iQ Power Licensing AG, Zug
Consolidated Financial Statements as of December 31, 2017

CONSOLIDATED BALANCE SHEET

in CHF 1,000	Explanations	31. 12. 2017	31.12. 2016
Active			
Cash and cash equivalents	8	253	904
Trade receivables	9	23	130
Receivables affiliated	9	99	0
Prepayments to suppliers		383	410
Other claims	9	23	528
Current assets		**781**	**1,972**
Property, plant and equipment	10	534	590
Goodwill	12	12	11
Intangible assets	11	0	251
Available-for-sale assets	13	60	251
Long-term financial assets	15	3,072	2,144
Fixed assets		**3,678**	**3,247**
Total assets		**4,459**	**5,219**
Liabilities and equity			
Liabilities payable trade	16	87	86
Liabilities against related parties	16	0	185
Other liabilities	16	65	34
Accrued expenses	17	1,388	1,278
Accruals	18	317	355
Income tax liabilities	20	6	3
Current liabilities		**1,863**	**1,941**
Borrowings from shareholder	21	520	455
Convertible bonds	19	1,327	1,299
Non-current liabilities		**1,847**	**1,754**
Share capital		3,385	2,854
Additional paid-in capital and other reserves		3,284	5,755
Other reserves		-5	-11
Accumulated deficit		-5,915	-7,074
Equity	**22**	**749**	**1,524**
Total liabilities and equity		**4,459**	**5,219**

The following notes are an integral part of the consolidated financial statements.

Consolidated Comprehensive Income

in CHF 1,000, except loss per share	Explanations	2017	2016
Revenues	25	686	627
Cost of sales		0	-4
Gross profit		**686**	**623**
Research and Development Costs	27	-501	-509
Administrative expenses	28	-1,419	-1,837
Operating profit		**-1,234**	**-1,723**
Financial income	29	151	23
Financial expenses	29	-263	-244
Impairment of available-for-sale assets	13	-192	0
Impairment participation	13	0	-2,297
Loss before taxes		**-1,538**	**-4,241**
Taxes	30	-29	-3
Loss after taxes		**-1,567**	**-4,244**
Of these, non-controlling interests are attributable		0	0
Of these, shareholders of iQ Power Licensing AG are shareholders		-1,567	-4,244
Other cpmprehensive income, net of tax: translation differences, that will be reclassified to the income statement if certain conditions are met		**6**	**-4**
Total comprehensive income		**-1,561**	**-4,248**
Of these, non-controlling interests are attributable		0	0
Of these, shareholders of iQ Power Licensing AG are shareholders		-1,561	-4,248
Undilluted and dilluted loss per share	**31**		
Loss per share		-0.01	-0.01

The following notes are an integral part of the consolidated financial statements.

Consolidated cash flow statement

in CHF 1,000	Explanations	2017	2016
Earnings after taxes		-1,567	-4,244
Adjustments for:			
Income taxes		29	3
Financial result - net	29	112	221
Depreciation	27, 28	342	301
Impairment Receivables iQ Power Asia Inc.	28	0	129
Impairment of available-for-sale assets	13	192	0
Impairment participation	13	0	2,297
Other non-cash expenses / income		63	57
Net cash flow before changes in current assets		**-829**	**-1,236**
Decrease receivables and other receivables	9	539	278
Decrease (increase) in liabilities and other liabilities	16	-154	144
Increase in accrued expenses and accruals	17.18	72	96
Operating cash flow		**-372**	**-718**
Paid interest		-112	-85
Paid income taxes		-26	0
Net cash flow from operating activities (A.)		**-510**	**-803**
Received interest		10	4
Investments in property, plant and equipment	10	-30	-140
Investments in financial assets		-536	-2,144
Net cash flow from investing activities (B.)		**-556**	**-2,280**
Issue convertible bond	19	366	1,111
Issuable convertible loan with conversion obligation	22	0	2,680
Net cash flow from financing activities (C.)		**366**	**3,791**
Net increase / decrease Liquid Funds		**-700**	**708**
Exchange differences		49	-1
Cash at the beginning of the year	8	904	197
Cash and cash equivalents at the end of the year	8	**253**	**904**
Free cash flow = (A. + B.)		**-1,066**	**-3,083**

The following notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF EQUITY

in CHF 1,000 except number of shares	Number of shares	Share capital	Reserves incl. Agio	Other re-serves	Accumu-lated deficit	Equity
Equity on 1.1.2016	**270,026,846**	**2,700**	**2,066**	**-7**	**-2,830**	**1,929**
Group earnings					-4,244	-4,244
Other result				-4		-4
Other comprehensive income				**-4**	**-4,244**	**-4,248**
Conversion of convertible bonds	15,361,022	154	1,002			1,156
Issue convertible loan with conversion obligation (see Tz. 22)			2,680			2,680
Equity portion of convertible bonds			7			7
Equity on 31.12.2016	**285,387,868**	**2,854**	**5,755**	**-11**	**-7,074**	**1,524**
Equity on 1.1.2017	**285,387,868**	**2,854**	**5,755**	**-11**	**-7,074**	**1,524**
Group earnings					-1,567	-1,567
Other result				6		6
Total comprehensive income				**6**	**-1,567**	**-1,561**
Conversion of convertible bonds (see Tz. 19)	10,333,292	103	580			683
Conversion convertible loan including interest until the day of conversion (cf. 22)	42,816,416	428	-325			103
Offsetting with additional capital reserves (see ref. 22)			-2,726		2,726	0
Equity on 31.12.2017	**338,537,576**	**3,385**	**3,284**	**-5**	**-5,915**	**749**

1. General Information

Legal conditions of the iQ Power Group

The registered office of the company is Zug in Switzerland. The company is a stock corporation organised under Swiss law.

Stock exchange listing

The shares of iQ Power Licensing AG (ISIN: CH 0268536338, WKN: A14M1C; Symbol: iQL) on the Berlin Stock Exchange (Germany) traded over-the-counter.

Economic conditions of the iQ Power Group

iQ Power Licensing AG ('Company' or 'iQ Power') is the parent company of iQ Power Group ('group'). IQ Power Licensing AG also assumes the central management and administration functions as well as the financing function for the group of companies. The economic situation of iQ Power Group was due to the retroactively effective 15 October 2014 absorption merger (reverse merger) according to Art. III para. 1 lit. A FusG is not affected by iQ Power AG (merger agreement of 21 December 2014).

iQ Power is a battery technology company. The core of iQ technology is the efficiency-enhancing automatic electrolyte mixing for automotive starter batteries. iQ Power focuses on the licensing business and the commercialisation of its proprietary technology. Overall portfolio is rounded off by technology licenses.

Revenues are generated by awarding technology licenses to battery manufacturers. The license model of iQ Power provides for the payment of royalties for each battery unit sold by the respective licensee.

These financial statements were approved by the Board of Directors on May 9, 2018 and will be submitted to the General Meeting for approval.

2. Summary of Significant Accounting Policies

The following accounting principles have been applied uniformly for all periods presented in these consolidated financial statements. The consolidated financial statements as of 31 December 2017 prepared by iQ Power are in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), London, and the interpretations of the IFRS Interpretations Committee and the requirements of the International Financial Reporting Standards (IFRS) been created under Swiss law.

The consolidated financial statements were prepared on the basis of historical acquisition or production costs, limited by the fair value measurement of available-for-sale financial assets and the measurement at fair value through profit or loss of financial assets and financial liabilities (including derivative financial instruments).

In the statement of comprehensive income, the balance sheet, the cash flow statement and the statement of changes in equity of iQ Power, individual items are summarised to improve clarity. They are explained in the notes to the consolidated financial statements.

The statement of comprehensive income has been prepared using the cost of sales method. The balance sheet classification is based on the maturity of the assets and liabilities. Assets and liabilities are considered to be current if they occur within one year or within the normal business cycle of the enterprise or group - beginning with the procurement of the resources necessary for the service creation process until the receipt of cash and cash equivalents in exchange for the disposal of the assets products or services created by this process - are due or to be sold.

Trade receivables and payables are generally reported as short-term items unless other contractual provisions exist.

The reporting currency of the consolidated financial statements of iQ Power Group is the Swiss franc.

Unless otherwise stated, all amounts are stated in thousands of CHF (TCHF). In individual cases, rounding may result in values in this report not adding up exactly to the sum given and that percentages do not exactly result from the values shown.

The individual financial statements of the consolidated companies are prepared as at the reporting date of the consolidated financial statements.

3. Scope of consolidation and company acquisitions

The consolidated financial statements include iQ Power Licensing AG and all companies controlled by it (its subsidiaries). The Company obtains control if they:

- Can exercise control over the investee,
- Fluctuating returns from their involvement is exposed, and
- can affect the yields because of their available power of amount.

The parent company of iQ Power Licensing AG includes the following affiliates:

Fully consolidated subsidiaries	Beteiligungs-quote	Deadline Initial consolidation
iQ Power Chemnitz UG, Chemnitz / Germany	100 %	13.1.2015

The iQ Power Chemnits UG acts as a service company for the iQ Power Group, mainly in the areas of research and development as well as administration.

All intragroup assets, liabilities, equity, income, expenses and cash flows related to transactions between Group entities are eliminated in full as part of consolidation.

The results of the acquired subsidiaries have been included in the consolidated income statement and in the statement of comprehensive income since the date of acquisition.

4. Significant Accounting Policies and Methods

Business Combinations

Business combinations are accounted for using the acquisition method. The acquisition cost of an acquisition is measured at the fair value of the assets given and the liabilities incurred or assumed at the date of acquisition. The identifiable assets acquired in a business combination and the liabilities assumed, including contingent liabilities, are initially measured by iQ Power at their fair values at the date of acquisition, irrespective of the extent of any non-controlling interests.

Foreign currency translation and foreign currency valuation

Foreign currency translation - The reporting **currency** of iQ Power is the Swiss franc. The items included in the financial statements of each group company are valued on the basis of the currency that corresponds to the currency of the primary economic environment in which the company operates (functional currency).

Assets, including goodwill, and liabilities of foreign subsidiaries whose functional currency is not the Swiss franc are translated at the average spot exchange rate at the end of the period. Expenses and income are, however, converted at average rates over the course of the year. The differences resulting from the translation of consolidated company financial statements prepared in a currency other than the Swiss franc are recognised in equity and reclassified to profit or loss when the gain or loss on the sale of a foreign subsidiary is recognised. The items in the consolidated cash flow statement are translated at average rates during the year, whereas cash and cash equivalents are translated at the mean spot exchange rate at the end of the reporting period. The exchange rates of major currencies of non-Swiss franc countries used for foreign currency translation developed as follows:

		Foreign exchange spot rate in 1CHF foreign currency units	Foreign exchange spot rate in 1CHF foreign currency units	Average rate in 1CHF foreign currency units	Average rate in 1CHF foreign currency units
Currency	**ISO Code**	**31.12.2017**	**31.12.2016**	**2017**	**2016**
Euro	EUR	0.855	0.933	0.896	0.917
US dollar	USD	1.026	0.984	1.012	1.012

Foreign currency valuation - Transactions **denominated** in a currency other than the functional currency of an entity are recognised in the functional currency at the average spot rate on the date of initial recognition. At the end of the reporting period, monetary assets and liabilities denominated in foreign currencies are valued in the functional currency at the mean spot exchange rate prevailing at that time. Gains and losses from these foreign currency valuations are recognised in profit or loss. Non-monetary items in foreign currency are carried forward at historical exchange rates.

Revenue recognition

Provided that there is convincing evidence of an agreement, iQ Power will realise revenues to the extent that it is reasonably likely to generate economic benefits and the amount of revenue can be measured reliably. This happens regardless of the time of payment. If the inflow of economic benefits due to customer-related credit risk is considered unlikely, revenue will be recognised based on the irrevocable payments already made by the customer. Revenues are measured at the fair value of the consideration received or to be received, less any discounts and rebates granted, and without any taxes and duties to be paid. iQ Power assesses its agreements based on specific criteria based on whether the company acts as a contractor to the client (principal) or as an agent. In addition, the following criteria for revenue recognition must be met:

Usage fees: Revenues are generated by awarding technology licenses to battery manufacturers. The licensing model of iQ Power provides for the payment of royalties for each battery unit sold by the licensee. Royalties (royalties) are recognised on an accruals basis in accordance with the economic substance of the underlying contract. One-off piece-independent license income is recognised immediately in profit or loss.

Provision of Services - iQ Power recognises revenue **from services** once the services have been provided.

Interest - Interest income is recognised using the effective interest method.

Dividends - Dividends are recognised when the legal right to payment has been incurred.

Functional Costs

Operating expenses by type are always allocated to the individual functions in accordance with the functional area of the respective cost centers. Expenses in connection with cross-functional projects are allocated to the relevant functional costs on the basis of an appropriate assignment principle.

Order Related Expenses and Impending Losses on Orders

IQ Power recognises the expense for provisions for product warranties in the line item cost of sales at the time of the revenue recognition. The amount of the provision is determined individually. The amount of the provision includes both the actual warranty incurred and technical information about product weaknesses discovered during the design and testing phase or during installation of the product. For new products, iQ Power also includes expert opinions and industry data. Impending losses on orders are taken into account in the reporting period, in which the currently estimated total costs exceed the revenues expected from the respective contract.

Research and Development Costs

The cost of research and development activities that are not customer or order specific, that is, activities that are undertaken to gain new scientific or technical knowledge, is immediately expensed by iQ Power.

General Administrative Costs

The administrative expenses include personnel and material costs as well as the proportionate depreciation allocated to this functional area.

Earnings per share - Basic earnings per share are calculated by dividing the net loss attributable to each iQ Power shareholder by the weighted average number of shares outstanding during the year. Diluted earnings per share are calculated on the assumption that all potentially dilutive securities and share-based compensation plans are converted or exercised.

Goodwill

The goodwill resulting from business combinations is recognised at cost less any necessary impairments and is reported separately in the consolidated balance sheet.

Goodwill is not amortised but is tested for impairment at least once a year. A check is also made when events or circumstances occur that may indicate that the book value may not be recoverable. Goodwill is recognised at cost less accumulated amortisation from impairment.

The goodwill impairment test is performed at the level of a cash-generating unit or a group of cash-generating units that is represented by a region (or equivalent entity). The cash-generating unit or group of cash-generating units represents the lowest level at which goodwill is monitored for internal management purposes. For impairment testing, the goodwill acquired in a business combination is allocated to the cash-generating unit or to a group of cash-generating units that is expected to benefit from the synergies of the business combination. If the carrying amount of the cash-generating unit or group of cash-generating units to which the goodwill is allocated exceeds its recoverable amount, an impairment loss is recognised on the goodwill allocated to this cash-generating unit or group of cash-generating units. The recoverable amount is the higher of the fair value less costs to sell and the value in use of the cash-generating unit or group of cash-generating units. If one of these amounts exceeds the book value, it is not always necessary to determine both values. In principle, these values are based on the determination of discounted cash flows (discounted cash flow valuations). Even if the recoverable amount exceeds the carrying amount of the cash-generating unit or group of cash-generating units to which the goodwill is allocated in future periods, no write-ups will be made to goodwill amortisation.

Other Intangible Assets

Other intangible assets include software, development costs and other internally generated assets, licenses and similar rights. The entity amortises straight-line intangible assets on a straight-line basis over their estimated useful life to the estimated residual carrying amount. The capitalised development costs are amortised over a term of 10 years. The estimated useful life for software, licenses and similar rights is usually three to five years.

Property, plants and equipment

iQ Power valuates property, plant and equipment at acquisition or production cost less accumulated scheduled depreciation and impairments. If the acquisition or production costs of certain components of a property, plant and equipment - as measured by the total cost of property, plant and equipment - are material, then these components are accounted for and depreciated individually. The company applies the straight-line method of depreciation. Net book values and useful lives are reviewed annually and, if expectations differ from previous estimates, adjusted accordingly.

Specifically, the valuations are based on the following assumed useful lives:

Technical equipment and machinery	5 to 20 years
Operating and office equipment	5 to 13 years

Impairment of Property, Plant and Equipment and Other Intangible Assets

iQ Power reviews property, plant and equipment and other intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In addition, intangible assets with indefinite useful lives and intangible assets that are not yet ready for use are subject to an annual impairment test. The recoverability is determined by comparing the carrying amount of the respective assets with the recoverable amount. The recoverable amount is the higher of the value in use of the asset and the fair value less costs to sell. If an asset does not generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets, the impairment test is not performed at the level of an individual asset but at the level of the cash-generating unit to which the asset is attributable. If iQ Power deems an impairment write-down to be necessary, it will be the amount by which the carrying amount exceeds the lower recoverable amount of the asset or cash-generating unit. If the fair value can not be determined, the recoverable amount equals the value in use of the asset. The value in use is the amount resulting from discounting the estimated future cash flows. As soon as there are indications that the reasons for the impairment no longer exist, iQ Power verifies the need for a complete or partial reversal of the impairment.

Income taxes

Current taxes are calculated on the basis of the result of the financial year and in accordance with the national tax laws of the respective tax jurisdiction. Expected and actual tax back payments or reimbursements for previous years are also included.

According to the liability method, deferred tax assets and liabilities are recognised with the future tax effect resulting from the differences between the IFRS consolidated balance sheet values and the tax accounting of assets and liabilities. The impact of changes in tax rates on deferred taxes is recognised by iQ Power - with the exception of items affecting items recognised directly in equity - through profit or loss in the consolidated statement of comprehensive income during the period in which the legislative change underlying the tax rate change is completed or substantially completed. iQ Power recognises deferred tax assets to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be offset.

Deferred tax liabilities are recognised for all taxable temporary differences, with the exception of: (1) deferred tax liabilities from the initial recognition of goodwill or from deductible temporary differences arising from the initial recognition of an asset or liability from a transaction that is not a business combination and at the time of the transaction neither the net income for the period nor taxable profit (2) deferred tax liabilities from taxable temporary differences related to investments in subsidiaries, if the timing of the reversal of temporary differences can be controlled and it is probable that the temporary differences will be more foreseeable, time will not be reversed.

Deferred tax assets are recognised for all deductible temporary differences, unused tax loss carry forwards and unused tax credits to the extent that it is probable that taxable profit will be available against which deductible temporary differences and unused tax loss carry forwards will be available and tax credits can be used, with the exception of: (1) deferred tax assets arising from deductible temporary differences arising on the initial recognition of an asset or liability from a transaction that is not a business combination and which does not affect either the profit or loss or the taxable profit at the time of the transaction (2) deferred tax assets, tax claims related to investments in subsidiaries when it is probable that the temporary differences will not reverse in the foreseeable future or that sufficient taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset against each other if the group has a legally enforceable right to set off actual tax refund claims against actual tax liabilities and these relate to income taxes of the same taxable entity levied by the same tax authority.

Deferred tax advantages acquired in a business combination that do not meet the criteria for a separate approach at the date of acquisition are recognised in subsequent periods, if this is the result of new information about facts and circumstances existing at the acquisition date. The adjustment is treated either as a reduction in goodwill, if it arises during the measurement period (and as long as it does not exceed goodwill), or as a result.

Defined Benefit Plans

iQ Power evaluates the defined benefit plans according to the projected unit credit method, which reflects the actuarial present value of the already earned entitlement. The defined benefit obligation (DBO) is calculated by iQ Power taking into account expected future salary and pension increases, as the benefit entitlement attainable up to the regular retirement age is dependent on them. In the case of post-employment health insurance benefits, iQ Power considers medical service trend assumptions in the actuarial valuation. If the benefit claims are not covered by external assets, iQ Power recognises the DBO adjusted for the unrecognised past service cost as a liability. If the benefit entitlements are covered by external assets, iQ Power will offset the fair value of the plan assets with the DBO. The net amount, adjusted for the unrecognised past service cost and any effects from the capitalisation ceiling, is reported under Pensions and Similar Obligations. Due to materiality considerations, the defined benefit pension plan was presented as a defined contribution plan.

Accruals

iQ Power recognises provisions when the event has a past legal or constructive obligation from a past event, it is probable that economic resources will be expended to meet that obligation and a reliable estimate of the amount of the obligation is possible. A discounting is always to be made if the discounting effect is material. iQ Power recognises the provision at its present value, which results from discounting the expected future cash flows at a pre-tax interest rate. This reflects the current market expectations with regard to the interest rate effect. If a contract threatens a loss, the entity recognises the current obligation under the contract as a provision for impending losses. It is valued at the lower amount by which the expected costs of performance of the contract or the expected costs of non-performance of the contract exceed the expected economic benefits of the contract. Additions to and reversals of provisions are generally recognised in profit or loss.

Cash and Cash Equivalents

Cash equivalents comprise all near-cash assets that have a remaining term of less than three months at the time of acquisition.

Financial Instruments

A financial instrument is any contract that establishes a financial asset of one entity and a financial liability or equity instrument of another entity. The financial assets of the company mainly include cash and cash equivalents, available-for-sale financial assets, receivables and loans. iQ Power does not use financial instruments held to maturity. The company's financial liabilities mainly include trade payables, convertible bonds and shareholder loan liabilities.

Financial instruments are recognised in the consolidated balance sheet if iQ Power creates a contractual obligation based on the financial instrument. Regular way purchases or sales of financial assets - that is, purchases or sales under a contract that provide for the delivery of the asset within a period of time, which is usually determined by regulations or conventions of the relevant market - are recognised on the trade date. The first-time recognition of financial instruments is at fair value. The transaction costs directly attributable to the acquisition of financial instruments are only taken into account by iQ Power in determining the carrying amount if the financial instruments are not measured at fair value through profit or loss. Subsequent measurement of financial assets and liabilities is made according to the category to which they are assigned.

Available-for-Sale Financial Assets

Investments in equity instruments are then classified as available-for-sale financial assets and measured at fair value if this can be reliably determined. Unrealised gains and losses are recognised in other comprehensive income (after taxes) after taking into account deferred taxes. Upon sale, impairment or other disposal, the gains and losses recognised in equity are transferred to the financial result for the current period.

Financial investments in equity instruments for which there is no quoted price in an active market and whose fair value can not be reliably determined are stated at amortised cost.

Loans and Claims

Financial assets that have been classified as loans and receivables are valued at amortised cost using the effective interest method, less impairments. Impairment losses on trade receivables and other receivables are recognised by iQ Power in separate allowance accounts. Interest-bearing or low-interest-bearing loans and receivables with terms of more than one year are discounted if the amount is material.

Impairment on Financial Assets

At the balance sheet date or in the event of impairment, the carrying amounts of financial assets not measured at fair value through profit or loss are assessed to determine whether objective material evidence (e.g. significant financial difficulties of the borrower) indicates an impairment. Any impairment loss resulting from the comparison of the book value with the market value is recognised in profit or loss.

Financial Liabilities

iQ Power values its financial liabilities at amortised cost using the effective interest method.

Convertible Bonds

The convertible bonds issued by iQ Power include the right of the bond creditor to demand a conversion into shares of iQ Power AG under the agreed conditions. The debt component of the convertible bond is recognised at the time of issue at the fair value of the obligations that would arise if the bond had no right of conversion into shares of iQ Power AG. The equity component is then measured at the moment of issue as the difference between the total value of the bond at the issue date and the fair value of the liability component. Directly attributable costs of issuing the financial instruments are allocated to the equity or debt portion of the compound financial instrument in proportion to their initial carrying amounts. After initial recognition, the liability component is carried at amortised cost using the effective interest method. The equity component is not revalued after initial recognition until the date of conversion or expiry of the conversion right.

Leases

Lease payments for operating leases are recognised on a straight-line basis over the term of the lease as an expense for operating leases in the statement of comprehensive income.

Share-Based Compensation

According to IFRS 2, Share-based Payment, a distinction is made in the case of share-based payments between cash-settled and equity-settled transactions. For both instruments, the fair value is determined at the grant date. This is recognised as compensation expense over the vesting period in which employees acquire an unconditional right to the promised instruments.

New Standards and Interpretations

Mandatory accounting standards and interpretations

iQ Power has applied those new/revised standards and interpretations that are binding on financial statements that begin on or after January 1, 2017. In the current financial year, the Group has applied all new and revised standards and interpretations adopted by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB, provided that they are included in the reporting periods beginning on January 1, 2017 to apply. The application of new standards and interpretations has not had any significant impact on the consolidated financial statements. In accordance with IAS 1R, the disclosures in the notes have been restricted to the areas of importance to iQ Power.

Not yet used accounting standards

The following accounting pronouncements issued by the IASB are not yet mandatory and have not yet been applied by iQ Power:

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 by 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 1 January 2018. iQ Power will apply IFRS 9 for the first time for the financial year beginning January 1, 2018; the adjustment of prior-year figures is waived in accordance with the transitional provisions of IFRS 9.

For financial assets, IFRS 9 introduces a new categorisation model. These are classified into valuation categories on the basis of the business model and the cash flow characteristics. A distinction is made between the measurement categories amortised cost (AC), fair value through other comprehensive income (FVOCI, fair value measurement) and fair value through profit and loss (FVPL, fair value measurement through profit or loss).

Due to the business model condition, the iQ Power Group does not expect any effects at the time of first-time adoption of IFRS 9 as of January 1, 2018.

Due to the cash flow condition, iQ Power reclassifies an equity instrument (shares in a foreign company). According to IFRS 9, in contrast to the regulation of IAS 39.46c, equity instruments must be measured at fair value (IFRS 13). This also applies to the valuation of equity instruments for which there is no listing in an active market. iQ Power intends to acquire a minority stake of 0.58 % of the capital and voting rights in Discover Mixtech Manufacturing Co., Ltd. (formerly: iQ Power Asia Inc.) in the long run as a strategic investment. Since the shares are not held for trading purposes, iQ Power has exercised its option to recognise all fair value changes irrevocably in other comprehensive income (fair value through other comprehensive income (FVOCI, fair value measurement without effect on profit or loss) at initial recognition as part of the retrospective transition). As of the first-time reporting date on January 1, 2018, there will be no material change in non-current assets compared with the consolidated financial statements as of December 31, 2017, and there would be a change in other comprehensive income and equity (after deferred taxes).

In May 2014, the IASB published IFRS 15, Revenue from Contracts with Customers. Under the new standard, the recognition of revenue is intended to reflect the transfer of the promised goods or services to the customer in the amount that corresponds to the consideration that the entity expects to receive in exchange for those goods or services. Revenues are realised when the customer receives power over the goods or services. IFRS 15 replaces IAS 11, Construction Contracts, and IAS 18, Revenues, as well as the related interpretations. The standards are to be applied for the first time to financial years beginning on or after January 1, 2018. The Company will apply the standard for the year beginning on or after 1 January 2018 with retroactive effect, i.e. the comparative period will be presented in accordance with IFRS 15. Further findings from the implementation of IFRS 15 confirmed that there will be no significant impact on the consolidated financial statements of iQ Power.

In January 2016, the IASB published IFRS 16, Leases. IFRS 16 eliminates the previous classification of leases on the lessee side in operating and finance leases. Instead, IFRS 16 introduces a single lessee accounting model that requires lessees to recognise assets (for the right of use) and lease liabilities for leases with a term of more than twelve months. As a result, previously unrecognised leases will have to be accounted for in the future - largely comparable to today's accounting for finance leases. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. iQ Power will presumably apply the standard for the financial year beginning on January 1, 2019, retrospectively, i.e. it will refrain from adjusting the previous year's figures. It is currently expected that this will not have a significant impact on the consolidated financial statements of iQ Power Group. The company is currently reviewing the impact of the application of IFRS 16 on the consolidated financial statements.

In May 2017, IFRIC 23, Uncertainty in Income Tax Treatment, was issued by the IASB. The interpretation clarifies the requirements for the recognition and measurement of uncertain income tax items. As part of the assessment of uncertainty, an entity has to assess whether it is likely that the tax jurisdiction will accept the income tax treatment. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019; premature application is permitted. iQ Power is currently examining the effects that the application of the interpretation will have on the consolidated financial statements.

5. Estimated and Premiss-Sensitive Accounting Principles

iQ Power prepares the consolidated financial statements in accordance with IFRSs as issued by the IASB. The knowledge of the essential accounting principles, as under number 4. Significant accounting policies and policies are required to understand the net assets, financial position and results of operations of iQ Power. In certain cases, it is necessary to apply estimates and premium sensitive accounting principles. These include complex and subjective assessments, as well as the use of assumptions, some of which concern issues that are inherently uncertain and may be subject to change. Such estimates and premium sensitive accounting policies may change over time and have a material impact on the net assets, financial position and results of operations of the Company. In addition, they may include estimates and assumptions that management might otherwise have made differently in the same reporting period for equally understandable reasons. Company management points out that future events often deviate from forecasts and estimates require routine adjustments.

Trade Receivables and Other Receivables

The allowance for doubtful accounts includes significant estimates and judgements of individual receivables based on the credit standing and ability of each counter party. As of December 31, 2016, all claims and counter-claims were contractually consolidated as a result of the implementation of the rehabilitation process at the investment company iQ Power Asia Inc., including the payment obligations of previous years set by the court. The court in Gwangju approved the repayment plan from the rehabilitation process for the licensing partner iQ Power Asia Inc. on April 7, 2017. The company will receive a total of TCHF 56. All additional claims from previous years were already taken into account in the 2016 financial statements to reduce value. All claims of iQ Power were settled during the year. There were no further expenses resulting from this in 2017, nor did any other risks exist as of December 31, 2017 in the portfolio.

Shares in Discover Mixtech Manufacturing Inc., Korea (formerly iQ Power Asia Inc.)

As a result of the further implementation of the rehabilitation procedure in 2016, the direct participation of iQ Power in the Asian licensing partner decreased to 0.58 % until December 31, 2016. The new majority shareholder of Discover Mixtech Manufacturing Inc., which is also a shareholder of iQ Power Licensing AG, has increased the equity of the investment company as part of the restructuring measures in several steps. iQ Power Licensing AG did not participate in the capital measures, which led to a significant dilution of the share.

The carrying amount of the investment was reduced to TCHF 60 as of December 31, 2016 as a result of the significant dilution. In 2016, this led to write-downs of TCHF 2,297 on the income statement. The investment will therefore be included in the available-for-sale assets in 2016 (see note. 13). The carrying value was continued as of December 31, 2017.

As a result of the dilution, iQ Power's influence on Discover Mixtech Manufacturing Inc. has declined to such an extent that the information required for a reliable fair value determination is no longer available. Against this backdrop, since 2016 this financial investment has been valued at amortised cost. These amount to TCHF 60 after dilution.

Impairment of Property, Plant and Equipment and Other Intangible Assets

If there is any indication that the carrying amount of the asset can no longer be achieved, iQ Power will review these assets for possible impairment in accordance with its accounting policies. If property, plant and equipment or other intangible assets are tested for impairment, the determination of the recoverable amount of the assets is equally related to management estimates. This can have a significant impact on the respective values and ultimately on the amount of a possible impairment.

Income taxes

In 2017, iQ Power remains essentially active in the tax jurisdictions of Switzerland. The tax positions presented in the financial statements are determined taking into account the respective tax laws and the relevant administrative views and, due to their complexity, may be subject to a different interpretation by taxpayers on the one hand and local tax authorities on the other hand. Deferred tax assets are recognised if sufficient taxable income is available in the future. This includes, among other things, the planned results from operating activities, the earnings effects from the reversal of taxable temporary differences and possible tax strategies for a period of up to a maximum of five years. Based on the planned future taxable income, management assesses the recoverability of deferred tax assets at each balance sheet date. As future business developments are uncertain and in part beyond the control of the Company, assumptions are required to estimate future taxable income and the timing of the realisation of deferred tax assets. Estimates are adjusted in the period when there are sufficient indications for an adjustment. Insofar as management believes that some or all of the deferred tax assets can not be realised, they are not recognised. Deferred tax assets are also to be recognised for tax loss carry forwards, insofar as their future use is considered probable. The expected release of deferred tax liabilities is considered a possibility of using loss carry forwards.

Convertible Bonds

By resolution of the creditors' meeting of the convertible bondholders of November 2016, the terms and conditions of the convertible bond, which has existed since 2011, were adjusted at the request of the Board of Directors of the Company. The main adjustments relate to the conversion price (reduction of 0.072 EUR / unit to 0.06 EUR / unit) and the term (extension by 5 years until December 31, 2021). The adjustment of the conditions for the convertible bond is not a material change in the sense of accounting for financial instruments in accordance with IAS 39, since the cash value of the cash flows does not differ by more than 10 %. Convertible bonds issued after the change in conditions were assessed, taking into account the adjusted conditions.

Convertible Loan with Conversion Obligation

At the beginning of December 2016, the Company was granted a convertible loan in the amount of EUR 2,500 thousand with a conversion obligation into a fixed number of shares (41,666,667 new shares) of iQ Power Licensing AG; the deposit was made in full by 31 December 2016 and corresponds to the fixed equivalent of TCHF 2,680. By resolution of the Board of Directors on 30 March 2017, the convertible loan was converted into a convertible bond, excluding pre-emptive subscription rights of shareholders, to maintain the economic independence of iQ Power Licensing AG.

At the same time, the bondholder has irrevocably agreed to convert the loan granted in 2016 into 41,666,667 new shares as of April 30, 2017. As a result, the share capital of the company was increased by TCHF 417 as of April 30, 2017 and the capital reserves from the premium by TCHF 2,263. In addition, pro rata interest has been converted since January 1, 2017, into a further 1,149,749 new shares until the date of the change in reporting date. Overall, this resulted in an equity increase of TCHF 103.

Due to the contractual agreements already in place as of December 31, 2016 and the full economic capital character of the paid-in amount of EUR 2,500 thousand, the convertible loan with conversion obligation with the consideration of TCHF 2,680 received was already recognised as of December 31, 2016, such as equity contribution by the shareholder. The presentation was made in the balance sheet as at 31 December in the position "reserves and premium". Interest was not to be deferred until 31 December 2016.

6. Segment Reporting

Segment reporting is consistent with the internal reporting structure of the iQ Power Group. Management has defined the operating segments based on the reports reviewed by the CEO, which are used to make strategic and operational decisions. The company continued to focus on the licensing business. As of December 31, 2017, revenues were largely limited to royalty income. iQ Power considers its business to be a single operating segment as of the balance sheet date.

7. Financial Risk Management

7.1. Financial Risk Factors

The Group is exposed to a variety of financial risks due to its business activities: Market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's entire risk management system focuses on the unpredictability of financial markets and seeks to minimise potential negative effects on the Group's financial performance.

Risk management is performed by management on the basis of guidelines approved by the Board of Directors.

(a) Market risk

(i) Foreign currency risk

The Group operates in Switzerland and Germany. The functional currency of the parent company remains the Swiss franc. To a lesser extent, balances and liabilities are also denominated in other currencies. Based on what we believe remains the limited fluctuation risk of the Euro and the US dollar as of December 31, 2017, management still does not expect any material exchange rate risks.

(ii) Cash Flow and Fair Value Interest Rate Risk

The Group is currently not exposed to any significant interest rate risk, as it currently has no significant investments other than cash that could be affected by interest rate fluctuations. Some of the liabilities are fixed-rate agreements.

(b) Credit risk

Credit risk is managed at Group level. Credit risk arises from cash and cash equivalents, sight deposits at banks and financial institutions, loans and advances to third parties and creditors, and third-party credit claims, including outstanding claims, if the counter party is unwilling or unable to meet its obligations. To counteract this risk, the creditworthiness of Business partners constantly checked. Based on standard procedures, the Group companies make value adjustments, which are reviewed by central authorities. In addition, regular management reviews are conducted to ensure that potential risks are identified in a timely manner and that necessary measures are taken to minimise the risk.

Maximum Credit Risk

in CHF 1,000			2017		2016
Position in the Annual Statement	**Category**	**Book value**	**Maximum Risk**	**Book value**	**Maximum Risk**
Cash and cash equivalents	R & D	253	253	904	904
Claims from L & L and others	R & D	135	135	648	648
Long-term financial assets	R & D	3,072	3,072	2,144	2,144
Total		**3,460**	**3,460**	**3,696**	**3,696**

R & D: Receivables and loans are valued at amortised cost

(c) Liquidity risk

The Group monitors continuously updated liquidity needs forecasts to ensure that sufficient cash and cash equivalents are available at all times to cover operational needs so that liabilities can be repaid on time. During 2017, the Company was able to achieve financing through the issue of additional convertible bonds, which were subsequently converted into large amounts of equity. These cash and cash equivalents will be used to absorb current expenses until the proceeds of the license business can be used to finance current expenses.

The management expects that the planned expenditures can be financed by the existing liquid funds as well as the expected operating cash flow from the license income in the future. In addition, in 2018 the company intends to implement further extensive capital measures (ins. Issue of convertible bonds and capital increases). Management's liquidity planning takes into account factors critical to success (further capital measures in 2018 and investment requirements in tools).

Financial Liabilities

in CHF 1,000		2017		2016
Position in the Annual Statement	**Maturity < 1 Year**	**Maturity > 1 Year**	**Maturity < 1 Year**	**Maturity > 1 Year**
Liabilities from L & L and other	87	0	273	0
Convertible	0	1,799	0	1,879
Shareholder loans	0	520	0	455
Total	**87**	**2,319**	**273**	**2,234**

The amounts shown in the table are the contractual undiscounted cash flows. For the convertible bond, a cash flow in the amount of the nominal value of the bond at the time of the contractual maturity plus interest is presented. In 2018 already completed conversions are not taken into account. All of the aforementioned financial liabilities are to be allocated to the category financial liabilities valued at amortised cost.

Debt from Financing Activities

Liabilities from financing activities developed as follows from 1 January to 31 December 2017:

in TCHF	As of 31.12. 2016	Cash-effective - Issue Convertible bonds	Payment ineffective - Interest rebate	Payment ineffective - Conversion of convertible bonds	Payment ineffective - Foreign currency bill	As of 31.12.2017
Shareholder loans	455	0	24	0	41	520
Convertible	1,299	585	106	-683	20	1,327
Total debt from the financing activity	**1,754**	**585**	**130**	**-683**	**61**	**1,847**

7.2. Capital risk management

The Group's capital management objectives are to safeguard the Group's ability to maintain current operations, generate shareholder and shareholder benefits, and maintain an optimal capital structure to reduce its cost of capital. The key control parameter of iQ Power is its liquidity.

7.3. Determination of the Fair Value

The following table shows financial instruments measured at fair value as of 31 December 2017, categorised according to the valuation method. The different levels are as follows:

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

Level 2: inputs that are observable directly (i.e. as price) or indirectly (i.e. derived from price) for the asset or liability, which are unquoted prices attributable to Level 1.

Level 3: input factors for the asset or liability that are not based on observable market data (i.e. unobservable inputs). A classification of the valuation into Level 3 already takes place if the valuation has an unobservable input factor that significantly influences the valuation.

in CHF 1,000				
Financial Assets	**Step 1**	**Step 2**	**Step 3**	**Total**

Available-for-sale assets	0	0	0	0
Total	**0**	**0**	**0**	**0**

Since December 31, 2016, the valuation of available-for-sale assets was no longer based on fair value but on amortised cost because it was not possible to reliably determine the fair value due to the limited availability of necessary valuation-related information and disclosures.

The following table shows financial instruments measured at fair value as of 31 December 2016, categorised according to the valuation method.

in CHF 1,000				
Financial Assets	**Step 1**	**Step 2**	**Step 3**	**Total**
Available-for-sale assets	0	0	0	0
Total	**0**	**0**	**0**	**0**

The following table shows the changes in Level 3 instruments for the year ended December 31, 2017 and December 31, 2016, respectively.

in CHF 1,000	2017	2016
January 1st	0	2,356
Reclassification associated participation (see note. 13)	0	0
Impairment / dilution-related fair value adjustment	0	-2,297
Continued diluted share as 'other financial assets' at amortised cost	0	-60
December 31	**0**	**0**

Explanations to the consolidated balance sheet

8. Cash and cash equivalents

in CHF 1,000	2017	2016
Cash and cash equivalents	**253**	**904**

Cash and cash equivalents are held in different currencies (EUR, CHF and USD). The balances are valued in Swiss francs at the closing rate on the balance sheet date and any price gains / losses are recognised in the income statement.

9. Trade receivables and other

in CHF 1,000	2017	2016
Trade receivables from third parties	20	121
Claims against shareholders	3	9
Claims against related parties	99	0
Value adjustments on receivables	0	0
Trade receivables, net	**122**	**130**
Claims against shareholders	0	457
Claims for tax refunds	11	10
Rest	12	61
Value adjustment on receivables	0	0
Other claims	**23**	**528**

Trade receivables are recognised at transaction value. Commitments in the receivables portfolio were not recognised.

As of December 31, 2016, all claims and counter-claims were contractually consolidated as a result of the implementation of the rehabilitation process at the investment company iQ Power Asia Inc., including the payment obligations of previous years set by the court. The court in Gwangju approved the repayment plan from the rehabilitation process for the licensing partner iQ Power Asia Inc. on April 7, 2017. The company will receive a total of TCHF 56. All additional claims from previous years were already taken into account in the 2016 financial statements to reduce value. In total, this resulted in expenses of TCHF 129 in the 2016 financial year.

The other receivables mainly include short-term claims from rent deposits, receivables from value-added tax credits in Switzerland and Germany as well as prepaid expenses.

Expiry Analysis of Claims from Deliveries and Services

TCHF 0 was not due as of 31 December 2017 (31.12.2016: TCHF 0), of which TCHF 0 (31.12.2016: TCHF 0).

Change in value adjustment on receivables:

in CHF 1,000	2017	2016
Balance carried forward on 1 January	0	342
Consumption	0	-469
Currency translation differences	0	-2
Addition to value adjustment on receivables	0	129
Balance as of 31 December	**0**	**0**

The addition to value adjustments in the previous year is included in the statement of operations under administrative expenses.

In addition, there are no further impairment risks as at 31 December 2017 that could be anticipated through corresponding value adjustments, as the debtors have sufficient creditworthiness.

10. Property, plants and equipment

in CHF 1,000	EDP, office machines, equipment	Machines, tools	Deposit	Total 2017
Acquisition cost				
As of 01 January 2017	104	869	0	973
Currency translation	4	0	0	4
Additions	11	0	19	30
Disposals	0	0	0	0
As of December 31, 2017	**119**	**869**	**19**	**1,007**
Accumulated Depreciation and Impairment				
As of 01 January 2017	87	296	0	383
Currency translation	-1	0	0	-1
Scheduled depreciation	10	81	0	91
Disposals	0	0	0	0
As of December 31, 2017	**96**	**377**	**0**	**473**
Net book value	**23**	**492**	**19**	**534**
owned by Swiss companies		480		

in CHF 1,000	EDP, office machines, equipment	Machines, tools	Total 2016
Acquisition cost			
As of 01 January 2016	93	544	637
Currency translation	-2	0	-2
Additions	13	325	338
Disposals	0	0	0
As of December 31, 2016	**104**	**869**	**973**
Accumulated Depreciation and Impairment			
As of 01 January 2016	66	227	293
Currency translation	0	0	0
Scheduled depreciation	21	69	90
Disposals	0	0	0
As of December 31, 2016	**87**	**296**	**383**
Net book value	**17**	**573**	**590**
owned by Swiss companies	561		

11. Intangible assets

in CHF 1,000	Product development	Total 2017
Acquisition cost		
As of 01 January 2017	1,951	1,951
Additions	0	0
As of December 31, 2017	**1,951**	**1,951**
Accumulated Depreciation and Impairment		
As of 01 January 2017	1,700	1,700
Ongoing amortisation	251	251
As of 31 December 2017	**1,951**	**1,951**
Net book value	**0**	**0**
owned by Swiss companies	0	

in CHF 1,000	Product development	Total 2016
Acquisition cost		
As of 01 January 2016	1,951	1,951
As of December 31, 2016	**1,951**	**1,951**
Accumulated Depreciation and Impairment		
As of 01 January 2016	1,488	1,488
Currency translation	1	1
Ongoing amortisation	211	211
As of 31 December 2016	**1,700**	**1,700**
Net book value	**251**	**251**
owned by Swiss companies	251	

The development costs for the series products of the iQ Power car starter batteries were capitalised with their acquisition and production costs up to the financial year 2008, provided that the production of these products through the intended collection of the resulting license income of the iQ Power Group brings a probable economic benefit. If the prerequisites for capitalisation are not met, the expenses are offset in the year in which they arise. Since 2009, no development costs have been capitalised. Depreciation of development costs capitalised up to 31 December 2008 is charged on a straight-line basis from the date of commencement of marketing of iQ Power products for the intended duration of the developed battery types, which cover a total period of 10 years. Full amortisation is completed on schedule by 31 December 2017.

The total amount of depreciation on capitalised development costs recognised in 2017 amounts to TCHF 251 (previous year: 211 TCHF); it is included in the statement of comprehensive income under research and development costs (see note. 28).

12. Goodwill

in CHF 1,000	2017	2016
Acquisition cost		
As of 1.1.	**11**	**11**
Currency translation	1	0
As of 31.12.	**12**	**11**
Cumulative Value Adjustments		
As of 31.12.	**0**	**0**
Net book value		
As of 31.12.	**12**	**11**

The reported goodwill was created in the course of the acquisition at the beginning of the 2015 financial year. It concerns the acquisition of iQ Power Chemnitz UG, Germany. In fiscal year 2017 and in previous years, there was no need for impairment of goodwill.

For materiality reasons, the disclosure of further information is waived.

13. Available-for-sale assets

in CHF 1,000	2017	2016
Discover Mixtech Manufacturing Co., Ltd. / 0.58 %	60	60
Hempe Akkumulatorenwerk GmbH (in bankruptcy) / 10.1 %	0	191
December 31	**60**	**251**

Discover Mixtech Manufacturing Co., Ltd. (formerly: iQ Power Asia Inc.)

Following the further implementation of the rehabilitation process in 2016, the direct interest in Discover Mixtech Manufacturing Co. (formerly iQ Power Asia Inc.) decreased to 0.58 % as of December 31, 2016. The new majority shareholder of Discover Mixtech Manufacturing, which is also a shareholder of iQ Power Licensing AG, has increased the capital of the investment company in Asia as part of the restructuring measures in several steps. iQ Power did not participate in the capital measures. This resulted in the following dilution-related value adjustments in 2016:

in CHF 1,000	2017	2016
Book value / fair value as of 1 January	60	2,356
Dilution-related impairment on the fair value	0	-2,297
Book value / fair value as of 31 December	**60**	**60**

The equity instrument / investment of 0.58 % is measured at amortised cost as of December 31, 2016, after deduction of dilution-related impairment, as reliable information and disclosures were not available for the determination of fair value for the Company. The book value of TCHF 60 was updated unchanged to December 31, 2017.

The impairment loss was recognised in full in 2016 against the current result and reported separately in the consolidated statement of income as a "valuation allowance".

License revenues of TCHF 622 (previous year: TCHF 401).

Hempe Akkumulatorenfabrik GmbH (in bankruptcy)

The direct investment in Hempe emerged on 1 May 2016 from a restructuring of the strategic financial investment of a loan receivable to Advanced Battery Consulting GmbH. For Hempe

Akkumulatorenfabrik GmbH, the opening of insolvency proceedings was applied for in 2017. As a result, the carrying amount of the investment was written down in full.

The impairment was charged to current income in 2017 and disclosed separately in the consolidated statement of financial position as "Impairment of available-for-sale assets".

There were no ongoing supply and service relationships with Hempe.

The carrying amount as of 31 December 2017 and 31 December 2016 is as follows:

in CHF 1,000	2017	2016
As of 1.1.	191	0
Conversion / capital increase against contributions in kind	0	191
Impairment (100 %)	-191	
As of 31.12.	**0**	**191**

As a result of the low shareholding and the associated low influence rights of iQ Power on Hempe GmbH, the information required for a reliable fair value determination was not available in the previous year. Against this background, this financial asset was measured at amortised cost. As of December 31, 2017, as a result of the petition for insolvency of Hempe GmbH, the carrying amount of the investment was valued at TCHF 0.

14. Participation in associate

in CHF 1,000	2017	2016
Smart Battery Inc. / 20 %	0	0
Total	**0**	**0**

The purpose of Smart Battery Inc, USA, is the production and distribution of high quality starter batteries for the automotive market in the US, Canada and Mexico. iQ Power AG provides the leading technological battery technology in the form of licenses. In return, it will participate with 20 percent in the Smart Battery Inc. and also receives royalties for each battery unit sold. iQ Power is not required to make any financial deposits. There are no balance sheet data available for Smart Battery Inc. For the 2017 financial year, the licensee no longer received license fees from the US licensee (previous year: TCHF 3) recognised in profit or loss.

15. Long-term financial assets

in CHF 1,000	2017	2016
Discover Energy Corporation, Canada	3,072	2,144
Total	**3,072**	**2,144**

In December 2016, iQ Power extended loans of KEUR 2,000 to Discover Energy Corporation to finance further investments in iQ Power Asia Inc. Discover Energy Group is the majority shareholder of iQ Power Asia Inc and a shareholder of iQ Power Licensing AG. In January 2017, a further tranche of EUR 500 thousand was granted. The loan has a maximum term of 3 years and bears interest at 5 % pa. The accumulated interest for the year 2017 amounts to TCHF 141.

16. Trade Payables and Other

in CHF 1,000	2017	2016
Trade payables to third parties	87	86
Trade payables to Discover Mixtech Manufacturing Co. Ltd.	0	185
Liabilities from goods and services	**87**	**271**
Other tax liabilities	64	32
Rest	1	2
Other liabilities	**65**	**34**

The liabilities are due for repayment with their total amount within one year.

17. Accrued expenses

in CHF 1,000	2017	2016
Transitory costs, Management and Board of Directors	1,311	1,164
Legal, Consulting and Auditing Costs	60	60
Capital taxes Switzerland	1	35
Other	16	19
Total	**1,388**	**1,278**

The obligations shown are due as follows:

0-1 month	1,388	1,278
1-3 months	0	0
4-12 months	0	0
13-24 months	0	0
between 2 and 5 years	0	0
After more than 5 years	0	0
Total	**1,388**	**1,278**

On the basis of (partial) deferred salary payments for the years 2012, 2013, 2014, 2015, 2016 and 2017, including the employer social costs due on them, accumulated obligations to the CEO of iQ Power amount to TCHF 1,182 as of December 31, 2017 (previous year: TCHF 1,078), which are deferred in the accrued expenses. As security for the deferred salary payments of the managing director, there are senior security interests in the intellectual property and the patent rights in a maximum amount of TCHF 1,100 up to the amount of the deferred amounts in favour of the claimant. The deferrals of the salary payments can be revoked by the entitled person at any time, with the consequence of the immediate maturity of the accrued amounts.

18. Accruals

in CHF 1,000	Patronage-declaration	Total
As of 1.1.2016	**447**	**447**
Currency translation	-4	-4
Consumption	-89	-89
Feeding / compounding	1	1
As at 31.12.2016 / 1.1.2017	**355**	**355**
Currency translation	29	29
Consumption	-67	-67
Feeding / compounding	0	0
As of December 31, 2017	**317**	**317**
Due in the short term	317	317
Long term due	0	0

Due to the acquisition of the European business by the MBO team, iQ Power AG has issued a letter to Daewoo International Corporation, Seoul, Korea for a nominal amount of TEUR 606. In the course of 2017, partial repayments of iQ Power totalling TCHF 67 (previous year: TCHF 89). The provision was valued on the basis of the current status of the maturity of the partial repayments until 31 December 2017.

19. Convertible bonds

In 2011, iQ Power offered the convertible bond 2011, which matured on December 31, 2016, and after the adjusted resolutions in the following years, a conversion price of EUR 0.072 per share. The convertible bond from 2011 had a maximum issue volume of EUR 5.6, which was not fully placed. The interest is 8 % pa and is calculated semi-annually to 30 June and 31 December and paid at the latest within 20 working days.

By resolution of the Note holders' Meeting of the Convertible Bondholders, the terms of the convertible bond were partially amended at the request of the Board of Directors of iQ Power as of 4 November 2016. The major adjustments relate to the conversion price, which has since been EUR 0.06 per share and the term, which was extended until December 31, 2021. For the purpose of collateralising the convertible bond, the company now undertakes to pledge only its intellectual property rights in favour of the convertible bond holders, with the proviso that outstanding salaries of the CEO up to the maximum amount of TCHF 1,100 are paid in advance from these intellectual property rights.

The convertible bonds have developed as follows:

in CHF 1,000	Loan
Total January 1, 2016	**970**
Issues of convertible bonds	1,378
Equity share at (new) issue	-7
Conversions Convertibles	-1,156
Interest rate debt component	221
Currency translation	-107
Total as of December 31, 2016	**1,299**
Total January 1, 2017	**1,299**
Issues of convertible bonds	585
Conversions Convertibles	-683
Interest rate debt component	106
Currency translation	20
Total as of December 31, 2017	**1,327**

20. Income tax liabilities

in CHF 1,000	2017	2016
At the beginning, 1.1.	**3**	**0**
Additions	3	3
Total	**6**	**3**

The income taxes relate exclusively to the foreign / Federal Republic of Germany and relate to the calendar years 2016 and 2017. The income tax payments due were made in 2018.

21. Shareholder loan KG Power Inc.

in CHF 1,000	2017	2016
As of January 1st	455	439
Currency translation	41	-6
Repayments	0	0
Demarcation interest payable	24	22
Total	**520**	**455**

The shareholder loan had an initial term of 5 years and was originally due for repayment until May 2016, including accumulated interest. The presentation continues to be carried out under non-current liabilities, since a repayment in consequence of the still open clarification of a possibly existing contractual counter-claim in 2018 will under no circumstances take place. The contractually agreed interest rate is 7 % pa In the course of 2017, iQ Power made no further partial repayments.

22. Equity

Breakdown of Share Capital	Nominal value in CHF	Number Title	Total in 1,000 CHF
Registered shares (as per entry commercial register)	0.01	328,204,284	3,282
Convertible Shares in 2017 (not yet registered in the Commercial Register)	0.01	10,333,292	103
Total on 31 December 2017		**338,537,576**	**3,385**

Breakdown of Share Capital	Nominal value in CHF	Number Title	Total in 1,000 CHF
Registered shares	0.01	285,387,868	2,854
Total on 31 December 2016		**285,387,868**	**2,854**

Authorised capital

The Board of Directors was authorised to increase the share capital at any time until August 13, 2017 by a maximum of CHF 1,296,000.00 by issuing a maximum of 129,600,000 fully paid-up registered shares with a nominal value of CHF 0.01 each.

Conditional Capital

The Company's share capital will be increased in the maximum amount of CHF 1,600,000.00 by issuing a maximum of 160,000,000 fully paid-up registered shares with a par value of CHF 0.01 each (ordinary shares), of which:

1. Up to an amount of CHF 40,000.00 by exercising option rights allocated to the shareholders;

2. a) up to an amount of CHF 50,000.00 by exercising already granted option rights;

2. b) up to an amount of CHF 10,000.00 by exercising option rights granted to employees, members of the Board of Directors of the Company or of Group companies as well as important external persons advising the Company;

2. c) up to an amount of CHF 1,200,000.00 by exercising conversion rights granted or already granted in connection with bonds or similar bonds of the Company. The conversion conditions are to be determined by the Board of Directors.

2. d) up to an amount of CHF 300,000.00 by exercising conversion rights granted or already granted in connection with bonds or similar bonds of the Company. The conversion conditions are to be determined by the Board of Directors.

The pre-emptive subscription right of the shareholders may be excluded by a resolution of the Board of Directors regarding convertible bonds for a maximum of 120,000,000 registered shares with a nominal value of CHF 0.01 each (1) to finance the acquisition of companies or participations or new investment projects of the company or (2) Issuing convertible bonds on international capital markets; or (3) preserving the economic independence of society. Insofar as shareholders' pre-emptive subscription rights are excluded, the structure, duration and amount of the bond as well as the conditions of conversion shall be determined by the Board of Directors in accordance with market conditions at the time of issue. The conversion rights have a maximum exercise period of ten years from the issue of the relevant bond. The subscription right of the shareholders is excluded from the contingent capital pursuant to this clause (2).

Convertible Loan with Conversion Obligation

At the beginning of December 2016, the Company was granted a convertible loan in the amount of EUR 2,500 thousand with a conversion obligation into a fixed number of shares (41,666,667 new shares) of iQ Power Licensing AG; the deposit was made in full by 31 December 2016 and corresponds to the fixed equivalent of TCHF 2,680. By resolution of the Board of Directors on 30 March 2017, the convertible loan was converted into a convertible bond, excluding pre-emptive subscription rights of shareholders, to maintain the economic independence of iQ Power Licensing AG.

At the same time, the bondholder has irrevocably agreed to convert the loan granted in 2016 into 41,666,667 new shares as of April 30, 2017. As of April 30, 2017, the share capital of the company was increased by TCHF 417 and the capital reserves from the premium by TCHF 2,263. In addition, pro rata interest has been converted since January 1, 2017, into a further 1,149,749 new shares until the date of the change in reporting date. Overall, this resulted in an equity increase of TCHF 103.

Due to the contractual agreements already in place as of December 31, 2016 and the full economic capital character of the paid-in amount of EUR 2,500 thousand, the convertible loan with conversion obligation with the consideration of TCHF 2,680 received was already recognised as of December 31, 2016, such as equity contribution by the shareholder. The presentation was made in the balance sheet as at 31 December in the position "reserves and premium". Interest was not to be deferred until 31 December 2016.

23. Rental and Leasing Obligations

in CHF 1,000	2017	2016
Due within one year	23	23
Due between one and five years	0	0
Due after more than five years	0	0
Total	**23**	**23**

The details of the obligations under rental and operating lease obligations relate to the non-cancellable minimum term taking into account the actual circumstances on the balance sheet date.

24. Contingent liabilities

There are no contingent liabilities as of the balance sheet date of December 31, 2017 and in the period until the preparation of the consolidated financial statements.

Explanatory notes to the consolidated statement of comprehensive income

25. Revenues

in CHF 1,000	2017	2016
Revenues from licensing transactions	676	614
Services	10	13
Total	**686**	**627**

thereof license revenues, Switzerland	0	0
thereof license revenues, North and South America	35	3
thereof license revenues, Asia & Middle East	641	611
other services	10	13
Total	**686**	**627**

Customers with substantial sales shares

Customer A	91 %	64 %
Customer B	5 %	25 %
Customer C	3 %	3 %
Rest	1 %	8 %
Total	**100 %**	**100 %**

26. Benefits to employees

The personnel expenses are composed as follows:

in CHF 1,000	2017	2016
Salaries and social security contributions parent company iQ Power Licensing AG	556	542
Personnel costs abroad	209	236
Total	**765**	**778**

Employee Stock Options

In December 1998, the first employee stock option plan came into force. In addition to the salary, all employees of the iQ Power Group receive options. The options issued entitle employees to purchase one iQ Power share per option. The individual employee option plans contain different blocking periods, which are individually designed and do not constitute vesting conditions. All options issued are covered by conditional capital. The option plans are structured as equity settled plans.

Changes in the number of Outstanding Employee Options:		2017	2016
		Number	Number
As of January 1st		2,500,000	2,700,000
	average exercise price	0.39	0.60
output		0	0
	average exercise price	0.00	0.00
exercised		0	0
	average exercise price	0.00	0.00
Cancelled or expired		0	200,000
	average exercise price	0.00	0.60
As of December 31st		**2,500,000**	**2,500,000**
	average exercise price	0.39	0.39
exercisable thereof		2,500,000	2,500,000
	average exercise price	0.39	0.39

The average fair value, calculated using the "Black-Scholes Option-Price Model" for options exercisable under the employee stock option plan and issued in 2010 - the latest issuance of new options by iQ Power to date - was calculated at EUR 0.098. This calculation was made with the average volatility factor of 253 % and a dividend expectation of 0 % and an expected vesting period of 1.0 years and a risk-free Eurobond interest rate of 0.69 %. Neither in 2017 nor in 2016 were new option plans launched. The fair value of the options issued amounts to TCHF 0 (previous year: TCHF 0). In the course of the reverse merger with reverse split in the ratio 4: 1, the exercise prices were adjusted accordingly in the same proportion.

Overview of Employee Options Outstanding on the Key Date:				31.12.2017	31.12.2016
Plan	**Issued in**	**Expiration date**	**Exercise price in EUR**	**Number**	**Number**
2010	2010	31.01.2021	0.3900	2,500,000	2,500,000
Total				**2,500,000**	**2,500,000**

Retirement

In principle, iQ Power AG has a well-financed pension plan for its employees, some of which have features of a defined benefit plan. All risks of the plan are reinsured by an insurance company. Since only one employee, the managing director, has been affected by this plan since 2009, it was decided for materiality reasons to treat this plan as contributory. A consideration as a defined benefit pension plan would have no significant impact on the consolidated financial statements of the iQ Power Group. In total, contributions of TCHF 24 (previous year: TCHF 26) for the defined contribution plans.

27. Research and Development Costs

in CHF 1,000	2017	2016
Amortisation capitalised product development costs (see note. 11)	251	211
Patent costs	51	95
Other development costs	199	203
Total	**501**	**509**

28. Administrative expenses

The administrative expenses are grouped according to expense types as follows:

in CHF 1,000	2017	2016
Salaries and social security contributions parent company iQ Power Licensing AG	556	542
Personnel costs proportionately abroad (administration)	70	78
Depreciation on property, plant and equipment	91	90
Legal, Consulting and Auditing Costs	390	653
Rental expenses (including additional costs)	60	57
Impairment Receivables iQ Power Asia Inc. for previous years	0	129
Capital taxes Switzerland	2	12
Other Administrative Expenses	250	276
Total	**1,419**	**1,837**

29. Financial Income / Financial Expenses

in CHF 1,000	2017	2016
Interest Loans Discover Energy Corporation	141	0
Foreign exchange gains	0	19
Other interest received	10	4
Total Financial Income	**151**	**23**
Interest Shareholder Loans KG Power	24	22
Interest Convertible Bond	106	221
Interest convertible loan	75	0
Exchange losses	44	0
Other financial expenses	14	1
Total Financial Expenses	**263**	**244**

30. Taxes

in CHF 1,000	2017	2016
Income taxes Germany 2017/2016 (see Tz. 20)	3	3
Foreign withholding tax, Korea	26	0
Total	**29**	**3**

in CHF 1,000	2017	2016
Tax loss carry forward		
iQ Power Licensing AG	-34,548	-43,473
Total	**-34,548**	**-43,473**

Deferred taxes

in CHF 1,000	Tax rate	2017	2016
Tax effect on unrecognised tax loss carry forwards of iQ Power Licensing AG	20 %	6,910	8,695

IQ Power AG's tax loss carry forwards as at the date of the merger have been transferred to the acquiring legal entity iQ Power Licensing AG as part of the subsidiary-parent merger.

Reconciliation between the average effective tax rate and the applicable tax rate:

	2017	2016
Average tax rate	20.0 %	20.0 %
Effect of unrecognised deferred taxes	-20.0 %	-20.0 %
Applied Tax Rate	**0.0 %**	**0.0 %**

In Switzerland, the loss carry forwards expire after 7 years. This results in the following ageing profile:

Deferred taxes from losses with residual maturity:

in CHF 1,000	2017	2016
1 Year	322	2,137
2 Years	1,946	322
3 Years	2,154	1,947
4 Years	487	2,154
5 Years	342	487
6 Years	494	342
7 Years	1,165	1,306
Total	**6,910**	**8,695**

There are no tax loss carry forwards abroad.

31. Loss per share

The loss per share is calculated from the consolidated loss of the Group and the average number of issued shares. The diluted loss per share is calculated using the treasury stock method and takes into account the dilution effect of the outstanding options and warrants. For the 2017 and 2016 financial years, there is no difference in the calculation of the loss per share for the calculation of basic loss per share and diluted loss per share. All options issued on December 31, 2017 and December 31, 2016 (in 2017: approximately € 2.5 million, in 2016: approximately € 2.5 million) were not included in the calculation of diluted loss per share since: their inclusion would not have had a dilutive effect, which would not have taken account of the consideration of the most favourable behaviour for the holder of the potential shares.

The subsequent calculation of earnings per share was based on the number of shares issued after the merger to ensure comparability.

	2017	2016
Issued shares on 31.12.	338,537,576	285,387,868
Average outstanding shares	325,389,037	278,644,847
Loss (TCHF)	-1,567	-4,244
Basic Loss Per Share (CHF)	**-0.01**	**-0.01**

32. Business transactions with related parties and companies

Remuneration paid to acting members of the Board of Directors and members of the Executive Board:

in CHF 1,000		Ongoing Remune-ration	Social Costs	Share-Based Compensation	Total
Board of Directors and members of the Executive Board	**2017**	**478**	**78**	**0**	**556**
	2016	468	63	0	531

No termination benefits were incurred in 2017 or 2016, nor were income from options exercised.

On the basis of (partial) deferred salary payments for the years 2012, 2013, 2014, 2015, 2016 and 2017, including the employer social costs due on them, accumulated obligations to the CEO of iQ Power amount to TCHF 1,182 as of December 31, 2017 (previous year: TCHF 1,078), which are deferred in the accrued expenses. As security for the deferred salary payments of the managing director, there are senior security interests in the intellectual property and the patent rights in a maximum amount of TCHF 1,100 up to the amount of the deferred amounts in favour of the claimant. The deferrals of the salary payments can be revoked by the entitled person at any time, with the consequence of the immediate maturity of the accrued amounts.

For further details see note 4.1 in the Statutory Accounts of iQ Power Licensing AG.

Assets and liabilities according to balance sheet to related companies:

in CHF 1,000	2017	2016
Receivables [shareholder]	3	466
Claims [Related]	99	0
Loan [Shareholder]	3,072	2,144
Liabilities [Participation]	0	-185
Shareholder loans	-520	-455
Accrued expenses [Management and Members of the Board of Directors]	-1,311	-1,164
Total	**1,343**	**806**

Significant transactions with related parties:

in CHF 1,000	2017	2016
Revenue [Related]	622	401
Sales [Shareholder]	0	9
Interest income [shareholder]	141	0
Interest expenses [shareholder]	-99	-22
Total	**664**	**388**

With regard to the conversion loans granted at the beginning of December 2016, we refer to Tz. 23.

33. Events after the Balance Sheet Date

On April 27, 2018, the Extraordinary General Meeting of iQ Power Licensing AG will have a regular capital increase of up to 260,000,000 fully registered shares with a nominal value of CHF 0.01 nominal value, with a total amount of deposits of a maximum of EUR 18,200,000 decided. The issue price per share is 0.07 EUR / piece. The subscription right of shareholders is excluded in favour of a maximum of 10 major investors.

The capital increase is related to the proposed merger with the green-tech company Engenavis Inc., Arizona / USA. Engenavis will subscribe to a total of at least 200,000,000 registered shares in the approved capital increase, from which iQ Power will receive EUR 14.0 million. In addition, many shareholders of iQ Power have agreed to exchange their shares in shares in iQ Power's new majority shareholder, Engenavis Inc., so that Engenavis, following the registration of the new shares from the upcoming capital increase, has a majority of voting rights in iQ Power Power Licensing AG will have. It is planned to complete the recapitalisation of iQ Power in the first half of 2018.