Electromobility

„Pure Play"

VOLTABOX®

Annual Report 2017

Highlights from Fiscal Year 2017

Consolidated revenue
€ million

2017 **27.3**

+88.2 %

2016 14.5

EBITDA
€ million

3.0 **2017**

n/a

-2.1 2016

EBIT
€ million

0.6 **2017**

n/a

-3.7 2016

Revenue growth
€ million

60

Revenue growth to around € 60 million expected for 2018 – with an EBIT margin of around 10%

Liquid Funds
€ million

102.7

The IPO has created sufficient liquidity for further growth

Staff growth

+ 47.8 %

Number of employees increased by almost half

Group Key Figures at a Glance (IFRS)

€ '000	**Jan. 1 to Dec. 31, 2017**	Jan. 1 to Dec. 31, 2016	Change	**Oct. 1 to Dec. 31, 2017**	Oct. 1 to Dec. 31, 2016	Change
Revenue	**27,273**	14,493	88.2 %	**10,952**	7,631	43.5 %
EBITDA	**3,008**	-2,135	n/a	**3,260**	-522	n/a
EBITDA margin in %	**11.0**	-14.7	n/a	**29.8**	-6.8	n/a
EBIT	**578**	-3,675	n/a	**2,332**	-925	n/a
EBIT margin in %	**2.1**	-25.4	n/a	**21.3**	-12.1	n/a
Group result*	**-238**	-4,684	94.9 %	**1,298**	-1,419	n/a
Earnings per share in €	**0.86**	n/a	n/a	**1.00**	n/a	n/a
Investments	**6,328**	6,210	1.9 %	**2,804**	2,472	13.4 %
Operating cash flow	**-14,971**	6,588	n/a	**-8,590**	-3,291	-161.0 %
Free cash flow	**-20,940**	378	n/a	**-11,386**	-5,526	-106.0 %

€ '000	**Dec. 31, 2017**	Dec. 31, 2016	Change	**Dec. 31, 2017**	Dec. 31, 2016	Change
Total Assets	**170,753**	39,025	337.5 %	**170,753**	44,634	282.6 %
Equity	**154,990**	5,453	2,742.3 %	**154,990**	14,687	955.3 %
Equity ratio in %	**90.8**	14.0	n/a	**90.8**	32.9	n/a
Liquid funds	**102,679**	940	10,823.3 %	**102,679**	762	13,374.9 %
Net Debt	**33.8**	1.3	n/a	**31.2**	2.3	n/a
Employees**	**99**	67	47.8 %	**99**	94	3.2 %

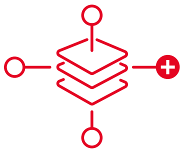
Share

	Dec. 31, 2017	Dec. 31, 2016	Change	**Dec. 31, 2017**	Oct. 13, 2017	Change
Xetra closing price in €	**23.42**	n/a	n/a	**23.42**	32.00	-26.8 %
Number of shares outstanding	**15,825,000**	n/a	n/a	**15,825,000**	15,000,000	5.5 %
Market capitalization in € million	**370.6**	n/a	n/a	**370.6**	506.4	-135.8 %

* Before transfer of loss by the parent company paragon AG.
** Plus 22 temporary employees (December 31, 2016: 21; September, 30, 2017: 13).

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,

The past year was a very significant and exceptional one in our still very early company history. Developed from an idea, founded as a unit of our parent company paragon AG in 2011, consistently expanded in 2014 with independent companies in Germany and the U.S., we enjoyed one of the most successful flotations of the year in Frankfurt in 2017.

With an initial listing of € 30 on October 13, 2017, the stock exchange valued us at around € 475 million. The offer was oversubscribed tenfold. Around half of the shares offered were placed in Germany. The rest was divided between the UK, Switzerland, France, the U.S., Finland, Denmark, Benelux and Spain. The IPO proceeds of around € 140 million will be used for accelerated growth through acquisitions, the targeted further development of products and the expansion of production capacities.

Measured against our cumulated lifetime order backlog, which exceeded the threshold of one billion euros at the end of the year, there is still great potential for further growth. And that is exactly what we have in mind. We have created the basis for this with an exceptional client base, which we are rapidly expanding. At the same time, we are consistently expanding automated production at our facilities in Delbrück and Austin.

Consequently, our revenues once again showed very strong growth in the past year. As a result, we were able to increase our revenue by 88.2 %. The main driving force behind our business was battery modules for use in forklifts and automated guided vehicles. For the first time, starter batteries for motorcycles also contributed to our revenue. Finally, in the last quarter of the year, we launched scheduled series delivery of large battery systems for use in Komatsu Mining mining vehicles.

Of course, our staff are a major pillar of our success. We were not only able to obtain a team of experts at our new development site in Aachen – a total of 38 highly qualified staff now work for us in the field of development, which represents 32.3 % of our workforce.

In our Voltapower (complex lithium ion battery systems for demanding industrial applications) operating segment, we achieved great successes in our existing markets and built on our leading positions there. In the agricultural and construction machinery segment, we gained the ideal partner in Schäffer Maschinenfabrik from the East Westphalia region of Germany for the electrification of compact loaders, wheel loaders and teleloaders. The first vehicle with a Voltabox lithium-ion battery system recently celebrated its world premiere at Schäffer Maschinenfabrik's exhibition stand at the world-leading "Agritechnica" agricultural trade fair in Hanover.

In addition to our core business, we want to increasingly develop and manufacture high-quality lithium-ion batteries for select segments of the mass market in our Voltaforce (standardized lithium ion batteries) operating segment. Today, the focus here is on starter batteries for high-performance motorcycles and sports cars, but also on battery systems for 48-volt mild hybrid applications. For our third operating segment, Voltamotion (drive technology), our research and development center in Aachen has been working since early 2017 on the development of electrical drive systems with the aim of becoming a full-service supplier for the electrification of vehicles. Cutting-edge power electronics and efficient electric motors will in future supplement our high-performance battery systems with market launch of the first solutions planned for 2018.

The market as a whole continued to develop to our benefit. We expect global growth of around 11 % in the submarkets we serve. At the same time, we will make great strides toward building on our market position. In view of our robust order backlog, we are very confi-

Jürgen Pampel
Chief Executive Officer

Andres Klasing
Chief Financial Officer

dent that we will be able to continue our growth course with increasing profitability.

In the current fiscal year, we expect revenue growth of approximately 120 % to about € 60 million, with an EBIT margin of around 10 %. The intralogistics and mining vehicle market segments will be the main growth drivers here. For the 2019 fiscal year, we continue to aim for revenue of approximately € 100 million.

This does not include several acquisitions that we are currently working on. In this way, we are pursuing both a horizontal expansion strategy, i.e. the strengthening of our market position in our existing end markets, as well as tapping into new end markets within our core business. In addition, we also want to expand our service portfolio with targeted acquisitions in order to tap into select segments of the mass market and increase our development capacities.

With our 2017 figures, our highly qualified and motivated staff and our clear product and sales strategy, we are in a great position to be able to continue to build on our growth.

We would like to take this opportunity to thank all our employees for their outstanding work in the year of our flotation on the stock exchange, and our business partners, customers and shareholders for their trust.

Jürgen Pampel
Chief Executive Officer

Andres Klasing
Chief Financial Officer

Trolleybuses

"The zero-emissions concept combined with the generally positive ecological assessment of lithium-ion batteries makes Voltabox technology an important element in the sustainable development of cities and regions. Trolleybuses utilizing Voltabox battery systems are currently operated in about 8 cities with approximately 400 vehicles worldwide and over 200 additional systems being put into service this year."

Scott Hutchins, Field Service Manager Voltabox of Texas, Inc.

Market growth forecast 2017–2027 (CAGR)

9%

Share of order backlog

2%

	Module	Chemistry	Cell type
☑	**Kit I**	**Lithium Iron Phosphate**	**Cylindrical cells**
☐	Kit II	Nickel Manganese Cobalt	Prismatic cells
☑	**Kit III**	**Lithium Titanium Oxide**	**Prismatic cells**
☐	Kit IV	Nickel Manganese Cobalt	Pouch cells


Electric Trolley ZERO EMISSIONS
4320


LITHIUM ION

Intralogistics – Forklifts and Automated Guided Vehicles

“Thanks to Voltabox’ modular system and state-of-the-art automated mass production, we are able to meet the rapidly growing demand of our customers for lithium-ion battery systems in the shortest possible time and tailor-made to the respective application.”

Martin Hartmann, Managing Director Triathlon Batterien GmbH

“The substitution of lead-acid batteries with modern lithium-ion battery systems helps us to quickly expand our dominant market position in intralogistics. Many large customers, such as the Volkswagen Group, already rely on the Voltabox technology and are in discussions with us about development-oriented products.”

Manfred Schmidt, Senior Vice President Sales Voltabox AG

Market growth forecast 2017 – 2027 (CAGR)

16 %

Share of order backlog

46 %

	Module	Chemistry	Cell type
☐	Kit I	Lithium Iron Phosphate	Cylindrical cells
☑	**Kit II**	**Nickel Manganese Cobalt**	**Prismatic cells**
☐	Kit III	Lithium Titanium Oxide	Prismatic cells
☐	Kit IV	Nickel Manganese Cobalt	Pouch cells

Mining Vehicles

"We love to make significant performance and cost benefits available to the mining industry worldwide with our new battery systems. This allows operators to lower their total cost of ownership and safely optimize their machine performance."

Rick Herndon, CEO Voltabox of Texas, Inc.

Market growth forecast 2017 – 2027 (CAGR)

61%

Share of order backlog

31%

Module	Chemistry	Cell type
Kit I	**Lithium Iron Phosphate**	**Cylindrical cells**
Kit II	**Nickel Manganese Cobalt**	**Prismatic cells**
Kit III	**Lithium Titanium Oxide**	**Prismatic cells**
Kit IV	**Nickel Manganese Cobalt**	**Pouch cells**


BH18AC

Agriculture and Construction

"Voltabox AG is a reliable and competent partner in our current electrification project. The high level of specialist knowledge, the short distances to the direct contact persons and the quick implementation of our wishes contribute significantly to the success of the project. This makes Voltabox the first choice and our key supplier of lithium-ion battery technology in this ongoing project."

Rüdiger Lohoff, Managing Director Schäffer Maschinenfabrik GmbH

Market growth forecast 2017 – 2027 (CAGR)

50 %

Share of order backlog

4 %

	Module	Chemistry	Cell type
☐	Kit I	Lithium Iron Phosphate	Cylindrical cells
☑	**Kit II**	**Nickel Manganese Cobalt**	**Prismatic cells**
☐	Kit III	Lithium Titanium Oxide	Prismatic cells
☐	Kit IV	Nickel Manganese Cobalt	Pouch cells


VOLTABOX


BMW
RACE
2D
ÖHLINS
AKRAPOVIC
gilles.tooling
ILMBERGER CARBON
brembo

High-Performance Starter Batteries

“In addition to their high reliability, the Voltabox starter batteries are appreciated especially because of their special performance and significant weight savings compared to conventional starter batteries.“

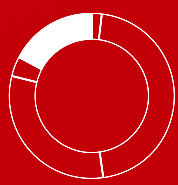
Volker Bruns, Project Manager Voltabox AG

Market growth forecast 2017 – 2027 (CAGR)

41 %

Share of order backlog

17 %



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☐	Kit II	Nickel Manganese Cobalt	Prismatic cells
☐	Kit III	Lithium Titanium Oxide	Prismatic cells
☑	**Kit IV**	**Nickel Manganese Cobalt**	**Pouch cells**

IPO and Shares

Initial Public Offering

On September 11, the Management Board of paragon AG approved the IPO of the company, and, on September 25, September 25, 2017 it approved the price range for a public offering of Voltabox shares. In the period from September 26 to October 10, 2017, a total of up to 6.325 million Voltabox shares were then offered at a price of € 20.00 to € 24.00 per share. The offer comprised five million new shares plus a greenshoe option of 0.825 million additional new shares from a capital increase, as well as a sale of 0.5 million shares by paragon AG.

The placement volume amounted to € 151.8 million, of which the company received € 139.8 million in gross proceeds from the issue. paragon AG received € 12.0 million from the sale of its 0.5 million shares. In addition to the targeted further development of its products, the increase in production capacity and the repayment of a shareholder loan, the issue proceeds are primarily intended to increase the flexibility of the company as it also seeks to grow through value-enhancing acquisitions.

The company was listed on the Frankfurt Stock Exchange (in the Prime Standard segment) on October 13, 2017 with the symbol VBX, the ISIN DE000A2E4LE9 and the WKN A2E4LE at an initial listing price of € 30.00 per share. The company's market capitalization at that time was therefore € 474.8 million (taking the greenshoe option into account). paragon AG now holds 60 % of the company, while the remaining share capital is in free float. paragon AG also intends to remain the majority shareholder of Voltabox in the long term.

The IPO was accompanied by Bankhaus Lampe KG as sole global coordinator and joint bookrunner together with Hauck & Aufhäuser Privatbankiers AG.

The share was classified as follows by STOXX:

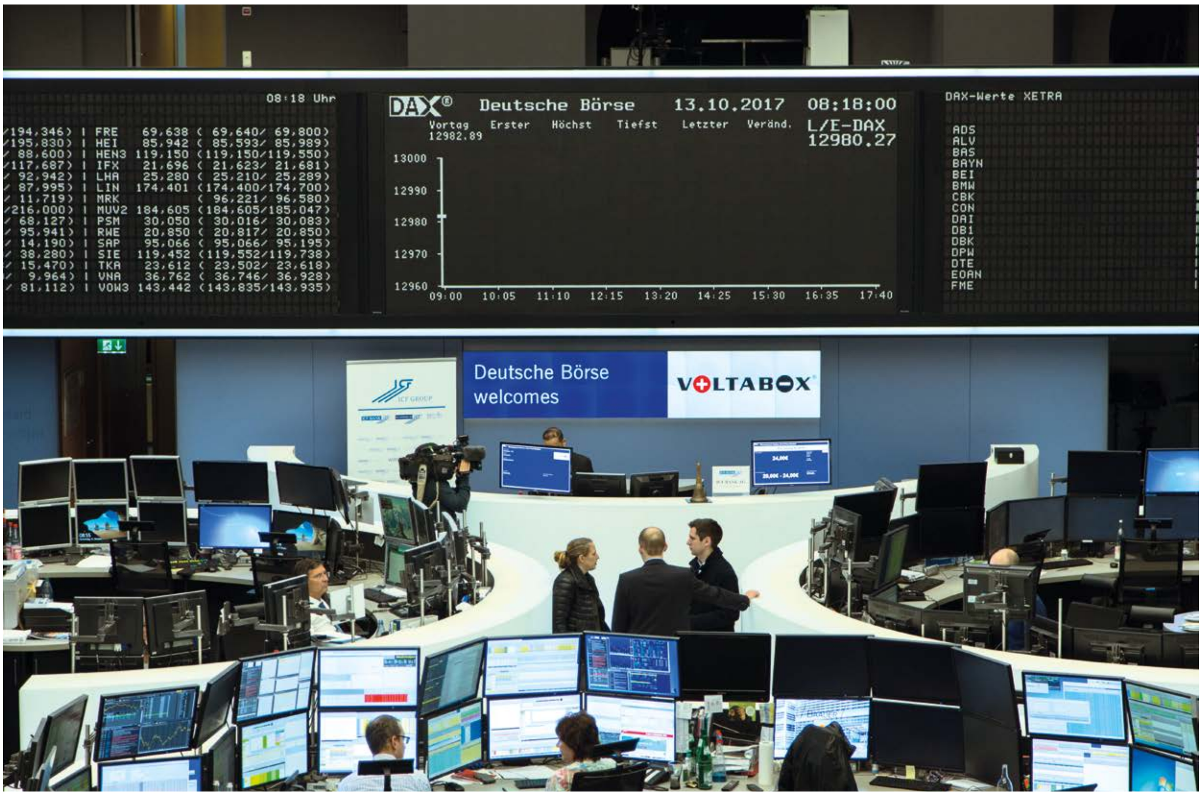
Supersector	Industrials
Sector	Industrial
Subsector, Subsector Code	Advanced Industrial Equipment, 901
Index	Tech

Capital Market Environment

In the past year, the capital market was subject to a number of currency-related and geopolitical influences at the international level, which led to market participants adjusting their expectations. The U.S. Federal Reserve increased base rates in March and June 2017, while the European Central Bank's main refinancing rate remained unchanged at 0.0 %.

In a positive economic environment, the capital market showed a mixed trend in the first quarter of 2017 with initially low trading volumes. While the course of trade in January was dominated by a consolidation phase with sideways movement due to a lack of momentum, increased profit expectations among predominantly foreign institutional investors led to an improved mood starting in February 2017. This resulted in the magic threshold of 12,000 points being exceed on the DAX in March 2017. However, profit-taking and growing uncertainty among institutional investors about the current risk situation slowed further development. By mid-March, pessimism among institutional DAX investors reached its highest level since March 2015.

As a result of the strong economic growth in the first quarter, the utilization of overall economic capacities continued to increase – thanks in particular to the industrial sector and exports. Once again, China played a prominent role. The political risks prevailing at the beginning of the second quarter with regard to the French presidential election and the uncertainties associated with the announced U.S. tax reform initially



From left to right:
Andres Klasing (Chief Financial Officer), Jürgen Pampel (Chief Executive Officer),
Klaus Dieter Frers (Supervisory Board Chairman)

led to a lot of skepticism on the capital markets. Nonetheless, foreign investors significantly increased their European stockholding, which led to the largest shift away from American stocks since 1999. This process ultimately led to new record levels for the DAX. After a correction in May 2017, however, the market then performed unevenly.

The beginning of the third quarter of 2017 was marked by profit-taking on the stock exchange due to a general uncertainty surrounding the possible end to the European Central Bank's loose monetary policy. By the beginning of August, this was again overshadowed by geopolitical risks – particularly the intensifying dispute between the U.S. and North Korean governments. As a result, August 2017 was neutral on the German stock market. Investor sentiment brightened somewhat in September 2017, and this was increasingly supported by private investors. The outcome of the Bundestag elections had no notable effect.

The focus of the final quarter was initially on the psychologically significant 13,000-point mark on the DAX. Professional investors reacted to this hurdle by retreating in October 2017 and by increasing short positions, while private investors were on the buying side. As time progressed the mood brightened significantly, although, despite positive fundamentals in November 2017, profit-taking prevailed. This meant that market participants ended the year in December 2017 with a primarily skeptical attitude.

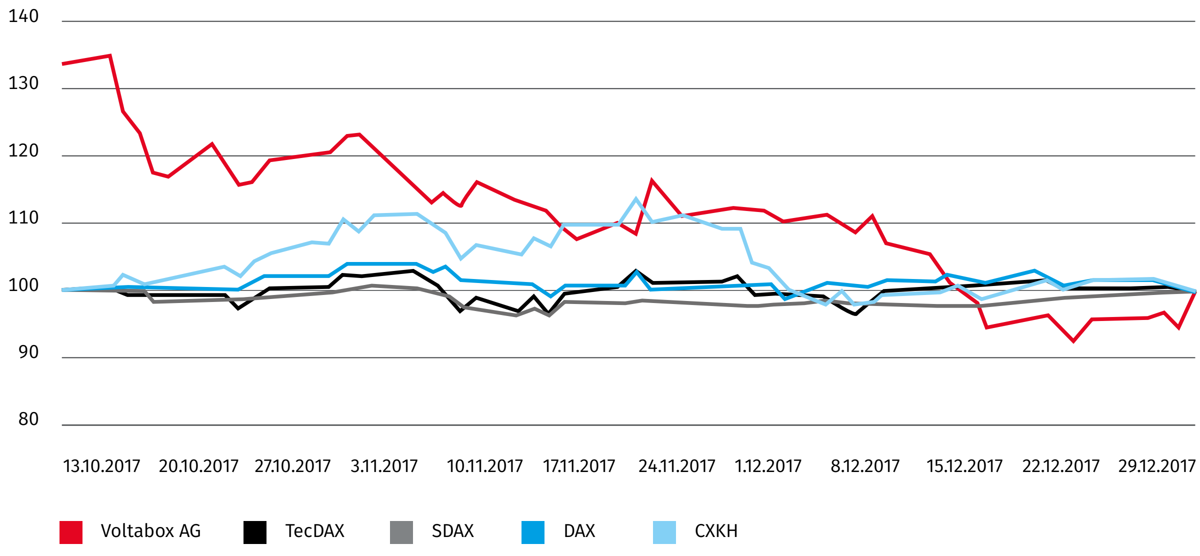
Despite the first increase in base rates by the U.S. Federal Reserve and the tax reforms proposed by the U.S. government at the end of 2017, interest rates remain at a very low level. Interest rates leveled off as a result because investors invested more in longer-term government bonds, driving down yields.

Share: Share Price Performance and Trading Volumes

Revenue from XETRA trading decreased as expected in November 2017. While around 4.3 million shares were still traded in October 2017, XETRA trading volumes decreased noticeably in November 2017 by approximately 80 % to 845,000 shares, which can be seen as a regular normalization process following an IPO. The analysis of trading volumes of all German stock exchanges reveals that 72.3 %

Performance of Voltabox share

in %



First quotation on October 13, 2017

of Voltabox shares were traded on the XETRA exchange in November 2017. The Tradegate exchange achieved a proportion of approximately 22 % in this same period. In the current Deutsche Börse AG index ranking, Voltabox AG was named for the first time in the TecDAX ranking as of the end of November 2017. Voltabox occupied ranks 47 (market capitalization) and 38 (order books).

The Voltabox share ended 2017 with an XETRA closing price of € 23.42. This corresponded to a decrease of 2.4 % compared with the issue price of € 24.00 and a fall of 21.9 % compared with the initial listing of € 30.00 on October 13, 2017. The technology sector as a whole was not able to escape the negative trend in the final quarter. 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.

XETRA trading volumes increased by approximately 8 % in December 2017 as compared with November, from around 845,000 to 914,000 shares traded. After registering 4.3 million shares in October 2017, XETRA trading volumes therefore hovered at just under 1 million shares.

The XETRA proportion of stock exchange turnover on the German markets for the Voltabox share was ultimately 78.4 % in December 2017, following 72.3 % in November and 78.9 % in October. The increase in December 2017 was primarily at the expense of the trading volume on the Tradegate exchange, which decreased by 22.7 % (from 22 % to 17 %). In the TecDAX ranking, Voltabox made it to place 50 (market capitalization) and place 36 (order books). In the multilateral trading systems, trading volume increased by approximately 25 % from 80,000 to 100,000 shares.

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 2017. The mandates of the Supervisory Board members are listed in the notes (note 37).

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 2017. Here, the Supervisory Board supervised the company's management 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 2018, 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 2017 fiscal year: From January 1, 2017 to August 9, 2017 they were Mr. Hermann Börnemeier (Chairman), Mr. Walter Schäfers (Vice-Chairman) and Ms. Brigitte Frers. In the period from August 10, 2017 to September 5, 2017, they were Mr. Klaus Dieter Frers (Chairman), Mr. Hermann Börnemeier (Vice-Chairman) and Mr. Walter Schäfers. Since September 6, 2017, they were Mr. Klaus Dieter Frers (Chairman), Prof. Dr. Martin Winter (Vice-Chairman) and Mr. Hermann Börnemeier.

Klaus Dieter Frers, Chairman of the Supervisory Board

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

Supervisory Board Meetings

In fiscal year 2017, the Supervisory Board convened at one ordinary plenary meeting and at three extraordinary plenary meetings, and held three extraordinary conference calls. The Supervisory Board was represented in its entirety at each of these meetings and conference calls.

The assessment and approval of the consolidated financial statements for Voltabox Deutschland GmbH (undergoing conversion) for fiscal year 2016 was completed and approved by the Voltabox Deutschland GmbH shareholders' meeting on 02/23/2017. The focus of the first ordinary plenary meeting of the Supervisory Board on April 24, 2017, in Delbrück, was the appointment of Mr. Klaus Dieter Frers as sole executive officer of Voltabox AG. In addition, the possible listing of the company was discussed and the Supervisory Board was informed of the latest business developments.

The conversion of Voltabox Deutschland GmbH to Voltabox AG was recorded on May 18, 2017 in the commercial register.

In its first extraordinary plenary meeting on August 9, 2017, in Delbrück, the Supervisory Board appointed Mr. Jürgen Pampel as a member of the Management Board and as Chief Executive Officer, upon which he took responsibility for the Technology department. In addition, Mr. Andres Klasing was also appointed to the Management Board, taking over the Finance department. Mr. Klaus Dieter Frers explained in this meeting that he wished to leave the company's Management Board and join the Supervisory Board. As a result, he left the Management Board by mutual agreement.

The Supervisory Board was also informed about the company's performance in the first half of 2017 and of its current outlook.

In the second extraordinary plenary session on August 10, 2017 in Delbrück, the Supervisory Board elected Mr. Klaus Dieter Frers as its Chairman and Mr. Hermann Josef Börnemeier as its Vice-Chairman.

In its third extraordinary meeting on September 6, 2017 in Delbrück, the Supervisory Board voted Prof. Dr. Winter in as Vice-Chairman of the Supervisory Board. Previously, after Mr. Schäfer announced his intention to step down from the Supervisory Board, Prof. Dr. Winter was appointed to the Supervisory Board during the Annual General Meeting.

In the first conference call on September 25, 2017, the Supervisory Board approved the decision of the Management Board to implement an increase in the subscribed capital by up to € 5,000,000 under the initial public offering and the company shares being floated on the stock exchange, together with up to 500,000 reallocation shares and up to 825,000 borrowed shares. The issue price was set at between € 20 and € 24, and the contract for the takeover and issuance of securities was approved, as was the securities prospectus of September 25, 2017.

In the second conference call on October 10, 2017, the Supervisory Board approved the decision of the Management Board to establish the number of new shares for the capital increase agreed on September 22, 2017. The number of shares fully used was approved at 5,000,000 new shares, 500,000 reallocation shares and 825,000 borrowed shares, and the issue price was set at € 24 per share.

In the third conference call on October 26, 2017, the Supervisory Board approved the decision of the Management Board to partially utilize the authorized capital in 2017. The subscribed capital of the company now amounts to € 15,825,000 and is divided into 15,825,000 bearer shares. With the approval of the Supervisory Board, the Management Board is authorized to increase the subscribed capital by September 21, 2022, by up to € 6,675,000 by issuing up to 6,675,000 bearer shares (authorized capital). The Supervisory Board also approved the Articles of Association in their current form.

The Supervisory Board also dealt with the nomination of the auditor of the annual and consolidated financial statements for fiscal year 2017 and recommended Baker Tilly GmbH & Co. KG Wirtschaftsprufungsgesellschaft, Düsseldorf, as the new auditor of the annual and consolidated financial statements. In its first ordinary meeting of 2018 in Delbrück on January 19, 2018, the Supervisory Board focused on the business developments from the first nine months and the company's current prospects. It also discussed the planning for fiscal year 2018 presented by the Management Board as well as the scheduling of the financial calendar for 2018.

Forming Committees

As in the past, the three-member Supervisory Board did not form any committees in fiscal year 2017 and dealt with all issues as a single body.

Audit of the Annual Financial Statements and Consolidated Financial Statements for Fiscal Year 2017

Baker Tilly GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, Düsseldorf, was appointed by resolution of the extraordinary Annual General Meeting on September 22, 2017, as auditor of the annual and consolidated financial statements for the fiscal year from January 1 to December 31, 2017, and accordingly commissioned by the Chairman of the Supervisory Board. 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, 2017, 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, 2017, and the summarized management report for the Voltabox Group and for Voltabox AG.

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 12, 2018. 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 financial statements are thereby adopted.

The Supervisory Board also assessed the proposal from the Management Board on the appropriation of the balance sheet profits at its meeting on March 12, 2018, and discussed this with the auditor. The Supervisory Board subsequently agreed with the Management Board's proposal.

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

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 2017.

Delbrück, March 12, 2018

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.

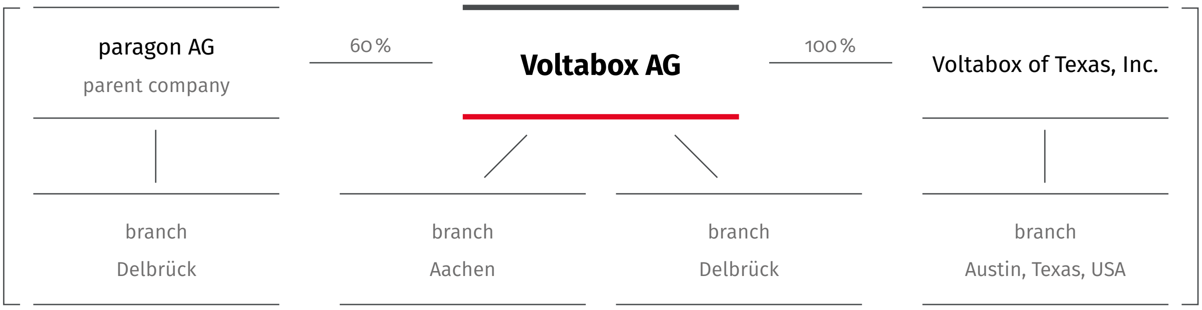
The business model of the Voltabox Group (hereinafter also “Voltabox”) is based on the modular development, manufacture and sale of high-spec battery systems mainly for industrial applications. As such, Voltabox benefits from the consistent modularization and scalability of the individual components, 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. Hardware and software undergo regular compatibility testing to ensure the improved efficiency, perfor mance and safety of the battery systems. In this context, the modular battery management system, now in its fourth generation, designed in house, has a very special role.

In addition to its core business, Voltabox is increasingly developing and manufacturing high-performance lithium-ion batteries for select segments of the mass market. The focus here is currently on starter batteries for high-performance motorcycles and sports cars. In a ddition, we also offer cutting-edge battery systems for 48-volt mild hybrid applications. In addition, we also offer cutting-edge battery systems for 48-volt mild hybrid applications. Since the start of the year, the research and development center in Aachen has been developing electrical drive systems with the aim of becoming a full-service supplier for the electrification of vehicles. Cutting-edge power electronics and efficient electric motors will thus in future supplement the high-performance battery systems that make up our core business.

The level of automation in series production is constantly being increased to 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 six industrial robots for manufacturing.

The business model comprises three segments. In the “Voltapower” segment, the company develops, manufactures and sells high-performance battery solutions. In the “Voltaforce” segment, among other things, standard low-voltage batteries are developed, manufactured and distributed.

In the “Voltamotion” segment, drivetrain components, such as power electronics, which enable the complete electrification of high-performance vehicles, are developed.



In the year under review, over 99 % of revenue was generated by the "Voltapower" segment. A more detailed presentation of the segments in the segment report (Note 36) is therefore omitted for materiality reasons.

Group Structure

Voltabox AG (hereinafter "Voltabox AG") is a joint stock corporation incorporated under German law. The company's headquarters are in Delbrück, Artegastrasse 1, 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 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 AG. The administrative headquarters of Voltabox AG are located in Delbrück, with a branch in Aachen.

The scope of consolidation of the Voltabox Group includes the wholly owned subsidiary, Voltabox of Texas, Inc. (Austin, Texas, U.S.).

Aachen Site

Our Aachen site houses a research and development center for drive components with already three highly qualified employees and an area of 790 sq m. The team of experts develops drive components, including power electronics, which enables the all-round electrification of high-performance vehicles and integrated solutions. We aim to recruit numerous staff in the current fiscal year. This will address the individual markets for inverters, chargers, DC-to-DC converters, electric motors and similar, in future, too.

Corporate Strategy

The company's strategic focus is on the early expansion into specific industrial submarkets of e-mobility in order to quickly gain significant market shares in this dynamic environment. In addition to local public transportation (trolleybuses), intralogistics (forklift trucks and automated guided vehicles) and mining applications (in particular underground mining vehicles), these submarkets include vehicles in the agricultural and construction sectors (in particular compact-, wheel- and teleloaders) as well as starter batteries (motorcycles).

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

In the future, Voltabox will also deal with other submarkets such as the electrification of vehicles for municipal services, airport service vehicles, etc. As part of the global mass market for cars, Voltabox will also address the segment for modern 48V lithium-ion battery systems for hybrid cars. Finally, Voltabox will continue to offer powertrain components such as electric motors and power electronics such as DC/DC converters in the future.

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: low-cost, reliable serial production

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

- Expansion the market position in existing end markets, as well as tapping into new end markets in the core area of battery systems (horizontal expansion)
- Expansion of the service portfolio (particularly powertrains, charging infrastructure and power electronics) to tap into select segments of the mass market (vertical expansion)

The competitive strategy of Voltabox can therefore largely be described as a niche strategy.

Control System

Alongside a high level of innovation, the organizational structure at Voltabox is characterized by flat hierarchies and fast decision-making. Voltabox also has the character of an owner-operated, 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 will in future be used throughout the Group.

Voltabox AG has a comprehensive planning and control system for implementing its strategic planning into its operations. 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 monthly review on business development. These reports document possible deviations from the planned figures in a target/actual comparison and provide the basis for 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 these specific influences, 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 of Group sales, EBIT margin and investments is observed using rolling medium-term planning that accounts for experience curve effects within a given corridor. 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 and systems with different cell formats, different cell chemistries and performance specifications are currently the main revenue drivers for our business. They are supplied to various end markets, notably in intralogistics, particularly for use in forklifts and automated guided vehicles. In addition, complete battery systems are supplied to specific end markets, particularly for use in trolleybuses, mining vehicles and agricultural and construction vehicles. Finally, an as-yet small proportion of our revenue is currently from services related to the development of prototypes for innovative battery systems and the manufacture of standardized batteries (particularly starter batteries).

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

The generally new submarkets 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, comes closer to being definable as mass production.

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

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. This fact is accounted for with the provision of the EBIT margin as a relative key figure when providing forecasts. This means that medium-term planning also accounts for the dynamic effects that 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 corporate strategy. In addition to an early expansion into profitable market niches, the high technological and quality requirements in the serial production of large quantities of battery modules is particularly relevant.

Furthermore, investment decisions are used to react 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. Finally, the investment decisions account for R&D activities. The forecast therefore shows all the planned investments to highlight the medium-term dynamics in the operational implementation of the growth strategy.

In the past fiscal year, Voltabox invested in the further expansion of its business activities. Investments in intangible assets amounted to about € 5.3 million (prior year: € 6.0 million). Of this amount, € 5.2 million (prior year: € 6.0 million) related to own work pursuant to IAS 38, of which 78.7 % were attributable to the Voltapower operating segment, 16.4 % were attributable to the Voltaforce operating segment und 4.9 % were attributable to the Voltamotion operating segment.

Investments in property, plant and equipment amounted to roughly € 1.0 million (prior year: € 1.0 million) in the reporting year. These related to automated production lines for starter batteries, end-of-line-tester for battery systems and a charging station for electric vehicles.

Non-financial Performance Indicators

As the company is strategically positioned as an innovative provider of technologically sophisticated and high-quality battery systems, the Management Board also uses non-financial performance indicators as part of its corporate management. Employees and the area of quality and environment are critical success factors for Voltabox in this respect.

Employees

The globally advancing megatrend of electrification of vehicles is leading to a dynamic increase in the demand for employees with specific knowledge and skills for the development and construction of modern battery systems.

The operational implementation of the Voltabox growth strategy also necessitates an ongoing review and adaptation of both its organizational and operational structures. 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 continually optimized in order to be able to offer customized battery systems as quickly as possible. Creativity, self-confidence, inspiration and courage play a special role here. The training of efficient project teams – even across sites – is increasing in importance.

The successful sourcing, development and retention of qualified employees are therefore seen as particularly important for the successful implementation of the growth strategy. In the fiscal year 2017, a total of 47 new employees were hired across the Group (prior year: 20), 12 of whom were attributed to the subsidiary Voltabox of Texas (prior year: 3). In this context, a total of 35 new jobs (prior year: 6) were created at Voltabox in Germany.

The turnover rate was 5.2 % (prior year: 12.2 %). The share of female employees at Voltabox was down at 9.9 % (prior year: 14.9 %). At 49.7 %, the number of employees with university degrees, however, was up slightly (prior year: 44.8 %). The average employee age dropped minimally to 38.3 years (prior year: 39.5).

The number of Voltabox employees developed as follows as of the reporting date:

	2017	2016
Number of employees	**99**	67
Number of temporary employees	**22**	21

In the reporting period, personnel costs amounted to € 6.7 million (prior year: € 4.1 million). Of this, € 5.0 million was attributable to wage and salary costs (prior year: € 3.1 million), € 0.8 million to social contributions and pensions (prior year: € 0.6 million) and € 0.9 million to expenses for temporary workers (prior year: € 0.4 million).

Quality and the Environment

Voltabox AG has established a management system according to IATF 16949 and ISO 9001:2015 standards both at its German sites and at Voltabox of Texas. The management system is due for certification in the current fiscal year.

The focus for the 2017 fiscal year was on establishing small control loops in production, ensuring ongoing process optimization in manufacturing. In combination with the large control loop to the customer, the company strives for a consistent service and customer focus, thus ensuring the overall ongoing improvement of quality standards and customer satisfaction.

Establishing an interactive management system guarantees the Group-wide knowledge management at all levels of product development and realization.

Defective goods and customer-related quality costs were reduced in this way by about 50 % compared to the prior year.

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 2016, despite increasing production volumes.

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 liquidity as indicators for control and further development.

Research and Development

In fiscal year 2017, Voltabox spent a total of € 5.2 million (prior year: € 6.1 million) on internal R&D activities. This corresponds to 19.1 % of revenue (prior year: 41.9 %). The ratio of capitalized development costs was approximately 99.1 % (prior year: 98.9 %) of overall research and development costs.

Across the period from 2011 to 2017, the ratio of cumulative capitalized development costs to total development costs was 92.3 %. The Management Board views the corresponding capitalization of this internal work as appropriate compared to others in the industry. The number of employees in research and development increased during the reporting year by 39.3 % to 39 (prior year: 28). This corresponds to a ratio of approximately 32.3 % (prior year: 31.8 %).

The principal remit of research and development included the expansion of the product portfolio and successfully completed customer projects. A 5 Ah and a 10Ah motorcycle starter battery was transferred from development to serial production on behalf of a German manufacturer. In addition, a renowned manufacturer of automated guided vehicles commissioned the development of a battery module, which went into serial production. The product portfolio was expanded with the following modules:

- 4x9 LFP round-cell module
- Pouch module for NMC and LTO chemistry
- Prismatic LFP module
- Finalization of the 25 Ah motorsports battery

At the Voltabox of Texas subsidiary, the first prototypes and pilot production batteries were supplied from the Austin site to a global market leader in mining vehicles. Using the new 4x9 LFP round-cell modules, a battery system for an underground tractor was developed and supplied as a prototype. A prototype battery system with the NMC pouch module was also developed and delivered for use in an underground loader.

R&D activities were primarily carried out in house and in an application-oriented way.

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 input ratio was 61.1 % (prior year: 92.5 %).

In the past, material costs were largely influenced by high one-off costs for the development of prototypes and tools relating to the expansion of the product portfolio.

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 around 50 % of 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 often replace the battery cells used by us in line with their own innovation cycle with new versions featuring improved performance characteristics. In rare cases, supplies of specific cell types can be completely halted so that the company has to switch the existing system to other cells. Generally speaking, Voltabox is integrated very early on into the relevant innovation processes by manufacturers. In this regard, materials management 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 2017.

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. A portion of the issuing proceeds from the company's IPO will thus be used in the form of acquisitions. Liquidity is therefore also another benchmark.

Liquidity is also an important economic indicator for third parties looking to comparatively assess a company's business situation. 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	**2017**	2016
Liquid funds	**102.679**	940

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 operating segments. Additionally, the subsidiary Voltabox of Texas, Inc., is consolidated at a Group level on a monthly basis. The introduction of Microsoft Dynamics AX as a uniform ERP system 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. Over 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).

As reported in the financial statements according to the German Commercial Code, the accumulated losses of Voltabox AG during the reporting year was still absorbed by the parent, paragon AG, as a result of the profit transfer agreement in effect since January 1, 2015. With the listing of Voltabox AG itself on the stock exchange, no further profits will be transferred to paragon AG in future reporting periods.

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 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 total remuneration of the Management Board contains salaries and short-term benefits of € 148 thousand (prior year: € - thousand) and includes fixed components of € 131 thousand (prior year: € - thousand) and variable components of € 17 thousand (prior year: € - 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 (for 2017, the reference rate is the issue price of € 24.00).

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

Benefits granted	**Jürgen Pampel** Chief Executive Officer Date joined: Aug. 9, 2017		**Andres Klasing** Chief Financial Officer Date joined: Aug. 9, 2017	
€	**2017**	2016	**2017**	2016
Fixed compensation	**66,733.33**		**58,788.87**	
Fringe benefits	**2,376.00**		**2,699.52**	
Total	**69,109.33**		**61,488.39**	
One-year variable compensation*	**9,100.00**		**8,017.00**	
Total	**78,209.33**		**69,505.39**	
Service cost	**0.00**		**0.00**	
Total compensation	**78,209.33**		**69,505.39**	

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

Since the registration as a joint stock corporation, the Voltabox AG Management Board consisted from May 18, 2017, to August 8, 2017, of one person – Mr. Klaus Dieter Frers. Mr. Frers was managing director of Voltabox Deutschland GmbH from January 1 to May 17, 2017. He did not receive any remuneration for this function but he was compensated for his duties as CEO of paragon AG (as a 100 % parent company)

Furthermore, Mr. Klaus Dieter Frers held the post of chief executive officer (CEO) at Voltabox of Texas, Inc., from January through August in the reporting period. In September, he joined the company's Board of Directors as chairman. For these activities at Voltabox of Texas, Inc., Mr. Klaus Dieter Frers received an amount of USD 75,000.00 during the reporting period.

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

Allocation	**Jürgen Pampel** Chief Executive Officer Date joined: Aug. 9, 2017		**Andres Klasing** Chief Financial Officer Date joined: Aug. 9, 2017	
€	**2017**	2016	**2017**	2016
Fixed compensation	**66,733.33**		**58,788.87**	
Fringe benefits	**2,376.00**		**2,699.52**	
Total	**69,109.33**		**61,488.39**	
One-year variable compensation*	**0.00**		**0.00**	
Total	**69,109.33**		**61,488.39**	
Service cost	**0.00**		**0.00**	
Total compensation	**69,109.33**		**61,488.39**	

* 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.

Additionally, 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.

So far, the members of the Supervisory Board have not received any fixed remuneration in the year under review. The compensation to be paid to the Supervisory Board for the year under review is as follows:

€ '000	Chairman of the Supervisory Board		Deputy Chairman of the Supervisory Board		Member of the Supervisory Board	
	2017	2016	**2017**	2016	**2017**	2016
Fixed compensation	**20.0**	n/a	**15.0**	n/a	**10.0**	n/a
Total compensation	**20.0**	n/a	**15.0**	n/a	**10.0**	n/a

Ms. Brigitte Frers was a member of the Supervisory Board from January 1, 2017, to August 9, 2017, and Mr. Walter Schäfers was a member from January 1, 2017, to September 5, 2017. Neither received any salary for their position on the board.

Economic Report

Global Economic Conditions

In its global economic outlook in [1]October 2017, the International Monetary Fund (IMF) indicated a positive global economic situation with accelerated growth in the economic zones of Europe, Japan, China and the U.S. Global economic growth was estimated at 3.6 % for 2017 after the prior year showed the weakest growth since the financial crisis at 3.2 %. The uneven distribution of economic growth between developed economies (2.2 %) and emerging markets (4.6 %) remained unchanged. Overall, the global economy broadly benefited from the growth (around 75 %). In particular, economic growth in the U.S.A. was estimated to have amounted to 2.2 % in 2017, 2.1 % in Europe, 2.0 % in Germany and 6.8 % in China.

In this positive economic environment, the German economy proved highly robust in the past fiscal year. According to data from the German Federal Statistical Office ("Destatis")[2] , following price, seasonal and calendar adjustment, gross domestic product (GDP) rose 2.3 % in the fourth quarter of 2017. This follows increases of 2.2 % in the third quarter, 1.0 % in the second quarter and 3.4 % in the first quarter. Private consumer spending, which is important for the automotive industry, also contributed strongly to the positive momentum in the fourth quarter. It posted an adjusted growth of 0.7 % after 1.1 % in the third quarter, 1.1 % in the second quarter and 1.2 % in the first quarter.

As a manufacturer of battery systems for industrial applications, Voltabox achieved the majority of its revenue in the 2017 fiscal year from companies in the intralogistics segment (particularly forklifts and automated guided vehicles), trolleybuses and mining vehicles, based in Germany and the EU. 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.

1 https://www.imf.org/en/Publications/WEO/Issues/2017/09/19/world-economic-outlook-october-2017
2 Federal Office of Statistics, press release from February 23, 2018 - 058/18

Market Development 2017

The reporting year was characterized by ongoing dynamic market growth in the industrial submarkets relevant to Voltabox. This market dynamic was based 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 market segments currently occupied by Voltabox (trolleybuses, forklifts, mining vehicles) at 10 % for 2017.

Trolleybuses represent a subsegment of the market for electric buses, with a total of 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 401,000 forklifts with internal combustion engines were in operation globally in 2017. While Asia is the largest sales market for intralogistics, particularly forklifts, 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 dumpsters 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 was a key factor in the company’s growth in the 2017 fiscal year. The fourth quarter in particular showed impressive growth in terms of battery modules for intralogistics.

Key Factors on Business Performance

The business performance of the Voltabox Group during the past fiscal year was mainly characterized by the development, manufacture and sale of lithium-ion battery systems for industrial applications in the Voltapower operating segment. This includes in particular local public transportation (trolleybuses), intralogistics (forklifts and automated guided vehicles) and mining and agricultural vehicles. The company mainly benefited from substitution effects because in its existing market segments, electric drives with lead-acid batteries have already been well established for some time and offer clear advantages in terms of use. As the reporting year progressed, business performance was increasingly dominated by automated series production of ready-to-use battery modules for intralogistics. In addition, series production of 5Ah and 10Ah starter batteries commenced in the Voltaforce operating segment in the third quarter. In Q4, the first series-produced battery systems for initial application in mining were delivered. In addition, business performance was shaped by the construction of a new prototype of a large, innovative underground mining vehicle, as well as the development of power electronics in the Voltamotion operating segment.

The relative composition of the client base only changed marginally during the course of the year with the entry

3 https://www.idtechex.com/research/reports/industrial-and-commercial-electric-vehicles-on-land-2017-2027-000505.asp
4 Source: www.trolleymotion.eu
5 Source: Mining Report 153, 2017, no. 2

into the agricultural and construction market segment with the first client, Schäffer. The proportion of revenue accounted for by U.S. subsidiary Voltabox of Texas was around 12 % during the reporting year.

Assets, Financial Position and Earnings

Earnings of the Voltabox Group

Voltabox AG successfully went public on October 13, 2017. It is publishing its own consolidated financial statements that include Voltabox of Texas, Inc., for the first time this fiscal year. The prior-year figures are taken from the Combined Financials 2016, which were published for the initial public offering and are essentially comparable.

The Voltabox group continued its growth dynamics in the 2017 fiscal year with revenue growth of 88.2 % to around € 27.3 million (prior year: € 14.5 million). With a group EBIT margin of 2.1 %, the Management Board's earnings forecast of a “slightly positive” result was easily achieved.

The cost of materials developed more slowly, increasing only 24.3 % to € 16.7 million (prior year: € 13.4 million). The materials ratio thus developed steadily as expected, significantly below the prior year's level at 61.1 % (prior year: 92.5 %). Development work capitalized was down by 12.8 % to € 5.3 million (prior year: € 6.0 million), because higher amounts from development work were incurred in the U.S. through projects in the prior year. This resulted in a gross profit for the 2017 fiscal year of € 14.6 million (prior year: € 7.0 million), which constitutes a gross profit margin of 53.6 % (prior year: 48.3 %).

Personnel costs increased particularly strongly, mainly as a result of the new hires in connection with the operational growth at existing sites and the setup of a new facility in Aachen, by 63.1 % to € 6.7 million (prior year: € 4.1 million). As a result of the particularly strong revenue growth, the personnel expense ratio decreased to 24.6 % (prior year: 28.4 %). During the reporting year, loans provided by the parent company to Voltabox of Texas were valued as a net investment in an overseas business. Resulting currency translation effects are recognized directly in equity for the first time. Costs relating to the IPO were also recognized directly in equity. As a result, other operating expenses remained at the prior year's level at € 4.9 million (prior year: € 5.0 million).

Earnings before interest, taxes, depreciation and amortization (EBITDA) rose to € 3.0 million (prior year: € -2.1 million), which corresponds to an EBITDA margin of 11.0 % (prior year: -14.7 %).

After increased depreciation and amortization of € 2.4 million (prior year: € 1.5 million) resulting from increased amortization of intangible assets owing to series production starts, earnings before interest and taxes (EBIT) improved to € 0.6 million (prior year: € -3.7 million). As a result, the EBIT margin rose to 2.6 % (prior year: -25.4 %).

Despite a reduced financial result of € -0.7 million (prior year: € -0.5 million) stemming from a decline in financial income and higher financing expenses, earnings before taxes (EBT) managed to increase to € 0.1 million (prior year: € -4.2 million). Taking into account lower income taxes of € 0.1 million (prior year: € 0.5 million) owing to the initial recognition of deferred tax carried forward due to the profit and loss transfer agreement ending on January 1, 2018, as a result of the IPO, the Voltabox group generated net income before loss transfer to the parent company for the period of € -0.2 million (prior year: € -4.7 million). Net income after loss transfer amounts to € 9.7 million (prior year: € -0.2 million). This corresponds to earnings per share of € 0.86.

Net Assets of the Voltabox Group

As of the end of the reporting period, the assets of Voltabox AG increased significantly to € 170.8 million (December 31, 2016: € 39.0 million), mainly due to liquid assets accrued as a result of the IPO.

Noncurrent assets increased to € 31.1 million (December 31, 2016: € 25.5 million). The reason for this increase is the steady level of capitalized development costs of

€ 16.2 million (prior year: € 12.7 million) due to a large number of new projects in the year under review.

Current assets increased to € 139.6 million (December 31, 2016: € 13.6 million). This is mainly due to the liquid assets amounting to € 102.7 million accrued as a result of the IPO. Liquid assets amounted to € 102.7 million at the end of the reporting period (December 31, 2016: € 0.9 million. Trade receivables increased to € 22.1 million (December 31, 2016: € 5.8 million) as a result of the new revenue structure and a strong fourth quarter in terms of revenue.

Noncurrent provisions and liabilities increased by € 2.4 million to € 8.4 million (December 31, 2016: € 6.0 million), which was mainly due to the increase in deferred tax liabilities as result of waiving netting with deferred tax assets in the reporting period. On the contrary, long-term borrowings decreased to € 3.5 million (December 31, 2016: € 4.5 million) stemming from scheduled repayments. Current provisions and liabilities also decreased significantly to € 7.4 million (December 31, 2016: € 27.5 million). One major reason for this is the scheduled repayment of loan obligations to the parent company, paragon AG, as announced as part of the IPO. The decline in current loan liabilities to € 0.5 million (December 31, 2016: € 0.7 million) was due to scheduled repayments of current account lines, while other current liabilities increased to € 1.3 million (December 31, 2016: € 0.8 million) as a result of the increase in operational business.

Voltabox AG's equity increased to € 155.0 million (December 31, 2016: € 5.5 million). As a result of the IPO, the subscribed capital increased due to the new shares issued, as did the capital reserve, owing to the issue price achieved for the new shares.

In this context, the total assets and the equity ratio increased, as expected, to 90.8 % as of the reporting date (December 31, 2016: 14.0 %).

Financial Position of the Voltabox Group

Cash flow from operating activities decreased in the period under review to € -15.0 million (prior year: € 6.6 million). This was due to the significant increase in trade receivables owing to strong revenue in the fourth quarter, as well as due to the planned reduction in trade payables as a result of the IPO.

Cash flow from investment activity of € 6.0 million was at previous year's level (prior year: € 6.2 million). In addition to a payment inflow from the disposal of non-current assets amounting to € 0.4 million (prior year: € 0.0 million) and payments for investments in property, plant and equipment, which came to € 1.0 million (prior year: € 1.3 million) this was mainly due to the increase in payments for investments in intangible assets by 9.0 % amounting to € 5.3 million (prior year: € 4.9 million).

The strong increase in cash flow from financing activities of € 122.7 million (prior year: € -0.2 million) is mainly due to the inflow of funds from the IPO and the repayment of loans.

Cash and cash equivalents increased to € 102.7 million as of the end of the reporting period (prior year: € 0.9 million), mainly as a result of the inflow of funds resulting from the IPO.

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 and the IPO. Earnings mainly benefited from growth in revenue and the normalization of the material input ratio. Furthermore, other operating expenses and development work capitalized remained constant, making a similar contribution, while disproportionately low increases in personnel expenses in the context of expanding business operations also led to an improvement in earnings. In addition, net assets also experienced a positive effect due to the IPO and the resulting inflow of funds with a simultaneous increase in equity. The financial position also improved significantly as of the balance sheet date as a result of the cash inflow, despite the repayment of loan obligations.

Earnings of Voltabox AG (Individual Financial Statement)

Voltabox AG successfully went public on October 13, 2017, and is publishing its own annual financial statements for the first time this fiscal year.

The Voltabox group continued its growth dynamics in the 2017 fiscal year with revenue growth of 73.2 % to around € 24.6 million (prior year: € 14.2 million). The EBIT margin amounts to -38.7 % (prior year: -29.7 %), mainly as a result of the costs associated with the IPO during the 2017 fiscal year.

The cost of materials increased by 43.1 % to € 16.0 million (prior year: € 11.2 million). The materials ratio thus developed steadily as expected, significantly below the prior year's level at 65.0 % (prior year: 78.8 %). This results in a gross profit for the 2017 fiscal year of € 8.2 million (prior year: € 3.0 million), which constitutes a gross profit margin of 33.3 % (prior year: 21.0 %).

Personnel costs increased at a disproportionately low rate to the increase in revenue, mainly as a result of the new hires in connection with the operational growth at existing sites and the setup of a new branch in Aachen, by 63.5 % to € 4.5 million (prior year: € 2.7 million). As a result of the particularly strong revenue growth, the personnel expense ratio decreased to 18.1 % (prior year: 19.2 %). Other operating expenses increased to € 12.5 million (prior year: € 3.6 million), primarily as a result of the costs of the IPO amounting to € 8.9 million.

Earnings before interest, taxes, depreciation and amortization (EBITDA) thus rose to € -8.7 million (prior year: € -3.3 million), which corresponds to an EBITDA margin of -35.5 % (prior year: -23.6 %).

Following a slight decrease in depreciation and amortization of € 0.8 million (prior year: € 0.9 million), earnings before interest and taxes (EBIT) decreased to € -9.5 million (prior year: € -4.2 million). Without taking into account the costs of the IPO, the adjusted EBIT amounts to € -0.7 million (prior year: € -4.2 million).

The EBIT margin decreased to -38.7 % (prior year: -29.7 %).

Owing to higher financing expenses, the financial result decreased to € -0.4 million (prior year: € -0.2 million), while earnings before taxes (EBT) decreased to € -9.9 million (prior year: € 4.5 million). Prior to the profit transfer in the period under review, Voltabox AG generated net losses of € -9.9 million (prior year: € -4.5 million).

Net Assets of Voltabox AG

As of the end of the reporting period, the assets of Voltabox AG increased significantly to € 155.5 million (December 31, 2016: € 19.3 million), mainly as a result of liquid assets accrued as a result of the IPO.

Noncurrent assets decreased slightly to € 2.5 million (December 31, 2016: € 2.7 million). Financial assets increased as a result of the transfer of a loan to Voltabox of Texas, previously issued by paragon AG, amounting to € 18.6 million.

Current assets increased to € 134.4 million (December 31, 2016: € 16.6 million). This is mainly due to the liquid assets amounting to € 102.7 million accrued as a result of the IPO. These amount to € 102.7 million (December 31, 2016: € 0.9 million). Trade receivables increased to € 19.8 million (December 31, 2016: € 5.5 million) as a result of the revenue structure and changes in the product mix and a strong fourth quarter in terms of revenue. In the process, payment terms were changed for an important customer.

Provisions increased by € 1.1 million as a result of the expansion of the business to € 1.2 million. This was also the reason for the increase in trade accounts payable by € 0.4 million to € 3.3 million. Liabilities to affiliated companies declined significantly by € 13.8 million to € 0.1 million. As a result of the IPO, the loan liability vis-à-vis the parent company paragon AG was redeemed on schedule as announced for the IPO.

Voltabox AG's equity increased to € 149.9 million (December 31, 2016: € 0.2 million). As a result of the IPO, the subscribed capital increased due to the new shares issued, as did the capital reserve, owing to the issue price achieved for the new shares.In this context, the total assets and the equity ratio increased, as expected, to 96.4 % as of the reporting date (December 31, 2016: 1.1 %).

Financial Position of Voltabox AG

Cash flow from operating activities decreased in the period under review to € -9.8 million (prior year: € 6.6 million). This was due to the significant increase in trade receivables owing to strong revenue in the fourth quarter, as well as due to the planned reduction in trade payables as a result of the IPO.

Cash flow from investment activity increased in the period under review by € 13.3 million to € 19.5 million (prior year: € 6.2 million). This development resulted, on the one hand, from the decrease in payments for investments in property, plant and equipment of 13.2 % to € 1.1 million (prior year: 1.3 million euros) as well as from the decline in disbursements for investments in intangible assets by 96.5 % to € 0.1 million (prior year: EUR 4.9 million). On the other hand, loans to the subsidiary Voltabox of Texas, Inc. increased significantly to € 18.6 million due to the acquisition from paragon AG.

Cash and cash equivalents increased to € 102.7 million as of the end of the reporting period (prior year: € 0.9 million), mainly as a result of the inflow of funds resulting from the IPO. Cash flow from financing activities amounted to € 131.0 million in 2017 (prior year: € -0.2 million).

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 IPO. Earnings mainly benefited from growth in revenue and the normalization of the material input ratio. In addition, net assets also experienced a positive effect due to the IPO and the resulting inflow of funds with a simultaneous increase in equity. The financial position also improved significantly as of the balance sheet date as a result of the cash inflow, despite the repayment of loan obligations.

Opportunity and Risk Report

Voltabox has established a comprehensive risk management system to identify opportunities and risks in corporate development, which is based on the tried-and-trusted system of the parent, paragon AG. 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.

Opportunity Report

Opportunities

In its current global economic outlook, the International Monetary Fund expects to see global growth of up to 3.9 %, with 2.5 % expected for Germany and 2.7 % for the U.S. 1) In this context, there are opportunities for Voltabox in the operating segments of Voltapower, Voltaforce and Voltamotion. 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, this enables us to realize exceptional customer benefit, solid economic advantages for the customer with cost-effective manufacturing. The megatrend of e-mobility further increased in significance and public profile in the past year. Voltabox has already led to the first applications in individual capital goods target markets such as trolleybuses for local public transport, intralogistics forklifts and automated guided vehicles in networked production, starter batteries for the motorcycle market as well as underground mining vehicles. The target markets currently comprise local public transport, where Voltabox has already been supplying battery systems for trolleybuses for almost five years now, and the logistics market (forklifts, automated guided vehicles). Voltabox's Electromobility operating segment also offers great opportunities for further applications for the lithium-ion battery systems developed by the Voltabox subsidiaries.

As a result, Voltabox has the following significant opportunities, particularly in the medium term:

- Voltapower:
  Expansion into high-growth, existing markets (local public transport, intralogistics (forklifts and automated guided vehicles)), mining and agriculture/forestry. There are also new market opportunities for Voltabox represented by lucrative industrial markets, such as the market for communal vehicles, construction vehicles and airport service vehicles, resulting from the dynamic technological progress in the megatrend of e-mobility.

- Voltaforce
  Expansion of existing market position in starter batteries for motorcycles, in motorsports and racing batteries, expansion of a manufacturing and sales site in China for parts of the high-growth global mass market for standard battery systems, among others.

- Voltamotion
  Significant opportunities for the vertical expansion of the product portfolio in the high-growth industrial market for complete systems, which not only include energy storage but also charging and drive units.

With the help of strong customers and cooperation partners, Voltabox is able to benefit from substitution effects that stem from the economic advantages its battery technologies offer compared to the lead-acid batteries or diesel generators used to date. In these fast-growing submarkets, Voltabox has the opportunity to significantly increase its relative market share within a short period of time and thus occupy a leading market position.

The niche strategy of diversification also offers large sales opportunities in further submarkets over the medium term with similar substitution effects coming into play there. These include utility vehicles for public utilities and waste disposal, rail vehicles, construction vehicles and machinery, airport service vehicles, and so on. Often it is the complex requirements regarding the performance, safety and reliability of the lithium-ion battery systems developed by the Voltabox subsidiaries that play a decisive role.

Finally, Voltabox has already tapped into the first segment of the global market for conventional and hybrid vehicles with starter batteries for motorcycles and also expanded its product range with the development of a battery for motorsports. An early presence on the market also offers the opportunity to be a major participant in the further market penetration of lithium-ion batteries in this very large market. As part of its presence in the global mass market for cars, Voltabox will also be able to occupy the segment for modern 48V lithium-ion battery systems for hybrid cars at an early stage.

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 exploitation of business opportunities in the form of planning adjustments can make a significant positive contribution to the company's strategic and operational success. At the end of fiscal year 2017, both external and internal opportunities were identified that are basically unchanged compared to the prior year.

The significance of the listed opportunities as well as the resulting positive effects on the financial performance indicators projected for fiscal year 2018, and thus on the short-term development of the Voltabox Group as a whole, is classified as low. The Management Board therefore expects the positive development of business described in the forecast.

Risk Report

Risk Management

Voltabox AG and its subsidiaries (together also referred to as “Voltabox” or “the Voltabox Group”) uses a comprehensive risk management system as part of its risk-oriented corporate governance. This is based on the tried-and-trusted system of the parent, paragon AG. The statements on risk management, opportunities and risks presented in the risk report relate both to Voltabox AG and to the Voltabox Group.

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.

Risks are determined in terms of the following parameters:

- The value of the affected objects (extent of damage)
- The possibility of a threat exploiting a vulnerability
- The probability that a threat occurs
- Existing or planned measures that could reduce this risk

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.

Overall 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 with the Commercial Management. 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 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 throughout the year. This is known as 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 monthly report to the Management Board contains all new risks identified in the reporting month as well as risks that have changed by a degree greater than or equal to 50 % from the prior month.

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. Only one risk was evaluated by the company at over € 1 million: At around € 1.5 million, it concerns a loss of receivables.

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 submarkets 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 facilities 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 2017. According to the market research institute IdTechEX[6], the growth dynamic of the submarkets occupied by Voltabox is likely to be maintained in the 2018 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 88.2%. 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, but 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.

The focus on specific market niches and close ties to central 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 honed over recent 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.

As a result of the relatively large volume of business being distributed between relatively few customers in the 2017 fiscal year, the loss of a major client could have a significant impact on the assets, liabilities and financial position in the medium term. However, due to the long-term contract periods for the various framework contracts with our customers, the loss of a key customer would be known at an early stage. This risk is counter-

6 https://www.idtechex.com/research/reports/industrial-and-commercial-electric-vehicles-on-land-2017-2027-000505.asp

acted 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 founded in April 2017 in Aachen 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.

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 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 issue serial production orders or if the quantities Voltabox sells are significantly lower than expected. Given the 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.

In prior years, Voltabox successfully generated additional business with new products and customers through the use of existing and new sales channels. For example, the company was able for the first time to acquire customers from the agricultural machinery business with its own product innovations with customers such as Schäffer Maschinenfabrik GmbH, Erwitte. With continuous investments in machinery and plants, Voltabox ensures that the production facilities at both sites meet the high requirements of the e-mobility industry.

The past fiscal year was characterized by rising prices for aluminum, which is used in the production of battery modules and is also the base material for the production of printed circuit boards. 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. Voltabox purchased around 34 % of its purchasing volume from European contract partners, while the rest is purchased directly in Asia and the U.S. The payment terms are regarded as above-average by the Management Board as compared with the industry. The regular purchasing currency is the euro, but the U.S. dollar was also used increasingly during the reporting year (65 %). The volume of purchases in U.S. dollars will continue to increase as a result of the expected sales growth 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 minimized on the procurement side by price sliding clauses and generally by other appropriate measures.

In the past year, 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 hardware failures and unauthorized access to company data and information, are also on the rise. In order to avert possible dangers, paragon as a service provider for Voltabox, in cooperation with specialized external companies, has established modern security solutions that protect its data and IT infrastructure. In the 2017 fiscal year, the company pushed ahead with the modernization of the IT infrastructure and Voltabox AG switched over to a new, integrated enterprise resource planning (ERP) software, as well as connecting the new Aachen site to the IT architecture. 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 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. Of these risks, the company only identified one loss of receivables amounting to € 1.5 million as significant. The remaining risks are categorized by the company as having low significance.

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. No financial covenants exist with any of the credit institutions with which Voltabox works.

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 substantial 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.

Voltabox AG was successfully listed on the stock exchange in October. Of the subscribed capital of 15,825,000 shares, 5,825,000 were put into circulation. As a result, the company received gross proceeds from the issue amounting to € 139.8 million. Voltabox thus significantly increased its liquidity and financial strength in 2017. A further 500,000 shares were sold by paragon AG in the IPO, with the stake held by paragon AG in Voltabox equaling 60 % as of December 31, 2017.

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 to the consolidated financial statements.

Management and Organizational Risks

In this risk category, Voltabox is primarily observing risk factors resulting from the growth strategy. This includes personnel and organizational risks in particular, 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 the retention of qualified personnel and persons in key positions. 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 will continue to be adapted to the dynamic development of Voltabox in the current year. The new organizational structure, with the Voltapower, Voltaforce and Voltamotion operating segments, has been 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 have to hedge itself against general market risks in e-mobility in the future, too. In the year under review, the share of sales with the largest five customers was still around 96 % (prior year: 96 %). Of these, the share of revenue with one customer is 67.2 % (prior year: 41.1 %). 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, the acquisition of new customers in existing markets, the entry to new markets (such as agricultural machinery or the market for high-performance motorsports vehicles) already initiated, 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 operating segments of Voltapower, Voltaforce and Voltamotion.

The strengthening of Voltabox's medium-term financing structure through the successful IPO in the fall significantly reduced the overall financial risk in the 2017 fiscal year, giving Voltabox the financial framework to enjoy accelerated growth as a result of targeted acquisitions, increased staff numbers and the expansion of development and manufacturing capacities.

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 key customers.

As of the publication date of this report, no risks have been identified that could jeopardize the company's continued existence.

The potential impact from the various risks on the overall future performance of Voltabox, as well as its financial and nonfinancial performance indicators for fiscal year 2018, 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.

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

with Regard to Group Accounting Process (Section 315 (2) no. 5 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 prevention and detection 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 accounting and controlling departments 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

Forecast

Market Development 2018

The International Monetary Fund (IMF) published its outlook for the global economy in October 2017[7]. In it, the IMF assumes the further acceleration of global growth at 3.7%. Economic policy risks are seen in particular in the disproportionately low nominal wage increases and the effects of increasing automation on the labor market. In addition, the IMF highlights the geopolitical risks and macro-economic adjustment costs

7 https://www.imf.org/en/Publications/WEO/Issues/2017/09/19/world-economic-outlook-october-2017

of climate change. As a result of global economic convergence, medium- and long-term economic growth will eventually decline.

The IMF expects to see an uneven distribution of economic growth in 2018, too, with developed economies registering growth of 2.0 % and emerging markets showing growth of 4.9 %. In particular, economic growth in the U.S. is likely to come to 2.3 %, 1.9 % in Europe, 1.8 % in Germany and 6.5 % in China.

Voltabox is mainly active in specific industrial submarkets. These currently include:

- Trolleybuses used in public transport
- Forklifts and automated industrial trucks in intralogistics and networked production environments
- Underground mining vehicles

The development in these submarkets is essentially characterized by a substitution process for lead-acid batteries, or diesel generators in the case of trolleybuses, 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. Such trends are mainly determined by an assessment of the total ownership costs, in which, in addition to the acquisition and operating costs, transaction costs and opportunity costs are also taken into account.

Market research institute IDTechEx[8] expects market growth of around 11 % in 2018 for battery systems in the submarkets currently occupied by Voltabox. The average annual growth rate until 2027 is estimated at 17 % in these submarkets (reference year: 2017).

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

- Positive economic environment with accelerated global economic growth
- Continuous substitution of lead-acid batteries and diesel backup generators with lithium-ion batteries in occupied submarkets
- Global market growth of around 11 % for battery systems in Voltabox's submarkets

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 2018, 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. As such, Group sales are expected to more than double in the coming year, reaching around € 60 million. An EBIT margin of around 10 % is expected. In addition to the intralogistics segment, mining will also be a major growth driver.

The forecast was created based on the order backlog. The order backlog is defined as “signed orders” and “framework agreements”, each of which is valued at an order probability of 100 %. In addition, the order backlog also includes orders that are rated with an order probability between 90 %—30 %. Some framework contracts are nominations, preliminary contracts and engagements for collaboration, which must be specified later through call-offs, as well as offer opportunities that are adjusted according to their likelihood.

8 https://www.idtechex.com/research/reports/industrial-and-commercial-electric-vehicles-on-land-2017-2027-000505.asp

The Management Board expects to see an investment volume of around € 13.4 million in the current year. Own work capitalized should amount to around 43 % of the investment total for the current year.

Development of Key Performance Indicators:

€ '000 / as indicated	2016	2017	Change in %	Forecast 2017	Forecast 2018
Financial performance indicators					
Group revenue	14,493	27,273	88.2	€ 25 million	Around € 60 million
EBIT margin	-25.4 %	2.1 %	n/a	Slightly positive	Around 10 %
Investments	6,210	6,328	1.9	n/a	Around € 13.4 million

Voltabox AG

The Management Board expects to see revenues of around € 33 million for Voltabox AG in the current fiscal year. An EBIT margin of around 10 % is expected, the planned investments amount to € 10.9 million. The intralogistics segment is viewed as a major growth driver.

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.

Takeover-Related Disclosures Pursuant to Section 315 (4) of the German Commercial Code (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 at December 31, 2017, paragon AG, 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.

Appointment 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.

Corporate Governance Statement Pursuant to Sections 315d and 389f (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. These principles apply to both Voltabox AG and the Voltabox Group as a whole. They ascribe a high priority to the standards of good corporate governance. 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 Sections 315d and 389f Para. 1 of the German Commercial Code (HGB) refers both to Voltabox AG and to the Voltabox Group and can be viewed at any time on the Voltabox homepage at http://ir.voltabox.ag/websites/voltabox/German/7200/erklaerung-zur-unternehmensfuehrung.html. 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 GCGC in its most recent version 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 c ompany. 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. Since the registration of the change in legal form to Voltabox AG, from May 18, 2017, to August 08, 2017, the Voltabox AG Management Board consisted of one person – Mr. Klaus Dieter Frers. Since August 09, 2017, the Management Board has consisted of two people, Mr. Jürgen Pampel (CEO) and Mr. Andres Klasing (CFO).

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 all of its three members, meaning that it does not need to form any further 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 2017.

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.

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.

With regard to Section 76 (4) and Section 111 (5) of the German Stock Corporation Act as well as point 4.1.5 of the Corporate Government Code in the version dated February 07, 2017 on the topic of female quotas, the Management Board and Supervisory Board jointly determined the current proportion of women in 2017 and the target figures for December 31, 2022. The current quota for both bodies in Voltabox AG is zero because the contractual periods of the Management Board members and term of office of the Supervisory Board members extend beyond this date. A possible enlargement of the Management Board is not planned. For the downstream management levels in the company, the current female quota is 14.3 %. A target figure for December 31, 2022 of a 25 % proportion of women was set for these levels.

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 us and form the core of our corporate culture. The Management Board of Voltabox AG pays particular attention to ensuring that all company managers exemplify the aforementioned values through model behavior.

Delbrück, March 2018

The Management Board

Corporate Governance Report

German Corporate Government 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 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.

Until the IPO, paragon AG held 100 % of the capital in Voltabox Deutschland GmbH, with a shareholder resolution of February 23, 2017, approving the annual financial statements for Voltabox Deutschland GmbH. Following the registered change in legal form, paragon AG held 100 % of the shares in Voltabox AG.

At an extraordinary Annual General Meeting on August 10, 2017, the following resolutions were passed with 100 % of the voting capital in each case:

- Election of Mr. Klaus Dieter Frers as a member of the Supervisory Board following the resignation of Ms. Brigitte Frers

At an extraordinary Annual General Meeting on September 06, 2017, the following resolutions were passed with 100 % of the voting capital in each case:

- Resolution on the ordinary capital increase against contribution in kind, with the exclusion of subscription rights and the relevant amendment to the Articles of Association with the issuing of 9,900,000 shares

- Election of Prof. Dr. Winter as a member of the Supervisory Board following the resignation of Mr. Walter Schäfers

At an extraordinary Annual General Meeting on September 20, 2017, the following resolutions were passed with 100 % of the voting capital in each case:

- Resolution on the approval of the assignment agreement concluded between Voltabox AG and paragon AG on September 06, 2017, regarding the repayment of a loan agreement amounting to € 9,900,000.

At an extraordinary Annual General Meeting on September 22, 2017, the following resolutions were passed with 100 % of the voting capital in each case:

- Resolution on the ordinary capital increase against cash, excluding subscription rights, of up to € 5,000,000, through the issuance of up to 5,000,000 shares for an issue price of € 1 per share
- Resolution on the creation of authorized capital and the relevant amendments to the Articles of Association by up to € 7,500,000
- Resolution on the authorization to issue convertible bonds, the creation of conditional capital and the relevant amendments to the Articles of Association
- Selection of the auditor and Group auditor for fiscal year 2017 as well as of the auditor for the audit review of the half-year financial report for fiscal year 2017, if necessary
- Change in Supervisory Board Remuneration

Supervisory Board

The Supervisory Board of Voltabox AG consisted of three members in the 2017 fiscal year: From January 01, 2017, to August 09, 2017, they were Mr. Hermann Börnemeier (Chairman), Mr. Walter Schäfers (Vice-Chairman) and Ms. Brigitte Frers. In the period from August 10, 2017 to September 05, 2017, they were Mr. Klaus Dieter Frers (Chairman), Mr. Hermann Börnemeier (Vice-Chairman) and Mr. Walter Schäfers. Since September 06, 2017 they were 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 2017, 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. Personal services were performed during the period under review by Supervisory Board member Mr. Hermann Börnemeier, who provides tax advice to Voltabox AG, amounting to € 32 thousand. The Supervisory Board approved this activity for fiscal year 2017.

Management Board

Since the registration as a joint stock corporation, the Voltabox AG Management Board consisted from May 18, 2017, to August 08, 2017, of one person – Mr. Klaus Dieter Frers. Since August 09, 2017 the Management Board consisted of two people, Mr. Jürgen Pampel (CEO) and Mr. Andres Klasing (CFO).

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 2017.

Cooperation between the Management Board and the Supervisory Board

The dialog between the Management Board and the Supervisory Board in fiscal year 2017 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, 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.

Financial Communications

Voltabox AG regularly and simultaneously informed all capital market participants about the economic situation of the company. The initial and now continuous reporting included the stock exchange prospectus for the IPO (published on September 25, 2017) and the interim report as of September 30, 2017 – 9-month report for 2017 (published on November 13, 2017). Parallel to these dates, Voltabox AG published corresponding financial notifications, which also included the Management Board's assessment of further business development.

The Management Board's forecast for fiscal year 2017 was published for the first time on August 15, 2017, in paragon AG's Corporate News and has not been revised since.

In the 2017 fiscal year, the company structured its Investor Relations division using existing internal resources from the parent, paragon AG. This allowed the company to organize and implement its IPO and ongoing communications with institutional and private investors. Particularly in connection with the IPO, new shareholders made extensive use of the company's offer for direct dialog at the Management Board and Investor Relations level. With the planned set-up of an internal IR resource by Voltabox AG, the ongoing communication with institutional and private investors will be continually expanded and solidified.

A total of around 200 individual meetings were held with institutional investors from Germany, the UK, France, Finland, Sweden, Denmark, Luxembourg, the Netherlands, Switzerland, Austria, Italy, Spain, the U.S. and Poland. In the course of the year, three research institutions have published a total of three 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 capital market participants is given a high priority. Furthermore, the company is committed to providing the broader public with up-to-date and relevant information via diverse media channels.

Directors' Holdings

The company's biggest shareholder is paragon AG, with a 60 % stake, and to the best of the company's knowledge, neither the members of the Voltabox AG Supervisory Board nor its Management Board held any shares in the company as at the balance sheet date of December 31, 2017. However, the Chairman of the Supervisory Board Klaus Dieter Frers holds or controls just over 50 % of the shares of paragon AG and thus indirectly also has a controlling influence on Voltabox AG.

Accounting

Voltabox AG prepared the consolidated financial statements as of December 31, 2017 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 September 22, 2017 selected Baker Tilly GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, headquartered in Düsseldorf, to be the auditor for the fiscal year from January 01, 2017 to December 31, 2017, 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 of Voltabox AG are required to make a statement at least annually to what extent the recommendations of the German Corporate Governance Code (GCGC) have been complied with in the past and this is intended for the future. As the shares of Voltabox AG were included in trading on the regulated market (Prime Standard) of the Frankfurt Stock Exchange for the first time on October 13, 2017, there has not yet been a declaration of compliance by Voltabox AG in the past.

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 as published in the Federal Gazette of April 24, 2017:

The Management Board and Supervisory Board of Voltabox AG 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 according to ISO 19600 is planned for 2019 (item 4.1.3).

-

- No provision for a severance cap has been agreed with the Management Board (item 4.2.3).

- When appointing its current Management Board, the Supervisory Board was not governed by the issue of diversity. The Supervisory Board intends that future changes in the composition of the Management Board take into account the issue of diversity and the proper representation of women (item 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, March 2018

The Management Board The Supervisory Board

Consolidated Financial Statements 2017

Consolidated income statement

€ '000	Notes	**Jan. 1 to Dec. 31, 2017**	Jan. 1 to Dec. 31, 2016
Revenue	9, 36	**27,273**	14,493
Other operating income	10	**179**	67
Increase or decrease in inventory of finished goods and work in progress		**-1,424**	-197
Other own work capitalized	11	**5,263**	6,035
Total operating performance		**31,291**	20,398
Cost of materials	12	**-16,661**	-13,405
Gross profit		**14,630**	6,993
Personnel expenses	13	**-6,709**	-4,113
Depreciation of property, plant and equipment, and amortization of intangible assets	15	**-2,430**	-1,540
Impairment of property, plant and equipment and intangible assets		**0**	0
Other operating expenses	14	**-4,913**	-5,015
Earnings before interest and taxes (EBIT)		**578**	-3,675
Financial income	16	**6**	0
Financial expenses	16	**-703**	-534
Financial result		**-697**	-534
Earnings before taxes (EBT)		**-119**	-4,209
Income taxes	17	**-119**	-475
Profit / loss takeover		**9,930**	4,456
Group result		**9,692**	-228
Earnings per share in € (basic)	18	**0.86**	
Earnings per share in € (diluted)	18	**0.86**	
Average number of outstanding shares (basic)	18	**11,251,986**	
Average number of outstanding shares (diluted)	18	**11,251,986**	

Consolidated statement of comprehensive income

€ '000	Notes	**Jan. 1 to Dec. 31, 2017**	Jan. 1 to Dec. 31, 2016
Group result		**9,692**	-228
Currency translation reserve		**-1,019**	0
Total comprehensive income		**8,673**	-228

Consolidated balance sheet

€ '000	Notes	**Dec. 31, 2017**	Dec. 31, 2016
ASSETS			
Noncurrent assets			
Intangible assets	19	**16,481**	12,908
Goodwill	20	**3,187**	3,187
Property, plant and equipment	21	**8,125**	9,377
Financial assets	17	**3,337**	0
		31,130	25,472
Current assets			
Inventories	22	**4,206**	3,955
Trade receivables	23	**22,069**	5,776
Receivables from related parties		**10,413**	2,539
Income tax assets		**0**	0
Other assets	24	**256**	343
Liquid funds	25	**102,679**	940
		139,623	13,553
Total assets		**170,753**	39,025

€ '000	Notes	**Dec. 31, 2017**	Dec. 31, 2016
EQUITY AND LIABILITIES			
Equity			
Subscribed capital	26	**15,825**	100
Capital reserve	26	**126,384**	1,244
Revaluation deficit	26	**0**	0
Profit/loss carried forward		**4,108**	4,337
Group result		**9,692**	-228
Currency translation differences		**-1,019**	0
		154,990	5,453
Noncurrent provisions and liabilities			
Noncurrent liabilities from finance lease	27	**16**	107
Noncurrent loans	28	**3,532**	4,539
Deferred income tax liabilities	17	**4,840**	1,385
		8,388	6,031
Current provisions and liabilities			
Curent portion of liabilities from finance lease	27	**42**	39
Current loans and current portion of noncurrent loans	28	**532**	651
Trade payables		**3,591**	3,361
Liabilities to related parties		**1,813**	22,671
Other provisions	30	**142**	6
Other current liabilities	29	**1,255**	814
		7,375	27,542
Total equity and liabilities		**170,753**	39,025

Consolidated cash flow statement

€ ’000	Notes	**Jan. 1 to Dec. 31, 2017**	Jan. 1 to Dec. 31, 2016
Earnings before taxes (EBT)		**-119**	-4,209
Depreciation/amortization of noncurrent fixed assets		**2,430**	1,540
Financial result		**696**	534
Gains (-), losses (+) from the disposal of property, plant and equipment and financial assets		**-7**	199
Increase (+), decrease (-) in other provisions and pension provisions		**-440**	-15
Other non-cash income and expenses		**-260**	-1,786
Increase (-), decrease (+) in trade receivables, other receivables, and other assets		**-14,152**	2,559
Impairment of intangible assets		**0**	0
Increase (-), decrease (+) in inventories		**-251**	-652
Increase (+), decrease (-) in trade payables and other liabilities		**-2,165**	8,951
Interest paid		**-703**	-534
Income taxes		**0**	0
Cash flow from operating activities	35	**-14,971**	6,588
Cash receipts from the disposal of property, plant and equipment		**353**	0
Cash payments for investments in property, plant and equipment		**-981**	-1,306
Cash payments for investments in intangible assets		**-5,347**	-4,904
Cash payments for investments in financial assets		**0**	0
Interest received		**6**	0
Cash flow from investment activities	35	**-5,969**	-6,210
Loan repayments		**-8,846**	-499
Proceeds from loans		**0**	321
Repayments of liabilities from finance lease		**-16**	-31
Proceeds from equity contributions		**131,540**	0
Cash flow from financing activities	35	**122,679**	-209
Changes in cash and cash equivalents		**101,739**	169
Cash and cash equivalents at the beginning of the period		**940**	771
Cash and cash equivalents at the end of the period	25, 35	**102,679**	940

Schedule of changes in equity

					Retained earnings		
€ ’000	Sub-scribed capital	Capital reserve	Reval-uation deficit	Reserve from currency transla-tion	Profit carried forward	Group result	Sub-scribed capital
January 1, 2017	**100**	**1,244**	**0**	**0**	**4,108**	**0**	**5,453**
Group result	0	0	0	0	0	9,692	9,692
Actuarial gains and losses	0	0	0	0	0	0	0
Currency translation	0	0	0	-1,019	0	0	-1,019
Other result	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 payout	0	0	0	0	0	0	0
December 31, 2017	**15,825**	**126,384**	**0**	**-1,019**	**4,108**	**9,692**	**154,990**

Notes to the Consolidated Financial Statements 2017

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 entered in the commercial register of the district court of Paderborn (HRB 12895). Voltabox develops and manufactures battery systems for use in the field of electromobility.

Under a notarized agreement dated December 14, 2016, a capital increase was resolved with a volume of € 50,000.00. Of this, a portion of the subscribed capital amounting to € 100.00 was provided through a contribution in kind. All of the interests in Voltabox of Texas Inc., Austin, Texas, USA, were contributed. Voltabox AG (then Voltabox GmbH) thus acquired controlling influence over another company for the first time on December 14, 2016. Due to the exemption provisions laid down in Sections 291 (1), (2) and 293 (1) of the German Commercial Code (HGB) Voltabox AG was exempt from the preparation, audit and disclosure of consolidated financial statements as of December 31, 2016. Pursuant to Voltabox AG’s IPO on October 13, 2017, Voltabox AG is obliged to prepare consolidated financial statements and a Group management report for the first time as of December 31, 2017, pursuant to Section 293 (5) of the German Commercial Code.

The Management Board of Voltabox AG authorized the consolidated financial statements as of December 31, 2017, and the management report for the period from January 01 to December 31, 2017, for submission to the Supervisory Board on March 9, 2018.

The consolidated financial statements and management report of Voltabox AG for the period from January 01 to December 31, 2017, are published in the electronic Federal Gazette and are available as part of the Annual Report on the company’s website (www.voltabox.ag).

Under a shareholder resolution dated December 19, 2016, Voltabox Deutschland GmbH was converted to a joint stock corporation. The entry in the commercial register was made on May 18, 2017.

The Group was first established on January 01, 2017. No data are available for the statement of changes in equity and the consolidated statement of movements on noncurrent assets for the period prior to this date.

Any other disclosures provided in relation to the prior-year period in order to establish comparability have been prepared on a pro forma basis.

The Group's parent company is paragon AG, Delbrück, Germany. paragon AG, as the parent company, prepares the consolidated financial statements for the largest group of consolidated companies. This financial statement will be filed with the electronic Federal Gazette and will be available as 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, 2017, 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).

New Accounting Principles Due to New Standards

The following revised and new standards issued by the IASB, as well as interpretations from the IFRSIC, had been endorsed by the EU and required mandatory application for the first time as of December 31, 2017:

On January 13, 2016, the IASB issued a new accounting standard, IFRS 16 Leases. 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 and requirements that apply to sale and leaseback transactions.

The new requirements shall be applied to fiscal years beginning on or after January 1, 2019. Earlier application is permitted, provided that IFRS 15 is also applied. The amendments were endorsed by the European Union on October 31, 2017. The company will implement the new standard in the fiscal year 2019. At the present time, the company has not yet made a final estimate of the effect that the initial application of the new standard will have on the consolidated financial statements. The recognition of a right of use in the amount of € 284 thousand and the simultaneous booking of a lease liability of € 284 thousand as of December 31, 2017 is expected as a possible effect.

The IASB published amendments to IFRS 15 Clarifications to IFRS 15 on April 12, 2016. These are the result of the discussions of the Transition Resource Group for Revenue Recognition (TRG), which was jointly established by the IASB and the U.S. standards setter FASB to discuss application/implementation issues. Since the discussions themselves are not legally binding, they need to be implemented in the standard-setting process. In January 2016, the IASB announced its withdrawal from the TRG, which means that IFRS 15 will not be subject to any further changes (before coming into effect).

The amendments to the requirements of IFRS 15 that have now been adopted include the following points:

Identification of performance obligations

The identification of an entity's performance obligations should be based on independently definable commitments for goods or services. For the purpose of clarification, further examples are included to explain the independence of performance obligations.

Principal-Agent Relationships

Whether an entity acts as principal or agent in the supply of goods or services to third parties is determined by the new regulations in IFRS 15.B34ff.

The assessment of the question of whether an entity is acting as principal or agent is made based on the possibility of controlling the goods/services before their transfer to the customer. The indicators from IFRS 15.B37 for clarifying whether an entity is acting on its own behalf or as an agent are similar to the previous indicators from IAS 18.A21 and include, among other things, the question of whether it bears the inventory risk or can determine the sales price of the performance/goods prior to transport or upon return.

In addition, the existing implementation guidelines have been adjusted and the current examples (examples 46A and 48A) have been amended or expanded.

Licensing Agreements

If a license is granted that can be independently distinguished from other goods or services, the contractual arrangement must specify whether the proceeds will be realized over time or at a certain point in time. New guidelines have been introduced in IFRS 15.B59A to clarify when an intangible asset is significantly changed. Substantial changes will then occur if the form or functionality is significantly changed or if the expected purpose of the asset is significantly dependent on an entity's activities.

The clarifications to IFRS 15 will require mandatory application analogous to the standard in fiscal years beginning on or after January 1, 2018. The amendments were endorsed by the European Union on October 31, 2017. The company will implement the new standard in the fiscal year 2018. At the present time, the company has not yet made a final estimate of the effect that the initial application of the clarifications will have on the consolidated financial statements. However, it is anticipated that there will be no material changes in accounting and revenue recognition for the contracts with customers concluded by December 31.

On September 12, 2016, the IASB published amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts. The overlay and deferral approaches introduced by the amendments to IFRS 4 are to be applied for the first time at the same time as IFRS 9 (i.e., January 1, 2018); the deferral approach must be applied by 2021 at the latest.

The amendments to IFRS 4 are intended to address concerns arising from the variance in timing of the first-time application of IFRS 4 and IFRS 9. The following concerns were previously raised regarding the IASB:

The volatilities in the income statement resulting from the different application dates may be difficult for readers of the financial statements to understand or follow. Decisions regarding the application of the new classification and measurement rules in IFRS 9 depend on the final decisions of the insurance standard and are therefore difficult to make without prior knowledge.

The amendments to IFRS 4 published by the IASB in September 2016 include the following two optional approaches:

The deferral approach allows companies, insofar as their activities are predominantly related to the insurance business, to postpone the application of IFRS 9 until January 1, 2021, at the latest and continue to apply IAS 39 until then.

Alternatively, an entity may use the overlay approach when applying IFRS 9 for the first time. This allows companies to exclude temporary volatilities arising from the application of IFRS 9 prior to the application of IFRS 17 in the income statement and instead reclassify them to OCI. This applies to financial instruments that are measured at fair value through profit or loss in accordance with IFRS 9 but not IAS 39.

The overlay and deferral approaches introduced by the amendments to IFRS 4 are to be applied for the first time at the same time that IFRS 9 is applied for the first time from January 1, 2018, while the deferral approach must be applied by 2021 at the latest. The amendments were endorsed by the European Union on November 03, 2017. The changes had no effect on the consolidated financial statements.

On January 29, 2016, the IASB issued amendments to IAS 7 Statement of Cash Flows as part of its Disclosure Initiative. The amendments are intended to improve the information reported about an entity’s financing activities. Following the amendments, an entity is required to provide disclosures about the changes in financial liabilities whose cash inflows and outflows are shown in the statement of cash flows within financing activities. The disclosure requirements also relate to changes in associated financial assets (e.g., assets used for hedging purposes).

Disclosure is required of changes from financing cash flows, changes arising from acquiring or disposing of businesses, the effect of changes in foreign exchange rates, changes in fair values and other changes.

The IASB proposes that the disclosures are made by providing a reconciliation between the opening and closing balances in the statement of financial position. Other forms of presentation are also permitted. These amendments require application in fiscal years beginning on or after January 1, 2017. Comparative figures are not required in the year of initial application. The amendments were endorsed by the European Union on November 6, 2017. The company has determined the necessary disclosures. The changes had no material effect on the consolidated financial statements.

On January 19, 2016, the IASB published amendments to IAS 12 Income Taxes entitled Recognition of Deferred Tax Assets for Unrealized Losses. The aim of the project was to clarify various issues relating to the recognition of deferred tax assets for unrealized losses in other comprehensive income (OCI) arising from changes in the fair value of debt instruments.

Specifically, the amendments to IAS 12 clarified the following aspects:

An unrealized loss on a fixed-interest debt instrument will result in a deductible temporary difference if this debt instrument is measured at fair value and its tax value matches its acquisition costs.

Insofar as the tax law distinguishes between the different types of taxable profits, an independent assessment must be made for each part of the taxable profit as to whether a deferred tax asset should be recognized.

When estimating its future taxable profit, an entity can assume that it is possible to realize an asset in excess of its carrying amount, provided that such realization is probable.

Insofar as the tax law distinguishes between the different types of taxable profits, an independent assessment must be made for each part of the taxable profit as to whether a deferred tax asset should be recognized.

These amendments require application in fiscal years beginning on or after January 1, 2017.

The amendments were endorsed by the European Union on November 6, 2017. The company has determined the necessary disclosures. The changes had no effect on the consolidated financial statements.

The following standards and interpretations had already been issued but did not yet require mandatory application and/or had not been endorsed by the European Union as of the date that the financial statements for the period from January 1 to December 31, 2017, were prepared:

On September 11, 2014, the IASB issued amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures based on Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28). This is intended to eliminate the previous inconsistency between IFRS 10 and IAS 28 concerning the question of full (IFRS 10) or partial (IAS 28) gain or loss recognition upon the loss of control of a subsidiary. Within IAS 28, the requirements governing gains and losses from transactions between an enterprise and its associate or joint venture have been amended (IAS 28.28–30). The new requirements refer exclusively to assets that do not constitute a business as defined in IFRS 3.3 (in conjunction with IFRS 3.B7 et seq.). Gains and losses from transactions with associates and joint ventures in respect of assets that constitute a business must now be fully recognized in the financial statements of the investor (IAS 28.31A). Enterprises must further review whether assets sold or contributed in separate transactions constitute a business and should be accounted for as a single transaction (IAS 28.31B). In IFRS 10, an exception to the complete recognition through profit or loss of any loss of control over a subsidiary has therefore been included in Paragraph B99A. This applies to the extent that the assets abandoned do not constitute a business, and in the event that the loss of control arises due to a transaction with an associate or joint venture recognized using the equity method. Guidelines have also been added that any gains or losses arising from such transactions may only be recognized in the income statement of the parent company in the amount of the share attributable to unrelated third-party investors in the associate or joint venture. The same applies to gains and losses resulting from the fair value measurement of interests in subsidiaries that now constitute associates or joint ventures and are measured using the equity method. The amendments originally required application in fiscal years beginning on or after January 1, 2016. On December 17, 2015, the IASB proposed postponing the date of first-time application indefinitely. The company is of the opinion that the amendments will have no material implications on the consolidated financial statements.

On June 20, 2016, the IASB issued amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions. The amendments affect the following aspects:

The effects of vesting conditions (service conditions, market conditions and other performance conditions) on the measurement of cash-settled share-based payment transactions. Following the amendments, market and non-vesting conditions are taken into account when estimating fair value. Service conditions and other performance conditions are taken into account by adjusting the number of awards.

The classification of share-based payment transactions with net settlement features for withholding tax obligations: If an entity withholds shares that would have otherwise been issued because it is required to fund the payment to the tax authority in respect of the employee's tax obligation associated with the share-based payment, and this net arrangement is provided for in the contract, then the remuneration – despite the partial settlement in cash – is to be accounted for as equity-settled share-based remuneration.

The accounting for a modification to the terms and conditions of a share-based payment transaction that changes its classification from cash-settled to equity-settled: The equity-settled share-based payment transaction is measured at the (pro rata temporis) fair value of the equity instruments granted at the modification date. Any difference to the derecognized liability is recorded in profit and loss.

The amendments shall be applied to remuneration which is granted or modified in fiscal years beginning on or after January 1, 2018. Earlier application is permitted. A retrospective application is only permitted when the use of improved information obtained in hindsight is excluded. The European Union has not yet endorsed the amendments. The Group is currently of the opinion that the amendments will not have a significant effect on the presentation of the financial statements.

The IASB issued an amendment to IAS 40 Investment Property on December 8, 2016. The amendment to IAS 40 is designed to clarify when the classification of a property as “investment property” begins and ends if the property is under construction or development. The complete list provided to date in IAS 40.57 did not provide sufficient clarification on the treatment of property under construction. The list is now explicitly described as not being exhaustive so that property under construction can be included in the definition. The amendment is effective from January 1, 2018. Earlier application is permitted. The European Union has not yet endorsed the amendments. The amendment will not have any effect on the consolidated financial statements.

The IASB issued IFRIC 22 Foreign Currency Transactions and Advance Consideration on December 8, 2016. IFRIC 22 addresses an application question relating to IAS 21 The Effects of Changes in Foreign Exchange Rates. The interpretation clarifies the date on which the exchange rate used to convert a payment or receipt of advance consideration should be determined. 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 prepayment asset or deferred income liability. The interpretation is effective from January 1, 2018. Earlier application is permitted. The European Union has not yet endorsed the amendments. The company is of the opinion that the amendments will have no material implications on the consolidated financial statements.

The IASB issued the Annual Improvements to IFRSs (2014–2016) on December 8, 2016. Three standards were amended in the Annual Improvements to IFRSs (2014–2016). The amendments were as follows:

IFRS 1 First-time Adoption of International Financial Reporting Standards: deletion of the remaining exemptions in IFRS 1 which were limited to specific periods of time. Appendix E (IFRS 1.E3–E7) for first time adopters.

IFRS 12 Disclosure of Interests in Other Entities: clarification that the disclosure requirements in this standard – with the exception of IFRS 12.B10–B16 – also apply to investments which fall within the application of IFRS 5.

IAS 28 Investments in Associates and Joint Ventures: clarification that the option to measure an investment in an associate or joint venture that is held by a venture capital entity or another qualifying entity can be exercised individually on an investment-by-investment basis.

The amendments to IFRS 12 are effective from January 1, 2017, and the amendments to IFRS 1 and IAS 28 are effective from January 1, 2018. Earlier application is permitted. The European Union has not yet endorsed the amendments. The company is of the opinion that the amendments will have no material implications on the consolidated financial statements.

On June 7, 2017, the IFRS Interpretations Committee (IFRIC) published IFRIC 23 Uncertainty over Income Tax Treatments. The tax treatment of certain items and transactions may depend on future recognition by the tax authorities or fiscal jurisdiction.

IAS 12 Income Taxes regulates how actual and deferred taxes are to be recognized. IFRIC 23 supplements the provisions of IAS 12 with regard to the recognition of uncertainties relating to the income tax treatment of facts and transactions. IFRIC 23 thus stipulates that tax risks (e.g., in the event of a tax dispute) must be taken into account 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 does not deal with the interest on additional tax claims and refunds or possible penalties.

IFRIC 23 is applicable to fiscal years beginning on or after January 1, 2019. Earlier application is permitted. The European Union has not yet endorsed the amendments. The company is of the opinion that the interpretation will have no material implications on the consolidated financial statements.

On May 18, 2017, the IASB published IFRS 17 Insurance Contracts. After years of discussion, there is now a uniform international accounting standard for insurance transactions. The objective is to increase the transparency and comparability of insurance balance sheets. Current accounting in accordance with the previous IFRS 4 does not adequately ensure this.

Key changes are:

- Use of current assumptions, including discount rate used for tax purposes, in the measurement of insurance service provisions
- Elimination of savings portions and financing components in the income from premiums and in Expenses for insurance services
- Strict separation of insurance service result and financial result in the income statement
- Option to recognize interest-related measurement changes in other comprehensive income (OCI) instead of in the income statement
- Simplification based on unearned premiums for short-term contracts
- Allocation of initial profit in accordance with the provision of benefits by taking into account a contractual service margin (CSM) in the insurance service provisions
- In the case of profit-sharing business, recording of the shareholder's share of the gross profit in the CSM and corresponding allocation
- Treatment of reinsurance liabilities irrespective of the underlying primary insurance business
- Extensive disclosures in the notes, including on the profitability of new business.

IFRS 17 does not prescribe accounting rules for policyholders. The standard is effective for fiscal years beginning on or after January 1, 2021. The European Union has not yet endorsed the amendments. The company is of the opinion that the standard will have no effects on the consolidated financial statements.

The IASB issued the Annual Improvements 2015-2017 on December 12, 2017. This includes three amendments to IAS 12, IAS 23 and IFRS 3/IFRS 11. The originally proposed amendment to IAS 28 with regard to Long-term Interests in Associates and Joint Ventures was published as a separate amendment to IAS 28 or IFRS 9 in October 2017 as part of a narrow scope amendment. The amendments to

IFRS 3 and IFRS 11 were previously dealt with in a separate amendment proposal, but were included in the Annual Improvements as a final amendment after the Board's decision.

The amendments were as follows:

- IAS 12: The provisions of IAS 12.52B are to be applied to all income tax effects of dividends. This means that actual income taxes resulting from dividend payments must be recognized in profit or loss.
- IAS 23: If an asset is ready for its intended use or sale, any remaining borrowings that have been expressly incurred for that asset must be treated as part of the general borrowings.
- IFRS 3/IFRS 11: A clarification has been made on the acquisition of control over a joint operation that necessitates the remeasurement of previously held interests in the assets and liabilities of the joint operation at that time. Specifically with regard to IFRS 11, a clarification has been provided on shares held before gaining (possibly joint) control in a joint operation within the meaning of IFRS 11 or its assets and liabilities (previously held interests). However, previously held interests in the assets and liabilities of the joint operation are not remeasured.

The amendments are to become mandatory in fiscal years commencing on or after January 1, 2019. The European Union has not yet endorsed the amendments. The company is of the opinion that the amendments will have no effect on the consolidated financial statements.

In July 2014, the IASB published IFRS 9, Financial Instruments. IFRS 9 introduces a uniform approach to the classification and measurement of financial assets. As a basis, the standard refers to the cash flow characteristics and the business model under which they are managed. It also provides for a new impairment model based on expected credit losses. IFRS 9 also includes new rules on the application of hedge accounting in order to better represent a company's risk management activities, in particular with regard to the management of non-financial risks. The new standard is effective for annual periods beginning on or after January 1, 2018. Voltabox will apply IFRS 9 for the first time for the financial year beginning on January 1, 2018; the adjustment of prior-year figures is waived in accordance with the transitional provisions of IFRS 9.

We have completed the analysis of the impact of IFRS 9 on the presentation of the net assets, financial position and results of operations. On the basis of current knowledge, the effects of the first application in relation to the allocation to valuation categories and the associated earnings effects are not considered as significant.

3 Going Concern

The financial statements for the reporting period from January 01 to December 31, 2017, 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.

4 Events After the Balance Sheet Date

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, 2017, were authorized by the Management Board and submitted to the Supervisory Board for approval on March 9, 2018. All information available up to that date with regard to the circumstances applying on the balance sheet date must be taken into account.

On January 19, 2018, the company signed a purchase agreement for a plot of land in Delbrück. A land charge was entered for this plot of land on January 22 of this year. Payment of the purchase price is subject to the consent of the town of Delbrück and of the federal state of North Rhine-Westphalia for an amendment of the land-use plan.

5 Scope of Consolidation

As well as the parent company, Voltabox AG, Delbrück, a further subsidiary is fully consolidated. The balance sheet date for all companies is December 31.

Name and registered office of the company	Shareholding	**Consolidation**	Currency	Revenue in local currency (prior to consolidation)
USA Voltabox of Texas, Inc.	100 %	Consolidated subsidiary	USD	3,791,754.59

Consolidation Methods

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, 2017.

The consolidation was performed using the acquisition method in accordance with IFRS 10 and IFRS 3. The carrying amount for the investments in associates recorded by the parent companies is replaced by the fair value of the assets and liabilities of the associates included in the consolidation. As a result, the equity of the subsidiaries is compared with the carrying amount of the investment recorded by the parent company. Any positive difference will be recognized as goodwill in the non-current assets. The Voltabox AG Group was initially consolidated on January 01, 2017. For the disclosures in the reference period, initial consolidation has been retrospectively applied to the previous fiscal year under the assumption that the Voltabox Group existed in that period. Voltabox AG already acquired all shares in Voltabox of Texas, Inc. on December 14, 2016. On the basis of this assumption, goodwill has been determined as follows:

€	**Dec. 14, 2017**
Shareholding of Voltabox AG	100
Equity Voltabox of Texas, Inc.	-3,186,628
Goodwill	**3,186,728**

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.

6 Currency Translation

In Voltabox'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 € 98 thousand (prior year: € 77 thousand) and exchange rate gains of € 0 thousand (prior year: € 111 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 – mean rate as of Dec. 31, 2017**	**Profit & loss average rate 2017**	Balance sheet – mean rate as of Dec. 31, 2016	Profit & loss average rate 2016
US-dollar (USD)	**1.1980**	**1.0350**	1.0520	1.0538

Due to new information in accordance with IAS 21, paragon AG, the parent company of Voltabox AG, has valued the loan provided in order to establish Voltabox of Texas, Inc. – as outlined in the half-year financial report as of June 30, 2017 – as a net investment in an overseas business. Since then, it has presented the unrealized currency movements directly in equity under the "currency translation differences" item. In the 2017 fiscal year, the loan liabilities were transferred from paragon AG to Voltabox AG, so that the unrealized currency movements are likewise reported in the equity of the Voltabox subgroup.

7 Description of Accounting Policies and Measurement Methods

The consolidated financial statements were prepared in euros (€). The reporting currency as defined in IAS 21 The Effects of Changes in Foreign Exchange Rates is the euro. Unless stated otherwise, all amounts are stated in thousands of euros (€ thousand). The reporting period for Voltabox in these financial statements extends from January 01 to December 31, 2017. 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 balance sheet, 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.

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 Intangible Assets, 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.

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 in 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 are 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 amount to four years. The useful lives for licenses, patents, and software range from three to ten years.

Goodwill is carried at acquisition cost and tested for impairment each year and, additionally, at other dates, if 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. 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 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.

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). This is accounted for as a single transaction, either as an operating lease or a finance lease, depending on the nature of the leaseback agreement.

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 the 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

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. A necessary requirement is that the rights or obligations are financial in nature, based on legal transactions in the form of agreements or contracts.

Financial assets primarily include cash and cash equivalents, trade receivables, loan receivables, other receivables, and primary and derivative financial assets held for trading. Financial assets are measured at either fair value or amortized cost depending on their classification. The fair values recorded in the balance sheet are generally measured using the market prices of the financial assets. Where no market prices are available, fair value is calculated using recognized valuation models and by referring to current market parameters.

Financial assets and derivative financial instruments held for trading are measured at fair value. Financial instruments classified as loans and receivables are accounted for at amortized cost. Amortized cost takes into account repayments and the amortization of any possible difference between the cost and the anticipated payment inflows at maturity, using the effective interest rate method, less any possible decreases from impairment due to uncollectibility.

As a rule, financial liabilities are contractual obligations to deliver cash or another financial asset. Pursuant to IAS 39 Financial Instruments: Recognition and Measurement, at Voltabox these consist in particular of trade payables and other current liabilities as well as liabilities to banks. Voltabox classifies financial liabilities under the measurement category of loans and receivables and measures them at amortized cost, taking into account repayments and the amortization of any difference between the acquisition cost and the payment obligation due on maturity using the effective interest rate method.

Financial assets are derecognized once the contractual rights to obtain cash flows from these financial assets have expired, or once Voltabox has transferred its contractual rights to obtain cash flows from the financial asset to a third party or has taken on a contractual obligation for immediate payment of the cash flows to a third party as part of an agreement that fulfills the conditions in IAS 39.19 (pass-through arrangement). If financial assets are transferred, Voltabox examines whether it has (1) transferred all substantial risks and rewards connected with a financial asset, or (2) neither transferred nor retained any substantial risks or rewards associated with the financial asset, but has transferred the power to control the asset.

Voltabox recognizes a new asset if (1) all contractual rights to cash flows from the asset have been transferred to Voltabox or (2) the substantial risks and rewards associated with the asset have neither been transferred nor retained, but Voltabox has received the power to control the transferred asset.

Financial liabilities are derecognized if the underlying obligation has been fulfilled, canceled or has expired. If an existing financial liability is replaced by another financial liability to the same creditor with significantly new contract terms, or if the terms of an existing liability are fundamentally changed, this replacement or change is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the respective carrying amounts is recognized in profit or loss.

Financial assets and financial liabilities that are not denominated in euros are initially recognized at the average rate applicable on the transaction date and subsequently remeasured at each balance sheet date. Any currency translation differences that arise are recognized in profit or loss, with the exception of the effects of noncurrent loans.

Financial assets and financial liabilities are shown as current in the balance sheet if they are either classified as held for trading or if they are expected to be settled within twelve months of the balance sheet date.

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, costs of conversion include 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, as financial assets, 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. Foreign currency positions are measured at fair 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). As of December 31, 2017, the Group reported receivables of € 1,198 thousand (prior year: € 61 thousand) relating to factoring agreements under cash and cash equivalents. These receivables are pledged to the factored.

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.

Financial Liabilities and Equity Instruments

Financial liabilities and equity instruments are classified in accordance with the economic substance of the underlying agreements. Equity instruments are recognized at the value of the funds or other assets received less directly attributable external transaction costs.

Trade Payables and Other Current Liabilities

Trade payables and other current liabilities do not bear interest and are recognized at their nominal amounts.

Recognition of Income and Expenses

Income is recognized when it is probable that economic benefits will flow to Voltabox and the amount of the income can be measured reliably. Income is measured at the fair value of the consideration received. Sales tax and other levies are not included. If transactions provide for a declaration of acceptance on the part of the purchaser, the related revenue is only recognized once such a declaration has been issued. If the sale of products and services includes multiple delivery and service components (multiple element arrangements), such as varying remuneration agreements in the form of prepayments, milestone payments and similar payments, a review takes place to ascertain whether revenue should be recognized separately for partial sales at different points in time. Contractually agreed prepayments and other non-recurring payments are deferred and reported in profit or loss over the period during which the contractually agreed service is performed.

Income from the sale of products is recognized once the significant risks and rewards associated with ownership of the products sold have been transferred to the purchaser. This normally occurs upon shipment of the products, consistent with the agreements entered into with customers. Revenue is shown after the deduction of discounts, rebates and returns.

Interest income and interest expenses are recognized according to the effective interest method. Operating expenses are recorded in profit and loss when the relevant services are rendered or when the expenses are incurred. If a customer declares the assumption of significant opportunities and risks (“bill-and-hold” agreements), income from the sale of products is already recognized at this time.

8 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 influence 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 orders on hand from those customers with whom development projects are being conducted.

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, 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 and Liabilities

Deferred tax assets are only recorded if a positive tax result is expected in future periods and as a result their realization appears sufficiently assured. The actual taxable income situation in future periods may deviate from the estimate made at the time the deferred tax assets were recognized.

Domestic deferred taxes were calculated as of December 31, 2017, at a combined income tax rate of 30.0 % (prior year: 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, 2017, at a combined income tax rate of 27.6 % (prior year: 34.6 %). The change results from the current edicts of the US administration.

The combined income tax rate amounts to 28.8 % (prior year: 32.3 %).

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.

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 a disclosure of the legal dispute in the notes does not automatically mean that a provision for the respective risk is appropriate.

9 Revenue

Revenue consists of the proceeds from sales of products, materials, distribution rights and services less any sales reductions. The total revenue for the reporting period amounted to € 27,273 thousand (prior year: € 14,493 thousand), of which € 23,920 thousand (prior year: € 10,808 thousand) was generated in Germany and € 3,354 thousand (prior year: € 3,685 thousand) was generated in foreign countries.

The breakdown and classification of revenue by regions is shown in the “Segment Report”.

10 Other Operating Income

Other operating income primarily includes income from the use of company cars by employees of € 68 thousand (prior year: € 26 thousand), income from foreign currency exchange of € 49 thousand (prior year: € 63 thousand) and gains on the disposal of noncurrent assets in the amount of € 7 thousand (prior year: € 0 thousand).

11 Other Own Work Capitalized

For development projects which 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, 2017	Jan. 1 to Dec. 31, 2016
Project-related development costs	**5,174**	6,011
Cost of test equipment	**89**	24
Other own work capitalized	**5,263**	6,035

12 Cost of Materials

€ '000	Jan. 1, to Dec. 31, 2017	Jan. 1 to Dec. 31, 2016
Raw materials and supplies	**16,320**	12,675
Cost of purchased services	**341**	730
Cost of material	**16,661**	13,405

13 Personnel Expenses

Personnel expenses amounted to € 6,709 thousand in the reporting period (prior year: € 4,113 thousand) and consist of the following:

€ '000	Jan. 1, to Dec. 31, 2017	Jan. 1 to Dec. 31, 2016
Wages and salaries	**5,939**	3,559
Social security contributions / pension expenses	**770**	554
Personnel expenses	**6,709**	4,113

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

	Jan. 1, to Dec. 31, 2017	Jan. 1 to Dec. 31, 2016
Salaried employees	**73**	41
Wage-earning employees	**26**	26
Total number of employees	**99**	67

14 Other Operating Expenses

Other operating expenses mainly comprise group sales and integrated services (2017: € 1,192 thousand; prior year: € 2,167 thousand), third-party development costs (2017: € 627 thousand; prior year: € 991 thousand), building rental expenses and premises costs (2017: € 409 thousand; prior year: € 331 thousand) as well as freight and packaging costs (2017: € 338 thousand; prior year: € 319 thousand).

15 Depreciation and Amortization

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

16 Financial Result

€ '000	**Jan. 1, to Dec. 31, 2017**	Jan. 1 to Dec. 31 ,2016
Financial income	**6**	0
Interest income	**6**	0
Financial expenses	**-703**	-534
Other financial and interest expenses	**-703**	-534
Financial result	**-697**	-534

Other financial and interest expenses include interest expenses to banks of € 379 thousand (prior year: € 334 thousand).

17 Income Taxes

€ '000	**Jan. 1, to Dec. 31, 2017**	Jan. 1 to Dec. 31 ,2016
Current taxes	**0**	0
Current domestic taxes	**0**	0
Current foreign taxes	**0**	0
Deferred taxes	**119**	475
Deferred domestic taxes	**916**	1,344
Deferred foreign taxes	**-797**	-869
Income taxes	**119**	475

Current taxes include corporate income tax and trade tax for prior years.

Deferred taxes of Voltabox AG are reported in the Voltabox subgroup and adjustments are recognized in profit or loss.

As of the end of the reporting period, of deferred tax assets in the amount of € 3,337 thousand (prior year: € 2,230 thousand), € 357 thousand (prior year: € 0 thousand) relates to Germany and € 2,980 thousand (prior year: € 2,230 thousand) relates to other countries. As of the end of the reporting period, of deferred tax liabilities in the amount of € 4,840 thousand (prior year: € 3,615 thousand), € 4,714 thousand (prior year: € 3,467 thousand) relates to Germany and € 126 thousand (prior year: € 148 thousand) relates to other countries.

Due to the termination of the profit and loss transfer agreement and the expected positive development, it is assumed that the deferred tax assets on loss carryforwards of Voltabox AG are recoverable.

Due to the medium-term planning approved by the Supervisory Board and the expected future positive results of Voltabox of Texas, Inc., deferred tax assets on loss carryforwards are expected to be recoverable.

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

	Dec. 31, 2017		Dec. 31, 2016	
€ '000	**Deferred tax assets**	**Deferred tax liabilities**	Deferred tax assets	Deferred tax liabilities
Intangible assets	**0**	**4,792**	0	3,465
Property, plant and equipment	**0**	**0**	0	0
Receivables and other assets	**0**	**48**	0	1
Liabilities	**0**	**0**	0	149
Loss carried forward	**3,337**	**0**	2,230	0
Deferred tax assets and liabilities prior to netting	**3,337**	**4,840**	2,230	3,615
Netting	**-**	**-**	-2,230	-2,230
Deferred tax assets and liabilities after netting	**3,337**	**4,840**	0	1,385

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.

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	**In € '000**	Expiration
2014	**1,761**	2034
2015	**2,916**	2035
2016	**3,155**	2036
2017	**5,115**	2037

In accordance with IAS 12.81 (c), the actual tax expense is to be compared with the tax expense that would theoretically result from using the tax rates to be applied to the reported earnings before tax. The following reconciliation statement shows the reconciliation of the arithmetic tax expense to the actual tax expense.

€ '000	**Jan. 1, to Dec. 31, 2017**	Jan. 1 to Dec. 31 ,2016
Earnings before taxes	**119**	4,209
Calculatory tax expense at a tax rate of 28.8 % (prior year: 32.3 %)	**34**	1,360
tax expenses relating to other accounting periods	**0**	0
Non-recognition of deferred tax assets on losses carried forward	**0**	0
Other	**85**	-885
Current tax expenses	**119**	475

18 Earnings per Share

Basic earnings per share are calculated by dividing the result for the reporting period by the weighted average number of shares issued. The weighted average number of shares issued in the reporting period was 11,251,986.

Based on the result for the period of € 9,692 thousand, basic earnings per share amount to € 0.86.

The diluted earnings per share are calculated by adjusting the weighted average number of shares issued by the number of potentially dilutive shares.

Stock option plans generally result in a potential dilution of earnings per share. There were no share option rights to acquire outstanding Voltabox AG shares during the fiscal year from January 01 to December 31, 2017.

19 Intangible Assets

The changes in and analysis of intangible assets, property, plant and equipment and 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 € 16,201 thousand (prior year: € 12,748 thousand). Internal development costs of € 5,174 thousand (prior year: € 6,011 thousand) were capitalized as intangible assets in the reporting period. With regard to the development expenses of the financial year, we refer to the section "Other performance indicators" of the summarized management report.

Amortization in the reporting period amounted to € 1,365 thousand (prior year: € 399 thousand). The amortization period of the development projects amounts to a uniform period of four years from the start of serial 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 € 0 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 approved 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.

20 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 this 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., from information which can be obtained from capital markets. To account for the different return and risk profiles of our different fields of activity, we calculate individual cost of capital rates for our companies (CGUs). The weighted average cost of capital, i.e., WACC before taxes used to discount cash flows, amounted to 15.3%. The perpetual annuity after the detailed planning period is 1%.

No indication of impairment has resulted within the scope of the impairment test as of December 31, 2017.

Goodwill amounted to € 3,187 thousand as of the reporting date (prior year: € 3,187 thousand).

21 Property, Plant and Equipment

Depreciation in the reporting period amounted to € 1,065 thousand (prior year: € 1,540 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 four to five years. The corresponding payment obligations for future lease installments are recognized as liabilities. The net carrying amount of assets capitalized under finance leases amounted to € 58 thousand as of December 31, 2017 (prior year: € 145 thousand). The corresponding payment obligations for future lease installments amounted to € 58 thousand (prior year: € 146 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 € 19 thousand were made in the reporting year (prior year: € 379 thousand).

In the year under review, the loss on disposal of property, plant and equipment amounted to € 346 thousand (prior year: € 199 thousand).

22 Inventories

Inventories consist of the following:

€ '000	**Dec. 31, 2017**	Dec. 31, 2016
Raw materials and supplies	**3,960**	2,285
Work in progress and finished goods and services	**246**	1,670
Advance payments on inventories	**0**	0
Inventories	**4,206**	3,955

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 € 698 thousand (prior year: € 107 thousand). At the balance sheet date, inventories of € 0 thousand (prior year: € 0 thousand) served as collateral for liabilities.

23 Trade Receivables

The carrying value of trade receivables is derived as follows:

€ '000	**Dec. 31, 2017**	Dec. 31, 2016
Trade receivables, gross	**22,137**	5,777
Less impairment losses	**-68**	-1
Trade receivables	**22,069**	5,776

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

€ '000	**Carrying amount**	thereof neither impaired nor past due	thereof past due but not impaired, as follows			
Dec. 31, 2017			0 – 30 days	30 – 60 days	60 – 90 days	> 90 days
Trade receivables	**22,069**	20,721	559	403	385	1
Dec. 31, 2016			0 – 30 days	30 – 60 days	60 – 90 days	> 90 days
Trade receivables	**5,776**	5,541	21	98	0	116

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.

Contract terms were newly agreed with a customer in the financial year. Due to extended payment terms, the outstanding receivables were discounted at an interest rate of 0.171 %. This interest rate takes into account the current interest rate level as well as the individual creditworthiness of the customer.

24 Other Current Assets

Other current assets were as follows:

€ '000	**Dec. 31, 2017**	Dec. 31, 2016
Other current assets		
Purchase price retention related to factoring arrangements	**31**	222
Deferred income	**43**	22
Other assets	**182**	99
Other current assets	**256**	343

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

€ '000	**Carrying amount**	thereof neither impaired nor past due	thereof past due but not impaired, as follows			
Dec. 31, 2017			0 – 30 days	30 – 60 days	60 – 90 days	> 90 days
Other current assets	**256**	256	0	0	0	0
Dec. 31, 2016			0 – 30 days	30 – 60 days	60 – 90 days	> 90 days
Other current assets	**343**	343	0	0	0	0

As of December 31, 2017, there were no indications that significant amounts included in other current assets would not be collectible.

25 Cash and Cash Equivalents

Cash on hand and bank deposits are recognized at their nominal amounts. Cash and cash equivalents include € 1 thousand (prior year: € 1 thousand) in cash on hand and € 102,678 thousand (prior year: € 939 thousand) in bank deposits. Changes in cash and cash equivalents are presented in the consolidated cash flow statement.

26 Equity

The changes in the individual components of equity for the reporting period from January 01 to December 31, 2017, are presented in the consolidated statement of changes in equity.

Share Capital

The conversion of Voltabox Deutschland GmbH into Voltabox AG was recorded on May 18, 2017, in the commercial register. 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 06, 2017 (the entry in the commercial register was made on September 21, 2017), and another increase by a further € 5,000 thousand (resolution of 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. The following table shows the development of the company's shares.

	Subscribed capital
GmbH shares (until May 17, 2017)	100,000 shares
Conversion into stock corporation(as of May 18, 2017)	100,000 shares
Capital increase against contribution in kind	9,900,000 shares
Capital increase	5,000,000 shares
Green shoe	825,000 shares
no-par value bearer shares as of December 31, 2017	**15,825,000 shares**

Capital Reserve

Following the contribution of the proceeds resulting from the IPO less the transaction costs of € 8,835 thousand, as of December 31, 2017, the capital reserve amounts to € 126,384 (prior year: € 1,244 thousand).

Currency Translation Reserve

Loans granted by Voltabox AG to Voltabox of Texas, Inc. were classified as a net investment in a foreign operation in the year under review. The resulting exchange rate effects are initially recognized directly in equity in the currency translation reserve. In addition, this item concerns foreign exchange translation differences from the reporting date translation of the annual financial statements of the Voltabox of Texas, Inc. included in the consolidated financial statements. As of January 1, 2017, the currency translation reserve amounted to € 0 thousand. An amount of € 1,019 thousand was recognized in the year under review. Accordingly, the currency translation reserve as at December 31, 2017 amounts to € 1,019 thousand.

Profit Transfer

A profit and loss transfer agreement existed between paragon AG and Voltabox AG (prior to its conversion into 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, earnings in the amount of € -9,930 thousand according to HGB will be transferred for the last time on December 31, 2017.

27 Finance Lease Obligations

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

€ '000	Remaing term < 1 year	Remaining term between 1 and 5 years	Remaining term > 5 years	**Dec. 31, 2017**	Dec. 31, 2016
Minimum lease payments	18	44	0	**62**	156
Future interest payments	-2	-2	0	**-4**	-10
Liabilities from finance lease (repayment portion)	16	42	0	**58**	146
thereof reported under noncurrent liabilities				**16**	107
thereof reported under current liabilities				**42**	39

28 Liabilities to Banks

Current and noncurrent liabilities to banks totaled € 4,065 thousand (prior year: € 5,190 thousand) and collateral for liabilities to banks was provided in the amount of € 4,065 thousand (prior year: € 5,190 thousand).

Liabilities to banks are secured by property charges for loan liabilities in the amount of € 3,239 thousand (prior year: € 3,808 thousand) and by charges over property, plant and equipment of € 970 thousand (prior year: € 1,382 thousand).

Liabilities to banks mature as follows:

€ '000	Remaing term < 1 year	Remaining term between 1 and 5 years	Remaining term > 5 years	**Dec. 31, 2017**	Dec. 31, 2016
Liabilities to banks	532	3,532	0	**4,064**	5,190
thereof reported under noncurrent liabilities				**3,532**	4,539
thereof reported under current liabilities				**532**	651

Noncurrent liabilities primarily relate to the financing of the building in Texas. Current liabilities include the current portion of investment loans.

There is no exposure to interest rate risk for the loans with fixed interest rates. Loans with floating interest rates (€ 3,239 thousand) are subject to interest rate risk (further details are provided in note 32 “Interest Rate Risk”).

29 Other Liabilities

Other liabilities were as follows:

€ '000	**Dec. 31, 2017**	Dec. 31, 2016
Other liabilities	**1,169**	162
Liabilities from other taxes	**86**	652
Other liabilities	**1,255**	814

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

Other liabilities mature as follows:

€ '000	Remaing term < 1 year	Remaining term between 1 and 5 years	Remaining term > 5 years	**Dec. 31, 2017**	Dec. 31, 2016
Other liabilities	1,255	0	0	**1,255**	814
thereof reported under noncurrent liabilities				**0**	0
thereof reported under current liabilities				**1,255**	814

30 Other Provisions

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

€ '000	Jan. 1, 2017	Utilization	Reversal	Addition	**Dec. 31, 2017**
Other provisions	6	0	0	136	**142**

Other provisions mainly include provisions for warranties of € 67 thousand (€ 6 thousand) and for take-back obligations for spent batteries and other provisions. A provision in the amount of € 10 thousand was recognized in connection with the take-back of old batteries as part of the Battery Withdrawal Act due to estimation uncertainties. For the calculation of this provision a return rate of 70 % and a recyclability of 75 % of the returned batteries were assumed. Due to possible future income from the exploitation of raw materials, a range of the provisions to be formed was determined. The provision is measured at the annual financial statements for the probable disposal costs, the discounted amount of which amounts to € 10 thousand.

31 Additional Disclosures on Financial Instruments

This section provides an overview of financial instruments in use at Voltabox AG. The tables below show the carrying amounts (CA) and fair values (FV) of financial assets and financial liabilities as of December 31, 2017, and December 31, 2016:

Dec. 31, 2017	Nominal amount		Amortized costs	
€ '000	CA	**FV**	CA	**FV**
ASSETS				
Liquid funds	102,679	102,679		
Trade receivables			22,069	22,069
Other assets			256	256
Total assets	**102,679**	**102,679**	**22,325**	**22,325**
EQUITY AND LIABILITIES				
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**

Dec. 31, 2016	Nominal amount		Amortized costs	
€ '000	CA	**FV**	CA	**FV**
ASSETS				
Liquid funds	940	940		
Trade receivables			5.776	5.776
Other assets			343	343
Total assets	**940**	**940**	**6.119**	**6.119**
EQUITY AND LIABILITIES				
Liabilities to banks			5.190	5.195
Finance Lease			145	147
Trade payables			3.361	3.361
Other liabilities			814	814
Total equity and liabilities			9.510	9.517

Receivables from related parties and liabilities to related parties exclusively apply in relation to the parent company of paragon AG. The carrying amounts correspond to the fair value of the receivables and liabilities. Since these items do not relate to entities outside of the Group, no further disclosures have been provided in this section and the next in relation to these receivables and liabilities.

Determining Market Values

The market value of cash and cash equivalents, current receivables and other assets, as well as trade payables and other liabilities, approximate their carrying amounts due to their short term to maturity.

Voltabox measures noncurrent receivables and other assets based on specific parameters such as interest rates and the customer's credit standing and risk structure. Based on these factors, Voltabox recognizes allowances for anticipated defaults on receivables.

Voltabox determines the fair value of liabilities under finance leases and the fair value of liabilities to banks by discounting the anticipated future cash flows using the interest rates applicable for similar financial liabilities with a comparable term to maturity.

A hierarchical classification was used to measure fair value in accordance with IAS 39.A71 et seq. The hierarchical fair value levels and their application to Voltabox's financial assets and liabilities are as follows:

Level 1: Quoted prices for identical assets or liabilities in active markets
Level 2: Measurement factors other than quoted market prices that are directly (for instance, from prices) or indirectly (for instance, derived from prices) observable for assets or liabilities
Level 3: Measurement factors for assets and liabilities not based on observable market data

Net Gains and Losses

Realized net gains and losses from financial instruments were as follows:

€ '000	**Dec. 31, 2017**	Dec. 31, 2016
Receivables	**-97**	-31
Net gains / losses	**-97**	-31

The net gain/loss from receivables includes changes in impairment allowances, gains and losses from derecognition as well as payment inflows and reversals of impairment losses on receivables previously written down, which were recorded in profit or loss in the consolidated statement of comprehensive income.

32 Management of Risks Associated with Financial Instruments

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. This analysis is used to manage and supervise current business and financial market activities. The risks are managed with the assistance of 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. If necessary, the company makes use of derivative financial instruments to limit these risks. Exchange rate fluctuations can lead to undesirable earnings and liquidity fluctuations. For paragon, the risk arises on foreign currency positions and possible changes in the relevant exchange rates. The uncertainty involved in future trends is referred to as exchange rate risk. Voltabox limits this risk by primarily settling purchases and sales of merchandise and services in the respective local currencies.

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 € -189 thousand as of December 31, 2017 (prior year: € -55 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, since 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, 2017:

	Dec. 31, 2017		Dec. 31, 2016	
€ '000	**USD**	**Other**	USD	Other
Transaction-related currency risk				
Currency risk from balance sheet items	**1,673**	**0**	-489	-10
Currency risk from pending transactions	**0**	**0**	0	0
	1,673	**0**	-489	-10
Items economically hedged by derivatives	**0**	**0**	0	0
Net exposure to currency risk	**1,673**	**0**	-489	-10
Change in currency exposure from 10 % appreciation of the euro	**186**	**0**	-54	-1

Interest Rate Risks

Interest rate risk refers to any change in interest rates that impacts the earnings or equity. Interest rate risk primarily arises in connection with financial liabilities.

The interest-bearing financial liabilities mainly have fixed interest rates. Accordingly, changes in the interest rate would only have an effect if the financial instruments were recorded at fair value. As this is not the case, the financial instruments with fixed interest rates are not subject to interest rate risks within the meaning of IFRS 7.

The interest rate risks associated with variable-rate financial liabilities are measured using cash flow sensitivity techniques. The Voltabox group had variable-rate financial liabilities of € 3,239 thousand as of December 31, 2017. The cash flow risk associated with a change in interest rates (+1/-1 percentage point) is as follows:

	Dec. 31, 2017		Dec. 31, 2016	
€ '000	**+ 1 %**	**- 1 %**	+ 1 %	- 1 %
Cash flow risk				
from financial instruments with floating interest rates	**-32**	**32**	-38	38

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, 2017, Voltabox had cash and cash equivalents of € 102,679 thousand (prior year: € 940 thousand) at its disposal. Unused credit lines totaling € 3,000 thousand were available as of December 31, 2017 (prior year: € 0 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 installments, repayments and interest arising on the financial liabilities recorded in the balance sheet as of December 31, 2017:

€ '000	**2018**	2019 – 2022	2023 and thereafter
Non-derivative financial liabilities			
Liabilities from bonds	**532**	3,532	0
Liabilities to banks	**42**	16	0
Liabilities from finance lease	**3,591**	0	0
Trade payables	**1,255**	0	0
Other financial liabilities	**5,420**	3,548	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, 2017**	Dec. 31, 2016
Cash and cash equivalents	**102,679**	940
Total liquidity	**102,679**	940
Current financial liabilities and current portion of noncurrent financial liabilities	**532**	651
Noncurrent financial liabilities	**3,532**	4,539
Total financial liabilities	**4,064**	5,190
Net debt	**-98,615**	-4,250

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.

33 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, 2017. Other financial liabilities are as follows:

€ '000	Remaining term < 1 year	Remaining term between 1 and 5 years	Remaining term > 5 years	**Dec. 31, 2017**	Dec. 31, 2016
Order commitments	20,355	0	0	**20,355**	3,806
Tenancy obligations	99	185	0	**284**	146
Other obligations	0	0	0	**0**	0
Other financial obligations	20,454	185	0	**20,639**	3,952

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

34 Consolidated Statement of Movements on Noncurrent Assets

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

	Acquisition cost					
€ '000	Jan. 01, 2017	Change Currency	Addi-tions	Dis-posals	Reclassifi-cation	**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	**439**
Goodwill	3,187	0	0	0	0	**3,187**
Capitalized development costs	13,518	-414	5,174	0	0	**18,278**
Total intangible assets	16,988	-431	5,347	0	0	**21,904**
Property, plant and equipment						
Land and buildings	6,513	-795	170	0	0	**5,888**
Technical equipment and machinery	3,056	-35	290	565	426	**3,172**
Other plant, office furniture and equipment	1,576	-45	270	39	185	**1,947**
Advance payments	379	0	251	0	-611	**19**
Total property, plant and equipment	11,524	-875	981	604	0	**11,026**
Total	28,512	-1,306	6,328	604	0	**32,930**

Depreciation, amortization and impairment

	Jan. 01, 2017	Change currency	Additions	Disposals	Reclassifi-cation	**Dec. 31, 2017**	Dec. 31, 2017	**Dec. 31, 2016**
	123	-23	59	0	0	**159**	280	**160**
	0	0	0	0	0	**0**	3,187	**3,187**
	770	1	1,306	0	0	**2,077**	16,201	**12,748**
	893	-22	1,365	0	0	**2,236**	19,668	**16,095**
	209	-32	138	0	0	**315**	5,573	**6,304**
	1,284	-15	468	211	0	**1,526**	1,646	**1,772**
	654	-17	459	36	0	**1,060**	887	**922**
	0	0	0	0	0	**0**	19	**379**
	2,147	-64	1,065	247	0	**2,901**	8,125	**9,377**
	3,040	-87	2,430	247	0	**5,137**	27,793	**25,472**

35 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, 2017**	Dec. 31, 2016
Bank deposits	**102,678**	939
Cash on hand	**1**	1
Cash and cash equivalents	**102,679**	940

36 Segment Reporting

The Group's business activities are allocated to three operating segments in the segment reporting, based on the requirements of IFRS 8.

The "Voltapower" operating segment: In this operating segment, the company develops, produces and distributes high performance battery solutions for large specialty vehicles, where individual and comprehensive Li-ion solutions offer the maximum benefit to the customer, such as in public transport, mining and intralogistics.

The "Voltaforce" operating segment: Under the Voltaforce brand name, the company develops, produces and distributes standard batteries in the low voltage range, which are used in various segments of the mass battery market, where light batteries are in particular demand and are advantageous, e.g., as starter batteries for motorcycles and 48-volt mild hybrid solutions. In the future, Voltaforce batteries will be able to replace existing lead-acid battery systems, for instance, as starter batteries for motorcycles and other vehicles .

The "Voltamotion" operating segment: Under the Voltamotion brand name, the company develops drive components, such as power electronics, that enable the complete electrification of high performance vehicles and can also serve additional individual markets for inverters, chargers, DC-to-DC converters, electric motors, etc.

In the year under review, the operating segment "Voltapower" accounted for more than 99 % of revenue. A more detailed presentation of the operating segments has therefore not been provided on materiality grounds.

Geographical Territories

The following table shows the geographical breakdown of revenue:

€ '000	**Jan. 1, to Dec. 31, 2017**	Jan. 1, to Dec. 31, 2016
Revenue		
Domestic	**23,679**	10,783
EU	**241**	25
Rest of the world	**3,353**	3,685
Total	**27,273**	14,493

Key Transactions with Customers

In the past fiscal year, two companies exceeded the threshold of 10 % of the revenue share, according to IFRS 8.34.

37 Directors and Officers

In the period from January 01 to August 09, 2017, the Management Board of Voltabox AG comprised the Chief Executive Officer, Mr. Klaus Dieter Frers. On August 10, 2017, Mr. Frers was transferred to the Supervisory Board, becoming Chairman of the Supervisory Board. Mr. Jürgen Pampel was appointed as the Chief Executive Officer on August 09, 2017. Mr. Andres Klasing was appointed as the Chief Financial Officer on August 09, 2017.

The following persons are members of the Supervisory Board:

Name	Occupation
Klaus Dieter Frers Chairman (since August 10, 2017)	Chief Executive Officer of paragon AG
Hermann Börnemeier Chairman (January 01 until August 09, 2017) Deputy Chairman (August 10 until September 05, 2017) Member (since September 06, 2017)	Dipl. Financial Consultant and Tax Advisor Managing Director of Treu-Union Treuhandgesellschaft mbH
Brigitte Frers Member (Januar 01 until August 09, 2017)	Employee, paragon AG
Prof. Dr. Martin Winter Deputy Chairman (since September 06, 2017)	Professor at the Institute of Physical Chemistry at Muenster University
Walter Schäfers Deputy Chairman (January 01 until August 09, 2017) Member (since September 05, 2017)	Lawyer, Partner at Societät Schäfers Rechtsanwälte und Notare

38 Remuneration Report of the Management Board and Supervisory Board

Management Board Remuneration

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 total remuneration of the Management Board contains salaries and short-term benefits of € 148 thousand (prior year: € - thousand) and includes fixed components of € 131 thousand (prior year: € - thousand) and variable components of € 17 thousand (prior year: € - 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 (for 2017, the reference rate is the issue price of € 24.00).

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

Benefits granted	**Jürgen Pampel** Chief Executive Officer Date joined: Aug. 9, 2017		**Andres Klasing** Chief Financial Officer Date joined: Aug. 9, 2017	
€	**2017**	2016	**2017**	2016
Fixed compensation	**66,733.33**		**58,788.87**	
Fringe benefits	**2,376.00**		**2,699.52**	
Total	**69,109.33**		**61,488.39**	
One-year variable compensation*	**9,100.00**		**8,017.00**	
Total	**78,209.33**		**69,505.39**	
Service cost	**0.00**		**0.00**	
Total compensation	**78,209.33**		**69,505.39**	

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

Since the registration as a joint stock corporation, the Voltabox AG Management Board consisted from May 18, 2017, to August 8, 2017, of one person – Mr. Klaus Dieter Frers. Mr. Frers was managing director of Voltabox Deutschland GmbH from January 1 to May 17, 2017. He did not receive any remuneration for this function but he was compensated for his duties as CEO of paragon AG (as a 100% parent company).

Furthermore, Mr. Klaus Dieter Frers held the post of chief executive officer (CEO) at Voltabox of Texas, Inc., from January through August in the reporting period. In September, he joined the company's Board of Directors as chairman. For these activities at Voltabox of Texas, Inc., Mr. Klaus Dieter Frers received an amount of USD 75,000.00 during the reporting period.

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

Allocation	**Jürgen Pampel** Chief Executive Officer Date joined: Aug. 9, 2017		**Andres Klasing** Chief Financial Officer Date joined: Aug. 9, 2017	
€	**2017**	2016	**2017**	2016
Fixed compensation	**66,733.33**		**58,788.87**	
Fringe benefits	**2,376.00**		**2,699.52**	
Total	**69,109.33**		**61,488.39**	
One-year variable compensation*	**0.00**		**0.00**	
Total	**69,109.33**		**61,488.39**	
Service cost	**0.00**		**0.00**	
Total compensation	**69,109.33**		**61,488.39**	

* 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.

Additionally, 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.

The members of the Supervisory Board received fixed remuneration totaling € 0 thousand in the year under review.

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

€ '000	Klaus Dieter Frers Chairman of the Supervisory Board		Prof. Dr. Martin Winter		Hermann Börnemeier	
	2017	2016	**2017**	2016	**2017**	2016
Fixed compensation	**20.0**	n/a	**15.0**	n/a	**10.0**	n/a
Total compensation	**20.0**	n/a	**15.0**	n/a	**10.0**	n/a

Ms. Brigitte Frers was a member of the Supervisory Board from January 1, 2017, to August 9, 2017, and Mr. Walter Schäfers was a member from January 1, 2017, to September 5, 2017. Neither received any salary for their position on the board.

39 Related Party Disclosures

Related parties within the meaning of IAS 24 "Related Party Disclosure" include the members of the Management Board, the Supervisory Board and close relatives of the members of the corporate bodies as well as affiliated companies of Voltabox AG.

Mr. Klaus Dieter Frers is Chief Executive Officer of paragon AG and managing partner of Artega GmbH.

Personally provided services of € 32 thousand were provided in the reporting period by the Supervisory Board member Mr. Hermann Börnemeier, who provides tax advice for Voltabox AG.

The outstanding balances for related parties as of the balance sheet date are as follows:

Accounts receivable from related parties in the amount of € 483 thousand (prior year: € 2,538 thousand) are entirely attributable to paragon AG. In addition, a receivable of € 9,930 thousand results from the assumption of losses due to the profit and loss transfer agreement with paragon AG. Trade payables to related parties in the amount of € 1,813 thousand (prior year: € 22,671 thousand) relate to paragon AG (€ 1,811 thousand) and productronic GmbH (€ thousand). In the year under review, revenue with paragon AG in the amount of € 2,580 thousand (prior year: € 222 thousand) were realized. In the previous year, liabilities from shareholder loans in the amount of € 15,908 thousand and from trade payables to the shareholder in the amount of € 6,763 thousand were reported. In turn, paragon AG generated revenue of € 2,176 thousand (prior year: € 4,222 thousand), mainly through Group services with the Voltabox Group.

40 Auditor's Fee

Expenses of € 235 thousand were recognized in the period under report from January 01 to December 31, 2017, as fees for the audit of Voltabox AG's separate financial statements prepared in accordance with German commercial law, and for the audit of Voltabox AG's consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, which were conducted by Baker Tilly GmbH & Co. KG, Wirtschaftsprüfungsgesellschaft, (prior year:

€ 0 thousand). Of this total, € 92 thousand relates to auditing services, € 134 thousand to other confirmation services in connection with the IPO, and € 10 thousand to other services.

Baker Tilly GmbH & Co. KG, Wirtschaftsprüfungsgesellschaft, has provided the following services in addition to the audit for the Group companies:

- Issue of a comfort letter,
- Audit of pro forma financial statements of Voltabox AG for the fiscal years 2014 to 2016,
- Voluntary audit of the annual financial statements of Voltabox AG as of December 31, 2016,
- Review of the consolidated financial statements of Voltabox AG as of June 30, 2017, for the first half of the year
- Audit of the profit forecast for the 2017 fiscal year and
- Consultancy services in connection with a real capital increase implemented by Voltabox AG.

41 Risk Management

The company's risk management is described in the management report.

42 Declaration Pursuant to Section 160 Paragraph 1 No. 8 of the German Stock Corporation Act (AktG)

Voting Right Notifications

In the year under report, the company did not make any 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 has not received any notification of transactions by management in accordance with Article 19 of the EU Regulation No 596/2014 (MAR) on market abuse (Market Abuse Regulation) in the period under review.

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 9, 2018

Voltabox AG
The Management Board

Jürgen Pampel	Andres Klasing
Chief Executive Officer	Chief Financial Officer

Auditor's Report

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, 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the fiscal year starting January 01, 2017, and ending December 31, 2017, 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 starting January 01, 2017, and ending December 31, 2017.

In our opinion, based on the findings of our audit,

- in all material respects 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, 2017, as well as its earnings for the fiscal year starting January 01, 2017, and ending December 31, 2017, in accordance with these requirements.

- The enclosed combined management report provides a suitable view of the Group's position. In all material respects, 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.

Pursuant to Section 322 (3) 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 and principles 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 for the fiscal year from January 01, 2017 to December 31, 2017 and the audit of the combined management report. 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.

Our presentation of these key audit matters has the following structure:

1. Specific matter and problem
2. Audit approach and findings
3. Further information

I. Voltabox AG IPO

1. The shares of Voltabox AG, which are included in the consolidated financial statements, have been listed on the regulated market of the Frankfurt Stock Exchange since October 13, 2017. Within the scope of the IPO, a total of 6,325,000 shares were placed with new investors. Of this amount, 500,000 shares derived from the holdings of the parent company, paragon AG, and 5,825,000 from a capital increase including a greenshoe option implemented by Voltabox AG. The selling price of the shares was € 24.00 per share € 151,800 thousand in cash and cash equivalent were generated as issue proceeds. The costs of the IPO in the amount of € 8,835 thousand reduced the issue proceeds and were deducted from the capital reserve directly in equity. The IPO of Voltabox AG and the issue proceeds realized have likewise had a significant impact on the item "Cash flow from financing activities" in the statement of cash flows and the related change in the balance sheet item "Cash and cash equivalents". The total assets of Voltabox AG significantly increased due to the IPO. Due to the size of this transaction, this matter was particularly important for the purpose of our audit.
2. We have taken into consideration the legal and organizational restructuring measures associated with the IPO of Voltabox AG insofar as these were of significance for our audit. In our audit of Group equity, cash and cash equivalents and the statement of cash flows, among other activities we obtained proof of the amount of the issue proceeds and their effect on Group equity. We obtained proof of the amount of the costs for the IPO and reviewed the accounting rules for the issue costs. In our assessment of the results of the accounting and measurement rules applied, we relied upon documents including bank and commercial register excerpts, resolutions passed by the company's Supervisory Board and Management Board as well as the resolutions passed by the directors and officers of Voltabox AG. There were no objections to this.
3. The company's disclosures regarding the effects of the IPO of Voltabox AG are included in the notes, in section "(26) Equity," and in the combined management report in the section "Assets, Financial Position and Earnings"

II. Recognition and Measurement of Capitalized Development Costs

1. As of December 31, 2017, the company has reported capitalized development work in its balance sheet as an intangible asset in the amount of € 16.201 thousand (prior year: € 12.748 thousand). 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 € 16.201 thousand now accounts for 9,5 % of the balance sheet total. In fiscal year 2017, own work capitalized in connection with development projects amounts to € 5.174 thousand (prior year: € 6,011 thousand). Capitalized development costs have thus had a significant effect on the value of the company's financial performance indicators. In view of the size of the overall development costs capitalized and the com-

plexity of measuring the capitalized development costs, 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 implemented assertion-based audit procedures 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 competent 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 auditing has not caused any objections to the way capitalized development work is shown 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: "(7) Description of Accounting Policies and Measurement Methods - Intangible Assets," "(8) Use of Estimates and Assumptions - Capitalized Development Costs," "(11) Other Own Work Capitalized" and "(19) Intangible Assets."

III. Disclosures in the Combined Management Report Concerning the Revenue Forecast for Fiscal Year 2018

1. In the combined management report, the Group forecasts revenue of € 60 million for fiscal year 2018. This corresponds to revenue growth of 120.0%. The forecast revenue has a significant effect on the value of the company's future financial performance indicators. In view of the size of the revenue growth implicit in this forecast and the complexity associated with the preparation of this revenue forecast and the interdependencies of the revenue forecast with the measurement of other balance sheet items such as capitalized deferred taxes on losses carried forward for the US subsidiary and the assessment of the fair value of goodwill, this matter was particularly important for the purpose of our audit. We accept the revenue forecast given in the management report.

2. Within the scope of our audit of the revenue forecast in the combined management report, we initially analyzed the methodical approach pursued in the preparation of the revenue forecast and assessed the risk of a material misstatement. We subsequently implemented assertion-based audit procedures on a test basis in order to review the amount of the revenue forecast. The selected samples were analyzed to see to what extent customer framework contracts have already been concluded. We held discussions with the competent controller and the sales managers in order to review the assumptions made by the company's legal representatives in the forecast.

3. The company's disclosures regarding the revenue forecast are included in the combined management report, mainly in the sections "Forecast – Voltabox Group."

Other Information

The company's legal representatives are responsible for the other information. The other information comprises the corporate governance statement pursuant to Sections 315d (5) and 289f (1) HGB included in the section "Corporate Governance Statement Pursuant to Sections 315d and 289f (1) of the German Commercial Code (HGB)" as well as the corporate governance report pursuant to no. 3.10 of the German Corporate Governance Code. This other information likewise includes the remaining parts of the Annual Report, with the exception of the audited consolidated financial statements, the audited combined management report and our auditor's report.

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 September 22, 2017. We were engaged by the Supervisory Board on December 12, 2017. 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 audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German public accountant responsible for the engagement

The German public accountants responsible for the engagement are Thomas Gloth and Helmut Meurer.

Düsseldorf, March 9, 2018

Baker Tilly GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
(Düsseldorf)

Thomas Gloth	Helmut Meurer
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 summarized 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	Andres Klasing
Chief Executive Officer	Chief Financial Officer

Financial Calendar 2018

January 11/12	Oddo Forum, Lyon
February 1	Bankhaus Lampe German Equity Forum
February 21/22	Oddo BHF German Conference, Frankfurt am Main
March 13	Annual Report – Consolidated Financial Statements 2017
April 19	Bankhaus Lampe Deutschlandkonferenz, Baden-Baden
May 8	Interim Release as of March 31, 2018 – 1. Quarter
May 9	Annual General Meeting, Delbrück
June 7	quirin Champions Conference, Frankfurt am Main
June 21/22	Berenberg Pan-European Discovery Conference
August 21	Interim Report as of June 30, 2018 – 1. Half Year
September 3/4	Equity Forum Herbstkonferenz, Frankfurt am Main
November 13	Interim Release as of September 30, 2018 – 9 Months
November 27/28	Eigenkapitalforum, Frankfurt am Main

Imprint

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