the international nature of its operations, Voltabox's ongoing business operations are exposed to foreign currency risk. Exchange rate fluctuations can lead to undesirable earnings and liquidity fluctuations. For Voltabox, the risk arises on foreign currency positions and possible changes in the relevant exchange rates. Uncertainty about future development is referred to as exchange rate risk. In principle, all non-functional currencies in which Voltabox financial instruments are received count as relevant risk variables. Voltabox limits the risk by settling purchases and sales of goods and services primarily in the local currency.

The sensitivity to potential fluctuations in foreign currency exchange rates is determined by aggregating the net currency positions of the operating business that are not denominated in the Group's functional currency. Sensitivity is calculated by simulating a 10 % depreciation of the euro in relation to all foreign currencies. The simulated appreciation of the euro would have resulted in a change in future payment inflows in the amount of € 414 thousand as of December 31, 2018 (prior year: € 189 thousand). To the extent that future purchases are not hedged against currency exchange risks, a depreciation of the euro against other currencies would have a negative effect on the financial position and earnings as the Group's purchases in foreign currencies exceed its foreign currency cash inflows.

The following table provides an overview of the net foreign currency exchange risk by currency as of December 31, 2018. The periodic effects are determined by relating the hypothetical changes in the risk variables to the financial instruments held as of the balance sheet date. It is assumed that the holdings as of the balance sheet date are representative of the full year.

	Dec. 31, 2018		Dec. 31, 2017	
€ '000	**USD**	**Other**	USD	Other
Transaction-related foreign currency risk				
Foreign currency risk from balance sheet items	**1,167**	**264**	1,673	0
Foreign currency risk from pending transactions	**0**	**0**	0	0
	1,167	**264**	1,673	0
Net exposure foreign currency positions	**1,167**	**264**	1,673	0
Change in foreign currency positions due to 10 % appreciation of the euro	**117**	**26**	186	0

Interest Rate Risks

Interest rate risk refers to any change in interest rates that impacts earnings or equity. Interest rate risks result from changes in market interest rates, especially for medium and long-term variable-rate assets and liabilities. The interest-bearing financial liabilities mainly have fixed interest rates.

The interest rate risks associated with variable-rate financial liabilities are measured using cash flow sensitivity techniques. At the end of the reporting period, the Voltabox Group had variable-rate financial liabilities of € 3,239 thousand (prior year: € 3,239 thousand) as of December 31, 2018. A change in interest rates (+1/-1 percentage point) is associated with the following cash flow risk:

	Dec. 31, 2018		Dec. 31, 2017	
€ '000	**+ 1%**	**- 1%**	+ 1%	- 1%
Cash flow risk				
from financial instruments with floating interest rates	**-32**	**32**	-32	32

Liquidity Risks

Liquidity risk, i.e., the risk that Voltabox might not be able to meet its payment obligations as they fall due, is managed by means of flexible cash management. As of December 31, 2018, Voltabox had cash and cash equivalents of € 28,234 thousand (prior year: € 102,679 thousand) at its disposal. No unused credit lines were available as of December 31, 2018 (prior year: € 3,000 thousand). In addition to the instruments providing assurance of liquidity described above, the Group follows developments on financial markets on an ongoing basis in order to take advantage of attractive financing opportunities as they become available.

The following table shows the maturity date of installments, maturity repayments and interest arising on the financial liabilities recorded in the balance sheet as of December 31, 2018:

€ '000	**2019**	2020 – 2024	2025 and after
Non-derivative financial liabilities			
Liabilities to banks	**3,539**	141	0
Finance lease obligations	**25**	17	0
Trade payables	**9,257**	0	0
Liabilities to related parties	**557**	0	0
Other financial liabilities	**4,761**	0	0
Non-derivative financial liabilities	**18,139**	158	0

The net liquidity and net borrowing are derived from the sum of cash and cash equivalents less liabilities to banks and liabilities under finance leasing arrangements as shown in the balance sheet.

€ '000	**Dec. 31, 2018**	Dec. 31, 2017
Cash and cash equivalents	**28,234**	102,679
Total liquidity	**28,234**	102,679
Current financial liabilities and current portions of noncurrent financial liabilities	**3,564**	574
Noncurrent financial liabilities	**158**	3,548
Total financial liabilities	**3,722**	4,122
Net debt	**24,512**	98,557

There were no defaults on interest and principal payments in the reporting period. Contingent liabilities are not expected to generate significant actual liabilities and therefore significant cash flows for which no provisions have yet been recognized.

Credit Risks

Credit risk is defined as the financial loss that arises when a contract partner fails to meet its payment obligations. The maximum risk of default is therefore equal to the positive fair value of the respective interest rate instruments. The effective supervision and control of credit risk is a core task of the risk management system. Voltabox performs credit checks on all customers requiring credit limits that exceed defined amounts. The Group monitors credit risk on an ongoing basis. To manage the credit risk, Voltabox AG has set up various credit assessment tools. Before accepting an order, a credit check is carried out on the basis of creditworthiness data available for the customer. Credit rating classes and credit limits are determined from the results of the credit check. If the credit limits are exceeded, further business transactions require the express consent of the Management Board. Such transactions are usually settled only on prepayment or after the deposit of additional collateral, such as bank guarantees.

The extension of the payment period with the customer Triathlon in fiscal year 2017 resulted in an increase in the relevance of counterparty default risks for trade receivables compared with the previous year. The Group assigns a corresponding significance to this risk position, although there has been no increase in the underlying individual risks. The relevance of the counterparty default risk in general remains unchanged in the 2018 financial year and is expected to decrease in the following fiscal year.

36 Commitments, Contingent Assets, Contingent Liabilities and Other Financial Obligations

There were no commitments or off-balance sheet contingent assets or contingent liabilities as of December 31, 2018. Other financial liabilities are as follows:

€ '000	Remaining time < 1 year	Remaining time between 1 and 5 years	Remaining time > 5 years	**Dec. 31, 2018**	Dec. 31, 2017
Order commitments	87,897	31	0	**87,928**	20,355
Tenancy obligations	337	4,732	7,099	**12,168**	284
Other obligations	0	0	0	**0**	0
Guarantees	0	0	0	**0**	0
Other financial obligations	88,234	4,763	7,099	**100,096**	20,639

The purchase commitment includes purchase order items from noncurrent assets and inventories.

37 Consolidated Statement of Movements on Noncurrent Assets

Consolidated Statement of Movements on Noncurrent Assets as of December 31, 2018

	Acquisition cost						
€ '000	Jan. 1, 2018	Currency movement	Accruals	Group accruals	Outflows	Transfers	**Dec. 31, 2018**
Intangible assets							
Industrial property rights and similar rights and assets as well as licenses to such rights and assets	439	28	8,546	4,087	0	0	**13,099**
Goodwill	3,187	-182	0	6,701	0	0	**9,706**
Capitalized development costs	18,278	128	3,397	0	1,788	0	**20,015**
Total intangible assets	21,904	-26	11,943	10,788	1,788	0	**42,821**
Property, plant and equipment							
Land and buildings	5,888	278	341	0	0	0	**6,507**
Technical equipment and machinery	3,172	12	282	24	13	0	**3,477**
Other plant, office furniture and equipment	1,947	244	661	115	0	0	**2,967**
Advance payments	19		336	0	0	0	**355**
Total property, plant and equipment	11,026	534	1,620	139	13	0	**13,306**
Total	32,930	509	13,563	10,927	1,801	0	**56,127**

	Depreciation and amortization						Book value
	Jan. 1, 2018	Currency movement	Accruals	Outflows	Transfers	**Dec. 31, 2018**	Dec. 31, 2018
	159	5	1,204	0	0	**1,369**	11,731
	0	0	0	0	0	**0**	9,706
	2,077	16	1,661	0	0	**3,754**	16,261
	2,236	22	2,865	0	0	**5,123**	37,698
	315	16	137	0	0	**468**	6,039
	1,526	90	590	4	0	**2,202**	1,274
	1,060	3	389	-4	0	**1,456**	1,510
	0	0	0	0	0	**0**	355
	2,901	109	1,116	0	0	**4,126**	9,179
	5,137	131	3,982	0	0	**9,250**	46,876

Consolidated Statement of Movements on Noncurrent Assets as of December 31, 2017

	Acquisition cost						
€ '000	Jan. 1, 2017	Currency movement	Accruals	Group accruals	Outflows	Transfers	**Dec. 31, 2017**
Intangible assets							
Industrial property rights and similar rights and assets as well as licenses to such rights and assets	283	-17	173	0	0	0	**439**
Goodwill	3,187	0	0	0	0	0	**3,187**
Capitalized development costs	13,518	-414	5,174	0	0	0	**18,278**
Total intangible assets	16,988	-431	5,347	0	0	0	**21,904**
Property, plant and equipment							
Properties and buildings	6,513	-795	170	0	0	0	**5,888**
Technical equipment and machinery	3,056	-35	290	0	565	426	**3,172**
Other plant, office furniture and equipment	1,576	-45	270	0	39	185	**1,947**
Advance payments	379	0	251	0	0	-611	**19**
Total property, plant and equipment	11,524	-875	981	0	604	0	**11,026**
Total	28,512	-1,306	6,328	0	604	0	**32,930**

Depreciation and amortization						Book value
Jan. 1, 2017	Currency movement	Accruals	Outflows	Transfers	**Dec. 31, 2017**	Dec. 31, 2017
123	-23	59	0	0	**159**	280
0	0	0	0	0	**0**	3,187
770	1	1,306	0	0	**2,077**	16,201
893	-22	1,365	0	0	**2,236**	19,668
209	-32	138	0	0	**315**	5,573
1,284	-15	468	211	0	**1,526**	1,646
654	-17	459	36	0	**1,060**	887
0	0	0	0	0	**0**	19
2,147	-64	1,065	247	0	**2,901**	8,125
3,040	-86	2,430	247	0	**5,137**	27,793

38 Notes to the Consolidated Cash Flow Statement

The consolidated cash flow statement shows the cash flows within a given fiscal year in order to present information about movements in the company's cash and cash equivalents in accordance with IAS 7 (Statement of Cash Flows). The consolidated cash flow statement has been prepared pursuant to the indirect method as defined in IAS 7.18 (b). Cash flows are classified separately as cash flows from operating activities, cash flows from investing activities and cash flows from financing activities.

The cash and cash equivalents shown in the consolidated cash flow statement include all cash and cash equivalents reported in the balance sheet that are available for use at short notice.

€ '000	**Dec. 31, 2018**	Dec. 31, 2017
Bank balances	**28,233**	102,678
Cash on hand	**1**	1
Cash and cash equivalents (means of payment)	**28,234**	102,679

In addition to the notes to the consolidated financial statement for 2017, we would like to point out that the extension of the term of payment with the customer Triathlon has had a negative effect on the operating cash flow for fiscal year 2018.

39 Segment Reporting

The Group Steering Committee consists of the Chief Executive Officer, the Chief Operating Officer and the Chief Executive Officer of Voltabox of North America, Inc. These people represent the Group's key decision makers and they review the results. In contrast to the sales-oriented product segments, Voltabox has identified the following reportable operating segments in accordance with IFRS 8:

- The Europe operating segment comprises the conception, development, production and sale of high-performance lithium-ion battery systems for the European market. This operating segment serves the Voltapower, Voltamotion and Voltaforce product areas.

  In the Voltapower product segment, the company develops, manufactures and sells high-performance battery solutions for particularly demanding applications in industrial submarkets. This includes, above all, the areas of intralogistics (mainly forklifts, industrial trucks), mining (mainly mine vehicles) and agriculture and construction (mainly wheel loaders). In addition, Voltabox develops and produces battery systems for local public transportation applications (mainly trolleybuses). Customers in this product segment include the key cooperation partners Triathlon Batterien GmbH and Kuka AG (both intralogistics), Schäffer Maschinenfabrik GmbH (agriculture and construction) and the system integrator Kiepe Electric (local public transportation). The battery systems used in these fields are all for high-voltage applications.

Under the brand name Voltaforce, Voltabox develops, manufactures and distributes low-voltage batteries used in various segments of the bulk battery market. In these particular applications, lightweight batteries are particularly advantageous for improved driving dynamics as well as in terms of their efficiency and are therefore accordingly in demand. This demand will be enhanced as a result of increasing market penetration and awareness. An example is starter batteries for motorcycles. Voltaforce batteries are increasingly replacing the previous lead-acid batteries. BMW Motorrad is a customer in the volume production business for starter batteries. With the acquisition of ACCURATE – SMART BATTERY SYSTEMS – GmbH in August 2018, Voltabox has succeeded in entering further mass markets, especially pedelecs and e-bikes. In the future, the Voltabox Group would also like to develop additional sub-mass markets through this subsidiary and provide them with standardized lithium-ion battery systems, including in the fields of gardening and recreation or medical technology.

Under the brand name Voltamotion, Voltabox develops e-drive components such as power electronics that enable the complete electrification of high-performance vehicles. In the future, Voltabox will also be able to serve individual markets with its products such as inverters, chargers, DC/DC converters, electric machines and similar drive train components. Voltamotion products are currently at an advanced stage of development. As a result of the upcoming market launch of individual developments that were submitted to the validation phase in fiscal year 2018, the sales activities in this product segment will increase in 2019.

This operating segment is managed by the CEO and COO of Voltabox AG.

- The North America operating segment comprises the conception, development, production and distribution for the North American Market in a separate organization. The focus of the operating segment is the Voltapower product area. This operating segment currently serves the Voltapower product area. Here, the company develops, manufactures and sells high-performance battery solutions for particularly demanding applications in industrial submarkets. In the North America operating segment, these are primarily mining (mainly mining vehicles) and local public transportation (mainly trolleybuses). The customers in this product segment include Komatsu Mining Corp. (mining) and the system integrator Kiepe Electric (local public transportation). The battery systems used in these fields are all for high-voltage applications.

  The Segment Manager and CEO of Voltabox of North America manage the segment.

Segment reporting is based on directly attributable business transactions. Allocation is therefore not necessary. The Steering Committee assesses the profitability of the operating segment on the basis of Group sales, EBIT margin and investments. It incorporates information on the assets of the Group on a monthly basis. Revenue between the operating segments is shown in the specified section of the consolidation column.

2018 € '000	Europe	North America	Consolidation	Group
Revenue from third parties	56,866	11,849	-1,807	66,909
Operating segment revenue	56,866	11,849	-1,807	66,909
Changes in inventories, other operating income and own work capitalized	12,236	1,543	-619	13,160
Overall operating segment performance	69,103	13,393	-2,426	80,069
Material and personnel expenses, other operating expenses	-58,832	-14,700	3,056	-70,476
Depreciation (including impairments)	-2,915	-693	-374	-3,982
Operating segment EBIT	7,355	-2,000	256	5,611
Financial result				-147
Tax expense				-2,885
Fiscal year profit				2,579

2017 € '000	Europe	North America	Consolidation	Group
Revenue from third parties	24,619	3,380	-725	27,273
Operating segment revenue	24,619	3,380	-725	27,273
Changes in inventories, other operating income and own work capitalized	2,846	1,172	-	4,018
Overall operating segment performance	27,465	4,552	-725	31,291
Material and personnel expenses, other operating expenses	-25,709	-7,412	1,441	-31,680
Depreciation (including impairments)	-1,578	-852	-	-2,430
Operating segment EBIT	178	-3,712	716	2,819
Financial result				-696
Tax expense				-2,999
Fiscal year profit				-6,514

The following table shows the assets and the investments made in the reporting year.

2018 € '000	Europe	North America	Consolidation	Group
Assets	187,754	28,124	-34,361	181,516
Investments	9,978	3,584		13,563

2017 € '000	Europe	North America	Consolidation	Group
Assets	157,682	12,164	-2,069	167,774
Investments	4,455	1,873		6,328

For reasons of materiality, a breakdown of sales by products and services for each individual segment is not provided.

Geographical Territories

The following table provides information on the Group's sales revenues with external customers by geographical territories. The classification is based on the location of the external customer.

2018 € '000	Germany	EU	Third country	**Total**
Revenue before consolidation	55,954	790	13,760	70,504

2017 € '000	Germany	EU	Third country	**Total**
Revenue	23,679	241	3,353	27,273

Key Transactions with Customers

In fiscal year 2018, one customer exceeded the threshold of 10 % of the revenue in accordance with IFRS 8.34. Revenue in the fiscal year was € 44,615 thousand.

In fiscal year 2017, two companies exceeded the threshold of 10 % in the revenue share in accordance with IFRS 8.34. Revenue of € 18,321 thousand was realized with one customer and revenue of € 2,579 thousand with a second customer.

40 Directors and Officers

In the reporting year, the Management Board of Voltabox AG consisted of the CEO, Mr. Jürgen Pampel, and since December 1, 2018, Mr. Jörg Dorbandt. As COO, Jörg Dorbandt is responsible for the development and management of global production, the entire operational processes and the finance department. Board member Andres Klasing left the company on December 1, 2018.

The following persons are members of the Supervisory Board:

Name	Occupation
Klaus Dieter Frers Chairman	Chairman of the Board / CEO at paragon GmbH & Co. KGaA Managing Director of Artega GmbH
Prof. Dr. Martin Winter Vice-Chairman	Professor at the Institute of Physical Chemistry at the University of Münster
Hermann Börnemeier	Dipl. Financial Consultant and Tax Advisor, Managing Director of Treu-Union Treuhandgesellschaft mbH

41 Remuneration Report of the Management Board and Supervisory Board

Management Board Remuneration

The remuneration of the members of the Management consists of an annual fixed remuneration, ancillary benefits and a one-year variable remuneration component. In addition to the fixed remuneration and ancillary benefits paid to a former member of the Management Board in the fiscal year, remuneration was paid out for post-employee benefits and was partially accrued in the past fiscal year. A cap (minimum/maximum) is provided for the variable compensation component. A variable compensation component for multiple years has been specified. Finally, the total remuneration still includes a service cost in accordance to IAS 19. This is recognized pursuant to the GCGC as part of total remuneration, even though this is not a newly granted contribution in the narrower sense, but a past decision of the Supervisory Board that continues to be effective.

The total remuneration of the Management Board contains salaries and short-term benefits of € 596 thousand (prior year: € 148 thousand) and includes fixed components of € 486 thousand (prior year: € 131 thousand) and variable components of € 110 thousand (prior year: € 17 thousand). The main variable remuneration components are oriented on EBIT as defined by IFRS and the positive economic growth of the company’s share price, both as compared with the respective balance sheet date.

The following table shows the contributions granted to the members of the Management Board in the reporting year:

Contributions granted	Jürgen Pampel Chief Executive Officer CEO Entry date: Aug. 9, 2017		Jörg Dorbandt Management Board COO Entry date: Dec. 1, 2018		Andres Klasing Management Board CFO Entry date: Aug. 9, 2017 Leaving date: Dec. 1, 2018	
€	**2018**	2017	**2018**	2017	**2018**	2017
Fixed compensation	**168,000**	66,733	**17,000**		**135,667**	58,789
Post-employee benefits					**136,333**	
Ancillary benefits	**21,307**	2,376	**928**		**6,488**	2,700
Total	**189,307**	69,109	**17,928**		**278,488**	61,488
Annual amount to be included in the multi-year variable remuneration*	**38,000**	9,100	**0**		**72,333**	8,017
Total compensation	**227,307**	78,209	**17,928**		**350,821**	69,505

* Capped (maximum) and divided as a variable compensation component for multiple years, which takes into account positive and negative development

The following table shows the contributions paid to the members of the Management Board in the reporting year:

Contributions granted	Jürgen Pampel Chief Executive Officer CEO Entry date: Aug. 9, 2017		Jörg Dorbandt Management Board COO Entry date: Dec. 1, 2018		Andres Klasing Management Board CFO Entry date: Aug. 9, 2017 Leaving date: Dec. 1, 2018	
€	**2018**	2017	**2018**	2017	**2018**	2017
Fixed remuneration	**168,000**	66,733	**17,000**		**135,667**	58,789
Post-employee benefits					**62,333**	0
Ancillary benefits	**21,307**	2,376	**928**		**6,488**	2,700
Total	**189,307**	69,109	**17,928**		**204,488**	61,488
Annual amount to be included in the multi-year variable compensation*	**38,000**	0	**0**		**72,333**	0
Total compensation	**227,307**	69,109	**17,928**		**276,821**	61,488

* Capped (maximum) and divided as a variable compensation component for multiple years, which takes into account positive and negative development.

Supervisory Board Remuneration

In accordance with the Articles of Association, the remuneration of members of the first Supervisory Board is established by the Annual General Meeting, which decides on the discharge of the members of the first Supervisory Board.

The members of the Supervisory Board receive a fixed remuneration of € 10 thousand, in line with the Articles of Association. The Supervisory Board Chairman receives € 20 thousand, while the Vice-Chairman of the Supervisory Board receives € 15 thousand per fiscal year. If a member is only appointed to the Supervisory Board for part of the fiscal year, the remuneration is recognized pro rata temporis. If the remuneration is subject to withholding tax, the sum of the remuneration is paid minus the withholding tax due.

The company has included the members of the Supervisory Board in a directors' and officers' liability insurance policy to the benefit of the members of the Management Board and Supervisory Board at market conditions.

In addition, the members of the Supervisory Board receive compensation for any reasonable, proven expenses associated with the fulfillment of their duties, as well as for any sales tax allocated to the remuneration received as Supervisory Board members, provided they are authorized to invoice the company separately for sales tax and to exercise this right.

In the 2018 and 2017 reporting years, the members of the Supervisory Board received fixed remuneration totaling € 45 thousand.

The following table shows the remuneration of the Supervisory Board members:

€	**Klaus Dieter Frers** Supervisory Board Chairman		**Prof. Dr. Martin Winter**		**Hermann Börnemeier**	
	2018	2017	**2018**	2017	**2018**	2017
Fixed remuneration	**20,000**	20,000	**15,000**	15,000	**10,000**	10,000
Total remuneration	**20,000**	20,000	**15,000**	15,000	**10,000**	10,000

42 Related Party Disclosures

Related parties as defined in IAS 24 (Related Party Disclosures) include members of the Management Board, the Supervisory Board and their immediate families as well as companies affiliated with Voltabox AG.

Mr. Klaus Dieter Frers is the Managing Director of paragon GmbH, the general partner of paragon GmbH & Co. KGaA, and the Managing Partner of Artega GmbH. paragon GmbH & Co. KGaA is the parent company of Voltabox AG. Klaus Dieter Frers is able to control the parent company, paragon GmbH & Co. KGaA.

The outstanding balances for affiliated persons as of the balance sheet date are as follows:

Trade receivables from related parties in the amount of € 1,753 thousand (prior year: € 483 thousand) are entirely attributable to paragon GmbH & Co. KGaA. In addition, there is a receivable of € 9,930 thousand (prior year: € 9,930 thousand) from the assumption of losses due to the profit and loss transfer agreement with paragon GmbH & Co. KGaA. Of the trade payables to related parties in the amount of € 557 thousand (prior year: € 1,813), € 555 thousand (prior year: € 1,811 thousand) is attributable to paragon GmbH & Co. and € 2 thousand (prior year: € 2 thousand) is attributable to productronic GmbH. In the reporting year, revenue with paragon GmbH & Co. KGaA in the amount of € 18 thousand (prior year: € 2,580 thousand) was realized. In turn, paragon GmbH & Co. KGaA realized revenue with the Voltabox Group mainly through Group services in the amount of € 2,868 thousand (prior year: € 2,176 thousand). Voltabox AG concluded a rental agreement with Nordhagen Immobilien GmbH and made an advance payment of € 3,549 thousand (previous year: € 0).

In addition, development services amounting to € 2,997 thousand were sold to Artega GmbH & Co. KG.

Mr. Börnemeier provided tax consulting services amounting to € 27 thousand (prior year: € 25 thousand).

43 Auditor's Fee

The fees for Baker Tilly GmbH & Co. KG, Wirtschaftsprüfungsgesellschaft, recognised as expenses in the reporting period from 1 January to 31 December 2018 for the audit of the separate financial statements of Voltabox AG prepared in accordance with German commercial law and the fees for the audit of the consolidated financial statements of Voltabox AG prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, amounted to EUR 124 thousand (prior year: EUR 235 thousand), of which EUR 25 thousand related to the previous year.

44 Risk Management

The company's risk management is described in the management report.

45 Declaration Pursuant to Section 160 (1) No. 8 of the German Stock Corporation Act (AktG)

Voting Right Notifications

In the year under review, the company received no notifications pursuant to Section 26 (1) of the German Securities Trading Act (WpHG) that require disclosure in accordance with Section 160 (1) No. 8 of the German Stock Corporation Act (AktG):

Directors' Dealings

The company did not receive any reports on proprietary transactions by executives in accordance with Art. 19 of the EU regulation No 596/2014 (MAR) on market abuse (market abuse regulation) during the reporting period.

Corporate Governance Declaration

The Declaration of Conformity with the German Corporate Governance Code (GCGC) required under Section 161 of the German Stock Corporation Act (AktG) was most recently submitted in March 2018, and is available to shareholders on a permanent basis on the company's website (www.voltabox.ag).

Delbrück, Germany, March 27, 2019

Voltabox AG
The Management Board

Jürgen Pampel	Jörg Dorbandt
Chairman of the Board	Member of the Board
CEO	COO

Independent Auditor’s Report

To the Voltabox AG

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

Audit Opinions

We have audited the consolidated financial statements of Voltabox AG and its subsidiaries (the Group), which comprises the consolidated balance sheet as of December 31, 2018, the consolidated statement of comprehensive income (including the consolidated profit and loss account), the consolidated statement of changes in equity and the consolidated cash flow statement for the fiscal year from January 1 to December 31, 2018, as well as the notes to the consolidated financial statements, including a summary of important accounting policies. Furthermore, we have audited the combined management report of Voltabox AG for the fiscal year from January 1 to December 31, 2018.

In our opinion, based on the findings of our audit,

- the enclosed consolidated financial statements comply with IFRS as adopted by the EU and the additional requirements pursuant to Section 315e (1) of the German Commercial Code (HGB), and provide a true and fair view of the net assets and financial position of the Group as of December 31, 2018, as well as its earnings for the fiscal year starting January 1 and ending December 31, 2018, in accordance with these requirements.

- The enclosed combined management report provides a suitable view of the Group’s position. The combined management report is consistent with the consolidated financial statements, complies with all statutory regulations and suitably presents the opportunities and risks of future development.

Our audit opinion regarding the combined management report does not cover the contents of the corporate governance statement pursuant to Section 315d in conjunction with Section 289f (2) and (5) of the HGB.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any objections to the regularity of the consolidated financial statements and the combined management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and the combined 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 the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities according to those requirements are further described in the “Auditor’s Responsibility for the Audit of the Consolidated Financial Statements and the Combined Management Report” section of our auditor’s report. We are independent of the Group companies in accordance with the requirements of European law and German commercial law and professional rules of conduct, and we have fulfilled our other German professional responsibilities in compliance 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 any 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 the combined management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements and of the combined management report for the fiscal year from January 1 to December 31, 2018. 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 opinion, the following matters were the most significant in our audit:

- Recognition and measurement of capitalized development costs
- Impairment of trade receivables
- Disclosures in the combined management report regarding the sales forecast for fiscal year 2019

Our presentation of these key audit matters has the following structure:

1. Specific matter and problem
2. Audit approach and findings
3. Further information

The most important audit issues are described below:

I. Recognition and measurement of capitalized development costs

1. As of December 31, 2018, the Company reported capitalized development costs of € 16.1 million (prior year: € 16.2 million) under intangible assets in its balance sheet. Development projects are only capitalized at cost where these projects fulfill the criteria laid down in IAS 38 and this involves the development of marketable specific customer and product solutions. As a rule, no direct customer orders have been received for this development work. In the company's consolidated financial statements, this balance sheet item in the amount of € 16.1 million now accounts for 8.9 % of the balance sheet total. Own work capitalized in connection with development projects amounted to € 3.0 million in fiscal year 2018 (prior year € 5.2 million). Capitalized development costs have thus had a significant effect on the value of the company's financial performance indicators. In view of the amount of the total capitalized development costs and the complexity of the accounting and measurement of the capitalized development work, this matter was particularly important for the purpose of our audit.

2. Within the scope of our audit of own work capitalized, on a test basis we conducted meaningful audit activities in order to review the recognition, measurement and reporting of capitalized development costs. We reviewed the methodological approach applied in the measurement of capitalized development costs and evaluated this calculation in terms of its amount. For this purpose, for the selected samples the project documentation was analyzed, discussions were held with the responsible controller and the project managers, and the related planned profit contribution calculation was analyzed. The amortization method for completed development projects was reviewed on a test basis. Our audit did not give rise to any objections to the recognition of own work capitalized in the balance sheet.

3. The company's disclosures concerning the effects of own work capitalized are included in the notes, mainly in the following sections: "(8) Description of Accounting Policies and Measurement Methods – Intangible Assets," "(9) Use of Estimates and Assumptions – Capitalized Development Costs," "(12) Other Own Work Capitalized" and "(20) Intangible Assets."

II. Impairment of trade receivables

1. The trade receivables reported in the consolidated financial statements amount to € 56.0 million; this

corresponds to 30.8 % of the balance sheet total. Trade receivables are therefore a significant balance sheet item in terms of amount. In addition, 85 % of trade receivables are due from one customer. Considering this fact and due to the possible effects on the company's financial position, this matter was particularly important for the purpose of our audit.

2. We have evaluated whether the estimates made by the company for the assessment of the impairment of the receivables (in particular for testing the creditworthiness of the customer) are conclusively derived. In addition, we have requested and evaluated balance confirmations and proofs of delivery for the existence and completeness of the receivables. In our opinion, the assumptions on which the legal representatives based their valuation of the receivables have been properly derived.

3. The company's disclosures on the measurement of trade receivables are included in the "Description of Accounting Policies and Measurement Methods" section of the notes to the financial statements.

III. Disclosures in the combined management report regarding the sales forecast for fiscal year 2019

1. In its combined management report, the Group forecasts sales revenues of between € 105 million and € 115 million for fiscal year 2019, representing sales growth of between 157 % and 172 %. The forecast revenues will have a material impact on the future level of the company's financial performance indicators. In view of the magnitude of the sales growth implicit in the forecast and the complexity of preparing this sales forecast as well as the interdependencies of the sales forecast in the valuation of others, this issue was particularly important for the purpose of our audit.

2. For review of the sales forecast in the combined management report, we first analyzed the methodological approach used in the preparation of the sales forecast and assessed the risk of material misstatement. As a result, we performed random tests to obtain reasonable assurance about the amount of the sales forecast. To this end, the extent to which customer framework contracts already exist for the selected samples was analyzed. We held discussions with the responsible controller and sales managers in order to check the assumptions made by the legal representatives in the forecast. We were able to reconstruct the calculation of the sales forecast in the management report.

3. The company's sales forecast information is contained in the combined management report, primarily in the sections "Forecast – Voltabox Group."

Other Information

The company's legal representatives and the Supervisory Board are responsible for the other information. Other information includes the information provided in the section "Corporate Governance Statement pursuant to Section 315d in conjunction with Section 289f (1) HGB" of the combined management report pursuant to Section 315d (5) in conjunction with Section 289f (1) HGB. This other information likewise includes the remaining parts of the Annual Report, with the exception of the audited annual financial statements, the audited combined management report and our auditor's report, and also

- the assurance provided by the company's legal representatives under Section 264 (2) sentence 3 HGB concerning the annual financial statements and the assurance under Section 289 (1) sentence 5 HGB regarding the combined management report,
- the corporate governance report pursuant to no. 3.10 of the German Corporate Governance Code, and
- other sections of the Annual Report of Voltabox AG, Delbrück, for the fiscal year ending December 31, 2018, which did not require auditing.

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

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

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

Responsibility of the Company’s Legal Representatives and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

The company’s legal representatives are responsible for the preparation of the consolidated financial statements which comply with the IFRS as adopted by the EU as well as the German supplementary statutory regulations applicable under Section 315e (1) HGB in all significant respects and for ensuring that the consolidated financial statements provide a true and fair view of the net assets, financial position and earnings of the Group in accordance with these provisions. In addition, the company’s legal representatives are responsible for such internal control 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 company’s legal representatives are responsible for assessing the Group’s ability to continue as a going concern. They are also responsible 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 company’s legal representatives are responsible for the preparation of the combined 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 company’s legal representatives are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined 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 combined management report.

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

Auditor’s Responsibility for the Audit of the Consolidated Financial Statements and the Combined 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 combined 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 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 the combined 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 the audit of financial statements promulgated by 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 made on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the consolidated financial statements and the combined 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 relevant to the audit of the combined 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 company's legal representatives and the reasonableness of estimates made by the company's legal representatives and related disclosures.

- Draw conclusions regarding the appropriateness of the company's legal representatives' 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 combined 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 such that the consolidated financial statements give a true and fair view of the net assets, financial position and earnings of the Group in compliance with IFRS 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 the combined management report. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position which it provides.

- Perform audit procedures regarding the prospective information presented by the company's legal representatives in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the company's legal representatives as a basis for the prospective information, and evaluate whether this prospective information has been properly derived from these assumptions. We do not express a separate audit opinion on this 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 discuss 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 discuss with them any relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

On the basis of the matters discussed with the persons charged with governance, we determine the matters that were of most significance in the audit of the consolidated financial statements for the current period under review and are therefore the key audit matters. We describe these matters in our auditor's report unless any law or other regulation precludes public disclosure of this matter.

Other legal and regulatory requirements

Further Information Pursuant to Article 10 of the EU Audit Regulation

We were elected as the auditor of the consolidated financial statements by the Annual General Meeting held on May 9, 2018. We were engaged by the Supervisory Board on December 18, 2018. We have audited the consolidated financial statements of Voltabox AG without interruption since fiscal year 2017.

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

German public accountant responsible ‘ for the audit

The German public accountant responsible for the audit is Markus Miklis.

Düsseldorf, March 27, 2018

Baker Tilly GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
(Düsseldorf)

Thomas Gloth	Markus Miklis
German Public Accountant	German Public Accountant

Declaration by the Legal Representatives

We declare that to the best of our knowledge and in accordance with the applicable accounting principles, the consolidated financial statements give a true and fair view of the assets, financial position and earnings of the Group, and that the Group management report presents the development of business, including the business results and the position of the Group, in such a way that a true and fair view is conveyed and the significant opportunities and risks of the Group's foreseeable development are described.

Jürgen Pampel	Jörg Dorbandt
Chairman of the Board	Member of the Board
CEO	COO

Financial Calendar 2019

January 10-11, 2019	ODDO BHF Forum, Lyon
January 31, 2019	Bankhaus Lampe German Corporate Conference, London
January 19-20, 2019	ODDO BHF German Conference, Frankfurt am Main
April 1, 2019	2018 Annual Report – consolidated financial statements
April 3-5, 2019	Bankhaus Lampe German Conference, Baden-Baden
April 11, 2019	Solventis Share Forum, Frankfurt am Main
May 13, 2019	Q1 interim report as of March 31, 2018
May 16, 2019	Annual General Meeting, Delbrück
August 21, 2019	Group interim report as of June 30, 2018 – the first six months
September 2-3, 2019	Equity Forum Fall Conference, Frankfurt am Main
November 13, 2019	Interim report as of September 30, 2018 - 9 months

Imprint

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