High Performance Battery Systems

HIGH PERFORMANCE FOR ZERO EMISSIONS

ANNUAL FINANCIAL REPORT 2019

KEY FIGURES – AKASOL GROUP (IFRS)

KEUR	2019	Change	2018
Revenue	47,648	26,061	21,587
Total output	53,739	28,319	25,420
Costs of materials	36,871	24,402	12,469
Adjusted material ratio in percent of revenue [1]	71.9	n.a.	53.4
EBITDA	-3,152	-2,964	-188
In percent of revenue	-6.6	n.a.	-0.9
EBIT	-5,289	-4,289	-1,000
In percent of revenue	-11.1	n.a.	-4.6
EBIT (adjusted)	-2,428 [2]	-4,173	1,745 [3]
In percent of revenue	-5.1	n.a.	8.1
EBT	-5,302	-4,165	-1,137
In percent of revenue	-11.1	n.a.	-5.3
Net result of the period	-6,434	-5,708	-726
Total assets	149,894	34,785	115,109
Equity ratio (in percent)	63.4	n.a.	88.4
Employees (as of Dec. 31)	284	129	155
Free cash flow [4]	-26,411	52,064	-78,475

1. Costs of materials of products sold in relation to revenue
   Adjusted material ratio = (Costs of materials adjusted by increase or decrease in unfinished and finished goods and work in progress) / revenue
2. Unaudited, adjusted for structural costs and one-off expenses
3. Adjusted for one-off IPO costs
4. Free cash flow = cash flow from operating activities + cash flow from investment activities

Share	31.12.2019	Change	31.12.2018
Closing price in Xetra in EUR	34.45	+0.73 %	34.20
Number of share issued	6,061,856	n.a.	6,061,856
Market capitalization in EUR million	208.83	+0.73 %	207.74

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2019 AT A GLANCE

TOTAL OUTPUT
increased strongly

€ 53.7 m

(2018: € 25.4m)

+111.4%

REVENUE
increased strongly

€ 47.6 m

(2018: € 21.6m)

+120.7%

SPACE FOR OFFICE/PRODUCTION
increased strongly

15,346 square meters

(2018: 6,008 square meters)

+155.4%

INCREASE IN PRODUCTION CAPACITY AT THE PRODUCTION SITE IN LANGEN

300 to 800 MWh p.a.

(2018: 300 MWh)

+166.7%

EMPLOYEES
increased strongly

284 Employees

(Dec. 31, 2018: 155 Employees)

+83.2%

ORDER BACKLOG

€ 2.0 bn

(Dec. 31, 2018: € 1.47bn)

+36.1%

1

Chief Financial Officer Carsten Bovenschen (left) and Chief Executive Officer Sven Schulz (right)

LETTER OF THE MANAGEMENT BOARD

Dear Shareholders, Customers and Business Partners, Dear Employees,

If a steeplechaser has an important race coming up, he or she has to prepare for the key moment with extensive training sessions. As soon as the starter's gun fires, the trick is to burst out of the starting blocks and quickly get up to the right speed. Without ever losing sight of the next hurdle ahead. If the steeplechaser fails in this, he or she will stumble. Only those who have prepared well, are in perfect shape, are fully concentrated over the entire distance and have parsed their resources right will actually finish with a respectable time – and a place on the winners' rostrum. AKASOL AG too has prepared long and extensively for the commercialization of electromobility. With its high-performance lithium-ion battery systems, it has resolutely worked to play a leading role in the electrification of the commercial-vehicle market.

The transformation of AKASOL into a listed company and the accompanying successful step to the capital market in 2018 definitely ranks as one of the most important milestones in the company's history. Or, to return to the sports analogy: We came out of the starting blocks very well in 2018 and gathered considerable speed in 2019 – thanks to continuous improvement of the organization, the necessary expansion of production capacities and structures, the augmentation of our available investment funding and the enhancement of our technological product portfolio.

But we also have to overcome obstacles again and again. In this sense, 2019 was a very eventful and dynamic year for AKASOL AG. For one, we managed to significantly increase our revenues by around 120%, to EUR 47.6 million (previous year: EUR 21.6 million). Unfortunately, however, we also note that we were unable to meet the forecast set at the beginning of the year: revenue of at least EUR 60 million along with an EBIT margin of around 7%. This was mainly the result of postponements that came to light very late in the year, as well as reductions in vehicle sales on the part of our series customers, and this had a corresponding impact on our business. Nevertheless, in 2019 we continued to work on and invest in the structural, organizational and process development of the Company in 2019. Instead of slowing down, we have therefore maintained and in some aspects even increased our speed in order to be able to meet future challenges such as the equally dynamic growth in 2020 as well as the preparations for the start of production of the new battery-system generation from 2021. All of these factors had a corresponding impact on our earnings in 2019. Due to one-off expenses in the context of setting up and modifying the organisational structures as well as the early, targeted expenditure for further Company growth, the adjusted EBIT (unaudited) of the AKASOL Group was within the scope of the corrected expectations at EUR -2.4 million and thus corresponds to an adjusted EBIT margin of -5.1% to revenues (unadjusted EBIT 2019: EUR -5.3 million; 2018: EUR -1.0 million).

Even though we fell short of our original financial targets, and although the financial result was thus objectively unsatisfactory, we believe we nevertheless acted correctly. After all, the success of

AKASOL AG is not a result of potential profits during the dynamic growth phase but of the prospective business volume that the customers have already agreed upon with the Company and will demand in the years to come. That is when we will need to be able to deliver, relying on our improved organization and processes. Following we would therefore like to present three important positive developments in particular, which have enabled us to consolidate and even further expand our market position.

High speed of innovation: In 2018 we launched our first battery system in serial production, the so-called Generation 1. Beginning in mid-2020, we will be producing the second generation of our high-performance battery systems in series – just two years later. In addition, we are currently in the process of developing the third generation: the ultra-high-energy battery system for extreme range requirements – with which in the future trucks and buses can travel up to 800 km, entirely in electrical mode and in real operation.

A very solid order backlog: What drives us to top performance is the great confidence our worldwide customers have in the technologies and solutions we develop. This confidence is reflected in long-term follow-up orders and new framework agreements – and, of course, likewise in our orders on hand, which as of the balance sheet date for 2019 stood at around EUR two billion following steep growth during the year. We can very proudly report that one of our long-standing customers placed its trust in us once again in 2019: Supplemental to the two previous framework agreements, last summer we received a commission in the high triple-digit-million-euro range for serial production of our third-generation battery system. Word of this beautiful development got around throughout the industry and may inspire other new customers to purchase our products and technologies. After all, if customers continue to choose us, presumably it is because we are doing something right.

Massive production capacities: However, our customers want not only the best products, but also the certainty that we have the necessary production capacities available at the same time. They also expect economies of scale, and they understandably want the associated benefit of lower prices. With this in mind, in the 2019 financial year, besides expanding the serial-production location in Langen, Germany, to a production capacity of up to 800 MWh, we broke ground in construction of our Gigafactory 1 in the southern part of Darmstadt, Germany. There, starting in late 2020, we will be installing machinery and fully automated production lines in a plant spanning 15,000 square meters and with an annual production capacity of up to 5 GWh. With the new Gigafactory 1 at the new AKASOL headquarters, we are creating the best conditions for further growth. This is supplemented by the development of the North American market, which we were able to continue as planned in 2019. As early as summer 2020, our subsidiary, AKASOL Inc., will be producing battery systems at the US site in Hazel Park, which is located in the greater Detroit area: This will begin with an annual production capacity of up to 400 MWh and will be ramped up to more than 1 GWh by 2022.

Of course, last year's accomplishments are not limited to these three events. The purpose of the letter from the Management Board, however, is to offer you just an overview; we would like to invite you to read the Annual Financial Report in which we address further topics in appropriate depth.

Finally, we would also like to express a big thank-you to our almost 300 highly motivated and dedicated employees who bring great commitment to the Company and our customers each day. It is above all to their credit that we have made good progress over the past year and can thus look to the future with optimism. And although we certainly still have a few obstacles to clear in the future: Thanks to our skills, our perseverance, our endurance, our many years of experience and, not least, thanks to our significant entrepreneurial appetite, we are very well placed to successfully master the future together as the AKASOL Team.

Naturally, we would also like to thank our business partners, customers, suppliers and, above all, you, our highly valued shareholders – for the trust and support all have shown us in the past financial year. As we continue along this challenging obstacle course, we are delighted to know that you are right there by our side – as coach, as trainer and as supportive audience. So let us tackle the future challenges together with this thought in mind.

Your Management Board

Sven Schulz
Chief Executive Officer

Carsten Bovenschen
Chief Financial Officer

FACTS &

63.4 %
Equity ratio

7 %
Research and development in percentage of revenues

EUR 2,0 bn
Order backlog

61 %
Reduction of CO_2 emissions by AKASOL battery systems for electric CVS

EUR 47.6 m
Revenues (2019)

284
Numbers of employees (2019)

83 %
Increase in personnel compared to the previous year 2018

278
Number of suppliers worldwide

FIGURES

Electric range sold to date:

411,440,000 km

74

Number of customers worldwide

Electric range sold to date:

10,286

circumnavigations of the earth for CVS with AKASOL batteries

5,143

Number of manufactured battery systems in serial production since 2018

5 GWh p.a.

Installed production capacity in serial production by 2022

12

Number of trade fair presentations in 2019

1 GWh p.a.

Installed serial production capacity by 2020

179

Research and development projects since 2008

34 %

of the employees are working in research and development

THE EVOLUTION OF MOBILITY

"Climate change is the defining issue of our time – and we are at a defining moment. We face a direct existential threat." – The challenge we confront is almost impossible to state more clearly than UN Secretary-General António Guterres described late in the summer of 2018: Climate protection has become one of the dominant missions of our era. If we want living conditions to hold steady for future generations on earth, active steps must be taken now – by politicians, the business community and society as a whole.

There has actually been a great deal of change regarding climate protection in recent years. Certainly, by the time of the movements that young environmental activists around the world launched last year, we have impressively been made aware of how even a small protest can produce big waves and can change the world. The topic of sustainability is mobilizing the masses and drawing millions of people out onto the world's streets, not least during the big global climate strike held September 20, 2019, as part of the Fridays for Future movement. From Sydney to Nairobi, from Hamburg to London all the way to New York: With their protests, climate protectors all over the world have stood up and rung in a new, more sustainable era.

BILLIONS FOR ELECTRIC CARS AND CHARGING STATIONS

This intensified ecological awareness has also changed the political landscape. Throughout Germany and across Europe, the people's representatives have no choice but to base their actions on green considerations. The German Federal Government also presented the cornerstones of its climate package for the first time in late summer 2019. Nearly three months later, the package of measures has now entered into force. The goal of the climate package: Germany intends to cut its 1990-level CO_2 emissions by 55 percent by 2030. The transportation sector in particular will have to reduce its 1990-level emissions almost in half over the next ten years, to 98 to 95 million tonnes of CO_2. That is an ambitious plan, one that will ultimately require a fundamental about-face to succeed: away from gasoline- or diesel-powered engines and toward alternative drive systems.

> **There cannot be an energy transition without a traffic transition.**
>
> Franz Alt,
> Journalist

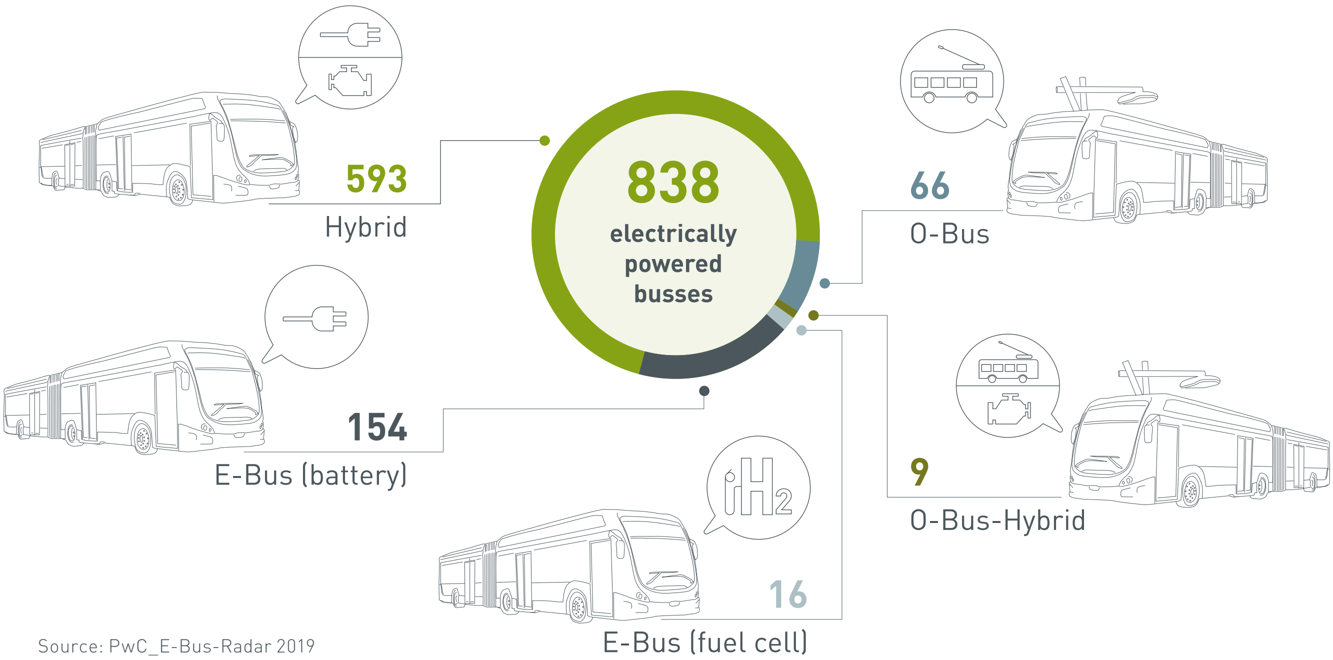
The topic of mobility is now being completely rethought in Germany. The industry for cars and commercial vehicles is approaching one of the most sweeping transformations of all time. No one wants to or can afford to be dependent on fossil fuels any longer; in their place, electromobility in particular is considered the key to a climate-friendly transport sector. With this in mind, the German federal cabinet launched the "Charging Infrastructure Master Plan" in late 2019 – a EUR 3.3-billion funding program through which Germany will rise to become the leading European market for electromobility. Under the plan, one million public charging points will be installed by 2030.

> **We need to do everything necessary on the road to climate neutrality. We need to act now.**
> Ursula von der Leyen,
> President of the European Commission

MILESTONE "EUROPEAN GREEN DEAL"

The Federal Republic of Germany is receiving support for the project from beyond the nation's borders: As the European Commission has since announced, an additional EUR 300 million will be devoted to expanding the necessary charging infrastructure in Germany and to the purchase of electrified buses. The support arrangement is enormously important, not just for public transportation companies but for climate protection as a whole: Through the "Guideline for the Promotion of Procurement of Electric Buses in Public Transport," the German Federal Ministry for Environment, Nature Conservation and Nuclear Safety intends to contribute up to 80% of the additional investment costs for approximately 600 new electric or rechargeable plug-in hybrid buses – in lieu of conventional diesel buses. Buses powered by electricity from renewable energy sources are expected to reduce CO_2 emissions by an estimated 45,000 metric tons per year. The European executive launched the "European Green Deal" late last year, and as a result, programs of this kind that offer financial support have long since ceased to be a rarity. Ursula von der Leyen took office as President of the European Commission in December 2019 and placed climate protection high on the agenda in Brussels: "We need to do everything necessary on the road to climate neutrality. We need to act

NUMBER OF ELECTRICALLY POWERED BUSSES IN GERMANY IN 2019



Source: PwC_E-Bus-Radar 2019

now," von der Leyen has warned – as she did, for example, at the World Economic Forum in Davos earlier this year.

In order to put the theory into practice, the Commission head intends to mobilize one trillion euros as part of the "European Green Deal". The comprehensive package of measures lays out the details of the things that need to change in Europe in the future on behalf of climate protection. The EU Commission is also setting itself a particularly ambitious target in the mobility sector. CO_2 emissions from new vehicles are expected to drop to zero grams as early as the 2030s. Accordingly, the European executive plans to pave the way for this in the near future, and to revise emissions thresholds for cars and vans again by June 2021. By way of comparison: The current emissions standard permits a target of 95 grams of CO_2 per kilometer by the year 2021. This will be made possible, among other things, through new standards for air pollution from internal-combustion engines and through increased support for the production and purchase of electric vehicles. There are also one million public charging stations scheduled to be provided all throughout Europe by 2025. Special assistance will also be given to the aviation, shipping and heavy-goods transport sectors, provided that they rely on alternative fuels such as biofuels or hydrogen.

> **Climate change is the defining issue of our time – and we are at a defining moment. We face a direct existential threat.**
>
> António Guterres,
> UN Secretary-General

GROWTH MARKET E-BUSES

As the policy steps being taken by Germany and Europe make clear: The automotive and commercial-vehicle sectors have a crucial role to play in the fight against climate change. According to the European Environment Agency (EEA), cars, commercial vehicles and buses account for as much as 70% of total greenhouse gas emissions in the mobility sector. On the one hand, this may be a frightening number. At the same time, however, it also illustrates the contribution that this transport sector can make toward reducing CO_2 emissions by increasing the number of vehicles equipped with alternative drive systems. From electrified buses and trucks to hydrogen-powered trains to hybrid ship propulsion: The market for climate-neutral commercial vehicles is of immense importance to climate protection and in recent years has had a remarkable success story to tell. For instance, according to the latest figures released by Chatrou CME Solutions, a Dutch consulting firm, the eBus market in Europe is quickly gathering steam: At the end of 2019, the number of eBuses registered in Western Europe and Poland almost tripled compared to the entire previous year – and now stands at 1,687.

Climate-neutral public transportation is booming in Germany, too. There are currently more than 800 buses with electrified drives traveling on German roads – according to the results of the current E-Bus-Radar by management consultancy PwC. Hybrid buses still account for the majority – nearly three-quarters of them at the moment; hybrids are regarded as a bridge technology on the way to a pure electric drive. At the same time, with a total of 254, there is a small but steeply rising number of purely electricity-propelled buses in use. An additional 2,255 e-buses will have been purchased across Germany by 2025.

HIGH RATES OF GROWTH IN THE MARKET FOR ELECTRIC TRUCKS

The US market research firm Navigant Research takes this forecast a step further: By 2030, they report, sales of e-buses and e-trucks in Europe are expected to grow at an annual rate of around 26 percent. Not to mention the growth forecasts for still other electrified commercial vehicles. New drive trains and an immense boost in power consumption will also likely have brought fundamental change to the commercial vehicle market during the next ten years. The electric motor is becoming commonplace for more and more trucks. Meanwhile, all of the major manufacturers have an electric truck on offer or are in the course of developing one. A study by the management consultancy Boston Consulting Group estimated that by 2030, 35 percent of registered trucks weighing up to 6 metric tons and 26 percent of the trucks weighing more than 15 metric tons will be equipped with alternative drives.

THE MEGATREND TO ELECTROMOBILITY

The prospects show: Climate protection and a CO_2-free transportation sector are inextricably intertwined. If the industry for automobiles and commercial vehicles would rather not miss the growth trend, they will have no choice but to invest in innovations and new business models in the coming years. According to the Future Institute [Zukunftsinstitut], the topic of electromobility has long been regarded as one of THE megatrends that will have a decisive impact on the lives of all of us in the years ahead.

„STANDSTILL MEANS TAKING A STEP BACKWARDS – ESPECIALLY IN ELECTROMOBILITY“

An interview with Sven Schulz: The AKASOL CEO discusses the Company's growth prospects, the development of electromobility and the occasional need for entrepreneurs to be brave.

MR. SCHULZ, HOW DID THE 2019 FINANCIAL YEAR GO FOR AKASOL?

We're basically satisfied with the 2019 financial year, even though the purchase quantities initially announced by our customers led us to forecast higher revenue for our high-performance battery systems at the beginning of the year. This was largely due to the adversities of a new market that is currently still in its infancy. Nevertheless, even though we fell short of original targets for growth, we have grown by more than 100 percent and have in recent months created important conditions to prepare AKASOL for further dynamic growth in the years ahead: Aside from structuring the organization generally, we managed to increase production capacities and adopted a holistic approach to driving the Company's continued expansion. So, in terms of the substance, we are definitely satisfied, although of course the commercial business result cannot be considered satisfactory, and we on the Management Board expected significantly higher numbers in this regard.

Why didn't revenue increase as much as you had forecast in 2019?

Let me briefly explain the AKASOL business model in a bit more detail: Before each financial year, we receive forecasts from our customers, the vehicle manufacturers, indicating the quantities of our battery systems they expect to purchase during the year. These forecasts are based on specific customer orders from the vehicle manufacturers, in combination with estimates by the sales department of how many additional vehicles the respective customer wishes to sell in the following year. Now if, as in our case, a new product with a completely new technology is placed on the market, of course it's hard to assess how the market will respond to the product and what quantities will be in demand. That was also the case with our customers in 2019. Added to this: With so many manufacturers introducing electric vehicles of their own to the market at the moment, our customers have not achieved the sales figures forecast by the sales department. At the same time, certain manufacturers experienced delays in the purchase of vehicles, because decisions by their end customers' – public transport authorities in this case – took longer than expected. In most cases, this was due to state grants for the development of electromobility: Orders by the local transport authorities cannot be triggered until the subsidy decision is in hand.

There is a great deal of movement in the electromobility market at the moment – driven by the major car manufacturers that have new electric vehicles in the pipeline. Does this also benefit the market for electric vehicles in commercial use?

Public perception of electromobility is driven in particular by cars or small electric vehicles such as e-buses or e-scooters. So electromobility consistently on the rise - and this is getting a lot of public attention. – and that is very strongly noticed by the public. This in turn generates a societal expectation that commercial vehicles that are quite a fixture of everyday life will also be electrified. This includes all vehicles used in public transportation, such as buses and regional railways, as well as construction vehicles or construction machinery, the electrification of which is currently being increasingly promoted by municipalities. Citizens thus not only want to make a contribution of their own toward climate protection, they also want to see electromobility introduced among local transport authorities, freight forwarders, construction companies and other public sectors. Given their extensive use, these vehicles currently also generate high levels of CO_2 emissions and, conversely, would significantly contribute toward reducing emissions if electrification were to increase.

What specific solutions do you offer – and what role does AKASOL play in the development of the market?

AKASOL AG is one of the most experienced developers and manufacturers of high-performance battery systems for commercial vehicles in Europe, and investigated and developed solutions for the electrification of transportation already back in the 1990s – when this was still associated with the Technical University (TU) of Darmstadt, Germany. The battery systems that we have been developing commercially for years and now produce in series can be integrated into nearly all electric commercial vehicles. These currently consist mainly of electric city buses but also include trucks, construction equipment, rail vehicles and ships. AKASOL is distinguished by a broad product portfolio of different solutions tailored to individual customer needs. Important to note here: There is no one-size-fits-all battery system that is usable everywhere; different electromobility applications call for different battery systems. Thanks to our technology independence and innovativeness, as well as the continuous enhancements of our product portfolio, we are in a position to operate all fully electric, hybrid electric and hydrogen-powered vehicles using our systems. That is why we see ourselves as an important partner on the road to emission-free transportation in the commercial-vehicle sector.

What are AKASOL's core competencies, and how does the company differ from other manufacturers of battery systems?

On the one hand, our core competency lies in our very long experience in the field of electromobility. No other company in Europe has been involved for so long with solutions for the electrification of commercial vehicles. Our knowledge in this area runs very deep as a result. In addition, AKASOL takes a holistic approach to the development and production of lithium-ion battery systems, an approach that begins with the selection of the battery cell. Because our experienced engineers understand the DNA of an electrical powertrain in great detail, they know exactly which cells are best suited for the different applications involved and our customers' specific requirements. We also work on the way the cells integrate mechanically into the battery modules in combination with world-leading thermal management technology based on efficient water cooling. Unlike the air-cooled alternatives, with this approach, battery systems can operate at optimum temperature at all times, extending battery service life in the process. AKASOL also develops the individual battery-management systems itself. These form the heart of the individual battery systems and monitor functionality, reliability and safety in real time. We also develop the software used in the battery-management system: This way, we can ensure very efficient functionality between hardware, electronics and software.

Important cooperation partners for AKASOL are Daimler and another major global manufacturer of commercial vehicles. As a medium-sized enterprise, aren't you very dependent on these major customers?

Naturally, the dependence AKASOL is relatively high at the moment, as there are not yet too many series projects for electric commercial vehicles. This situation is also quite normal at the present time, however, given the nature of the electromobility market – which has not begun growing rapidly until now – and doesn't worry us. With our sales staff also continuously and successfully working on a diversification strategy spanning a range of markets. Based on already implemented initiatives in the coming years we expect a significant decrease in the currently high dependence on just a handful of customers. The more mature the market becomes, the more customers AKASOL will have, and revenue will be distributed across a larger number of customers in the future. This is how, bit by bit, we will reduce our dependence.

Let me ask a very simple question: Why don't the world's big manufacturers of commercial vehicles just develop battery systems of their own?

As already mentioned, there is not just a single battery system that fits all applications equally well while also optimally meeting requirements. When electromobility made its appearance in the commercial vehicle sector the major corporations placed great emphasis on cooperating with smaller

technology companies such as AKASOL that already had the right experience in the field of high-performance battery systems and other components and were able to integrate their solutions into the vehicles quite quickly. The topic of electromobility has increasingly matured and has also become the focus of the major corporations, so they are now developing battery systems of their own, too. This does not mean that we no longer expect to have any work to do, however, since these corporations' activities supplement our solutions in other types of vehicles and applications. As with other commercial-vehicle components, in the future, battery systems will also be developed and produced not only by suppliers but by the vehicle manufacturers themselves. The future will not be characterized by an "either or", but rather by a "both together" scenario.

Speaking of raw materials: Doesn't the e-mobility sector face inevitable constraints on resources where growth targets are concerned?

Resources are always limited; this is true not just for e-mobility but across all industries. Nevertheless, the challenge we face is whether the raw materials needed for e-mobility continuosly be extracted without creating a threatening scarcity that would trigger a slowdown in growth for electromobility or even excessively high battery prices. The electric mobility industry has a decisive advantage, however, that may not have completely captured the public's attention yet: Unlike petroleum, which is ultimately combusted in engines, the raw materials in Li-ion battery systems can be almost completely recycled. With the aid of industrialized recycling processes, these materials can even be recovered quite easily from the individual battery systems. Here in Europe this will enable us to build up a cir-

cular flow of our own, so we can recommit the lion's share of these same raw materials to new electric vehicles for years to come. This is not only highly sustainable but also a tremendous opportunity for regions low in resources, such as Europe, to become less dependent than they are today in the age of petroleum.

Many experts view hydrogen as a resource that can make emission-free transportation a reality. For others, however, a hydrogen-based drive is overrated and too expensive. Do you consider the fuel cell an alternative to purely battery-driven electric cars and commercial vehicles? Or will even the electric drive be unseated from its current pole position as an alternative to the combustion engine?

We view hydrogen propulsion in conjunction with fuel cells not as an alternative to purely electric vehicles, but as a supplement to them. In the future, we will see a broad portfolio of drive train technologies. These include fully electric drives of the kind used particularly in urban public transportation and for moderate range driving of up to 400 kilometers a day, together with a good charging infrastructure. We view hydrogen drives and other hybrid drives – such as the diesel hybrid or hybrid drives with synthetic fuels – as a complement to these that can superbly cover long driving distances. So although the battery systems used in these drives can be reduced, the drives would be impossible if the battery systems were eliminated completely. In the past year, AKASOL successfully delivered systems for use in fuel-cell-powered trucks, and the world's first fuel-cell-powered urban train made by Alstom uses our technology as well. In a word: We view the wide range of alternative drive technologies as a source of enormous diversification potential for our broad portfolio of products.

In terms of electromobility, where is the journey headed for Germany?

We are definitely still at the beginning of this journey. But the train that has been set in motion here cannot be stopped. The change is surely going to happen; the only question is how quickly we can gather steam on this journey and set our course for full electromobility. Whether it's basic development or establishing production capacity, incredible things have been set in motion away from the public eye over the past decade. During the next ten years, we will be investing particularly in increasing our production capacity. Accordingly, we believe that by 2030, public transportation will be almost completely electric, especially in Europe, and that we will reach a share of significantly more than 50 percent of hybrid and electric vehicles in the area of passenger cars.

In December 2019, the German federal government adopted a climate package under which seven to ten million electric vehicles are expected to be registered by 2030. Is that realistic? And what will it take for the switch to alternative drives in all areas of mobility to succeed?

I think this goal is a realistic one. There are nearly 48 million gasoline- and diesel-engine vehicles in operation and registered in Germany at the moment. So, ten million vehicles would represent a share of around 20 percent. We believe it can be higher by 2030 if hybrid vehicles are counted, too. But to accomplish this, we are going to need the right charging infrastructure for cars and also commercial vehicles. This is not so much a question of fast charging stations, which of course are also needed. Instead, people need to be able to charge their vehicles at home but also where they work, and this is currently still a challenge at the moment. So by 2030, every garage parking spot and every company parking lot should be fitted with a corresponding charging capability. This target is something we need to persistently pursue in the years ahead.

What is the role for political leadership in Germany in this regard – and what are your concrete expectations of the German federal government?

Political leaders have to support these developments and create the respective framework conditions – that is our expectation. Subsidies are an essential part of the effort to get the ball rolling. A provision to this effect already exists for company cars in the form of tax breaks. The result of this is the growing presence of hybrid and all-electric vehicles in company fleets. Policymakers also need to create the conditions to speed establishment of the charging infrastructure and provide appropriate assistance and subsidies to businesses in this regard. We cannot leave the development of infrastructure to energy suppliers alone. Instead, we can also use targeted subsidies to get enterprises, public authorities and private-sector stakeholders involved in this task. Because one thing is certain to me: Without a charging infrastructure, electromobility will not happen.

Let's get back to AKASOL. You have set the bar high for the years to come – with expansion into the US, for instance, and development of two gigafactories of your own. How do you plan to finance these steps?

We took in considerable funding through the IPO and are investing these funds in dynamic growth and consequently in expansion of our structures and production capacity. In addition, we have also decided to borrow outside capital to help us establish a healthy and sustainable financing structure in addition to the equity generated through the IPO – and we are quite successful at this at the moment: In comparison to the assumptions we originally communicated at the IPO, with the funds available to us, we are currently in a position to build significantly greater capacity for the two gigafactories at our new location in Darmstadt, Germany, and at our US headquarters in Hazel Park, Michigan, than projected in 2018. This is not least the result of an efficient approach that we will continue to pursue, an approach that means the company is also on a very sound financial footing for the growth steps that lie ahead.

How important is specifically the North American market to AKASOL?

In addition to Europe, the North American market is very important to us; this is due to the activities and the corresponding sales expectations of our customers in this region. As we have also seen in recent years, global corporations have increasingly chosen the path of standardization, and this means that, wherever possible, the components used across all markets should be identical. Because this strategy also consistently applies to the battery system as a vehicle component, in my view we have an obligation to be able to serve our customers in the North American market. But we're not just looking to America: We have other projects with existing customers and potential new ones in the pipeline as well, and hopefully these will soon be decided in our favor.

Naturally, hearing the keyword "gigafactory," one is inevitably reminded of Tesla. What kinds of things might a German SME like AKASOL learn from founder Elon Musk and his company?

Elon Musk is an inspiring entrepreneur with whom I associate the courage to invest in a new idea such as electromobility in the effort to make this accessible to all. That's where I see an opportunity for us: Just like Elon Musk and Tesla, we firmly believe in electromobility – and in the fact that sometimes it takes a great deal of courage to invest in something you are convinced of, although others may ridicule it. Another topic is size: Tesla was exactly right to establish vast capacities that would make it among the first to serve the electromobility market on a significant scale. This is also an important source of inspiration for AKASOL AG. The point is not just to develop outstanding products but also to have the right production capacities in place, so that these products can also be made and offered to customers inexpensively. A third aspect that Elon Musk embodies is innovation. Take a look at how quickly Tesla introduces new and at the same time very bold products to the market. We haven't come to a standstill in this regard, either. Instead, we are constantly reinventing ourselves and trying to in-

THE YEAR AT A GLANCE

2019

JANUARY

Appointing Carsten Bovenschen as AKASOL CFO

FEBRUARY

Extension of framework contract (Gen2) with a long-term major customer

MARCH

Decision for Darmstadt as location for new headquarters

APRIL

Battery Show
Stuttgart

MAY

First Annual General Meeting after IPO

UITP Global Summit
Stockholm

Electric & Hybrid Marine World Expo
Amsterdam

JUNE

Decision for Hazel Park, Michigan, USA as production site of the AKASOL Inc.

tegrate new technologies and approaches into our already tried-and-tested or new products. The fast pace of developments in electromobility is significantly higher than we have seen to date in the field of internal-combustion engines. We have to assume that we are going to be seeing continuous quantum leaps of technology over the next two to three years. That also makes it important for a company like AKASOL AG not to allow things to come to a standstill. Even when it comes to electromobility, standstill amounts to a setback.

Final question: You've literally been in a sprint ever since the IPO. Where do you see AKASOL five years from now?

Over the next five years, AKASOL AG will develop into an established Tier 1 system supplier, particularly in Europe and North America. To be able to realize that growth accordingly, we also intend to have 10 GWh of production capacity in place in our production plants by 2025. Last but not least, by further developing our innovation roadmap, we intend not just to widen our technology leadership but also to maintain our technology independence, which we view as strategically very important. We want to top this off with the fact that by 2025, AKASOL will be the leading brand for battery systems in hybrid and all-electric commercial vehicles.

JULY

Groundbreaking ceremony for headquarters and Gigafactory 1
Darmstadt

Battery Show
USA

AUGUST

SEPTEMBER

Serial order (Gen3) of a long-term major customer

Expansion of the partnership with Samsung SDI

OCTOBER

Busworld
Brüssel

Received "Busworld Innovation Award" for the new ultrahigh-energy-battery system

NOVEMBER

Completion of debt financing package 2019-Loans on financing of investments

DECEMBER

Installation of the second serial production line in Langen

2020

FASTER THAN THE MARKET

The increase in energy demand and the worldwide goal of cutting CO_2 emissions also involves a need to generate, store, transmit and use energy more efficiently. With a high volume of traffic as well, mobility solutions that are sustainable and intelligent at the same time are indispensable. Innovations remain the main drivers of growth in order to meet rising demands quickly. While the share of renewable energy has gradually increased in recent decades, the focus now must be on evolving innovative technologies for the efficient storage of what in some cases is surplus renewable electricity.

High-performance lithium-ion battery systems for hybrid and all-electric vehicles offer the world's best, most efficient, most innovative and most scalable storage technology to meet the challenges of the mobility transition, both today and in the future. As one of the pioneers and technology leaders in the field of high-performance battery systems, AKASOL and its product portfolio have already contributed to the economic and sustainable electrification of the commercial vehicle market for several decades. In conjunction with high-efficiency hydraulic thermal management, powerful battery-management electronics and highly intelligent software, the Company integrates this innovative technology into its various battery systems, which are excellently designed to meet the different requirements of the various commercial, rail and industrial vehicles as well as ships, boats and stationary storage systems – while at the same time setting the bar higher when it comes to power density, energy density and hence also range.

As a reliable partner in the electromobility industry, AKASOL develops and produces both standardized and customized battery-system solutions for hybrid, all-electric and hydrogen-powered drives in series, which are used in demanding and high-growth market segments: efficient, powerful, safe, durable, flexible and scalable. After all: there is no one-size-fits-all solution for the various electromobility applications of numerous customers. Against this backdrop, AKASOL offers its customers both high-energy solutions for extreme range requirements as well as high-performance systems for extreme charging and discharging performance in combination with high cycle stability. From 48 V to 1,000 V in rated voltage as a standard product, and as a perfectly tailored special solution for major series customers.

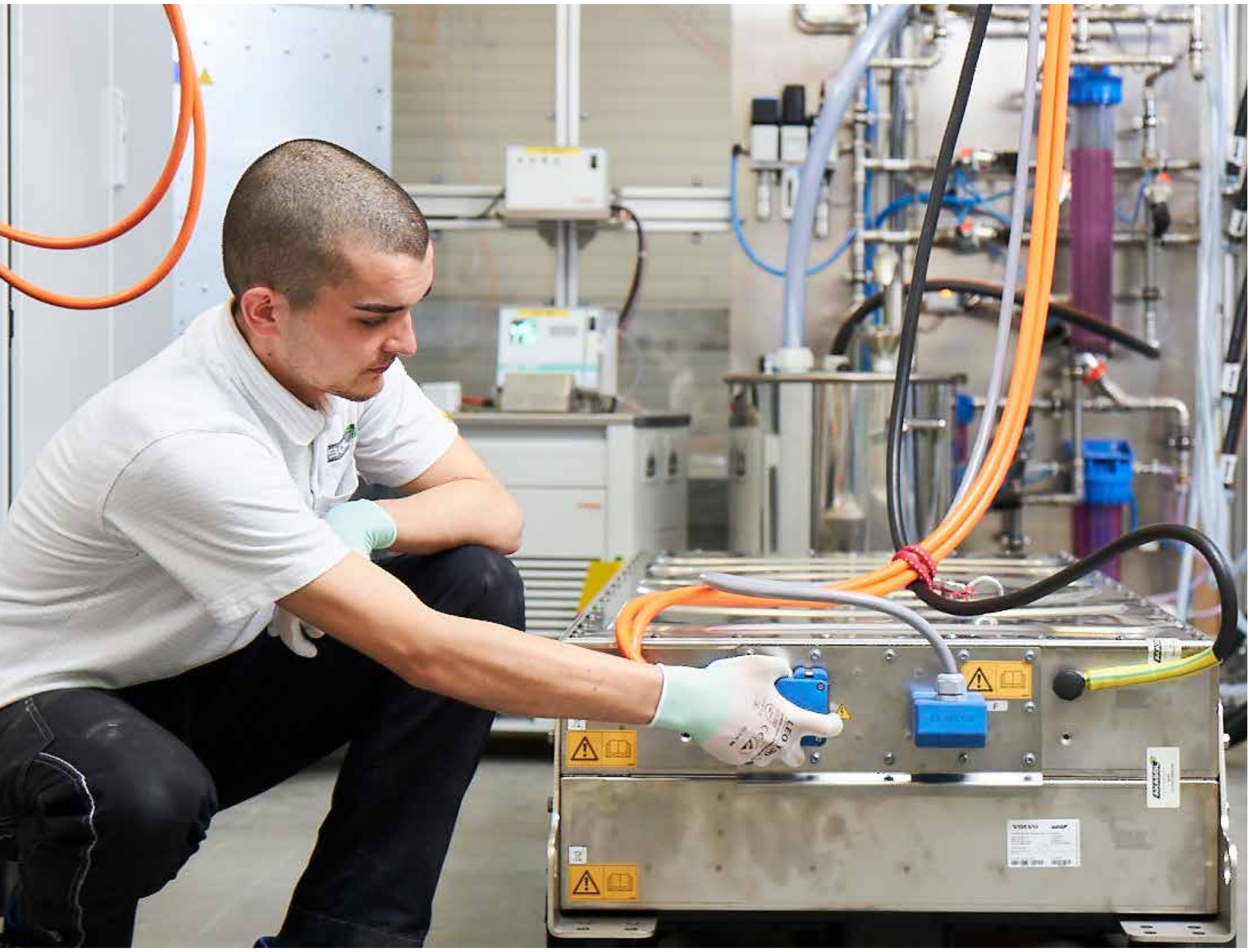
On the way to emission-free transport, our broad and unique product portfolio is already setting standards in the field of high-performance lithium-ion battery systems for the commercial-vehicle sector, and we intend to further expand our claim as a technology leader in the future. That is why research and development has such a crucial role to play at AKASOL.

HIGH-PERFORMANCE LITHIUM-ION BATTERY SYSTEMS WITH DECISIVE ADVANTAGES

Our high-performance lithium-ion battery systems are characterized, among other things, by very high flexibility and scalability relative to individual customer needs. We have access to different battery-cell formats as well as a wide selection of different types of battery chemistry that can optimally meet the specific requirements of a wide variety of electromobility applications in terms of performance and range. Thanks to our technology-independent product portfolio, we have great flexibility in meeting the different technical customer needs and market requirements. With this in mind, we research and develop trailblazing and convincing solutions, not only within the framework of individual customer projects but also in partly funded internal R&D projects: from the first study through to serial production. Our customers include some of the world's leading manufacturers of hybrid and all-electric buses and commercial vehicles as well as rail vehicles, working machines or ships and boats.

FLEXIBLE SOLUTIONS FOR ALL CUSTOMER REQUIREMENTS

The development of AKASOL's high-performance lithium-ion battery systems begins with the specification and selection of the right battery cell. We examine in detail which cells offer the best conditions for the respective specific customer applications with the corresponding application pro-



POUCH CELL / POC

- Format options
- Chemistry options

PRISMATIC CELL / PRC

- VDA format options
- BEV, PHEV chemistry

CYLINDRICAL CELL / CYC

- 18650, 21700 format
- Chemistry options

files. In this connection, we work very closely with the manufacturers of battery cells. This makes AKASOL currently one of a handful of companies on the market that can offer its customers battery systems in all common formats – from cylindrical cells over prismatic hardcase cells to pouch cells. For our battery systems we are convinced that solutions with different battery chemistry are the best way to meet the different customer requirements. The focus currently is on the wide selection of lithium-ion NMC (nickel-manganese-cobalt) technology. Engineers at AKASOL also employ other technologies including lithium-iron phosphate (LFP) or lithium-titanate (LTO).

CAPACITY, SAFETY AND CONVINCING DEPENDABILITY

In addition to their extreme performance level with long service life and safety, AKASOL's lithium-ion battery systems are characterized by technologically leading passive and active thermal management tailored to each series. This is achieved using highly efficient and at the same time economical liquid cooling and, in contrast to air-cooled alternatives, permits an optimum temperature at all times. This continuously improved, uniform thermal management guarantees uniform temperature levels, even under high loads, and significantly extends the service life of the battery system.

A decisive factor in this regard: the battery management system (BMS) developed by AKASOL itself, which guarantees precise system functionality and high system safety in real time while creating the perfect conditions for dependable and long-lasting operation at maximum performance. The BMS independently monitors voltage values and charging states along with the working-

temperature window and the possible power output – from the cell through the module to the entire system. It is in direct dialog with the higher-level battery and vehicle control, ensuring that electrical power is accurately dosed or resumed in any driving situation based on the driver's request. All of the battery systems are equipped with AKASOL's standardized battery-management systems (BMS) and run on functionally secure software that can be customized to suit requirements specific to particular applications or customers. The modular and scalable design permits connection to the respective drive electronics, independent of the battery-cell technology used, ensuring great flexibility for use in various vehicle types.

TURNKEY APPLICATIONS FOR A DYNAMIC MARKET

By further developing and expanding the existing product portfolio of standardized, high-performance lithium-ion battery systems, and by diversifying across customer industries and regions, we are tapping into selected and technologically demanding segments of the electromobility market, thus ensuring sustainable growth for the Company. Scaling of business through sale of existing products to new customers is the key element of this strategy. Alongside horizontal diversification, vertical diversification is an important part of our corporate strategy as well: In addition to a wide selection of accessories for electric drives, this includes continuous portfolio expansion through ready-to-install comprehensive solutions, such as serving as standard equipment on Alstom's world-first fuel cell urban train with innovative battery systems, which, in addition to high-performance battery systems, also include active cooling technology as well as the associated mechanics, electronics and hydraulics.

However, we are also excited about challenges beyond vehicles, because the short-term installation of a flexible, grid-independent, high-speed charging infrastructure is also an important prerequisite if electromobility is to achieve a breakthrough. Accordingly, as part of a pilot project with a large German car manufacturer, AKASOL has developed battery-supported and thus autonomously usable high-speed charging stations for e-mobility applications, some of them now in public use 24/7. The special feature of the system is that it can be operated both through the power grid and autonomously. In addition, at this battery-supported high-speed charging station, four vehicles can be charged in parallel with up to 240 kW without the need for a grid expansion. This is made possible by more than 200 kWh of battery capacity per charging station, which, thanks to their high-performance capability, can deliver the required electrical power while the electric vehicle is charging. The clou: The charging station can be charged via a normal mains connection, and the battery serves as a dynamic buffer for thousands of quick charges. With this new product, AKASOL has created important conditions for the development of a new, interesting and high-growth line of business – and is currently studying how to evolve the world's first mobile, battery-supported, quick charging station for electric vehicles into a series product, along with opportunities for its subsequent marketing.

HIGH-PERFORMANCE BATTERY SYSTEMS

THE SUITABLE SOLUTION FOR ANY APPLICATION

ULTRA HIGH ENERGY

AKASYSTEM AKM CYC

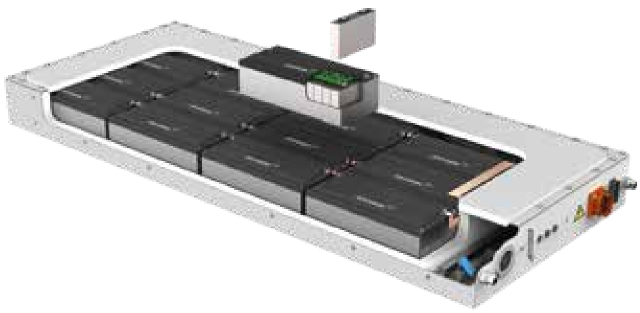
MORE ENERGY FOR THE LONG DISTANCE

The ultra-high-energy AKASystem CYC battery system uses new cylindrical-cell battery modules with a very high energy density. It is robust, freely scalable and distinguished by lower acquisition costs per kWh. But the most important thing is: Vehicle range can be doubled compared to the first generation of our series battery systems.

That is why this technology was designed for long-distance rides – for vehicles such as city buses with overnight charge infrastructure, travel buses and heavy trucks.

HIGH POWER / HIGH ENERGY

AKASYSTEM OEM PRC



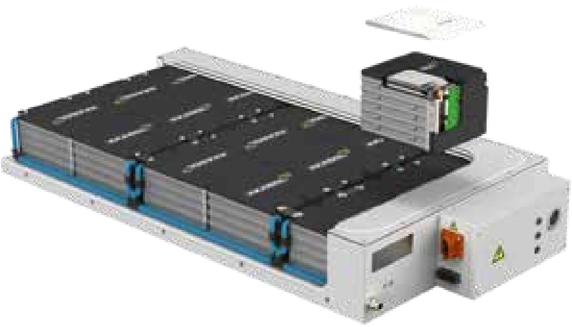
MAXIMUM EFFICIENCY AND FLEXIBILITY THROUGH MODULAR DESIGN

Our all-rounder proves how it works: High-performance lithium-ion battery systems with enough energy for commercial vehicles and maritime applications are economical and highly flexible to operate.

With its high cycle stability in combination with high charging and discharging performance and high energy density over conventional high-performance battery systems, the AKASystem OEM PRC can be used in hybrid and all-electric vehicles. As a result, it is in use in city buses with fast-charging infrastructure as well as trucks with hydrogen drives, or it provides its dependable service in fishing and rescue boats thanks to its DNV/GL approval.

ULTRA HIGH POWER

AKASYSTEM AKM POC



PEAK PERFORMANCE FOR SMOOTH OPERATION

Electromobility applications that require high performance and undergo frequent charging and discharging cycles by the same time, can be operated very reliably and in compliance with the highest safety standards thanks to the highly efficient, liquid-cooled and very robust AKA-System AKM.

As a result, it can be found particularly in heavy hybrid and fuel-cell vehicles, such as the world's first hydrogen-powered train, and some of these vehicles are in use up to 24 hours a day, 7 days a week. Precisely for its quick charging capability, and for its high system voltage of up to 1,000 V, it is a very dependable component, particularly in the rail sector.

48 V SOLUTION

AKASYSTEM AKR PRC

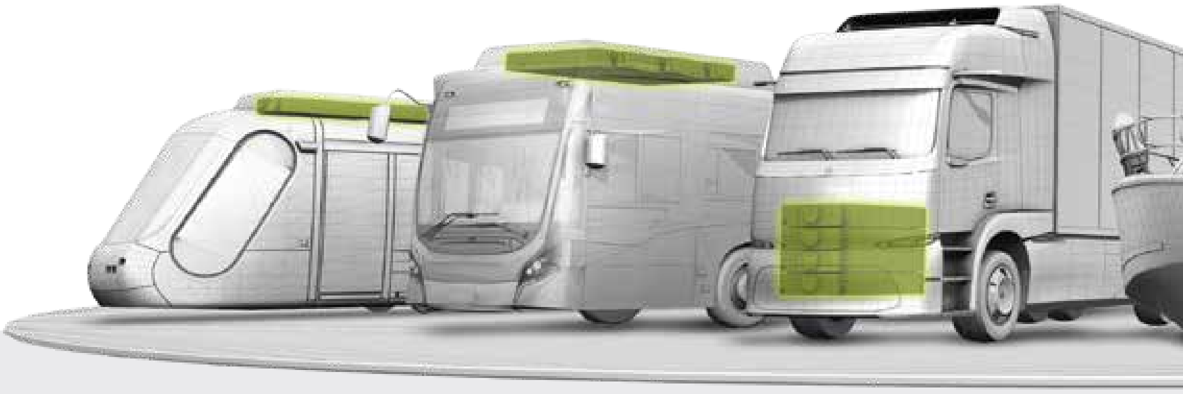
THE ALL-ROUNDER IN THE 19-INCH FORMAT

The AKARack is a modular battery storage system that can be scaled to reflect the necessary energy and power requirements. With a system voltage of 48 V and external dimensions in 19-inch format, this Li-Ion battery system, equipped with a 6.6 kWh storage capacity, can be used in many areas.

In connection with optionally available water co-oling, the AKARack can also be used where dif-ferent temperature requirements play a role – in construction operations, for example, in excavators or earth movers, which will be equipped with the AKARack as standard from mid-2020. But AKASOL's smallest battery system is also put to successful use in hybrid applications that require dependable and scalable 48 V solutions.

DIVISIONS

THE WORLD OF AKASOL



Rail vehicles

RELIABLE BATTERY SYSTEMS FOR EMISSION-FREE RAIL TRANSPORT

Railway drives call for very specific, high-performance battery systems that must undergo an above-average number of charging and discharging cycles up to 24 hours a day and are designed to store and release a great deal of electrical power. For more than seven years, the first AKASOL systems have already been in very successful use in rail vehicles, under most demanding conditions. The Lithium-Ion batteries are especially characterized by an extremely high power density and durability. As a result, a comparatively small installation space is all it takes to meet the high requirements of railway applications.

Buses

CAPACITY AND RANGE FOR ENVIRONMENTALLY FRIENDLY PUBLIC TRANSPORTATION

Due to their urban use, buses are predestined for conversion to electric drives, because electric buses significantly reduce CO_2 emissions and noise pollution. Moreover, the electrification of city buses is economical even today, and soon a range of up to 800 kilometers will be possible with all-electric drives.

Absolutely dependable in every respect – with AKASOL. The different requirements of public transportation authorities place high demands on vehicle manufacturers. With the AKASOL product portfolio, we can offer our customers the right solution for every drive. Whether hybrid, all-electric, fast-charge-capable or hydrogen. AKASOL is a one-stop-shop supplier for every bus manufacturer – not only in Europe but in North America as well.

Commercial vehicles

ECONOMICAL AND ROBUST SOLUTIONS FOR EVERY COMMERCIAL VEHICLE

Whether in vehicles for garbage collection, road-cleaning vehicles or delivery trucks – the leading battery-system solutions by AKASOL cannot be matched for robustness or cost-effectiveness. Here, too, the idea is to offer a standardized product portfolio for as many commercial-vehicle applications as possible, all from a single source. This is how we are paving the way for the introduction of electromobility to commercial vehicles, from short distances to long ones. It is also why AKASOL will be supplying the first major European commercial vehicle manufacturer with electric trucks in series as early as this year, as well as equipping Europe's first fleet of fuel cell-powered trucks.

Marine applications
FULL STEAM AHEAD WITH INNOVATIVE BATTERY SYSTEMS

Electromobility takes place not only on the road, but also on the water. Here, too, battery systems by AKASOL are ideal, no matter whether hybrid or all-electric. Because the licensing is also right here. In early 2020, the OEM PRC AKASystem received the DNV/GL certificate that permits customers to integrate the standard systems in boats and ships without any additional certification. This is an important market for AKASOL, since it is well known that this was the area with the lowest emissions requirements, but this is due to change considerably in the years to come. With us at our customers' side.

Construction equipment
THE MOST RESILIENT TECHNOLOGY FOR A HEAVY WORKLOAD

Where mobile work machines are concerned, the range of so many different applications calls for flexible solutions. This is where AKASOL battery solutions provide dependable and powerful support, with driverless container transport vehicles (AGVs), excavators, earth movers or tunnel drilling machinery, which often has to perform extreme tasks under difficult conditions.

The AKASOL products can be used very flexibly in various types of vehicles, from mini excavators with 48 V systems to dump trucks with a system voltage of up to 1,000 V.

Stationary storage solutions
FLEXIBLE HIGH-SPEED CHARGING INFRASTRUCTURE FOR ELECTRIC CARS

Electromobility hardly stands a chance without grid expansion. Not content to leave this challenge to the power companies alone, we have come up with something special: battery-supported, quick-charging stations for e-cars. No matter how strong the power grid is at any particular location, these quick-charging stations can charge up to four vehicles at the same time with 220 kW. And they can be recharged with any mains connection, thanks to the battery buffer of 250 kWh. This not only relieves the load on the power grid but also makes vast storage capacities available for excess renewable energy. An excellent solution that is already in trial operation with 15 charging stations in northern Germany.

AKASOL SITES

USA

HAZEL PARK

US-headquarters, Detroit Metropolitan Area

› **Serial production**

› **Area of 5,000 qm**
(production and administration)

› **Max. capacity per year in MWh**
2020: 200 MWh
2021: 400 MWh
2022: >1,000 MWh

GERMANY

DARMSTADT
Current headquarters

- Administrative and headquarters
- Research and development center
- Prototype and sample construction
- Service center
- **Area of 4,000 qm** (production and administration)
- **Max. capacity per year in MWh**
  2019: 20 MWh

DARMSTADT
New headquarters and Gigafactory 1

- Administrative and headquarters
- **Serial production** (Gigafactory 1)
- New research and development center
- State-of-the-art test and validation center
- **Area of 22,000 qm** (production and administration)
- **Max. capacity per year in MWh**
  2021: 1,500 MWh
  2024: 3,000 MWh
  Final stage of construction: 5,000 MWh

LANGEN

- Serial production
- Europe's biggest production site for battery systems for commercial vehicles
- **Area of 3,500 qm** (production and administration)
- **Max. capacity per year in MWh**
  2019: 300 MWh
  2020: 800 MWh

WEITERSTADT

- Prototype and sample construction
- Assembly of Turn-Key Solutions
- Testing of key processes
- **Area of 1,200 qm** (production and administration)
- **Max. capacity per year in MWh**
  2020: 20 MWh

RAVENSBURG

- Marketing & Communication
- Digital Marketing
- Business Development

AKASOL SITES

EXPANSION OF CAPACITY FOR DYNAMIC GROWTH

Darmstadt - the new building of the new AKASOL headquarters and Gigafactory 1 is right on schedule

In order to meet customers' growing demand for high-performance lithium-ion battery systems that are suitable for serial production and ready for the market, the degree of automation in serial production and production capacity is being steadily increased and further expanded internationally. At the same time, the continuous expansion ensures the Company's competitiveness. The new headquarters and Gigafactory 1 in Darmstadt, which is currently under construction, will serve the European market. Meanwhile, the new site opened by our US subsidiary AKASOL Inc. in Michigan will create additional growth opportunities, accelerating business development and activities with new and existing North American customers.

PRODUCTION CAPACITY OF 10 GWH THROUGH 2025

Plans call for expanding production capacity at the Langen site, at Gigafactory 1 and at Gigafactory 2 in the US with a potential capacity of up to 10 GWh through 2025 over all locations, which will allow the Company not only to manage growth but to meet the constantly rising demands of its customers. This will considerably strengthen AKASOL's competitive position relative to competing manufacturers and will allow it to benefit from the resulting scaling effects very soon.

NEW HEADQUARTERS AND GIGAFACTORY 1

AKASOL has been building its new company headquarters in the southwest of Darmstadt since mid-2019. This site will include the 15,000-square meter „Gigafactory 1," with a production capacity of up to 5 GWh in its final stage of development, which is due for completion at the end of 2020. AKASOL's third battery-system generation - the ultra-high energy system AKASystem AKM CYC - will be manufactured there on the fully automated production lines from mid-2021. In comparison to current systems the new solution provides further increased energy density and fulfills the highest range requirements.

LANGEN - Existing serial production with production capacity of 800 MWh

In addition to the Gigafactory 1, the 20,000-square meter site will also house the new research and development center, including the 7,000-square meter main administration building, as well as a directly adjoining state-of-the-art eco-friendly testing and validation center. The new site is designed to accommodate up to 500 employees.

CURRENTLY EUROPE'S LARGEST PRODUCER OF BATTERY SYSTEMS FOR COMMERCIAL VEHICLES

The first production line at AKASOL's serial production site in Langen (Langen I) went online in financial year 2019, with an annual production capacity of 300 MWh. Due to various optimization measures to the existing Langen I production site, together with the launch of serial production in the second line (Langen II), an annual capacity of up to 800 MWh will be achieved in mid-2020. AKASOL expects that Langen will be able to manufacture battery systems for up to 3,000 fully electric buses or up to 6,000 midsize commercial vehicles a year starting in 2020. Together with the new Gigafactory 1, the Company will have by far the highest production capacity in Europe when it comes to battery systems for commercial vehicles.

GIGAFACTORY 2 IN THE US

With the new US subsidiary AKASOL Inc. in Hazel Park, Michigan, the Company is responding to the high demand from major international commercial vehicle manufacturers for AKASOL's innovative product portfolio. AKASOL expects to promote economic growth in this region since it is strategically highly relevant. In 2019, the Company began creating the structural and organizational conditions for the first production line, occupying 5,000 square meters and with a maximum capacity of 400 MWh, which is scheduled to go online in the second half of 2020. Production capacity will then be gradually expanded based on the growth in customer demand, up to a total capacity of over 1 GWh.

THE AKASOL SHARE IN 2019

AKASOL AG stock has been traded on the regulated market (Prime Standard segment) of the Frankfurt Stock Exchange since June 29, 2018.

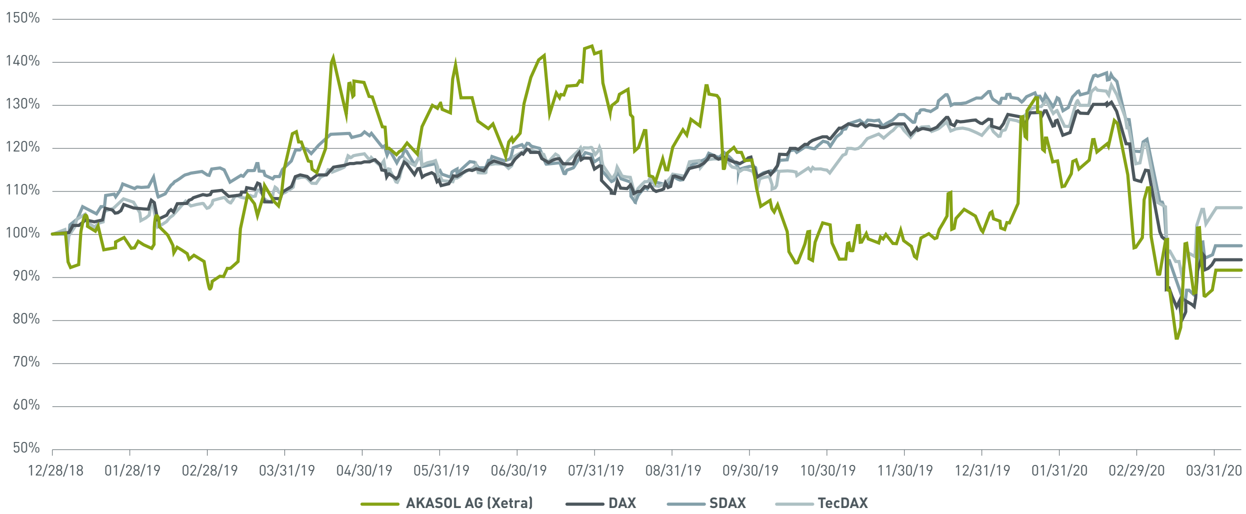
The overall trend on the German stock market in 2019 was a positive one. One influencing factor, which began in the second half of the year, was the de-escalation of the trade dispute between the US and China. In Europe, capital markets also welcomed the agreement reached between the Italian government and the EU on the draft Italian budget for 2020 and the Brexit arrangement negotiated by the EU and British Prime Minister Johnson. Against this background, the German indices DAX (+25.5%), SDAX (+31.6%) and TecDAX (+23.0%) closed significantly higher in 2019 in comparison to the year-end results of December 28, 2018.

At the end of the year, the AKASOL share left Xetra trading at a closing price of EUR 34.45 on December 30, 2019; this was slightly higher than the closing price for the previous year (December 28, 2018: EUR 34.20; +0.7%). With a figure of 6,061,856 shares, market capitalization at the end of 2019 totaled to around EUR 208.8 million.

Over the course of the first quarter of 2020, the market mood was significantly weighed down by the globally raging COVID-19 pandemic. Worldwide, governments adopted stringent measures to curb the spread of COVID-19; these measures included prohibitions on personal contact, weeks-long disruptions of production operations, store closures and the threat of gaps in international supply chains. The noticeable slowdown in economic activity as a result of these measures led to significant declines on the stock markets. The German indices DAX (-25.0%), SDAX (-26.1%) and TecDAX (-13.8%) showed significant decreases as of March 31, 2020, compared to their year-end levels for 2019.

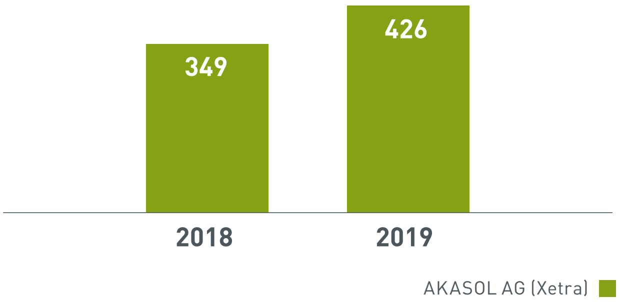
Against this backdrop, shares of AKASOL also fell during the first quarter of 2020 and on March 31, 2020, traded at a closing Xetra price of EUR 31.30. With a decline of 9.1%, however, the drop in the price of an AKASOL share was less steep than the drop in the indices listed above.

PERFORMANCE OF THE AKASOL SHARE IN % (DECEMBER 28, 2018 – MARCH 31, 2020)



There was an upward trend in the liquidity of the AKASOL share in 2019; the average daily trading volume on the Xetra exchange increased compared to 2018 from KEUR 349 by 22% to KEUR 426.

DAILY AVERAGE TRADING VOLUME IN KEUR



SHAREHOLDER STRUCTURE

Shareholder structure (as of 31 March 2020)	Shares in %
Schulz Group GmbH	47.41
FMR LLC	7.12
Felix von Borck	6.20
Stephen Raiser	4.33
Others	34.94
	100.00

This means:

- Some 60% of the stock (approx. 3.6 million shares) is in the hands of the previous shareholders.
- Around 40% of the stock (approx. 2.4 million shares) is held in free float.

SCHEDULED USE OF PROCEEDS FROM THE IPO IN 2018

A pioneer in the development and manufacture of high-performance lithium-ion battery systems, AKASOL does business in a dynamic market and sees significant growth potential for the years ahead, even if economic activity is discernibly curtailed worldwide at the moment by measures to combat COVID-19.

The proceeds of approx. EUR 100 million taken in by AKASOL from its successful IPO in June 2018 were used, as announced, to implement the growth strategy in 2019. In recent months, AKASOL has undertaken the expansion of production capacity in Langen, Germany, as planned, and has had an annual production capacity of 800 MWh there since the beginning of 2020. Expansion into the US market was also successfully advanced in 2019, and a location in metropolitan Detroit, Michigan, was chosen for construction of the North American production facility. In addition, since mid-2019, AKASOL has been building its new headquarters in the southwestern area of the German city of Darmstadt. Beginning in late 2020, Gigafactory 1 will be completed there and in the final stage of its expansion will have a production capacity of up to 5 GWh. Under construction at the same time, in addition to Gigafactory 1, are the new research and development center, including headquarters, as well as a directly adjoining, state-of-the-art and environmentally friendly testing and inspection center.

AKASOL AG views itself as a technology leader in the market for high-performance lithium-ion battery systems and is using funding from the IPO to consolidate and further expand this market position. Supplemental to this, funds from two loans, concluded with Commerzbank and Deutsche Bank in 2019, will be used to finance the construction project and investments in production facilities.

INVESTOR RELATIONS

Confidence, transparency, responsibility and sustainability are the focus of the investor relations activities of AKASOL AG. Great importance is placed on continuous and comprehensive communication with all capital-market participants, both within Germany and internationally, in the effort to create sustainable confidence in the Company. AKASOL was represented at several investor conferences, road shows and other capital-market events during the past financial year. Price-relevant information, mandatory publications, corporate reports, material disclosures and press releases are published at once and made available in the Investor Relations section on the website www.akasol.com.

The number of analysts covering AKASOL AG increased by 5, going from 3 to 8 analysts in 2019/2020. This is demonstration of the great interest in our business model. AKASOL AG was covered by the following banks:

- Bankhaus Lampe
- Bankhaus Metzler
- Citi Research
- Commerzbank AG
- Deutsche Bank AG
- Frankfurt Main Research AG
- Hauck & Aufhäuser Privatbankiers AG
- MainFirst Bank AG

BASIC SHARE DATA

WKN	A2JNWZ
ISIN	DE000A2JNWZ9
Abbreviation	ASL
Type of shares	No-par shares
Number of shares	6,061,856
Stock exchange	Regulated market (Prime Standard) of the Frankfurt Stock Exchange
IPO	June 29, 2018
Issue price	EUR 48.50
Designated sponsors	Oddo Seydler, HSBC, Commerzbank
Xetra closing price on December 28, 2018	EUR 34.20
Xetra closing price on December 30, 2019	EUR 34.45
Price change	+0.7%
Highest Xetra closing price of the period	EUR 49.14
Lowest Xetra closing price of the period	EUR 29.83

CONTACT

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ANNUAL GENERAL MEETING

The first Annual General Meeting of AKASOL AG following the successful IPO was held on May 24, 2019, in Darmstadt, Germany. 83% of the voting capital was represented at that meeting.

The agenda items were the submission of the annual financial statements as approved and the management report of AKASOL AG for the 2018 financial year, the exoneration of the Management Board and Supervisory Board for the 2018 financial year and the appointment of the auditors of the annual financial statements for the 2019 financial year. All draft resolutions were adopted by a large majority of the shareholders of AKASOL AG, and BDO AG Wirtschaftsprüfungsgesellschaft, of Frankfurt, Germany, was appointed auditor for the 2019 financial year.

Detailed information about the Annual General Meeting 2019 is published in the Investor Relations section of the AKASOL AG website.

FINANCIAL CALENDAR

Event	Date
Quarterly Report, 1st Quarter 2020	May 25, 2020
Annual General Meeting 2020	June 30, 2020
Semi-Annual Report	August 24, 2020
Quarterly Report, 3rd Quarter 2020	November 16, 2020

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SUPERVISORY BOARD REPORT

Dear share holders,

Following an overall positive and dynamic financial year 2019, AKASOL AG has successfully completed its first full financial year as a listed Company. The past financial year was marked not only by strong demand on the part of existing and new customers but also by upheavals and related challenges in the commercial-vehicle industry. Against the backdrop of this market environment, AKASOL managed to further expand its position as a leading developer and manufacturer of high-performance lithium-ion battery systems for commercial vehicles. With an industry-specific and technology-independent portfolio of products, at the same time the Company succeeded in creating a significant competitive edge for itself and its broad customer base. Thanks to a continuous stream of new developments and advancements, and driven by steadfast implementation of the growth strategy, Company revenue was twice the level seen in the 2018 financial year. The employee base was consolidated through hiring, primarily in the area of research and development, and through development of a strong second tier of management. Expertise grew across all areas as a result, and the workforce grew to more than 300 employees.

The Company's dynamic growth was made possible by the successful launch of series production at the site in Langen, Germany. At the same time, already in 2019, AKASOL AG paved the way to increase capacity at the Langen production site from 300 to 800 MWh and set the course for construction of the first Gigafactory in Darmstadt, with a total capacity of up to 5 GWh. The successive growth in capacity comes in response to the increasing momentum in the global market for high-performance and efficient battery systems for electrification of the commercial-vehicle sector.

CONTINUOUS DIALOGUE WITH THE MANAGEMENT BOARD

During the financial year under review, we complied with all of the duties incumbent upon the Supervisory Board by law, the Articles of Association, the German Corporate Governance Code and the Rules of Procedure. We closely assisted, carefully monitored and provided advice to the Management Board in matters pertaining to the management of the Company.

Dialog occurred regularly and in a spirit of trust between myself and the Management Board. The Management Board fulfilled its duty to provide information of a reasonable scope and in a timely manner. Even outside the framework of periodic meetings, I was in regular communication with the Chief Executive Officer and the Chief Financial Officer. This exchange kept me apprised at all times of the business strategy, corporate planning, business performance including the financial position, risk management, compliance issues and current developments. We were involved, directly and early on, in all decisions of fundamental importance to the Company and discussed these extensively and in detail with the Management Board.

Wherever Supervisory Board approval was required for decisions made or measures taken by the Management Board based on applicable law, the Articles of Association or the Rules of Procedure, the Supervisory Board passed a resolution to this effect. In the 2019 financial year, this concerned, among other things, approvals

- of the appointment of Carsten Bovenschen as a full member of the Management Board and as Chief Financial Officer effective January 15, the conclusion of Carsten Bovenschen's employment agreement and of the amended schedule of responsibilities (January 10, 2019),
- indicating the Supervisory Board's acceptance of the resignation of Dr. Curt Philipp Lorber and of the termination agreement with the Supervisory Board (January 10, 2019),

- of conclusion of the general contractor agreement with BREMER Stuttgart GmbH for construction of the new AKASOL headquarters in Darmstadt (March 22, 2019),
- on the granting of stock appreciation rights (SAR) (April 8, 2019) and
- of the total investment budget for the new AKASOL headquarters in Darmstadt (December 13, 2019).

KEY TOPICS FOR THE SUPERVISORY BOARD

During the financial year under report, the Supervisory Board dealt in detail with the Company's situation, outlook and strategic development, its future long-term positioning and key individual measures. In the course of its work, the Supervisory Board set the following Company-specific areas of focus for itself:

- **Business situation and performance.** The Management Board provided the Supervisory Board with updates on business performance, the status of new and existing series customers, the order backlog and the traits that distinguish AKASOL from the competition. In addition, the Supervisory Board, together with the Management Board, addressed strategic topics such as the implementation of measures for order processing in series production including the entire process chain. Specifically, the Management Board explained its plans for the current growth in capacity for existing and new series-production locations in Germany and North America, for strategic advancement of the product portfolio and for upcoming innovations. Another area of focus was the market and business trend in Europe and North America. The trade risks and financial challenges of this region were addressed as well. Risk scenarios and their possible impact on longer-term planning were presented in addition.
- **Strategic orientation of AKASOL AG.** Significantly, during the reporting year, the vision, the strategic goals and the targets set by the Management Board and Supervisory Board through 2025 were drawn up as part of a strategy workshop. In the effort to implement this strategy, the Management and Supervisory Boards are exploring specific steps to open up new markets, product developments and innovations, and regions as well. Based on external analyses, the Supervisory Board also considered multiple growth scenarios and ways of aligning AKASOL AG to achieve the growth that has been forecast. At the same time, the Management and Supervisory Boards discussed the kind of organizational structure of AKASOL AG that can ensure the Company's continued growth.
- **Developing and expanding capacity.** Another major focus of the work of the Supervisory Board in the 2019 financial year was on consultations preparatory to construction of the new headquarters in Darmstadt, the planned expansion to the US and the ramp-up of series production. In the process, the Management Board provided information on a regular basis about current progress in developments for the respective locations as well as the capacity utilization associated with the corresponding customer orders.
- **Reaching the set financial targets.** Discussions in plenary session often revolved around the Company's revenue, earnings and financial position, which the Management Board presented in detail at each Supervisory Board meeting. It also informed the Supervisory Board of developments in capacity-building in terms of human resources. The Supervisory Board was also involved in corporate strategy as well as budgetary and medium-term planning. Furthermore, the Management Board reported on the current status of, and the strategy for, further corporate financing. During the 2019 financial year, AKASOL AG had to confront the diverse challenges of a still young, innovative and dynamic industry, an industry with significantly shortened innovation cycles compared to the classic automobile industry. The adjustment in

financial targets set for the past financial year, which AKASOL AG published on November 1, 2019, together with considerations of adjusting the original cost structure, also shaped the work of the Supervisory Board in the final quarter of 2019. The Management Board provides a detailed presentation of the deviations in business performance from the forecasts and targets originally set. It discussed in detail with the Supervisory Board not only the reasons for the deviations but also the measures taken in response.

- **Internal control systems.** In addition, the Supervisory Board addressed the current status of topics around the risk-management system and efforts to meet applicable compliance guidelines, including discussions of their efficiency, appropriateness and effectiveness.

COMPOSITION OF THE SUPERVISORY BOARD

The first appointments to the current Supervisory Board of AKASOL AG were made on May 14, 2018 (Dr. Christoph Reimnitz) and June 8, 2018 (Dr. Marie-Luise Wolff and Dr. Christian Brenneke). The Supervisory Board of AKASOL AG had three members during the reporting year: Dr. Christoph Reimnitz (Chairman of the Supervisory Board), Dr. Marie-Luise Wolff (Deputy Chairwoman of the Supervisory Board) and Dr. Christian Brenneke. The proportion of women on the Supervisory Board thus stood at 33% in the reporting year. The individuals in possession of qualifications as a financial expert within the meaning of Section 100 (5) of the German Stock Corporation Act [AktG] include Dr. Christoph Reimnitz. The members of the Supervisory Board themselves are responsible for the training and continuing education measures of relevance to their tasks.

MEETINGS OF THE SUPERVISORY BOARD

During the 2019 financial year, the Supervisory Board convened for four ordinary, in-person meetings (on April 5, May 24, September 24 and November 22) and for three ordinary telephone conferences (on January 10, April 14 and December 13). The members of the Management Board attended the meetings of the Supervisory Board as well. The rate of meeting participation was 100%. All in all, the quorum requirements for the conduct of business by the Supervisory Board were consistently met.

ESTABLISHMENT OF COMMITTEES

The Company's Supervisory Board did not constitute any committees in 2019, as this was deemed inefficient and unnecessary given the size of the three-member Supervisory Board. The Supervisory Board dealt with all issues brought before it in its capacity as overall Board.

CORPORATE GOVERNANCE CODE

During the 2019 financial year, the Supervisory Board dealt extensively with questions of corporate governance and with the German Corporate Governance Code. On April 24, 2020, the Supervisory Board adopted a resolution on the declaration of conformity pursuant to Section 161 AktG on the German Corporate Governance Code (DCGK), as amended December 16, 2019. This is reproduced in the statement on corporate governance and can be accessed at any time on the Company's website.

CONFLICTS OF INTEREST AND THEIR TREATMENT

No conflicts of interest arose on the Supervisory Board during the 2019 financial year.

PERSONNEL

On January 10, 2019, the Supervisory Board of AKASOL AG appointed Carsten Bovenschen as a member of the Management Board of the Company and as Chief Financial Officer (CFO) for a term of three years effective January 15, 2019.

For personal reasons, the previous CFO and member of the Management Board, Dr. Curt Philipp Lorber, opted for a career change and on January 10, 2019, by mutual agreement on the best of terms, had agreed with the Supervisory Board of the Company to terminate his employment agreement. Having resigned his position as a member of the Management Board with immediate effect, Dr. Lorber thus departed from the Management Board of AKASOL AG on January 10, 2019.

FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE 2019 FINANCIAL YEAR

By resolution of the Supervisory Board meeting of November 22, 2019, BDO AG Wirtschaftsprüfungsgesellschaft, of Frankfurt am Main, Germany, was appointed as auditor for the financial year from January 1 to December 31, 2019, and was commissioned accordingly by the Chair of the Supervisory Board. Before the commission was placed, the Supervisory Board obtained the auditor's statement of independence in accordance with Section 7.2.1 of the German Corporate Governance Code.

The auditor, BDO AG Wirtschaftsprüfungsgesellschaft, of Frankfurt am Main, Germany, has audited the annual financial statements for the 2019 financial year and the management report of AKASOL AG drawn up in accordance with the provisions of the German Commercial Code [HGB] and has provided them with an unqualified auditor's report. The auditor also issued an unqualified auditor's report on the consolidated financial statement prepared in accordance with the International Financial Reporting Standards (IFRS).

The auditor also found that the information and monitoring system put in place by the Management Board is suitable to meeting the requirements of law and to identifying at an early stage any developments that could jeopardize the Company's continued existence as a going concern.

The audit was reported and discussed at the Supervisory Board meeting of April 24, 2020. The auditors took part in deliberations of the annual financial statements and consolidated financial statement. They reported on the main findings of the audits and were available to the Supervisory Board for additional questions and information. On April 24, 2020, the Supervisory Board approved the financial statements and consolidated financial statements prepared by the Management Board. The annual financial statements are thereby adopted.

THANKS AND ACKNOWLEDGMENT

The Supervisory Board wishes to express its gratitude and appreciation to the members of the Management Board and the employees of AKASOL AG for their active dedication and constructive cooperation over the past financial year. We would also like to thank the shareholders for the trust they have placed in AKASOL AG.

Darmstadt, Germany, April 24, 2020

For the Supervisory Board:

Dr. Christoph Reimnitz
Chairman of the Supervisory Board

Dr. Christoph Reimnitz (left), Dr. Marie-Luise Wolff (middle) and Dr. Christian Brenneke (right)

THE SUPERVISORY BOARD OF AKASOL AG

DR. CHRISTOPH REIMNITZ

Chairman of the Supervisory Board

Dr. Christoph Reimnitz was appointed Chairman of the Supervisory Board in May 2018. In addition to his position at Akasol, Dr. Reimnitz currently is the Vice President Strategic Development at APR Energy, one of the world's leading suppliers for specialized energy solutions.

DR. MARIE-LUISE WOLFF

Deputy Chairwoman of the Supervisory Board

Dr. Marie-Luise Wolff became Deputy Chairwoman of the Supervisory Board in June 2018. In addition to her position at AKASOL, she is the Chair of the board of ENTEGA AG. Dr. Marie-Luise Wolff also is the President of the Federal Association of the Energy and Water Industry e.V. (BDEW).

DR. CHRISTIAN BRENNEKE

Dr. Christian Brenneke was appointed Member of the Supervisory Board in June 2018. In addition to his position at AKASOL, he is Chief Technology Officer at WABCO, a global supplier of technologies and services regarding safety, efficiency and connectivity of commercial vehicles.

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COMBINED MANAGEMENT REPORT

1 PROFILE OF THE GROUP

1.1 BUSINESS MODEL

AKASOL AG (hereinafter also referred to as the "Enterprise" or the "Company"), with its head office in Darmstadt, Germany, is a German developer and manufacturer of high-performance lithium-ion battery systems ("lithium-ion battery systems") for use in buses, commercial vehicles, rail vehicles, industrial vehicles, as well as for ships and boats. With nearly 30 years of experience, AKASOL AG is a pioneer in the development and manufacture of lithium-ion battery systems for commercial applications.

One of the most important challenges of the fundamental and rapid transformation of the automobile and commercial-vehicle industry is the electrification of the drive train – and hence the transition to emission-free mobility. AKASOL AG seeks to take an active part in shaping this transformation, playing a leading role worldwide with its technologies and solutions for hybrid and electric-powered vehicles. This is precisely the basis for the business model of the AKASOL Group (hereinafter also referred to as "AKASOL").

AKASOL's broad and technology-independent product portfolio is characterized by continuous optimization and further enhancement of hardware and software to meet customer specifications that reflect a wide variety of requirements for buses and commercial vehicles and thus call for the use of a wide array of battery-system solutions. The Company's series battery systems feature passive and active thermal-management technology. Active thermal management in particular, which is particularly important for Li-ion battery systems, is made possible exclusively thanks to liquid cooling, which is efficient and economical at the same time. All of the systems are equipped with standardized battery-management systems (BMS) by AKASOL and run on software that can be customized to suit requirements specific to particular applications or customers.

The level of automation in the Company's series production and the Company's production capacity are constantly being increased, and augmented internationally, in the effort to respond quickly to increasing customer demand for marketable battery systems suitable for use in series production. Along with the new headquarters, and the Gigafactory 1 under construction in Darmstadt, Germany, that will serve the European market, the new location of US subsidiary AKASOL Inc. in Hazel Park (in the greater Detroit, Michigan, area) is also expected to offer additional prospects for growth.

Given the different technical criteria involved, the corporate culture specific to the respective customers and the individual market requirements, the applications of AKASOL can generally be broken down into applications for the areas of buses and commercial vehicles as well as Tier-1 suppliers of drive trains for rail vehicles, industrial vehicles (e.g. construction, mining and logistics) as well as ships and boats.

GROUP STRUCTURE

AKASOL AG, a stock corporation incorporated under German law with registered office at Landwehrstraße 55, 64293 Darmstadt, Germany, is the parent company of the AKASOL Group. Shares of AKASOL AG are traded on the Frankfurt Stock Exchange in the Prime Standard segment.

AKASOL Inc., the only subsidiary located in Hazel Park (in the Detroit, Michigan, metropolitan area in the US), in which AKASOL AG holds 100% of the shares as of December 31, 2019, is part of the scope of consolidation of the Company and is hence a part of the Group as well. The company in the USA was founded on October 17, 2017, and is now expected to unite all of AKASOL's activities in North America. The object of the Company is the production, manufacture and distribution of lithium-ion battery systems.

The Parent Company, AKASOL AG, is responsible for the Group's management and strategic alignment. It also fulfills compliance and legal functions and provides services to the subsidiary.

Current headquarters at the location in Darmstadt, Germany

AKASOL's administrative offices and headquarters, its service center and its technology and development center are all currently located in Darmstadt, Germany. AKASOL's team of experts is working there to develop lithium-ion battery systems, including the mechanics, electronics and software that they require. AKASOL also produces prototypes and samples at its Darmstadt site, where it currently has a capacity of up to 20 MWh annually. In addition to battery-module assembly, the focus is also on system assembly and the assembly of accessories, for the most part with manual assembly-line processes. The AKASOL Group had a total of 284 employees on its payroll as of December 31, 2019.

New headquarters and Gigafactory 1 in Darmstadt, Germany

Since mid-2019, AKASOL has been building its new headquarters in the southwestern area of the German city of Darmstadt. The installation spanning 15,000 square meters and known as "Gigafactory 1" will be completed there beginning in late 2020. In the final stage of its expansion, it will have a production capacity of up to 5 GWh. Under construction on a 20,000-square-meter property at the same time, in addition to Gigafactory 1, are the new technology and development center, including headquarters and covering an area of 7,000 square meters, as well as a directly adjoining, state-of-the-art and environmentally friendly testing and inspection center. The planned investment amount is in the mid-double-digit millions (euros). The new location is designed for a total of up to 500 employees.

Series production location in Langen, Germany

At its series-production location in Langen (in the German state of Hesse), AKASOL operated what for the time being is its first production line (Langen I) in the 2019 financial year, with an annual production capacity of up to 300 MWh. A production capacity of up to 800 MWh per year will be achieved beginning in mid-2020 in conjunction with a variety of optimization measures on the existing Langen I production line and the planned launch of series production for the second production line (Langen II). As of December 31, 2019, 54 people were employed at the serial production site in Langen.

Production of prototypes and samples at the location in Weiterstadt, Germany

During the third quarter of 2019, operations began at the location in Weiterstadt (5 km west of Darmstadt). The focus there is on making prototypes and samples, assembling turnkey solutions and on production-process enhancements and the testing of key processes in series production. In addition to the pilot line for battery modules with cylindrical battery cells and sample production of battery-powered, high-speed charging stations, sample production of the 48V compact AKARack solution and system assembly for an important customer in the rail sector will also be carried out at the Weiterstadt location in 2020. This work will then be gradually relocated to the new Gigafactory 1 in Darmstadt by the beginning of 2021. With series production for AKARack set to begin in the third quarter of 2020, the location will have a capacity of up to 20 MWh per year from that date. On December 31, 2019, nine people were employed at the Weiterstadt location.

Marketing and communication at the location in Ravensburg, Germany

The main activities of the Marketing, Communication and Digital Marketing Division are managed from the location in Ravensburg, Germany. Our Business Development Division is located there as well. A total of five employees of the AKASOL Group were employed at this location as of December 31, 2019.

Series production in Hazel Park (Detroit metropolitan area, Michigan)

By opening up a location in North America, the Company seeks to meet the requirements and needs of the part of major international manufacturers of commercial vehicles for AKASOL's high-energy battery systems for sales in North America and to grow accordingly in this strategically very relevant region. Work began already in 2019 to create the structural and organizational conditions for the commissioning, planned for the second half of 2020, of the first production line with a capacity of up to 400 MWh over an area of 5,000 qm. In a second step, depending on growth in customer requirements, production capacity will gradually be expanded to a total capacity of more than 1 GWh. The AKASOL battery systems manufactured in Hazel Park will comply with the requirements of the Buy America Act and, in part, the provisions of the USMCA trade agreement.

The planned investment volume for the new site is expected to range in the low to mid-double-digit million euros over a five-year period. At the same time, the AKASOL Group plans to create more than 200 jobs during this period; three of the key employees of the management team were already on the payrolls of AKASOL Inc. as of the balance sheet date.

1.2 PRODUCT PORTFOLIO AND CUSTOMER STRUCTURE

Customers put AKASOL's Li-ion battery systems to many different uses. All of these areas have a wide range of certification and safety standards in place – standards in the commercial-vehicle industry that the Company's battery systems must meet. Given the different technical criteria involved, the corporate culture specific to the respective customers and the individual market requirements, the applications of AKASOL can generally be broken down into applications for use in buses and commercial vehicles as well as for Tier-1 suppliers of drive trains for rail vehicles, industrial vehicles (e.g. construction, mining and logistics) as well as ships and boats. To meet these needs, the Company has a broad product portfolio with different battery-system solutions, products tailored to the respective requirements of the above-mentioned business units and vehicle types.

In the commercial-vehicle sector, AKASOL offers battery systems with high energy density (ultra-high-energy systems) for maximum range in combination with very good fast charging capability. The standard version of the so-called "AKASystem AKA CYC" will be produced in the future with a very high energy-storage capacity of approx. 100 kWh per pack, thus providing nearly twice the energy in the same installation space as the first-generation system that has been in series production since the end of 2018. The high storage capacity is mainly ensured by the modules newly developed by AKASOL and featuring cylindrical Li-ion battery cells (type: AKAModule CYC).

Where mobile work machines are concerned, on the other hand, the range of so many different applications calls for flexible solutions. The AKARack is a modular battery storage system that can be scaled to reflect the necessary energy and power requirements. This 48 V technology, optionally available with water cooling, is used in small excavators, earth movers and even mobile cranes. The system is additionally suited for use in hybrid applications on a 48 V-basis.

The field of railway drives calls for special high-performance battery systems that, with operations lasting up to 24 hours a day, have to be able to perform an above-average number of charging and discharging cycles for continuous use. The first such rail-specific systems by AKASOL have already been in use for more than seven years. A special distinction of the lithium-ion batteries used is their high power density and service life. As a result, a comparatively small installation space is all it takes to meet the demanding requirements of railway applications.

In addition, AKASOL has a technology-independent product portfolio that can offer its customers battery systems with cylindrical cells, prismatic hardcase cells and pouch cells. Various types of battery-chemistry solutions can be used to satisfy a large number of specific customer requirements, both technically and economically. The focus across all products is on so-called lithium-ion NMC (nickel-manganese-cobalt) battery chemistry in the effort to combine the benefits of high energy densities with solid service life and power values. As technology-independent manufacturers, however, the Company also has LTO (lithium-titanate oxide) or LFP (lithium-iron phosphate) battery cells are also used, particularly for niche applications, and are thus available in the proven AKASOL battery-system architecture.

1.3 RESEARCH AND DEVELOPMENT

Continuous improvement of products, customization and expansion of the Company's product portfolio all require considerable but targeted investments. The Research and Development Division has a particular role to play in this context. In addition to the recruitment and retention of highly qualified employees, this also includes investments in development and laboratory facilities as well as in-house development projects.

AKASOL accordingly expanded its own testing facilities with test benches for battery modules and systems. These open up additional possibilities for measuring the performance of newly developed battery cells, modules and systems, and hence for assessing their relevance for commercial vehicles. In addition, the upcoming major investment in the new testing and validation center, which is scheduled for 2020/2021, was extensively prepared and planned, and corresponding orders have been placed. The liquidity requirements in which this results will be reflected in the financial key figures for the following years.

Promising new developments were the so-called "AKARack," a small, liquid-cooled, highly functional battery system in 19-inch format with 48 V electrical voltage for use mainly in utility, construction and mining vehicles as well as in ships and boats; as well as the battery-supported, high-speed charging station in cooperation with a large German manufacturer of cars and utility vehicles. At the same time, numerous enhancements, optimizations and certifications have been advanced in the existing product portfolio in the effort to meet market and customer-specific requirements.

Patent applications were prepared in 2019 for some of the developments presented above. When it comes to protecting its own intellectual property, AKASOL pursues a clear strategy under which, in addition to filing patents, the Company also makes disclosures or protects developments under copyright law through confidentiality (e.g. software).

In 2019, expenses for in-house research and development alone amounted to EUR 3.3 million (previous year: EUR 2.6 million), or 6.9% (previous year: 12.0%) of revenues of EUR 47.6 million (previous year: EUR 21.6 million). Added to this were expenses in the high single-digit millions of euros for customer-financed research and development tasks. During the financial year completed, the Research and Development Division grew by 56% to 84 employees as of December 31, 2019 (December 31, 2018: 54).

1.4 EMPLOYEES

As of December 31, 2019, the AKASOL Group – excluding the Management Board – had 284 people in its employ (December 31, 2018: 155). Staff capacity thus increased by 83% year-over-year in the course of the past 12 months. This is a particularly positive development, as, despite the highly competitive personnel market and the shortage of skilled workers, AKASOL has managed to attract a large number of qualified and experienced employees.

Employees by functional areas

	Dec. 31, 2019	Dec. 31, 2018
Administration	38	13
Development	84	54
Production	112	63
Sales	12	10
Service	11	5
Purchasing	17	6
Quality	10	4
Total	284	155

1.5 CONTROL SYSTEM

The Group's economic planning and management are performed centrally using target variables calculated by the Management Board and coordinated with the segments and functional units in the course of the strategy process. Based on these specifications, there is an ongoing review of the business performance based on regularly updated estimates of management and performance indicators. As part of this review, implementation of the strategic targets is monitored and countermeasures initiated in the event of any plan variance. This ensures that AKASOL also continuously takes into account and meets the requirements and interests of the investors.

AKASOL is gradually integrating a planning and management system to implement strategic planning operationally. These reports not only document possible variance from forecasts in a comparison of target vs. actual values but also form the basis for decision-making. Another important management tool are the regular meetings of managers to discuss current business developments and consider the medium- and long-term outlooks.

AKASOL is a market-oriented Company, and the forecasts continuously generated by Sales form another basis for corporate governance. The quarterly and annual revenue figures forecast based on sales information – which is continuously reviewed on the basis of current customer information – serves as a leading indicator of target achievement.

To facilitate assessment of the economic situation, and to better plan and control the operational performance processes, in light of the considerable growth of the Company and the internationalization achieved, the Management Board has opted to introduce a new ERP system to be used beginning during the second half of 2020.

2 BUSINESS PERFORMANCE AND ECONOMIC SITUATION OF THE AKASOL GROUP

2.1 THE MACROECONOMIC ENVIRONMENT AND SECTOR-SPECIFIC FRAMEWORK CONDITIONS OF THE AKASOL GROUP

Trend in the global economy

The global economic mood continued to deteriorate throughout 2019. As KfW Research reports, at year-end, the (price-adjusted) increase in world production stood at just 3.0 percent. By way of comparison: In 2018, global growth was still 3.6 percent.[1] Nevertheless, at least it was largely possible to keep the global economy from slipping into a recession, as the Kiel Institute for the World Economy (IfW) emphasizes. Support came particularly from the easing of monetary policy – both on the part of the US Federal Reserve and the ECB.[2]

For the researchers at KfW, the downward pressure on the global economy in 2019 owes mainly to trade tensions, uncertainties in the face of Brexit and fragilities in the international financial system. In particular, the trade conflict between the US and China intensified in 2019 and spawned strong uncertainty in the framework conditions of the global economy. Trade tensions between the US and the Eurozone also placed a significant damper on the global economy. Overall, although global trade lost momentum in 2019, there were some signs of an easing of these factors toward the end of the year.

At the same time, industrial production stagnated last year. This becomes particularly clear when one considers the advanced economies: China and the US in particular were unable to maintain the dynamic rate of growth seen in the two preceding years. Accordingly, production in the two industrialized countries was significantly lower in 2019. Alongside this, the Eurozone also suffered from weak growth during the year – largely triggered by declining global demand. Despite supply-dampening measures on the part of OPEC, the continued drop in the price of oil could not be stopped, either; according to IfW, the price has settled at a level of just over 60 dollars per barrel of Brent crude oil.

The trend in the Eurozone

Economic activity in the Eurozone continued losing momentum in 2019. The economy had grown by 1.9 percent in 2018, but economic growth last year totaled to just 1.2 percent. The reason for the moderate economic performance in the Eurozone was the increasing lack of impetus from export business due to the influence of trade tensions – and this, in turn, had a massive impact on an already weakening industrial sector. Flagging economic momentum also came under the considerable influence of the risk of the UK's imminent, disorderly exit from the EU (BREXIT).

In spite of the subdued economic picture, the jobs market in the monetary union was surprisingly robust: According to the current IfW report, the unemployment rate in July 2019 stood at 7.5 percent; employment levels had also increased by 1.2 percent year-over-year. Where macroeconomic production capacities are concerned, by autumn 2019, normal levels of capacity utilization had already begun to emerge. Business surveys have also begun to indicate a relaxation in terms of potential capacity bottlenecks. According to these findings, there is at least no expectation of a further weakening in economic momentum, particularly in view of continued low interest rates and an expansionary fiscal policy.[3]

Trend in Germany

There are indications that a downturn is on the way: After the German economy was already virtually stagnant in the first half of 2019, no fresh economic momentum emerged in the second half

1 https://www.kfw.de/PDF/Download-Center/Konzernthemen/Research/KfW-Research-Jahresausblick-2020.pdf

2 https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2019/KKB_61_2019-Q4_Welt_DE.pdf

3 https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2019/KKB_58_2019-Q3_Euroraum_DE.pdf

of the year, either. Macroeconomic capacity utilization decreased significantly throughout 2019. This economic downturn owes to the sharp decline in industrial production – and in fact, industry was already in recession at the end of 2019. The German economy is particularly burdened by the high level of global economic uncertainty, and this also has an impact on the investment climate. Companies gradually reduced the levels of their investing over the course of the year. At the same time, while employment growth continued throughout the year, it was much slower than it had been in previous years. Wage dynamics overall are somewhat more subdued as well. According to the economic reports from Kiel, growth for 2019 is estimated at just 0.5 percent. The growth in gross domestic product the previous year was still 1.5 percent.[4]

Despite this moderate economic trend in a review of the full year, however, at least the business climate was significantly improved at the turn of 2019/2020. According to the Ifo Institute's report, the business climate index rose to 96.3 points in December. Even in November, the value stood at 95.1. Accordingly, researchers pointed to a much more confident mood towards 2020.[5]

Trend in the US

After a strong economic recovery in 2018, economic momentum in the US declined significantly in the reporting year. At the end of the year, only a 2.3 percent increase in gross domestic product was expected. By way of comparison: US economic growth the previous year was 2.9 percent. In addition to the trickling off of fiscal stimulus and a weakening global economy, the slowdown in economic expansion is mainly due to the growing trade conflict with China and the discussions around the introduction of punitive tariffs with the European Union. On the other hand, US monetary policy now follows a much more expansionary course. Overall, the US Federal Reserve cut its key interest rate thrice last year, by 0.25 percentage points each time. With regard to the employment market, the unemployment rate has held constant at 3.9 percent since 2018.[6]

Sector-specific business environment

In keeping with an ever-growing international focus on developing mobility that is as emission-free as possible, the market for vehicle batteries has developed rapidly in recent years as well. According to the German Mechanical Engineering Industry Association (VDMA), global demand for lithium-ion batteries has been growing at an annual rate of 25 percent since 2015.[7] Demand for lithium-ion batteries in particular has also experienced a real growth spurt in the past several years. Accordingly, despite a continued lower volume of hybrid and all-electric commercial vehicles sold to date, demand is expected to increase sharply overall due to the higher installed storage capacity and thus the longer ranges per vehicle. Experts expect global demand for battery systems to continue to rise dramatically in the years ahead, particularly in light of the changing international climate policy framework, countries' own energy and climate targets and the increase in support measures for an electrified transportation sector. According to the report of the Fraunhofer Institute for Systems and Innovation Research (ISI), demand is expected to be between 1 and 1.5 TWh by 2025; the researchers expect between 3 and 6 TWh by the year 2030.[8]

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4 https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2019/KKB_62_2019-Q4_Deutschland_DE.pdf

5 https://www.ifo.de/sites/default/files/2019-12/ku-2019-12-pm-geschaeftsklima-DT_1.pdf

6 https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2019/KKB_61_2019-Q4_Welt_DE.pdf

7 https://www.vdma.org/documents/7411591/15357859/Roadmap+Batterieproduktionsmittel+2030-Update+2018+final.pdf/9afdeebf-cf08-2ec5-8306-47dba37992d1

8 https://www.isi.fraunhofer.de/content/dam/isi/dokumente/cct/lib/Energiespeicher-Monitoring_2018.pdf

In an international comparison, China particularly has emerged as the leading market for vehicle batteries since 2018. According to a survey carried out by the Roland Berger management consultancy, the country is a leader in cell production as well as in the production of cathode and anode materials, accounting for 67 percent of global production.[9] Fraunhofer ISI experts anticipated China's total demand for battery cells to total to 50 to 100 GWh by 2019/2020. By way of comparison: In 2017, demand still stood at around 16.5 GWh. Germany and the US are now more or less on an equal footing with one another in terms of production and production forecasts. Accordingly, the demand for battery cells in the Federal Republic of Germany may be even more subdued to date. The Fraunhofer experts, however, firmly expect that Germany will pull ahead of other countries in the coming years, not only compared to the US, but also compared to Japan and Korea.[10] According to the VDMA, total demand for Li-ion battery cells in Europe could even increase to between 100 and 200 GWh by 2025.[11]

Parallel to the dynamism of the global market for vehicle batteries, a major growth spurt can be seen in global demand for electrified vehicles as well. The e-bus market in particular saw a strong upward trend in 2019. According to the Dutch consulting firm Chatrou CME Solutions, the number of registered e-buses in Western Europe and Poland alone almost tripled year-over-year to a total of 1,687.[12] Growing demand is largely driven by transformations in the political environment: Sustainability and climate protection, and hence the most emission-free transportation possible, have been high on the political agenda of the European Union since 2019. Parallel to this, the demand for climate-neutral public transportation has also risen steeply over the past year, particularly in Germany. According to the eBus Radar published by the management consultancy PwC, there were a total of 800 city buses with electrified drives on Germany's roads in 2019.[13]

And yet: Although the demand for e-buses is growing steadily in the Federal Republic of Germany and throughout Europe, the industry still enjoys a relatively small share of the overall market. According to a study by the consulting firm SCI Verkehr, in 2019, just 0.2 percent of all buses in Europe were electrified. By way of comparison: The share in China stood at around 14 percent. The consultancy company points to these figures as a sign of this industry's high potential for growth. The consultants forecast growth of around 40 percent in the European e-bus market as early as 2023.[14] The forecast for the global market for electrified trucks is equally promising. Hence, Frost & Sullivan, a US-based consultancy, sees the market potential for e-trucks for the most important regions in North America, China and Europe at in excess of 2.25 million vehicles by 2025.[15]

2.2 BUSINESS PERFORMANCE OF THE AKASOL GROUP

Thanks to improvements in organization, processes and workflows, as well as further development of the product portfolio and the ramp-up of series production, the Company managed to significantly increase Group revenue by around 121 percent to EUR 47.6 million in 2019 (previous year: EUR 21.6 million).

9 https://www.rolandberger.com/de/Point-of-View/Zukunftsmarkt-Batterie-Recycling-Verpasst-Europa-(wieder)-den-Anschluss.html

10 https://www.isi.fraunhofer.de/content/dam/isi/dokumente/cct/lib/Energiespeicher-Monitoring_2018.pdf

11 https://www.vdma.org/documents/7411591/15357859/Roadmap+Batterieproduktionsmittel+2030-Update+2018+final.pdf/9afdeebf-cf08-2ec5-8306-47dba37992d1

12 https://www.sustainable-bus.com/news/record-year-2019-the-big-leap-forward-of-e-bus-market-in-western-europe/

13 https://www.pwc.de/de/offentliche-unternehmen/e-bus-radar-0819.pdf

14 https://ecomento.de/2019/12/17/e-bus-studie-europa-zoegert-china-zeigt-was-moeglich-ist/

15 https://www.electrive.net/studien/executive-analysis-of-electric-truck-market-forecast-to-2025/

The EBIT of the AKASOL Group stood at EUR -5.3 million (previous year: EUR -1.0 million); this corresponds to an EBIT margin of -11.1 percent on revenue (previous year: -4.6 percent including IPO costs). This drop is chiefly the result of short-term reductions in purchase volumes by series customers during the second half of 2019 while, at the same time, the expenses required to create the necessary structures for sustainable and still-needed company growth increased. In addition to this, project-related special effects, such as the support of external consultants in organizational and process development – the substantive results of which will nevertheless create a great advantage for the further development of the Company – as well as a higher cost-of-materials ratio, have contributed to further, unplanned pressures. Furthermore , savings due to reductions in the cost of materials are only reflected after a delay, in particular as the quantities that resulted were not the same as those forecast at the beginning of the financial year, which is reflected in the significantly higher than planned cost of materials ratio.

Regardless of the current influencing factors, the cumulative order total under the AKASOL Group's framework agreements and release agreements with customers as of the balance sheet date in 2019 remains at a still-high level of around EUR 2 billion for the period 2019 to 2027. For the remainder, in 2019, the Company's business performance was still characterized by the development, production and sale of high-performance lithium-ion battery systems for commercial applications in the commercial-vehicle sector.

In the 2019 financial year, AKASOL met the necessary human-resources, structural and target-oriented production requirements to establish its planned production capacity and the series start for the second battery-system generation; it did so 6 months earlier than forecast at the time of the IPO. In this context, and in the effort to more than double annual production capacity, from 300 MWh to up to 800 MWh, commissioning of the second production line (Langen II) was almost complete at the series production location in Langen, Germany. To date, during the 2019 financial year, the Company produced AKASystem OEM PRC-type, first-generation, high-performance battery systems on its production line, which went into operation in 2017 (Langen I).

In addition to the expansion activities at the Langen location, AKASOL began construction of the new Company headquarters in the southwest part of Darmstadt, Germany, in mid-2019. The investment budget earmarked for this project is around EUR 60 million by the end of 2020. At the same time as the activities in Germany, the development of the North American market continued during the 2019 financial year as announced. Following a wide-ranging tendering process among various US states and municipalities, in late June 2019 AKASOL was able to announce that it had now found the location for its subsidiary, AKASOL Inc., in Hazel Park (Detroit metropolitan area in Michigan). The State of Michigan is supporting this project with grants of up to USD 2.24 million to be awarded in installments based on the achievement of specific job creation milestones.

In addition to building and expanding capacity for the production of the first and second generations of battery systems, pre-development of the AKASystem AKM CYC ultra-high-energy battery system (third generation of battery systems) for demanding range requirements was advanced and marketed accordingly in the 2019 financial year. With series development of the 48V AKARack solution for hybrid and all-electric vehicles also proceeding as planned in the 2019 financial year, this product will in future serve as a series product with a focus on construction-machinery and ship applications for two series projects of a major customer. In addition, by the end of 2019 AKASOL completed development, prototyping and delivery of battery-based, high-speed charging stations for a major German manufacturer of passenger cars and commercial vehicles. The order value for the project ran into the mid-single-digit millions of euros.

Following the extension of the existing framework agreement in February 2019 for delivery of the second battery-system generation worth up to the mid- to high-triple-digit millions of euros with a worldwide leading manufacturer of commercial vehicles, in September of the same year, AKASOL received an additional, long-term follow-up order, with a possible total volume in the high triple-digit millions of euros, from the same major customer. Under that order, from 2021 to the end of 2027 AKASOL will supply the third generation of high-energy battery systems for various electric vehicles manufactured by this globally operating customer. From mid-2021, the battery systems will be produced at the new headquarters in Darmstadt and then, beginning early in 2022, at the new US production facility in Hazel Park.

At the end of 2019, AKASOL received a follow-up order from Alstom for high-performance battery systems for over 40 new hydrogen trains from Coradia iLint, which was published in mid-January 2020 after clarification of further details. With this major order in the low double-digit million euro range, the Company is also expanding in the field of fuel cell drives, thus broadening its customer base. Delivery of the first battery systems (battery systems, heating and cooling units, cables and underfloor housings) is planned for the second half of 2020. All 82 battery systems are expected to be delivered by 2022.

In connection with the major orders concluded in the 2019 financial year, at the end of September 2019, AKASOL took a strategically significant step toward securing the long-term availability of high-performance lithium-ion battery cells and modules by an agreement to expand its partnership with Samsung SDI, a leading Korean manufacturer of battery cells. Accordingly, from 2020 to 2027, Samsung SDI will supply AKASOL with lithium-ion battery cells and modules with a total volume of up to 13 GWh.

During the financial year under report, in its effort to provide sound financing of further business growth, and in addition to its own resources from the IPO, AKASOL concluded a third-party financing package totaling nearly EUR 60 million in the form of several credit and credit-line framework agreements. Among other things, the package includes classic loans granted to medium-sized firms from Deutsche Bank and Commerzbank, along with corresponding KfW loans. In addition to general financing of the Company's short- and medium-term growth, the inflows of capital also serve to finance construction of the Company's new headquarters in Darmstadt, Germany.

In addition, Carsten Bovenschen was appointed as a member of the Management Board and as Chief Financial Officer (CFO) of the Company for a term of three years effective January 15, 2019. His remit includes responsibility for the areas of finance, investor relations, human resources, law, purchasing, IT and organization. For personal reasons, the previous CFO and member of the Management Board, Dr. Curt Philipp Lorber, opted for a career change and on January 10, 2019, by mutual agreement on the best of terms, had agreed with the Supervisory Board of the Company to terminate his employment agreement.

Despite its overall positive business performance, in early November AKASOL had to adjust its revenue forecast for the 2019 financial year. The reasons for this were, on the one hand, postponements of scheduled deliveries of electric buses to a series customer until 2020. On the other hand, another manufacturer's vehicle-sales figures for electric buses turned out to be lower than initially forecast, and the number of battery systems to be supplied by AKASOL was reduced accordingly.

AKASOL was represented at the following trade fairs during the reporting year:

- Battery Show, Stuttgart, Germany
- UITP, Stockholm, Sweden
- Electric & Hybrid Marine World, Amsterdam, the Netherlands
- Battery Show, Michigan, United States
- Busworld, Brussels, Belgium

Business performance by region

The breakdown of revenue by region for the 2019 financial year results in the following picture: The main source of revenue was Europe, with EUR 41.5 million or 87.2% (previous year: EUR 20.1 million or 93.1%) of total revenue. This was followed by America with EUR 3.3 million or 7.0% (previous year: EUR 1.2 million or 5.6%) and Asia with EUR 2.8 million or 5.8% (previous year: EUR 0.3 million or 1.4%).

2.3 FINANCIAL AND NON-FINANCIAL PERFORMANCE INDICATORS

The Management Board is regularly informed about the key financial indicators as part of its effort to gauge the economic success of operational implementation of its corporate strategy and to manage the Company. The control system takes into account the way the nature and/or level of the business activity has one-off or extraordinary effects on the performance indicators. Due to these special influences, and depending on the respective planning horizon, the internal target variables are generally defined as bandwidths for the measurement and control of operational performance. On the basis of rolling, medium-term planning, the relative trend in the key figures of revenue and EBIT margin is considered, taking into account the experience-curve effects within a certain range. Against the backdrop of the growth strategy, this serves the aims of anticipatory corporate governance in terms of both risk-oriented and opportunity-oriented management.

The AKASOL Group is an internationally operating Company, and its market environment is characterized by increasing momentum and complexity. This calls for adaptable and sustainable business processes distinguished by a responsible use of economic, environmental and social resources. In addition to an efficient and value-oriented approach to management, the following non-financial performance indicators and sustainability aspects play an important role in the consistent success of AKASOL.

- **Customer benefits:** AKASOL's products and services always focus on the benefits to its customers. Continuous research and development work increases the efficiency of AKASOL battery systems and is continuously aimed at possible cost reductions. In surveys conducted to this effect, customers regularly confirm the outstanding technology found in our range of services.

- **Environmental benefits:** High-performance battery systems play an increasingly important role in the sustainable development of electromobility. If efficient and durable, high-performance battery systems can be deployed, electromobility will make an important contribution toward conserving resources and minimizing environmental impact. With this in mind, AKASOL delivers professional technical solutions that address not only the economic benefits to the customer but the environmental and social aspects of sustainability as well.

- **Innovativeness:** Robust innovativeness, based on equally market-oriented and forward-looking innovations and new technologies and driven by a broadly based and highly trained development team, is an essential pillar of strategic evolution and profitable growth at AKASOL AG. Working from the customers' needs, the Company attaches great importance to continuously improving its technological position while further adding to its technological lead over the competition. To this end, AKASOL uses an innovation roadmap to ensure early identification of future market requirements and the appropriation, development and application of the technologies required to meet customers' needs.

- **Market expertise:** AKASOL AG has enjoyed the trust of numerous customers from the commercial-vehicle industry for more than 30 years. This puts AKASOL AG in a position to continuously and flexibly shape its products to reflect the needs of the industry and then, in large quantities, to see these products through to series maturity and production. A clear indicator of our in-depth market expertise is the customer loyalty that manifests itself in long-standing and trusting business relationships. An important goal in the area of market expertise is to further increase market penetration, to establish the AKASOL brand and to augment market share, primarily in the core markets of Europe and America. This also involves transferring expertise to solutions for customers in industries that have not previously been the focus of our business, and expanding into other geographic markets. To support this process, positions in sales and in project and product management are regularly filled with experienced staff from the relevant target sectors and regions; these staff continuously analyze the markets while working to generate additional market share and markets.

- **Efficiency of business processes:** AKASOL is continuously working to improve the efficiency of its business processes; the Management Board reviews and broadens this effort through reporting. It is one of the basic tasks of management to critically review efficiency in production as well as in research and development and to pay attention to lean processes (e.g. lean production). In addition, the Company has set up further programs that, for instance, continuously examine and optimize cost structures in administration and workflow management.

- **Employee development and skilled-workforce protection:** One of the essential prerequisites for AKASOL's success is that, in addition to experts in development and design, the Company also needs to attract specialists who manage projects, manage sales, maintain proximity to customers and accommodate growing structures and, relatedly, increased administrative requirements. In order to offer all employees equal opportunities and motivate them to put their potential to profitable use over the long term, the AKASOL Group maintains an organizational culture that is characterized by mutual respect and appreciation of each individual, regardless of gender, nationality, ethnic origins, religion or belief, disability, age, and sexual orientation and identity.

The AKASOL Group had 284 employees on its payrolls as of December 31, 2019. Of the staff employed by the Company as of December 31, 2019, 39% worked in production, and around 34% in research, development and service. Sales and marketing accounted for 4% and administration for 23% of AKASOL employees. When recruiting employees, AKASOL places particular emphasis on very highly trained skilled workers with social and interdisciplinary skills. This can be seen in the high proportion of employees with an academic degree. In particular, the Management Board endeavors to ensure that women are adequately taken into account. Partnering with universities and colleges of applied sciences, AKASOL is in a position to attract qualified and academically trained young talent. In an effort to further develop the personal qualifications of its existing workforce, the Company regularly promotes its employees through internal training as well as through targeted external measures for individual positions. Management staff in Human Resources continuously assist and encourage employees with these measures, which are designed to broaden their capabilities to reflect their tasks and to encourage them to assume responsibility. This is how AKASOL ensures the long-term success of the Company while creating secure and high-quality jobs.

2.3.1 RESULTS OF OPERATIONS, FINANCIAL POSITION AND NET ASSETS OF THE AKASOL GROUP IN ACCORDANCE WITH IFRS

Results of operations, financial position and net assets at a glance

In EUR millions	2019	2018	Change
Revenue	47.6	21.6	>100.0 %
EBITDA*	–3.2	–0.2	<-100.0 %
EBIT**	–5.3	–1.0	<-100.0 %
Net income	–6.4	–0.7	<-100.0 %
Earnings per share (EUR)	–1.06	–0.17	<-100.0 %
Total assets	149.9	115.1	30.2 %
Equity	95.1	101.7	-6.5 %
Equity ratio	63.4 %	88.4 %	–24.9 percentage points
Cash and cash equivalents	24.9	21.9	13.4 %
Liabilities to banks and other financial liabilities	41.6	6.0	>100.0 %

* Earnings before Interest, Taxes, Depreciation and Amortization
** Earnings before Interest and Taxes

2.3.2 TARGET/ACTUAL COMPARISON FOR THE REPORTING YEAR

The Management Board of AKASOL AG originally anticipated an increase in Group revenue of at least EUR 60 million for the 2019 financial year. Because deliveries to a series customer were postponed, the Management Board of AKASOL AG issued a corrected forecast on November 1, 2019, anticipating revenue in the range between EUR 43 and 46 million. With EUR 47.6 million in revenue, the corridor forecast in November 2019 was exceeded.

With revenue of at least EUR 60 million, the Management Board of AKASOL AG originally forecast at least 7% in earnings before interest and taxes (EBIT) for the Group. In the 2019 financial year, the AKASOL Group now reported EBIT of EUR -5.3 million. This drop is chiefly the result of short-term reductions in purchase volumes by series customers during the second half of 2019 while, at the same time, the expenses required to create the necessary structures for sustainable and still-needed company growth increased. In addition to this, project-related special effects, such as the support of external consultants in organizational and process development – the substantive results of which will nevertheless create a great advantage for the further development of the Company – as well as a higher cost-of-materials ratio, have contributed to further, unplanned pressures. In addition, savings due to reductions in the cost of materials are only reflected after a delay, as the quantities that resulted were not the same as those forecast at the beginning of the financial year. This led to a cost-of-materials ratio that was significantly higher than originally planned.

2.3.3 RESULTS OF OPERATIONS OF THE AKASOL GROUP

The subsidiary AKASOL Inc. was included in the consolidated financial statements of AKASOL for the first time.

The revenue of the AKASOL Group totaled to EUR 47.6 million in the 2019 financial year. This represents more than twice the revenue reported for 2018 (previous year: EUR 21.6 million). Key drivers for revenue growth were the expansion of series production of battery systems for two renowned European manufacturers of commercial vehicles, successful implementation of development projects and projects in prototyping.

The increase in inventories of finished goods and work in process is mainly driven, on the one hand, by the establishment of safety stock for the products of a major customer and, on the other hand, by delivery postponements.

Own work capitalized totaled to EUR 3.5 million in the 2019 financial year (previous year: EUR 2.9 million). This mainly comprises investments in the development of marketable products that are expected to generate corresponding revenue growth in the years ahead. There was EUR 0.3 million in other operating income (previous year: EUR 0.6 million) and includes, among other things, income from prior-period reversals of provisions and gains on sales of financial assets.

In keeping with the increase in production already discernible in the increase in revenue, the cost of materials rose from EUR 12.5 million in 2018 to EUR 36.9 million in the financial year under report. The cost-of-materials ratio was higher year-over-year and stood at 77.4% (cost of materials relative to revenue; previous year: 57.8%). The significant increase is due to the fact that the expected price reductions for upstream suppliers in the 2019 financial year could not yet be realized to the expected extent and will not have effects until the subsequent periods. In addition, the inventory of finished products grew through the creation of safety stock and postponements of deliveries by a major customer. If the change in inventories of finished products is taken into account, this would lead to a lower cost of materials ratio. In addition, the share of series business, where experience has shown that lower margins are achieved, increases.

Personnel expenses were higher by a lesser percentage compared to the revenue trend. They grew by 91.5% and totaled to EUR 13.5 million (previous year: EUR 7.1 million). Establishment of the human resources required for the Company's further growth continued as forecast in 2019. For the first time, this also includes the personnel expenses of AKASOL Inc. The personnel-expense ratio was 4.4 percentage points lower than in 2018 and stood at 28.4% (personnel expenses relative to revenue; previous year: 32.8%).

Other operating expenses in the 2019 financial year amounted to EUR 6.8 million; this was at the level reported in 2018 (previous year: EUR 6.7 million). This included legal and consulting costs, among other things for the development of the new location in the USA, advertising and trade fair costs and significantly higher freight costs, as these rose in proportion to sales. Due to the significant increase in the number of employees, travel expenses increased. In addition, the expenses of AKASOL Inc., which was included for the first time, had an increasing effect. In the previous year, the expenses were burdened by the fees in connection with the IPO. This results in earnings before interest, taxes and depreciation (EBITDA) of EUR -3.2 million for the reporting period (previous year: EUR -0.2 million).

Due to significant investments in the previous year 2018 and in the reporting year 2019, the scheduled depreciation of property, plant and equipment and amortization of intangible assets increased to EUR 2.1 million in the 2019 financial year (previous year: EUR 0.8 million); this amount includes for the first time leasing depreciation in accordance with IFRS 16 in the amount of EUR 0.6 million (previous year: EUR 0.0 million).

Earnings before interest and taxes (EBIT) for the 2019 financial year amounted to EUR -5.3 million (previous year: EUR -1.0 million).

There were financial expenses in the 2019 financial year in the amount of EUR 0.3 million (previous year: EUR 0.3 million), as well as EUR 0.3 million in financial income (previous year: EUR 0.1 million). Earnings before taxes (EBT) thus stood at EUR -5.3 million (previous year: EUR -1.1 million).

After taking into account a tax expense of EUR 1.6 million (previous year: tax income of EUR 0.4 million) as a result of the valuation adjustment on deferred tax assets, the AKASOL Group achieved a net result for the period of EUR -6.4 million (previous year: EUR -0.7 million) as of 31 December 2019. Earnings per share amount to EUR -1.06 (previous year: EUR -0.17).

2.3.4 FINANCIAL POSITION OF THE AKASOL GROUP

The AKASOL Group held EUR 24.9 million in cash and cash equivalents as of December 31, 2019. This amount was higher than the value for the previous year's reporting date (December 31, 2018: EUR 21.9 million).

As of the reporting date of December 31, 2019, the AKASOL Group had non-current financial liabilities of EUR 37.0 million (December 31, 2018: EUR 4.0 million). The significant year-over-year increase is mainly attributable to the loans concluded with Commerzbank and Deutsche Bank in 2019 for general corporate financing as well as for financing of construction of the new corporate headquarters, first installments of which had already been disbursed as of the balance sheet date.

There were current financial liabilities of EUR 4.6 million as of the reporting date (December 31, 2018: EUR 1.9 million). These liabilities are mainly liabilities to banks. Taking trade payables of EUR 10.4 million into account (December 31, 2018: EUR 4.1 million), together with other non-financial liabilities of EUR 2.3 million (December 31, 2018: EUR 3.1 million) and EUR 0.5 million in provisions (December 31, 2018: EUR 0.2 million), there are current liabilities of EUR 17.9 million (December 31, 2018: EUR 9.4 million). Non-current liabilities total to EUR 37.0 million (December 31, 2018: EUR 4.0 million). EUR 32.2 million of these non-current liabilities (December 31, 2018: EUR 4.0 million) represent liabilities to banks.

Cash flow from investment activities for the period from January 1 to December 31, 2019, totaled to EUR -0.8 million (previous year: EUR -68.1 million) and is characterized by the acquisition of EUR 21.4 million in property, plant and equipment and the sale of EUR 24.0 million in financial assets.

Due to the increase in inventories, trade receivables and other assets, the AKASOL Group generated a cash flow from operating activities in the amount of EUR -25.6 million (previous year: EUR -10.4 million).

The Company's free cash flow (cash flow from operating activities plus cash flow from investment activities) thus totals to EUR -26.4 million for the 2019 financial year (previous year: EUR -78.5 million). Cash flow from financing activities stood at EUR 29.3 million in the reporting period (previous year: EUR 97.6 million).

The AKASOL Group was in a position to meet its payment obligations at all times during the past financial year.

2.3.5 NET ASSETS OF THE AKASOL GROUP

The total assets of the AKASOL Group, which includes AKASOL Inc. for the first time, increased by 30.2% in the past financial year and stood at EUR 149.9 million as of December 31, 2019 (December 31, 2018: EUR 115.1 million).

Non-current assets amounted to EUR 54.3 million as of the December 31, 2019, reporting date. They were thus EUR 10.1 million lower versus the previous year's balance sheet date. This is mainly due to the partial sale of securities that had been acquired in the previous year to avoid negative interest and were reported under other financial assets. Property, plant and equipment increased to EUR 31.1 million from EUR 5.4 million at the end of the previous year due to the expansion of production facilities, the purchase of land for the construction of the new headquarters and the start of these construction measures as well as the first-time application of IFRS 16. Intangible assets, which in particular include capitalization of development costs, were EUR 3.0 million higher and totaled to EUR 5.8 million as of the reporting date (December 31, 2018: EUR 2.8 million). Deferred tax assets amounted to EUR 0.0 million at the end of the reporting year (December 31, 2018: EUR 1.4 million).

At EUR 95.6 million, current assets were EUR 44.9 million higher than they were at the previous year's reporting date (December 31, 2018: EUR 50.8 million). The change owes to increases in inventories, in other financial assets including current financial assets, and in trade receivables.

Trade receivables amounted to EUR 15.2 million as of the balance sheet date (December 31, 2018: EUR 7.6 million). Of this amount, EUR 14.3 million is attributable to invoiced receivables, and EUR 0.9 million to contract assets not covered by prepayments. Cash and cash equivalents developed positively in connection with credit lines already utilized, rising to EUR 24.9 million as of December 31, 2019 compared to the prior-year balance sheet date (December 31, 2018: EUR 21.9 million).

Equity as of December 31, 2019, amounted to EUR 95.1 million (December 31, 2018: EUR 101.7 million). Due to the higher total assets and the slightly lower equity as a result of the net loss for the year, the equity ratio as of the balance sheet date in 2019 thus remained solid at 63.4% (December 31, 2018: 88.4%).

Non-current liabilities increased from EUR 4.0 million in the previous year to EUR 37.0 million due to borrowing and leasing liabilities (IFRS 16). Taking into account current liabilities of EUR 17.9 million (December 31, 2018: EUR 9.4 million), AKASOL's total liabilities amount to EUR 54.8 million (December 31, 2018: EUR 13.4 million).

2.3.6 OVERALL PRESENTATION OF THE ECONOMIC SITUATION OF THE AKASOL GROUP

With 120.7% growth in revenue, which finished the reporting year at EUR 47.6 million (previous year: EUR 21.6 million), in 2019 the AKASOL Group successfully continued to pursue its intended path to growth, further expanding its position as an important partner for, among others, manufacturers of buses and commercial vehicles in the field of electric mobility.

The cumulative order total of the framework and delivery agreements concluded with customers, some EUR 2 billion for the period from 2019 to 2027 as of December 31, 2019, demonstrates the Company's potential for continued, stable growth.

Among other things, the AKASOL Management Board sees the Group's promising prospects for growth confirmed by the expansion, both at the beginning of the year and in September 2019, of the long-term framework agreement to supply a globally leading manufacturer of commercial vehicles with high-performance battery systems for electric buses and trucks. AKASOL is also reviewing the further development of the mobile, battery-supported high-speed charging station for electric vehicles and possibilities for marketing this product. In cooperation with a large German manufacturer of passenger cars, the first AKASOL high-speed charging stations are already in public use on a 24/7 basis.

Looking to the future, AKASOL also sees growth opportunities in the supply of high-performance battery systems for fuel cell-powered vehicles. A first step toward positioning as a relevant supplier for applications in this area was the commissioning by Alstom, at the end of 2019, of delivery of high-performance battery systems for more than 40 new Coradia iLint hydrogen-powered trains.

2.3.7 ASSESSMENT OF THE BUSINESS PERFORMANCE OF THE AKASOL GROUP

Following a dynamic 2019, AKASOL has successfully completed its first full financial year as a listed company.

For AKASOL, 2019 was marked by the launch of series production of battery systems for buses and commercial vehicles, and by a further increase in demand on the part of existing and new customers. Demand was also noticeably greater in application areas for ships, rail vehicles and construction equipment, among others. AKASOL successfully implemented the ramp-up of series production last year and significantly increased its output of battery systems in the course of this.

The negative EBIT of EUR -5.3 million is chiefly the result of short-term reductions in purchase volumes by series customers during the second half of 2019 while, at the same time, the expenses required to create the necessary structures for sustainable and still-needed company growth increased. In addition to this, project-related special effects, such as the support of external consultants in organizational and process development – the substantive results of which will nevertheless create a great advantage for the further development of the Company – as well as a higher cost-of-materials ratio, have contributed to further, unplanned pressures. In addition, savings due to reductions in the cost of materials are only reflected after a delay, as the quantities that resulted were not the same as those forecast at the beginning of the financial year. This led to a cost-of-materials ratio that was significantly higher than originally planned.

To ensure fundamentally positive business performance, the Research and Development and Production Divisions were expanded during the past financial year, among other things, and there were further improvements in operational areas, including through new processes and infrastructure. The foundations for positive business performance by the AKASOL Group were further strengthened last year, thanks to the start of the construction of Company headquarters in Darmstadt and the establishment of the US company AKASOL Inc. at a location in the greater Detroit area. The employee base was strengthened through hiring, primarily in the Research and Development Division, and through development of a strong second tier of management.

Based on the net assets, financial position and results of operations described, management considers the Company's overall economic situation to be positive. Based on its solid base of equity, AKASOL enjoys a high degree of independence, and this makes it possible to pursue the sustainable course of growth in the years to come. At the time when this 2019 Combined Management Report was finalized, in April 2020, it was highly likely that major economies worldwide had been significantly negatively impacted, at least in the first half of 2020, by massive constraints on public and economic life due to the COVID-19 pandemic. Please refer to the 'Subsequent events, risk and forecast' report for further information on this, and on the impact that this will have on the AKASOL Group.

3 FINANCIAL STATEMENTS OF AKASOL AG (HGB)

AKASOL AG, with headquarters in Darmstadt, Germany, is the Parent Company of the AKASOL Group. Central financial management, among other things, is located at AKASOL AG. AKASOL AG communicates with the capital markets on behalf of the entire Group.

3.1 BUSINESS PERFORMANCE OF AKASOL AG

The business performance of AKASOL AG essentially corresponds to that of the AKASOL Group, and we describe it in detail in the "Business performance of the AKASOL Group" section.

The revenue of AKASOL AG totaled to EUR 48.2 million in the 2019 financial year. It was thus EUR 25.3 million higher than the previous year's revenue (previous year: EUR 22.9 million); this represents an increase of 110.5%. Key drivers for revenue growth were the expansion of series production of battery systems for two renowned European manufacturers of commercial vehicles, successful implementation of development projects and projects in prototyping.

3.1.1 RESULTS OF OPERATIONS OF AKASOL AG

Presentation of the income statement of AKASOL AG (total-cost method) in acc. with German Commercial Code (HGB)

KEUR	2019	2018
Revenue	**48,173**	**22,886**
Increase in inventories of finished goods and work in process	2,143	-235
Own work capitalized	3,475	2,704
Other operating income	412	945
Cost of materials	37,059	12,469
Personnel expenses	13,384	7,249
Amortization of intangible fixed assets and depreciation of property, plant and equipment	1,336	727
Other operating expenses	7,208	9,878
Income from other securities, other interest and similar income	183	71
Interest and similar expenses	195	268
Income taxes	1,597	-1,301
Earnings after taxes	**-6,393**	**-2,919**
Other taxes	2	2
Net loss for the year	**-6,395**	**-2,921**

Own work capitalized totaled to EUR 3.5 million in the 2019 financial year (previous year: EUR 2.7 million). This mainly comprises investments in the development of marketable products that are expected to generate corresponding revenue growth in the years ahead. There was EUR 0.4 million in other operating income (previous year: EUR 0.9 million).

The cost of materials increased by 197.2% year-over-year and went from EUR 12.5 million to EUR 37.1 million. This corresponds to a cost-of-materials ratio of 76.9% higher than it was the year before (cost of materials relative to revenue; previous year: 54.5%) and is based on the increased share of series business, where experience shows that lower margins are achieved.

Personnel expenses were higher by a lesser percentage compared to the revenue trend. They were EUR 6.1 million (84.6%) higher and totaled to EUR 13.4 million. As a result, the personnel-expense ratio fell to 27.8% (personnel expenses relative to revenue; previous year: 31.7%). The increase in personnel expenses is due to the scheduled establishment of the necessary employee structures.

Depreciation of property, plant and equipment and amortization of intangible assets amounted to EUR 1.3 million in fiscal 2019 (previous year: EUR 0.7 million), resulting from scheduled investments in property, plant and equipment.

Other operating expenses in the 2019 financial year stood at EUR 7.2 million (previous year: EUR 9.9 million). This included legal and consulting costs for, among other things, the development of the new location in the USA and support for external consultants in organizational and process development, costs of premises, advertising and trade fair costs, travel expenses and significantly higher freight costs, as these increase in line with sales. Occupancy and travel expenses increased as a result of the expansion of the workforce. The decrease in expenses compared to the previous year is due to the fact that expenses for fees in connection with the IPO were reported under this item.

There were interest expenses in the 2019 financial year in the amount of EUR 0.2 million (previous year: EUR 0.3 million) and income from other securities held as fixed assets and interest income of EUR 0.2 million (previous year: EUR 0.1 million).

After taking tax expenses of EUR 1.6 million into account (previous year: EUR 1.3 million in tax income) together with other taxes totaling EUR 0.0 million (previous year: EUR 0.0 million), AKASOL AG achieved a loss for the year of EUR -6.4 million as of December 31, 2019 (previous year: EUR -2.9 million).

3.1.2 FINANCIAL POSITION OF AKASOL AG

AKASOL AG held EUR 44.8 million in cash on hand and bank balances as of December 31, 2019. This amount was higher than the value for the previous year's reporting date (December 31, 2018: EUR 41.9 million).

As of the reporting date of December 31, 2019, AKASOL AG had EUR 35.9 million in liabilities to banks. This represents an increase of EUR 29.9 million over the previous year's reporting date (December 31, 2018: EUR 6.0 million) and can be attributed to financing agreements concluded during the reporting year with Commerzbank and Deutsche Bank for general corporate financing and to finance construction of the new corporate headquarters, the first installments of which had already been disbursed as of the balance sheet date.

Cash flow from investment activities for the period from 1 January to 31 December 2019 was EUR -1.2 million (previous year: EUR -65.9 million) and results from the acquisition of property, plant and equipment and the sale of financial assets.

Due to the increase in inventories, trade receivables and other assets, AKASOL AG generated a cash flow from operating activities in the amount of EUR -25,8 million (previous year: EUR -15.5 million).

The Company's free cash flow (cash flow from operating activities plus cash flow from investment activities) thus totals to EUR -26,9 million for the 2019 financial year (previous year: EUR -81.4 million).

Cash flow from financing activities amounted to EUR 29.8 million (previous year: EUR 100.5 million), mainly due to the raising of new funds in the reporting period.

AKASOL AG was always in a position to meet its payment obligations during the past financial year.

The balance sheet total of AKASOL AG increased in the past financial year by 27.6% to EUR 143.9 million as of December 31, 2019 (December 31, 2018: EUR 112.7 million), in part due to borrowing.

3.1.3 ASSET POSITION OF AKASOL AG

HGB balance sheet AKASOL AG

KEUR	Dec. 31, 2019	Dec. 31, 2018
ASSETS		
Fixed assets		
Intangible assets	5,483	2,292
Property, plant and equipment	25,632	5,396
Financial assets	17,256	34,711
Current assets		
Inventories	28,124	9,396
Receivables and other assets	22,585	10,899
Securities	0	6,489
Cash in hand and bank balances	44,753	41,926
Prepaid expenses	**35**	**5**
Deferred tax assets	**0**	**1,597**
Total assets	**143,868**	**112,710**
Equity and Liabilities		
Equity	**94,773**	**101,167**
Subscribed capital and reserves	6,062	6,062
Capital reserve	98,938	98,938
Loss carryforward	-3,833	-912
Net loss for the year	-6,395	-2,921
Provisions	**2,619**	**1,419**
Liabilities	**46,477**	**10,123**
Total equity and liabilities	**143,868**	**112,710**

Fixed assets totaled to EUR 48.4 million as of the December 31, 2019, reporting date. It was thus EUR 6.0 million higher versus the previous year's balance sheet date (December 31, 2018: EUR 42.4 million). Intangible assets, which in particular include capitalization of development costs, were EUR 3.2 million higher and totaled to EUR 5.5 million as of the reporting date (December 31, 2018: EUR 2.3 million). Property, plant and equipment were significantly higher and stood at EUR 25.6 million (December 31, 2018: EUR 5.4 million) due to the expansion of production facilities, the purchase of land to build the new headquarters and the commencement of this construction work. Financial assets dropped to a volume of EUR 17.3 million (December 31, 2018: EUR 34.7 million), due mainly to the sale of securities.

At EUR 95.5 million, current assets were EUR 26.8 million higher than they were at the previous year's reporting date (December 31, 2018: EUR 68.7 million). The main reason was the increase in inventories to EUR 28.1 million (December 31, 2018: EUR 9.4 million) due to the buildup of a safety stock and the postponement of call-offs by two major customers. The increase in trade receivables amounted to EUR 14.1 million (December 31, 2018: EUR 6.5 million), caused by project invoicing at the end of fiscal year 2019. Cash and cash equivalents (cash on hand and bank balances) developed positively in connection with credit lines already utilized and and increased from EUR 41.9 million as of the previous year's balance sheet date to EUR 44.8 million as of December 31, 2019.

Deferred tax assets amounted to EUR 0.0 million at the end of the fiscal year (December 31, 2018: EUR 1.6 million).

Equity stood at EUR 94.8 million as of December 31, 2019; this is EUR 6.4 million below the value of the previous year's reporting date (December 31, 2018: EUR 101.2 million). Due to the increased balance sheet total and the net loss for the year, the equity ratio as of the 2019 balance sheet date was thus 65.9% (December 31, 2018): 89,8%).

Provisions amounted to EUR 2.6 million (December 31, 2018: EUR 1.4 million). The increase is due on the one hand to higher personnel-related provisions in connection with the significant increase in the number of employees, the recognition of the provision for the employee stock option plan and higher provisions for outstanding invoices and warranties.

Liabilities to banks increased due to external borrowing to EUR 35.9 million (December 31, 2018: EUR 6.0 million).

Trade payables were EUR 6.0 million higher at the end of fiscal year 2019 and now total to EUR 10.0 million, compared to EUR 3.9 million as of the previous year's reporting date. Liabilities to affiliated companies amounted to EUR 0.3 million as of December 31, 2019, EUR 0.2 million higher than they were on the previous year's balance sheet date (December 31, 2018: EUR 0.1 million). In addition, other liabilities increased by EUR 0.3 million and totaled to EUR 0.4 million, versus EUR 0.1 million as of December 31, 2018. As a result, total liabilities amounted to EUR 46.5 million as of December 31, 2019 (December 31, 2018: EUR 10.1 million).

3.2 OPPORTUNITIES AND RISK REPORT FOR AKASOL AG

The material opportunities and risks of AKASOL AG as a Group Parent Company and currently the material operating company in the AKASOL Group reflect the opportunities and risks in the "Opportunities and risk report."

3.3 MISCELLANEOUS

The main features of the remuneration system for members of the Management Board and for the members of the Supervisory Board are set forth in the remuneration report; the remuneration report forms part of the management report within the meaning of Section 315 of the German Commercial Code (HGB) and is described in detail in the "Remuneration report" section.

On December 31, 2019, AKASOL AG had 281 employees on its payrolls (previous year: 154).

3.4 FORECAST FOR AKASOL AG

The expectations described in the forecast report for the AKASOL Group also apply to the development of AKASOL AG as a Group Parent Company. No separate forecast will be drawn up for AKASOL AG on the basis of HGB figures.

4 SUBSEQUENT EVENTS

AKASOL began construction of its new Group headquarters in the southwest section of Darmstadt, Germany, in mid-2019. From the end of 2020, the so-called "Gigafactory 1," with a maximum annual production capacity of up to 5 GWh expected to be available in the final expansion stage, as well as the new technology and development center including headquarters and an adjoining, state-of-the-art and environmentally friendly testing and inspection center, will be in place. Beyond this, in the effort to more than double annual production capacity from 300 MWh to up to 800 MWh, extensive preparations were carried out for the commissioning of the second production line (Langen II) at the series production location in Langen, Germany. The second series production line was commissioned already in March 2020.

On January 30, 2020, the World Health Organization (WHO) declared an international health emergency in light of the COVID-19 virus; on March 11, 2020, the organization classified the spread of the virus as a pandemic. The current developments and restrictions in individual procurement and sales markets as well as the consequences of this for the course of business of the AKASOL Group are being continuously monitored. At this point in time, it cannot be ruled out that there will be a negative impact on the net assets, financial position and results of operations in this connection in 2020. Reference is also made to the statements in the forecast report and in the risk report. At the time of completion of this Combined Management Report, AKASOL initially had maintained its series production of battery systems, as well as prototyping and model-making, subject to enhanced hygiene and health precautions for the workforce. At that time, customers of AKASOL had instituted a block of short-time working lasting several weeks in their series production, and had suspended vehicle production, but they had not changed their delivery forecasts vis-à-vis AKASOL.

5 OPPORTUNITY AND RISKS REPORT

5.1 OPPORTUNITY AND RISK MANAGEMENT

The goal of opportunity and risk management at the AKASOL Group is to identify potential opportunities and risks early on and to make the best possible use of opportunities resulting from appropriate strategies while averting potential damage. The Company has an internal control- and risk-management system for this purpose. Control and monitoring systems are constantly being developed further in the effort to identify and control potential risks. Within the scope of opportunity and risk management, the Company's management is kept regularly informed of the likelihood of occurrence and the possible amount of damage involved.

Risks to AKASOL are the result of external influences as well as its own entrepreneurial actions. The effects of risks can compromise or negatively affect the fulfillment of objectives. In the field of tension between opportunities and risks, AKASOL deliberately takes risks that are proportionate to the expected benefits of the respective entrepreneurial measure. Accordingly, while risks can never be ruled out altogether, their effects can be minimized as far as possible.

5.2 INTERNAL CONTROL AND RISK-MANAGEMENT SYSTEM WITH REFERENCE TO THE ACCOUNTING PROCESS

The AKASOL Group uses an appropriate risk-management system to take the risks stated into account. Measures are taken early on to avert detriment to Group companies. Among other things, these measures include:

- The development of a Controlling Department that uses monthly business controlling to continuously compare target, actual and forecast data at the company level.

- Project controlling that monitors operational projects and supports project management and control through target/actual analyses and identification of measures to ensure project success.
- Central monitoring of material contractual risks or risks arising out of legal disputes by Company management and counsel, and by qualified law firms if necessary.

The accounting-related internal control system is an integral part of risk management at the AKASOL Group. The main goals of the system consist in ensuring an accurate representation of all business transactions in reporting preventing deviations from internal or external rules. In terms of external accounting, this means ensuring that the annual financial statements comply with the applicable sets of rules. For this purpose, both the accounting-related internal control system and risk management are structured in a department-specific manner. There are uniform accounting rules in place.

5.3 INDIVIDUAL OPPORTUNITIES AND RISKS

Opportunities

Both VDMA and AKASOL regard the electric mobility market as a future market with great potential for growth.[16] Along with increasing electrification of vehicle drives, other components in vehicles are electrified as well. Where internal-combustion engines are still in use, the focus is on their efficiency and environmental friendliness – thus creating a competition with electric motors. These market trends present great opportunities for AKASOL.

AKASOL sees itself as well positioned to participate in the positive development of the market, particularly in the field of electromobility for commercial vehicles. This is not least due to the proceeds that accrued to AKASOL in the framework of the IPO on June 29, 2018, which are meant specifically to finance the growth strategy. The third-party financing package concluded in 2019 for general corporate financing and to finance construction of the new corporate headquarters further strengthened the financial footing for achieving the desired steps to growth.

The Company's growth opportunities within the context of its growth strategy are illustrated by the high level of supply agreements in an amount of around EUR 2 billion at the beginning of the current 2020 financial year for the planning period up to and including 2027. In addition to capacity expansion, the focus of the new financial year will remain on the marketing of new technologies, especially in the areas of e-mobility and stationary battery systems (stationary high-speed charging stations, for example).

Global trends and favorable political framework conditions – such as increasing urbanization and the challenges that this presents for urban mobility solutions, or the promotion of e-m obility in connection with politically and socially accelerated emissions reductions – support the increasing electrification of the individual divisions of the Company. These trends are further magnified by the rising costs and limited supply of the fossil raw materials previously used for conventional drive systems.

AKASOL is well positioned to benefit from the developments described. The company has a strong market position as a supplier of battery systems for manufacturers of buses and commercial vehicles. The company is thus firmly established in the market and has the necessary flexibility to take advantage of opportunities and trends in the field of e-mobility in the effort to optimize its own business activities.

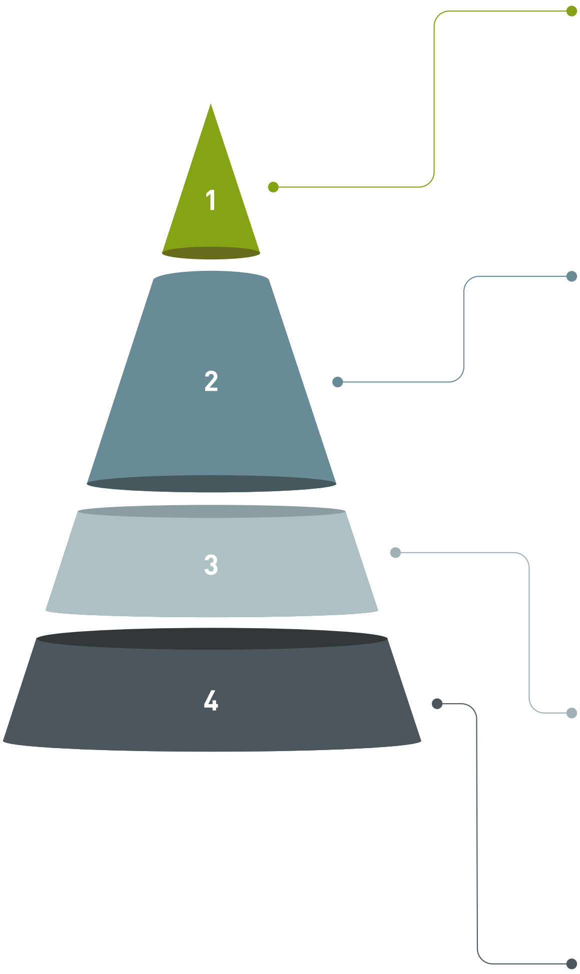
16 https://battprod.vdma.org/documents/7411591/15357859/Roadmap+Batterieproduktionsmittel+2030-Update+2018+final.pdf/9afdeebf-cf08-2ec5-8306-47dba37992d1

Risks

Within the scope of its business activities, AKASOL is naturally exposed to a large number of risks that are inseparably linked with entrepreneurial activities. In order to identify, assess and manage existing and future risks at an early stage, effective standardized management and control systems are used; these are combined and expanded into a single risk-management system (RMS) in order to comply with legal requirements. Enlisting predefined categories of risk, managers of the divisions identify risks and assess these with an eye to the likelihood of their occurrence and the possible damage levels involved. A standardized format, with predefined classes of probability and risk, is used to collect these data.

The Management Board has set up a risk-management system that is summarized in the following figure.

Structure of the areas of responsibility



OVERALL RESPONSIBILITIES OF THE MANAGEMENT BOARD

- Overall responsibility for risk management and internal control system
- Approval of risk-management structure
- Approval of risk manual and general risk-acceptance
- Definition of strategies and risk management objectives
- Approval of risk classes and main risks

CONTROL/OVERSIGHT MANAGEMENT & MONITORING

Process manager/risk-management officer (RMB) (makes recommendations to the management board)

- Promoting risk awareness
- Training of process participants
- Updating and adapting the RMS to changing framework conditions
- Adapting the risk manual and maintaining facilities
- Implementation and embedding of risk management and internal controls
- Documentation and archiving of risks
- Facilitates the risk process, the preparation of risk indicators and the consolidation of risk classes

DIVISON MANAGERS (DM)

- Documentation and archiving of risks
- Promoting the general risk awareness of employees
- Monitoring the implementation and impact of risk-management measures
- Identification, prioritization, assessment and monitoring of risks

EMPLOYEES

- Compliance with risk standards
- Notification of risks to the division manager

Drawing up the risk inventory (risk register) in three areas

In the scope of risk management, measures are developed and implemented to prevent, mitigate and hedge risks. Risk identification is the responsibility of the head of the respective department. If significant risks are identified, it is the responsibility of the risk manager and the Management Board to develop, implement and monitor risk-reduction measures. The risk inventory is drawn up quarterly, and its results are summarized in a detailed report.

The business model of the AKASOL Group is geared toward the young and dynamic market for electromobility solutions. The main risks involved are health, safety and environmental risks, strategic risks (incl. risks from macroeconomic and industry-specific market developments), operational risks, compliance risks and financial risks (incl. risks arising from the use of financial instruments). In principle, in the view of the Management Board, it cannot be ruled out that there will be drastic regulatory interference, a high level of competition and

AKASOL distinguishes the following risk categories:

HAZARD RISK

Risks that refer to the well-being of employees and stakeholders.

- **Health**
- **Safety**
- **Environment**

STRATEGIC RISK

Risks that affect a company's ability to achieve strategic goals.

- **Employees, organization and culture**
- **Mergers and acquisitions**
- **Technology**
- **Market dynamics**

COMPLIANCE RISK

Risks related to compliance with laws and regulatory requirements in the regions of business activity.

- **Ethic**
- **Principles of corporate governance**
- **Laws and regulations**

FINANCIAL RISK

Risks related to the ability to relate financial expectations and needs.

- **Fluctuations in exchange rates and interest rates**
- **Liquidity and financing**
- **Credit risk**

OPERATIONAL RISK

Risks that are based on people, processes and systems and affect efficient and effective operations.

- **Life cycle of assets**
- **Range of services**
- **Supply Chain**
- **Contractual**
- **Information technology**
- **Information security**

supply risks in the future. The identification of risks shown below is presented prior to implementation of risk-mitigation measures.

Health, safety and environmental risks

Other current or future health, safety or environmental governmental regulations or amendments to these could necessitate an adjustment in the operating activities of the AKASOL Group and lead to a significant increase in operating costs. There are also risks of a possible health, safety or environmental incident, including with the handling of dangerous objects, as well as risks of non-compliance with health or safety or environmental regulations, which could subsequently lead to serious accidents, reputational loss and legal consequences. AKASOL could incur losses from environmental damage in excess of the sums insured or not covered by insurance; such losses could adversely affect the Company's business situation as well as its net assets, financial position and results of operations.

Strategic risks (including macroeconomic and industry-specific risks)

As a producer of high-quality Li-ion battery systems, AKASOL is dependent on the economic situation of its customers, who in turn are dependent on macroeconomic developments. Reports from the automobile industry show that some companies want to build their own battery-production operations, or that they intend to do so if need be. This translates into a risk that previous customers can become competitors of AKASOL. This can have a negative effect on the demand for AKASOL's products. The Company may incur risks to revenue and earnings as a result. Given its current portfolio of customers, AKASOL is exposed to an increased cluster risk.

The United Kingdom's withdrawal from the EU ("Brexit") and the possible impact of this step constitute a serious source of uncertainty for further development in the European Economic Area. Following the conclusion of the Brexit Withdrawal Agreement in January 2020,[17] negotiations are currently under way for a new trade agreement between the European Union and the United Kingdom.[18] For AKASOL, however, there is currently no significant risk from the UK's departure from the EU, as UK sales are of minor importance to the Company at this point in time.

A pandemic affecting the broader part of the target markets of Europe and North America – such as the current spread of the coronavirus – can seriously affect the business activities of the AKASOL Group. In this regard, account must be taken not only of the direct effects of employee illness but also of the impacts of government-imposed protective and countermeasures, which can make customary operation more difficult. In particular, a pandemic like this may have a significant negative impact on the orders situation, the availability of parts in the supply chain, the maintenance of production and the financial stability of the Group. Within the realm of what is possible, AKASOL is working on measures to counter these risks or circumscribe the negative effects: To this end, the Company has set up a Task Force Team under the leadership of the CEO. The measures developed in the team involve aspects that can safeguard the Company's ability to act, along with organizational steps to maintain business operations.

Going forward, the demand for battery systems in market segments of electromobility is largely a function of further developments around trends in electrification, environmental protection and urbanization. Political and economic incentives to support dependence on fossil fuels, or to abandon policies aimed at preventing the use of fossil fuels and promoting the use of alternative forms of energy and energy efficiency as well as urbanization, could have a significant adverse impact on

17 https://www.bundesregierung.de/breg-de/themen/brexit/der-brexit-ist-da-wo-stehen-wir-wie-geht-es-weiter--1712620

18 https://www.zeit.de/politik/ausland/2020-03/brexit-uebergangsphase-auftakt-verhandlungen-freihandelsabkommen-grossbritannien-eu-michel-barnier

the business performance of the AKASOL Group. The same applies to a politically motivated scaling-back of incentives for the use of electromobility solutions. Quantity reductions by customers could have a corresponding impact on the economies of scale of productivity gains and cost savings. Depending on its extent, this impact could temporarily or permanently lead to a higher cost-of-materials ratio.

At the same time, the business performance of the AKASOL Group is a function of growth in the automobile market, and the market for electric commercial vehicles in particular. A downturn in the automobile sector, especially in the area of public transport by bus, poses sales risks to AKASOL. AKASOL works to offset these risks by diversifying the areas of application of its battery systems.

Strong market growth in the field of electromobility presents the AKASOL Group with increasing competition from new providers of battery-system technologies. Increased competition may pose a risk for AKASOL in terms of market share, margins and overall profitability. In the Company's judgment, competitors are making extremely ambitious promises as they try to convince potential customers of their products. At the same time, there is a risk that cell suppliers and other established market stakeholders, which also include vehicle manufacturers, will use the larger financial resources at their disposal to modify their business strategy and establish a direct presence in AKASOL's submarkets with battery systems of their own. This is how major customers of the AKASOL Group could eventually occupy the field of battery technology themselves. To counteract these risks, a main mission of the AKASOL Group is to further develop and optimize the technology.

Strong market growth in the field of electromobility and, beginning only in recent years, the consistent renunciation of fossil fuel mean that companies in this area, which also includes the AKASOL Group, have a comparatively short business history. As a result, the Company faces risks arising out of an inefficient deployment of earnings and untimely implementation of its business strategy. The AKASOL Group counters these risks by continuously monitoring all relevant markets and regulatory matters, and through detailed business planning.

As a producer of Li-ion battery systems, the AKASOL Group is dependent on third parties for a reasonable and sufficient supply of raw materials, semi-finished products, parts, components, production equipment and services, on time and reasonably priced. To counteract risks arising from this dependency relationship, AKASOL constantly strives to diversify the supplier pool and to address supply bottlenecks through efficient and anticipatory warehouse management. In the case of materials with very long delivery times or raw materials that are of critical importance for the production of the battery systems, such as battery cells or modules, long-term supply agreements that include annual capacity forecasts have been concluded with the respective suppliers in order to avoid supply bottlenecks.

Operational risks

Due to the use of certain (electronic) components, there is a dependency on a small number of suppliers for which there are currently no alternatives. To minimize the risk of interruption, the Company is continuously working to expand its supplier relationships; use of alternative components is being promoted as well.

AKASOL is bound by compliance with existing laws. Inadequate or lacking awareness of applicable laws (Battery Act, Waste Disposal Act, Environmental Act) as well as the use of defective products (Product Liability Act) can lead to not insignificant penalties and sanctions that can even lead to recall campaigns.

The increased order volume leads to increased purchasing of materials, and this is reflected in an increase in inventories. AKASOL faces an increased risk here in terms of its storage volume. This danger, or that of a fire in the warehouse, is thus one of the most important risks for the Company.

There is a risk that customers as well as suppliers will become competitors and perform more successfully than AKASOL, leading to a potential loss of customers and orders alike. The loss of a dominant customer also carries the risk of lost market share.

Due to the strong growth of the AKASOL Group, a main focus for the Company is on expanding the organization, and on the workforce growth that this involves. AKASOL relies on the availability of new, qualified employees who will reflect the increasing sales of battery systems in production and ensure the continuous evolution of product technology. In the effort to counteract the potential risks arising out of a shortage of staff and skilled personnel, the establishment and expansion of the workforce is a crucial strategic objective for management. Against the backdrop of possible personnel shortages, AKASOL is also constantly working on adaptations to corporate culture and relevant corporate processes, and on robust measures to retain its employees.

The listing of orders of the AKASOL Group takes into account framework agreements signed and in hand as of December 31, 2019; some of these agreements are non-binding. The entirety of agreements entered into by the AKASOL Group also comprises agreements with a limited number of major clients; this means that the Company faces risks due to an excessive concentration of customers. To secure its revenue, the AKASOL Group always makes an effort to further grow its customer base, and to use framework agreements that will turn successfully completed customer and development projects into longer-term, close partnerships. This is why AKASOL has entered into strategic partnerships with its most important customers, either contractually or through other arrangements, that promote continued cooperation and thus reduce risks due to lost revenue. Still, these agreements also contain clauses that give both parties permission to terminate the relationship in certain circumstances. Part of AKASOL's growth strategy is to tap into new markets, especially in the US. In the context of this expansion, the Company faces the risk that the products manufactured for this market will not be sold, or that political or regulatory interference will result in a restriction of the AKASOL Group's business activities in these markets. In order to counteract this risk, the AKASOL Group carefully evaluates the circumstances of a new market before it makes a decision to expand, weighing the potential an expansion project involves.

In the context of product development and series production, AKASOL faces quality and operational risks relating to the materials, technology and organizational processes involved. AKASOL minimizes these risks by means of a quality management system.

In production, there are significant risks, particularly with regard to the interruption of production processes – due, for instance, to a power failure or failure of the compressed air supply, or due to fire, a failure of the IT systems, a labor shortage or an interruption in the supply of material required for production. In order to minimize risk, AKASOL provides, among other things, for the use of standby power sources (generators) and equipment for a local supply of compressed air. Plant software is backed up on a regular basis. As preventive fire-prevention measures, among other things, employees are provided with safety instructions that identify the hazards involved in handling Li-ion batteries, and on the handling of damaged battery cells; safety boxes and bags are kept at the ready for use in transporting damaged battery cells, and the battery cells themselves are stored in a separate, hazardous-goods warehouse, separate from the workplace. Safety inspections that include fire-prevention testing are performed regularly by the specialist for workplace safety. There is also a risk of only being able to perform production processes to a limited extent if workers cannot be attracted in the numbers and with the qualifications needed. AKASOL cooperates with recruiters in an effort to flexibly fill vacancies with workers on temporary loan. The existing process documentation by means of job-related instructions is used for the rapid training of new workers. Bottlenecks in the availability of production materials are prevented, among other things, through careful selection and development of suppliers and through the provision of safety stocks.

Financial risks incl. risks from the use of financial instruments

Because AKASOL concludes sales transactions with customers, suppliers and sales partners, it runs the risk that one or more of these counterparties may become insolvent or otherwise unable to meet their obligations to AKASOL. AKASOL constitutes impairments for doubtful receivables and overdue amounts receivable, but these impairments might not be sufficient for the existing credit risks of third parties. Material or recurring delays in payment receipt, or defaults on receivables, could have a material negative impact on the business activities, the financial position and results of operations, and the future development of the AKASOL Group.

The Company generates revenue predominantly in euros. However, there are also increasing payment obligations denominated in foreign currency, primarily in US dollars. In particular, the expenses required for the acquisition of cells are subject to fluctuations in exchange rates. Exchange-rate fluctuations between foreign currencies and the euro may lead to exchange-rate risks.

The use of financial instruments is regulated as part of the Management Board's risk provision. The Company rejects the conclusion of derivative instruments for speculative purposes. The purpose of financial instruments is to minimize credit risks. Hedging transactions are concluded exclusively through the Company's central Finance Department and with the approval of the Management Board in an effort to hedge against fluctuations in market interest rates and/or rates of exchange. The risks arising from the use of financial instruments mainly result from liquidity risks, default risks, credit risks, interest-rate risks, fluctuations in cash flow and the risks of fluctuation in currency rates and prices.

- **Liquidity risks:** To ensure AKASOL's solvency and financial flexibility at all times, a liquidity reserve is maintained that takes the form of credit lines and liquid funds. To date, the credit lines, the cash flows, the proceeds from the successful IPO in 2018 and the third-party financing package concluded in 2019 have secured sufficient reserves at all times. AKASOL will continue to closely monitor liquidity requirements as these arise out of its targeted growth and the associated capacity building, continuously reviewing forecasts in this connection and keeping liquidity management in line with the respective needs.

- **Default risks:** AKASOL maintains customer relationships with many large companies in a very wide variety of commercial-vehicle industries. Most of these companies are multinational corporations. AKASOLs strategy is to minimize dependence on individual customers while gradually increasing the numbers of new customers. Increasing the acquisition of new customers will increase the risk of individual defaults but will also reduce the relevance of any individual case. Specific default risks are subject to reduction by means of preliminary analyses of new customers.

- **Acceptance risks:** Due to the current high concentration on a small number of customers with corresponding long-term non-binding framework agreements, call-off postponements or defaults have considerable medium-term effects on the net assets, financial position and results of operations, so that liquid funds are tied up accordingly in the inventory assets of the AKASOL Group. AKASOL counters this risk with an analysis of the order backlog as part of early risk detection and by expanding the customer base through comprehensive sales activities in the corresponding core markets.

- **Credit risks:** The majority of AKASOL customers have a high credit rating. The risk of total loss of a particular receivable is offset by breaking the total receivable down into a series of partial, milestone-dependent amounts (falling due, for example, before the services are provided, during system set-up and following commissioning). The insolvency risk of multinational customers is considered to be low. Nevertheless, this risk must be monitored particularly closely. Expanding business into yet more countries can add to this risk. In addition, there are generally risks associated with the credit quality of the bond issuers and banks to the financial instruments of which we have subscribed in an effort to avoid negative interest rates. However, since we only subscribe to securities issued by banks and firms with demonstrably excellent credit ratings, we consider the risk to be very low.

- **Interest-rate risks and fluctuations in cash flow:** In managing interest-rate risks, AKASOL limits itself to the use of marketable instruments used solely to secure existing loans and not for speculative purposes. For loans taken out in the year under review, mainly fixed-interest loans or loans with a fixed-interest period were agreed. In the case of variable-interest liabilities, changes in future rates of interest can lead to further fluctuations in cash flow. These can lead to further risks in the event of extreme changes in the general interest-rate level.

- **Currency and price-change risks:** Apart from a few exceptions, our sales orders are denominated in euros. Only in the US are AKASOL products offered for sale in local currency. Management regularly adjusts sales calculations to reflect exchange-rate trends in order to minimize currency risks. Currency risk in sales is held in check by the fact that certain goods from Asia, in turn, are also paid for in US dollars. Any residual currency risk in sales and/or procurement is minimized by concluding forward exchange contracts with matching maturities. In addition, there are fundamental risks vis-à-vis local providers and competitors from the dollar area. A risk of price change is inherent to an industry with growth as rapid as the growth seen in the industry for electrical-energy storage systems; at the same time, this industry has to plan its supplies and usage of raw materials, and in some cases these are available in limited supply and only temporarily. Because we do not procure any of these raw materials directly and purchase only intermediate products, we work to offset risks arising from changes in the price of raw materials by including appropriate price-escalation clauses in our sales agreements.

Compliance risks (legal, regulatory and tax risks)

Within the scope of the business activities of the AKASOL Group, risks arise from possible project delays and any contractual penalties in which these might result. The Company's development projects, for series customers in particular, are subject to a tight schedule. At the same time, these projects contain regulatory and legal imponderables, such as product validations (crash tests, shaker tests, EMC tests, etc.), and these can delay the project in the event of a failure. In an extreme case, this may delay the date of the planned product launch, which in turn may lead to claims for damages against AKASOL. The same applies in the event of a delay in connection with the launch of series production. AKASOL counteracts these risks with appropriate project controls.

In addition to this, AKASOL is subject to risks in connection with product liability, warranty claims and product recalls, and in connection with suits and claims brought against us. These include actions for damages, arbitration proceedings and other forms of legal dispute. In addition, the Company is bound by numerous environmental, health and safety laws, and by a variety of directives that are growing increasingly stringent. Expansion into new markets is also subject to a number of business, economic, legal and political risks. Furthermore, there are risks that arise from corruption and fraud or from other criminal and unauthorized conduct. To identify and manage disproportionate factual and legal risks early on, and to keep them from escalating wherever possible, AKASOL has a risk management and reporting program in place, as well as appropriate legal advice.

As a listed stock corporation, AKASOL is exposed to a variety of regulatory risks. Particular mention should be made here of risks arising from the regulations of commercial and accounting law, the law of stock corporations and international standards; these risks may have an impact on the Company's net assets, financial position and results of operations.

5.4 OVERALL PRESENTATION OF OPPORTUNITIES AND RISKS

The AKASOL Group sees opportunities for future development particularly in the dynamically growing market for electromobility, technology expertise, global trends toward the expansion of electromobility solutions and the price advantages of producing in series. Within the scope of its growth strategy, its development of technology expertise and its boost in operating performance through efficient commitments of capital and its efficient structures, AKASOL intends to make consistent use of the opportunities for growth that exist.

The AKASOL Group confronts risks to its future development primarily in the form of increasing competition, in its dependence on suppliers, in changing political and regulatory frameworks and in the challenges of strong company growth. There are still other instances of cluster risk due to the current customer portfolio, and due as well to the fact that customers and suppliers could become competitors through one research and development and corresponding production.

In light of the positive business trend to date and the flexible use of AKASOL's Li-ion battery systems, the Company is well-equipped to cope with future risks in an ordinary economic and social setting that is not adversely affected in any significant way by the effects of the COVID-19 pandemic. AKASOL is continuing to monitor developments around the COVID-19 pandemic and is working to assess the opportunities and risks arising from it. There are no risks discernible at this point in time that could jeopardize the Company's continued existence as a going concern.

6 OUTLOOK

6.1 GENERAL ECONOMIC CONDITIONS

For the year 2020, in light of the "lockdown" of important economies around the world as a measure to contain the COVID-19 pandemic, considerable negative impacts on the business climate are expected. As of March 2020, the Institute for the World Economy (IfW) forecast a decrease of 4.5% to 9% in German gross domestic product for the current year. This forecast is based on scenarios of a "lockdown" of the German economy through the end of April and/or the end of July, followed by a recovery of the economy back to its previous level.[19] In its spring report of March 2020, the IfW anticipated a decline of 1.0% in gross domestic product for the Eurozone.[20] At that point in time, a slower rate of growth of 2.0% was forecast for the

19 https://www.ifw-kiel.de/de/publikationen/medieninformationen/2020/update-konjunkturbericht-deutsches-bip-duerfte-2020-zwischen-45-und-9-prozent-einbrechen/

20 https://www.ifw-kiel.de/de/publikationen/kieler-konjunkturberichte/2020/euroraum-corona-virus-zwingt-waehrungs-union-in-die-rezession-0/

global economy in 2020, along with an increase of 1.5% for the US.[21]

According to estimates by the VDMA, global demand for Li-ion battery cells was nearly 150 GWh in 2018, with the most dynamic development potential by far seen in the market segment for electromobility applications. An optimistic scenario envisages crossing the TWh threshold in this market for 2025 to 2030. Growth rates have been around 40% in recent years and are expected to remain around 30-40% on average in the years ahead. The commercial-vehicles segment currently accounts for around 20% of demand.[22]

6.2 BASIC DEVELOPMENT OUTLOOK OF THE AKASOL GROUP

Organic growth will continue to be the main driving force behind further expansion for the AKASOL Group. In order to realize the revenue potential forecast here, the development of new products, and the development of new fields of application and markets, will continue to play an important role in the activities of the AKASOL Group. The clear goal remains to continue to grow in a diversified manner across customer industries and regions. Scaling of business through sale of existing products to new customers is the key element of this strategy. With its current product portfolio, AKASOL is in a position to meet many customer needs for innovative battery-system solutions for hybrid and all-electric vehicles. Within the scope of diversification of its business, AKASOL strives for both horizontal diversification (offering and developing additional products, accessories, etc.) and vertical diversification (offering comprehensive solutions such as turnkey applications, e.g. high-speed charging stations).

Where development of new products or product generations is concerned, AKASOL's actions are based on a clearly defined innovation roadmap that takes into account the necessary adaptations to relevant customer needs and specific requirements of new markets. Thanks to rapid production of prototypes and samples, convincing product examples can be presented to customers at an early stage; then, if need be, adjustments can be made that ensure the success of a development project. Recruitment and further development of qualified employees for the continuous development of technological skills, particularly in the field of research and development, is also decisive to the Company's success.

The expansion of the service portfolio in the area of customer service, which includes after-sales services such as maintenance, is designed to contribute to optimization of the customer experience, customer loyalty and thus to a positive trend in revenue. As a first step, AKASOL focuses on providing staff reinforcement to service management.

AKASOL management expects a dynamic market environment and rising demand in the coming years. Growth will largely be driven by business with leading manufacturers of buses and commercial vehicles. Additional growth potential is expected to result when the portfolio expands to include third-generation AKASOL battery systems. In addition, AKASOL wants to take advantage of growth opportunities associated with the electrification of rail vehicles. Production of the 48 V AKARack battery system for use in construction machinery such as excavators or earth movers also creates further sales potential.

Furthermore, AKASOL sees growth opportunities in the future from the supply of high-performance

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21 https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2020/KKB_63_2020-Q1_Welt_DE.pdf

22 https://battprod.vdma.org/documents/7411591/15357859/Update%202018%20Roadmap%20Batterieproduktionsmittel%202030.pdf/00d1bf54-4a57-1a0c-8b4d-ca0531d1696a?t=686185.84

battery systems for fuel cell-powered vehicles. The Company is also reviewing the further development of the world's first mobile, battery-supported high-speed charging station for electric vehicles as a series product and possibilities for subsequent marketing of this product.

Among other things, AKASOL's goal is to become an established Tier-1 system supplier in Europe and North America over the next five years. The Company also strives to be the leading brand for battery systems in hybrid and all-electric commercial vehicles by 2025. Continuous growth in capacity, to up to 10 GWh over the next five years, as well as the innovative product portfolio, will have a positive impact on the Company and contribute to sustainable business performance.

6.3 OUTLOOK 2020

In an economic and social environment not significantly subject to the adverse effects of the COVID-19 pandemic, the management of the AKASOL Group sees essentially very good development prospects that should enable AKASOL to achieve further significant revenue increases in the coming years and, if this occurs, positive earnings before interest and taxes (EBIT) as well. This forecast is bolstered by the current inventory of potential orders as of the balance sheet date of December 31, 2019, in the amount of EUR 2 billion for the planning phase extending to and including 2027 and the call-off forecasts of the most important customers.

In spite of temporary interruptions in production, thus far, major customers have scarcely revised their delivery forecasts vis-à-vis AKASOL because of the COVID-19 pandemic. AKASOL management views this as a sign that, even in the current crisis situation, the electrification of buses, rail or commercial vehicles is not currently called into question in the customers' strategy and instead will actually be expanded as a focus after the crisis.

However, the significant global cooling of economic activity as a result of the COVID-19 pandemic is currently seriously affecting planning security. At present, it is not foreseeable over what period and to what extent the spread of COVID-19 could negatively affect AKASOL's net assets, financial position and results of operations. Accordingly, a sufficiently reliable quantification of possible effects is not possible at this point in time. Based on what is currently known, it cannot be ruled out that a worsening of the COVID-19 crisis could possibly also have a palpable impact on the business of the AKASOL Group.

The AKASOL Management Board still considers an increase in revenue and EBIT margin improvement for the financial year 2020 compared to the financial year 2019 to be achievable in case that AKASOL's customers return from the block break in time due to the current COVID-19 developments and do not significantly revise their call-offs for the entire year. Due to the current exceptional global situation, it does not currently consider itself in a position to make a reliable quantitative forecast for the year 2020. AKASOL will, however, immediately present a forecast as soon as the effects of COVID-19 can be considered with sufficient certainty.

7 CORPORATE GOVERNANCE

7.1 STATEMENT ON CORPORATE GOVERNANCE

Good corporate governance is a central part of the management approach in effect at AKASOL AG: The Management Board and Supervisory Board have an obligation to this, and all of the divisions of the Company are guided by it. The statement on corporate governance pursuant to Section 289f and Section 315d of the German Commercial Code (HGB) contains the Declaration of Conformity pursuant to Section 161 of the German Stock Corporation Act (AktG), the relevant disclosures on corporate-governance practices that are applied beyond the statutory requirements and a description of the functioning of the Management Board and Supervisory Board as well as the composition and functioning of the Supervisory Board.

Executive bodies of AKASOL AG

Management Board

The Management Board manages AKASOL AG at its own responsibility in accordance with the law, the Articles of Association, the Rules of Procedure and a schedule of responsibilities. Key management responsibilities of the Management Board include setting the corporate objectives and charting the strategic course of the Company, management and monitoring of the Company and corporate planning. The Management Board of AKASOL AG currently consists of two members. During the reporting period, Sven Schulz and Carsten Bovenschen were members of the Management Board (effective January 15, 2019). Dr. Curt Philipp Lorber resigned from his position as a member of the Management Board of the Company with immediate effect, January 10, 2019, and thus resigned as a member of the Management Board of AKASOL AG.

Sven Schulz, b. 1975, Dipl. Industrial Engineer (MBA), was co-founder and sole investor in AKASOL GmbH in 2008. Before he was appointed CEO of AKASOL AG in May 2018, he worked as Managing Director of AKASOL GmbH. His responsibilities include the following areas: Research & Development, Production, Project and Product Management, Sales, Marketing and Communication. Mr. Schulz's appointment to the Management Board of AKASOL AG lasts until May 2021.

The Supervisory Board appointed Mr. Carsten Bovenschen, b. 1964, Business Graduate (Dipl.-Kaufmann), the new CFO of AKASOL AG, with immediate effect, on January 15, 2019. Mr. Bovenschen is responsible for the areas of Finance, Investor Relations, Human Resources, Law, IT, Purchasing and Organization. His appointment to the Management Board of AKASOL AG lasts until January 2022.

Dr. Curt Philipp Lorber, b. 1971, economist, was a member of the Management Board of AKASOL AG from May 2018 to January 2019 and in his capacity as Chief Financial Officer was responsible for the areas of Finance, Investor Relations, Human Resources, Law and Organization.

The members of the Management Board regularly inform one another of the status of, and any developments in, their respective areas of responsibility. The members of the Management Board will not have exceeded the age of 65 at the time of their appointment.

Supervisory Board

The Supervisory Board of AKASOL AG appoints and advises the Management Board. At the same time, it monitors the Management Board's corporate governance, including with regard to the achievement of long-term corporate objectives. The Supervisory Board reviews the annual and consolidated financial statements and the combined management report. Taking into account the auditor's audit reports, it approves the annual financial statements of AKASOL AG and approves the consolidated financial statements as well.

In the 2019 financial year, the members of the Management Board did not encounter any conflicts of interest that would require disclosure to the Supervisory Board. The Management Board involves the Supervisory Board in its planning for the further development of AKASOL AG as well as in decisions on significant measures. The Chairman of the Supervisory Board reports on that body's work in a separate report of the Supervisory Board.

The Chairman of the Supervisory Board coordinates the work of the Supervisory Board, chairs its meetings, maintains regular contact with the Management Board including between Supervisory Board meetings and advises it on strategy, planning, business performance, risk management and compliance topics. The Chair of the Supervisory Board is informed immediately by the Chair of the Management Board of any important events that are material to an assessment of the situation and development of, and to the management of, AKASOL AG. Transactions requiring approval are enumerated in the Rules of Procedure of the Management Board.

The first appointments to the current Supervisory Board of AKASOL AG were made on May 14, 2018 (Dr. Christoph Reimnitz) and June 8, 2018 (Dr. Marie-Luise Wolff and Dr. Christian Brenneke). The Supervisory Board of AKASOL AG had three members during the reporting year: Dr. Christoph Reimnitz (Chairman), Dr. Marie-Luise Wolff (Deputy Chairwoman) and Dr. Christian Brenneke.

The term of office of all three Supervisory Board members ends at the close of the Annual General Meeting that decides on the exoneration of the Supervisory Board for the financial year ending December 31, 2022. The term of office of a Supervisory Board member normally ends with the expiry of the Annual General Meeting following the Supervisory Board member's 75th birthday.

During the 2019 financial year, the Supervisory Board met in four ordinary attendance meetings and three ordinary telephone conferences. The members of the Management Board attended the meetings of the Supervisory Board as well. The Supervisory Board also met without the Management Board. The rate of meeting participation was 100%. All in all, the quorum requirements for the conduct of business by the Supervisory Board were consistently met.

The Company's Supervisory Board did not constitute any committees in 2019, as this was deemed inefficient and unnecessary given the size of the three-member Supervisory Board. The Supervisory Board dealt with all issues brought before it in its capacity as overall Board.

Target value for the proportion of women

Currently, there are no women employed as members of the two-person Management Board of AKASOL AG. One of the three members of the Supervisory Board of AKASOL AG is a woman. When selecting the membership, the respective candidate's professional and personal qualifications take precedence, not whether the candidate is male or female. No target was decided in the past 2019 financial year for the proportion of women of the two bodies, the Supervisory Board and the Management Board.

During the 2020 financial year, the Supervisory Board will set a target for the proportion of women on the Supervisory Board and the Management Board, as well as the timeline for achieving this.

In the 2020 financial year, the Supervisory Board of AKASOL AG will set a target figure of 33% for the proportion of women on the Supervisory Board and a target figure of 25% for the proportion of women on the Management Board, together with a deadline of March 31, 2025, in accordance with Section 111 (5) of the German Stock Corporation Act (AktG).

Adequate participation of women on both management levels below the Management Board level is a function of individual competence for the position in question. Under this assumption, when filling management positions the Management Board will pay attention to diversity and appropriate levels of participation of women. The proportion of women in the Company's levels of management below this currently stands at 25%. The target proportion of women in the two management levels below that of the Management Board was set at 5%, with a deadline of May 31, 2023.

Composition of the Management Board and the Supervisory Board and diversity in management functions

AKASOL AG has targeted concepts with regard to the composition of the Management Board and the Supervisory Board, and the Supervisory Board monitors their achievement within the scope of its authority under the laws applicable to stock corporations. Diversity in other of the Company's management functions are also reported below.

Diversity concept: Management Board

In order to implement the recommendation of the German Corporate Governance Code (DCGK), the Supervisory Board will also heed considerations of diversity in the composition of the Management Board. Specifically, the Supervisory Board seeks to ensure that women are adequately considered by endeavoring, in the context of the process of selecting members for the Management Board, to ensure that women who are appropriately qualified are also members of the Management Board. In addition to this, the concept of diversity includes aspects such as age, educational and professional background and internationality.

The Management Board takes aspects of diversity into account, except that its membership does not include females. The Management Board has an appropriate experience and age structure, and its members have international experience. The body has an adequate range of technical and general education, together with professional expertise and experience.

Diversity concept: Supervisory Board

In keeping with the DCGK, the Supervisory Board has identified the following specific targets for its composition, together with a skills profile for the entire body, and has included these in the Rules of Procedure to which the Supervisory Board adheres. These targets take potential conflicts of interest into consideration, an age limit and length of service to be specified for members of the Supervisory Board, as well as diversity, and provide particularly for adequate participation by women.

The targets for composition and the desired skills profile of the Supervisory Board are also represented in the diversity concept of AKASOL AG, within the meaning of Section 289f (2) No. 6 of the German Commercial Code (HGB), which is observed with regard to the composition of the Supervisory Board. Through diversity of expertise and views on the part of the members of the Supervisory Board, this concept aims to facilitate a solid command of the organizational and business matters of AKASOL AG. This diversity should put members in a position to constructively question decisions by the Management Board and to be open to innovative ideas. This will contribute to the provision of effective management and judicious advice to management of the Company.

Diversity concept: Management functions in the Company

The Management Board also takes considerations of diversity into account when filling management positions at AKASOL AG, in accordance with the recommendation of the DCGK, and specifically strives to ensure that women are adequately taken into account. These targets are pursued alongside and in addition to balanced professional qualifications.

Shareholders and Annual General Meeting

Unless otherwise provided by law, the shareholders exercise their rights in Company matters at the Annual General Meeting. Only those shareholders who have registered in good time and demonstrated their entitlement to participate in the Annual General Meeting and to exercise their voting rights at the Annual General Meeting are entitled to participate in the Annual General Meeting and to exercise their voting rights there. Entitlement to participate in the Annual General Meeting and to vote in the Annual General Meeting is granted by a written proof of ownership by the custodian institution (from 2021: last intermediary).

AKASOL also makes it easier for shareholders to exercise their voting rights through proxy voting even without attending the Annual General Meeting. Shareholders may also be represented by a proxy of their choosing. The Chairman of the Supervisory Board chairs the Annual General Meeting. The Annual General Meeting decides on all tasks entrusted to it by law (including exoneration of the Management Board and the Supervisory Board, appointment of members to the Supervisory Board, capital measures and amendments to the Articles of Association).

Accounting and annual audit

By resolution of the Supervisory Board meeting of November 22, 2019, BDO AG Wirtschaftsprüfungsgesellschaft, of Frankfurt am Main, Germany, were appointed by the 2019 Annual General Meeting as auditors for the financial year from January 1 to December 31, 2019, and were commissioned accordingly by the Chair of the Supervisory Board. At no time were there any business, financial, personal or other relationships between BDO and its organizational units and audit directors, on the one hand, and AKASOL AG and its organizational units, on the other hand, that could raise doubts about the independence of the audit firm.

BDO participates in the deliberations of the Supervisory Board concerning the annual and consolidated financial statements and reports on the main results of its audit. The Supervisory Board convinced itself of the independence of the BDO before granting the audit engagement.

In 2019, the German Financial Reporting Enforcement Panel audited the financial reporting of AKASOL AG and did not find any errors. The advice given was implemented.

Open and transparent communication with capital markets

AKASOL AG informs all market stakeholders openly, transparently, comprehensively and promptly. It also participated in numerous investor conferences, road shows and other capital market events in the 2019 financial year. Investors, analysts and journalists are informed by AKASOL AG on the basis of uniform criteria. Transparent information is provided to all capital market stakeholders.

AKASOL AG places great value on providing information uniformly, comprehensively and promptly. Reporting on the business situation and results of AKASOL AG takes place in the Annual Report, at press and telephone conferences, in the quarterly reports and in the semi-annual report. Information is also published via press releases or ad hoc disclosures. All disclosures, presentations and notifications can be viewed online at akasol.com, in the “Investor Relations” section.

Compliance

Transparency, independence and trust are fundamental principles and the basis for the economic success of AKASOL AG. Illegal business conduct not only damages concrete business relationships but also the economy and competition as a whole in the medium term. The mandatory guiding principle that governs the actions of all people working at AKASOL AG is thus for all business decisions and actions to be made in accordance with applicable law and our internal guidelines.

The Management Board has therefore established a compliance management system and is constantly working to develop it further. In the event of indications of violations of law within the Company, employees of AKASOL AG as well as third parties, acting either under their own name or anonymously, may report any indications of violations or maladministration in the Company. The goal of the compliance management system is to systematically and permanently prevent, detect and sanction violations of rules in the aforementioned areas within the Company.

Change in voting rights (pursuant to Section 40 (1) of the German Securities Trading Act (WpHG)

Information on the shareholder structure of AKASOL AG can be found in the company’s management report. The disclosures published in the 2019 financial year regarding the change in voting rights pursuant to Section 40 (1) WpHG are published on the Company's website at akasol.com/de/stimmrechtsmitteilungen.

Directors' Dealings (Disclosure of transactions by managers pursuant to Art. 19 MAR)

In accordance with the provisions of Art. 19 MAR (Directors' Dealings), the Company publishes notification of proprietary trading by persons performing management tasks as well as by (natural and legal) persons closely related to these individuals. These transactions can be viewed on the website at the times prescribed by law. The disclosures published in the 2019 financial year are published on the Company's website at akasol.com/directors-dealings.

Shareholdings of Management Board and Supervisory Board members

Shares held by members of the Management Board and the Supervisory Board:

Management Board	Number of shares as of Dec. 31, 2019
Sven Schulz	2,874,116*
Carsten Bovenschen	1,000
Dr. Curt Philipp Lorber	0**

Supervisory Board	Number of shares as of Dec. 31, 2019
Dr. Christoph Reimnitz	1,300
Dr. Marie-Luise Wolff	0
Dr. Christian Brenneke	0

* The voting rights attributed to Mr. Schulz are held via the company Schulz Group GmbH, which is controlled by Mr. Schulz.
** Dr. Curt Philipp Lorber resigned from his position as a member of the Management Board of the Company with immediate effect, on January 10, 2019.

7.2 DECLARATION OF CONFORMITY WITH THE RECOMMENDATIONS OF THE GERMAN CORPORATE GOVERNANCE CODE PURSUANT TO SECTION 161 OF THE GERMAN STOCK CORPORATION ACT (AKTG)

The German Corporate Governance Code presents statutory rules for the management and supervision of listed German companies and contains internationally and nationally recognized standards for good and responsible corporate governance.

AKASOL AG complies with, and will continue to comply with, all of the recommendations of the version of the German Corporate Governance Code of December 16, 2019 ("Code 2020") published by the German Federal Ministry of Justice in the official section of the Federal Gazette on March 20, 2020, with the following exceptions:

Divergence from Code Principle 8, Sentence 4

The recommendation in Principle 8 of Code 2020 – according to which the Annual General Meeting decides, in principle, in an advisory capacity, on the approval of the remuneration system for the members of the Management Board submitted by the Supervisory Board; on the specific remuneration of the Supervisory Board; and, in a recommending capacity, on the approval of the remuneration report for the previous financial year – was not met for the 2019 financial year.

The Supervisory Board of AKASOL AG intends to follow the corresponding recommendation of Code 2020 in the future at the Annual General Meeting that makes resolutions with regard to the 2020 financial year.

Divergence from Code Principle 9, Sentence 2, and Code Principle 11

The Code recommends that the composition of the Management Board (Code of Principle 9, Sentence 2) and the Supervisory Board (Code of Principle 11) comply with a statutory gender quota and set targets for the proportion of women on the Management Board.

Diversity is always taken into consideration when management positions in the Company are filled. The focus, however, is on the professional qualifications and experience of the available candidates (male/female/diverse). The same holds true for the Supervisory Board in the appointment of members of the Management Board and in proposals for the appointment of members to the Supervisory Board.

Thus far, the Supervisory Board of AKASOL AG has not set any targets for the 2019 financial year with regard to the share of women in the Management Board and in the 2020 financial year will set a target figure of 33% for the proportion of women on the Supervisory Board and a target figure of 25% for the proportion of women on the Management Board, together with a deadline of March 31, 2025, in accordance with Section 111 (5) of the German Stock Corporation Act (AktG).

Divergence from Code Principle 9, Section B.2

For the time being, the recommendation in Section B.2 of the Code, proposing that the Supervisory Board, together with the Management Board, should ensure long-term succession planning is not followed. As the members of the Management Board were appointed only recently, the Supervisory Board has not yet developed guidelines for the succession of members of the Management Board.

In order to ensure sustainable corporate development, in the near future the Supervisory Board, together with the Management Board, will develop long-term succession planning.

Divergence from Code Principle 14

The Code recommends that larger companies set up committees with technical qualifications. Since the Supervisory Board of AKASOL AG consists of three members, no committees are formed within the Supervisory Board.

Divergence from Code Principle 18, Section D.12

The recommendation in Section D.12 of the Code is for the Company to provide an appropriate level of support to members of the Supervisory Board during their onboarding along with measures for training and continuing education, and to report on measures taken in the report of the Supervisory Board.

However, the members of the Supervisory Board are mainly responsible for the training and continuing education that their tasks require and receive adequate support in this connection from the Company. Because the new legislation and the Code recommendations linked to it were announced at short notice before this Declaration of Conformity was submitted, the Company was not able to report on the measures taken.

In line with the recommendation of Code 2020, this will be done before the next regular publication of the Supervisory Board report.

Divergence from Code Principle 18, Section D.13

The Code recommends a regular self-assessment by the Supervisory Board on the effectiveness with which it has discharged its duties. In the statement on corporate governance, the Supervisory Board is to report on whether and how a self-assessment was carried out.

The Supervisory Board did not undertake a self-assessment in 2019. Given the close and trusting cooperation that exists, the Supervisory Board believes that a maximum efficiency has been reached.

In accordance with the recommendation of Code 2020, in the future the Supervisory Board will perform a regular effectiveness assessment and report on this in the next regular publication of the statement on corporate governance.

Divergence from Code Principle 21

The recommendation in Principle 21 of Code 2020 that shareholders and third parties should be informed through CSR reporting is not met for the 2019 financial year. Under Section 289 (1) of the German Commercial Code (HGB), the Company is not obliged to expand upon the non-financial statement. However, AKASOL AG intends to follow the recommendation of Code 2020 to this effect in the future.

Divergence from Code Principle 21, Section F.2

The Code recommends the publication of consolidated financial statements within 90 days of the end of the financial year and the publication of financial information during the year within 45 days following the end of the reporting period.

AKASOL AG publishes the annual and consolidated financial statements and interim reports in accordance with statutory requirements and strives to comply with the deadlines recommended by the Code.

Divergence from Code Principle 23, Sections G.3, G.4, G.7, G.8 and G.10

The Code recommends a clear and understandable system for the remuneration of members of the Management Board. In 2019, the Supervisory Board does not yet have a complete remuneration system for the Management Board in place within the meaning of Section 87a of the German Stock Corporation Act (AktG). Because the new legislation and the Code recommendations linked to it were announced at short notice before this Declaration of Conformity was submitted, the Company was not able to institute a corresponding remuneration system beforehand.

Section G.1 of Code 2020 contains new recommendations on the remuneration of the Management Board. The following of these recommendations are not fully in line with the existing system for the remuneration of the Management Board:

- G.3 (Total remuneration of members of the Management Board in comparison with other companies)
- G.4 (Relationship between Management Board remuneration and remuneration of senior management and staff)
- G.7 (Specification of performance criteria for variable remuneration components)
- G.8 (Exclusion of subsequent change of target values or comparison parameters)
- G.10 (Disposal of long-term variable grant amounts)

The Supervisory Board of AKASOL AG intends to follow the recommendations of Code 2020 with regard to Management Board remuneration for future changes and/or adjustments to existing contracts with Management Board members as well as for the conclusion of new Management Board contracts.

7.3 TAKEOVER-RELEVANT DISCLOSURES

Composition of subscribed capital

The subscribed capital (share capital) of AKASOL AG amounts to EUR 6,061,856.00 and is divided into 6,061,856 no-par value bearer shares (no-par value shares) with a pro rata share of the share capital of EUR 1.00 apiece. All shares are entitled to a dividend payments. Each share grants one vote at the Annual General Meeting.

Restrictions on share voting rights or on transfers

The Management Board is not aware of any restrictions relating to voting rights or the transfer of shares.

Capital-participation arrangements that exceed 10% of the voting rights

As of December 31, 2019, Mr. Sven Schulz (CEO of AKASOL AG) held 2,874,116 shares of the Company, both indirectly and directly through Schulz Group GmbH, Ravensburg, Germany. This corresponds to approximately 47% of the company's share capital.

Shares with special rights that confer powers of control

There are no shares with special rights that confer powers of control.

Type of control of voting rights where employees hold shares

Insofar as employees have a stake in the Company's capital as shareholders, they cannot derive any special rights therefrom.

Appointment and dismissal of the members of the Management Board and amendment of the Articles of Association

With regard to the regulations governing the appointment and dismissal of members of the Management Board, reference is made to the statutory provisions of Sections 84 and 85 of the German Stock Corporation Act (AktG).

Pursuant to Section 6 (1) of the Articles of Association, the Management Board consists of at least two persons; the number of members of the Management Board is determined by the Supervisory Board.

With regard to the regulations governing amendments to the Articles of Association, reference is made to the statutory provisions of Sections 133 and 179 of the German Stock Corporation Act (AktG).

Section 9 (2) of the Articles of Association also provides: "The Supervisory Board is authorized to pass resolutions on amendments to the Articles of Association that have implications for the wording alone. Specifically, the Supervisory Board is authorized to amend the wording of the Articles of Association following full or partial implementation of the increase in share capital from authorized capital (Section 4 (6) of the Articles of Association) or following expiry of the authorization period in accordance with the scope of the capital increase from authorized capital."

Powers of the Management Board to issue shares

By resolution of the Extraordinary General Meeting of June 8, 2018, the Management Board is authorized to increase the share capital of the Company, subject to the consent of the Supervisory Board, once or several times, up to and including May 13, 2023, by up to a total of EUR 2,000,000.00 in exchange for cash and/or in-kind contributions by issuing new bearer shares (no-par value shares) (authorized capital 2018).

Shareholders have a basic subscription right. Pursuant to Section 186 (5) of the German Stock Corporation Act (AktG), the new shares may also be acquired by a bank or a company operating pursuant to Section 53 (1) Sentence 1 or Section 53b (1) Sentence 1 or (7) of the German Banking Act (KWG) with the obligation to offer these to shareholders for subscription (indirect subscription right). However, the Management Board is authorized, with the consent of the Supervisory Board, to exclude the subscription rights of the shareholders in the cases referred to in Item 4.5 of the Company's Articles of Association, as amended in June 2018.

Change of control and indemnification agreements

There are no special provisions in effect that would govern in the event of a change of control or special indemnity agreements of the Company in the event of a takeover bid.

7.4 REMUNERATION REPORT

Management Board remuneration

The following table shows the payments granted to members of the Management Board during the financial year under report:

Payments granted	Sven Schulz Chief Executive Officer Joined Company on: May 14, 2018		Carsten Bovenschen Chief Financial Officer Joined Company on: January 15, 2019		Dr. Curt Philipp Lorber Chief Financial Officer Joined Company on: May 14, 2018*	
KEUR	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Fixed remuneration	120	76	173	-	3	76
Fringe benefits	0	3	15	-	0	3
One-year variable remuneration	8**	6	9**	-	(-5)***	23
Multiple-year variable remuneration	17	12	26	-	0	0
Total	145	97	223	-	3	102
Pension expenses	0	4	3	-	0	4
Total remuneration	145	101	226	-	3	106

* Dr. Curt Philipp Lorber resigned from his position as a member of the Management Board of the Company with immediate effect, on January 10, 2019.

** The current members of the Management Board have not yet received the corresponding earnings for members of the Management Board for the completed 2019 financial year with regard to the one-year variable remuneration (annual bonus). A disbursement will be announced during the 2020 financial year.

*** During the 2018 financial year, a provision of variable remuneration in the amount of KEUR 23 was created for Dr. Curt Philipp Lorber but not disbursed. For the termination of the employment relationship, he received a total amount of KEUR 18 in the 2019 financial year.

The Management Board of AKASOL AG currently consists of two members. During the reporting period, Messrs. Sven Schulz and Carsten Bovenschen were members of the Management Board (effective January 15, 2019). Dr. Curt Philipp Lorber resigned from his position as a member of the Management Board of the Company with immediate effect, on January 10, 2019.

Mr. Sven Schulz's total remuneration includes salaries and short-term benefits in the amount of KEUR 145 and comprises fixed components in the amount of KEUR 120 (previous year: KEUR 76) as well as variable components in the amount of KEUR 25 (previous year: KEUR 18).

Mr. Carsten Bovenschen's total remuneration includes salaries and short-term benefits in the amount of KEUR 226 and includes fixed components in the amount of KEUR 173 (previous year: n.a.), variable components in the amount of KEUR 35 (previous year: n.a.) and KEUR 18 in fringe benefits and pension expenses.

Remuneration of former members of the Management Board

Dr. Curt Philipp Lorber resigned from the Management Board as of January 10, 2019. In addition to the remuneration as an active member of the Management Board until January 10, 2019, he received fixed remuneration of KEUR 3 and a bonus of KEUR 18. The total remuneration for the financial year 2019 as an active member of the Management Board amounts to KEUR 21. For the remaining term of the employment contract up to and including March 31, 2020, his remuneration claims and his contractual pension contributions were continued for the remaining term in accordance with the termination agreement following the date of termination, in accordance with the normal procedure. His fixed remuneration as a no longer active member of the Management Board amounted to KEUR 127 and fringe benefits and pension contributions of KEUR 10 in the financial year 2019. Corresponding provisions of KEUR 32 were formed for the remaining term of the employment contract from January 1, 2020 to March 31, 2020.

Supervisory Board remuneration

Under the Articles of Association, the remuneration paid to members of the first Supervisory Board is determined by the Annual General Meeting, which passes a resolution exonerating the members of the first Supervisory Board.

For the remainder, under the Articles of Association, the members of the Supervisory Board receive fixed remuneration of KEUR 15. The Chair of the Supervisory Board receives KEUR 30, and the Vice-Chair of the Supervisory Board receives KEUR 20 per financial year. If a person is a member of the Supervisory Board for just a portion of the financial year, the remuneration is determined on a pro rata basis.

The members of the Supervisory Board are covered under financial liability insurance taken out by the Company pursuant to the usual market conditions on behalf of the members of the Management and Supervisory Boards.

In addition, the members of the Supervisory Board are reimbursed for reasonable and demonstrated expenses incurred in the performance of their duties, and for any VAT amounts attributable to the Supervisory Board remuneration, insofar as they are entitled to invoice the Company separately for VAT and exercise this right.

Payments granted	**Dr. Christoph Reimnitz Chairman of the Supervisory Board**		**Dr. Marie-Luise Wolff Deputy Chairwoman of the Supervisory Board**		**Dr. Christoph Brenneke Member of the Supervisory Board**	
KEUR	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Fixed remuneration	30.0	20.0	20.0	13.9	15.0	10.4
Total remuneration	30.0	20.0	20.0	13.9	15.0	10.4

7.5 CLOSING STATEMENT OF THE MANAGEMENT BOARD ON RELATIONSHIPS WITH AFFILIATED COMPANIES N

In the case of the legal transactions listed in the report on relationships with affiliated companies, and based on the circumstances known to us at the time the transactions were carried out, AKASOL AG received reasonable consideration for the transactions listed. No action was taken or omitted on the initiative of, or in the interest of, the controlling Company or any of its affiliates.

Darmstadt, Germany, April 23, 2020

Sven Schulz
Chief Executive Officer

Carsten Bovenschen
Chief Financial Officer

4

CONSOLIDATED BALANCE SHEET

KEUR	Appendix	31.12.2019	31.12.2018
Non-current assets			
Intangible assets	6.1.1	5,823	2,814
Tangible assets	6.1.2	31,051	5,396
Other financial assets	6.1.3	17,372	54,771
Other non-financial assets	6.5	32	14
Deferred tax assets	7.9	0	1,354
Total non-current assets		**54,278**	**64,349**
Current assets			
Inventories	6.2	27,815	10,462
Trade receivables	6.3	15,198	7,551
Other financial assets	6.4	23,000	8,633
Other non-financial assets	6.5	4,559	2,049
Income tax receivables	6.6	183	140
Cash and cash equivalents	6.7	24,861	21,926
Total current assets		**95,616**	**50,760**
Total assets		**149,894**	**115,109**
Equity			
Subscribed capital		6,062	6,062
Capital reserve		96,524	96,747
Result carried forward		-7,535	-1,102
Currency provisions		-1	0
Total equity	**6.8**	**95,050**	**101,706**
Non-current liabilities			
Deferred tax liabilities	7.9	0	0
Financial liabilities			
Liabilities to banks	6.9.1	32,166	4,046
Other financial liabilities		4,825	0
Total non-current liabilities		**36,991**	**4,046**
Current liabilities			
Financial liabilities			
Liabilities to banks	6.9.1	3,700	1,933
Other financial liabilities		884	0
Trade payables	6.10	10,440	4,095
Other non-financial liabilities	6.11	2,332	3,105
Provisions	6.12	497	225
Total current liabilities		**17,853**	**9,357**
Total equity and liabilities		**149,894**	**115,109**

CONSOLIDATED INCOME STATEMENT

KEUR	Appendix	2019	2018
Revenue	**7.1**	**47,648**	**21,587**
Increase or decrease in unfinished and finished goods and work in progress		2,616	933
Own work capitalized	7.2	3,475	2,900
Other operating income	7.3	280	587
Cost of materials	7.4	-36,871	-12,469
Personnel expenses	7.5	-13,544	-7,073
Other operating expenses	7.6	-6,756	-6,652
Depreciation and amortization	7.7	-2,137	-812
Operating result (EBIT)		**-5,289**	**-1,000**
Financial income		253	131
Financial expenses		-266	-268
Financial result	**7.8**	**-13**	**-137**
Earnings before taxes (EBT)		**-5,302**	**-1,137**
Taxes on income	7.9	-1,131	411
Result for the period		**-6,433**	**-726**
Other comprehensive income		-1	0
Net result for the period		**-6,434**	**-726**
Earnings per share in EUR		-1.06	-0.17
Average number of shares outstanding		6,061,856	4,382,206

CONSOLIDATED CASH FLOW STATEMENT

KEUR		Appendix	31.12.2019	31.12.2018
Cash flow from operating activities				
Operating result (EBIT)			-5,289	-1,000
+	Depreciation on fixed assets		2,137	812
+/-	Other non-cash changes		33	52
Changes in net current assets				
-/+	Increase/decrease in inventories		-17,350	-5,120
-/+	Increase/decrease in trade receivables		-7,592	-5,482
-/+	Increase/decrease in other assets not attributable to investment or financing activities		-3,389	-1,629
+/-	Increase/decrease in trade payables		6,276	2,730
+/-	Increase/decrease in accounts payable and other liabilities not attributable to investment or financing activities		-536	-232
+/-	Increase/decrease in provisions		272	-131
-/+	Gain/loss on disposal of fixed assets		-94	0
-/+	Interest paid/received		-24	-254
-/+	Taxes paid		-43	-140
=	**Cash flow from operating activities**	8	-25,599	-10,394
Cash flow from investment activities				
-	Production and purchase of intangible assets		-3,420	-1,945
-	Purchase of tangible assets		-21,392	-2,732
-	Purchase of financial assets and other securities		0	-66,904
+	Sale of financial assets		24,000	3,500
=	**Cash flow from investment activities**	8	-812	-68,081
Cash flow from financing activities				
+	Capital increase through the issue of new shares		0	98,818
+	Proceeds from financial liabilities		32,000	0
-	Repayment of financial liabilities		-2,664	-1,255
=	**Cash flow from financing activities**	8	29,336	97,563
Funds at the end of the period				
Changes in financial resources affecting payments			2,925	19,088
+/-	Change in funds due to change in scope of consolidation		9	0
+/-	Funds on 1 January		21,926	2,839
=	Cash at end of period		24,861	21,926
Composition of funds				
Cash and cash equivalents		6.7	24,861	21,926

CONSOLIDATED STATEMENT OF CHANGES TO EQUITY

KEUR	Subscribed capital	Capital reserve	Result carried forward	Currency provisions	Equity
Balance at January 1, 2018	2,000	0	-375	0	1,625
Capital increase	4,062	0	0	0	4,062
Premium from the issue of new shares	0	96,747	0	0	96,747
Result for the period	0	0	-726	0	-726
Balance at December 31, 2018	6,062	96,747	-1,101	0	101,707
Balance at January 1, 2019	6,062	96,747	-1,101	0	101,707
Value adjustment of deferred tax assets	0	-223	0	0	-223
Result for the period	0	0	-6,433	-1	-6,434
Balance at December 31, 2019	6,062	96,524	-7,534	-1	95,051

FINANCIAL YEAR 2019

NOTES TO THE IFRS FINANCIAL STATEMENTS OF AKASOL AG

1. GENERAL INFORMATION ABOUT THE REPORTING COMPANY

AKASOL AG (hereinafter, the "Company") is a listed joint stock corporation under the law of the Federal Republic of Germany and has its registered office in 64293 Darmstadt, Landwehrstraße 55, Germany. It is entered in the Commercial Register of the Local Court of Darmstadt under Commercial Register No. HRB 97834.

With a change of form on 14 May 2018, AKASOL GmbH, which is entered with the Local Court of Darmstadt under the Commercial Register No. HRB 87340, was converted into a joint stock corporation. This was entered in the commercial register of the Local Court of Darmstadt on 8 June 2018.

By initial notice on 29 June 2018, AKASOL AG was admitted to the regulated market (Prime Standard Segment) of the Frankfurt Stock Exchange under International Securities Identification No. (ISIN) DE000A2JNWZ9 and German Securities Identification No. (WKN) A2JNWZ.

In financial year 2019, the subsidiary in the United States, which was newly founded in 2017, will be included in the financial statements of AKASOL for the first time, so that consolidated financial statements will also be prepared for the first time. The comparative figures for the previous year only include the parent company, AKASOL AG. They were taken from the individual financial statements of AKASOL AG published for the previous year in accordance with § 325 II a of the German Commercial Code (HGB).

AKASOL AG develops and produces lithium-ion battery systems for hybrid and fully electric drive systems in mobile applications as well as for stationary systems for the storage of renewable energies.

The consolidated financial statements of the Company are prepared in EURO (EUR), which is both the functional and the reporting currency. Unless indicated otherwise, figures are reported in thousands of euro (KEUR). This may result in rounding differences of up to one unit of account.

The Group's financial year covers the period from 1 January to 31 December of each year.

2 ACCOUNTING PRINCIPLES

2.1 GENERAL REMARKS

On the balance sheet date, AKASOL AG fulfils the characteristics of a large corporation in the terms of § 267(3), Sentence 2 of the Commercial Code, as it uses an organized market in the terms of § 2(5) of the German Securities Trading Act (WpHG) through securities issued by it.

These consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) and the interpretations of the IFRS Interpretations Committee (IFRS IC) of the International Accounting Standards Board (IASB), as adopted by the European Union. They take into account all mandatory accounting standards and interpretations applicable in the EU. In addition, the requirements of § 315e of the Commercial Code are observed.

The material accounting and valuation principles applied in the preparation of the consolidated financial statements are presented below. Unless stated otherwise, these principles were applied uniformly for all the financial years presented.

The Company has prepared the consolidated financial statements on a going concern basis.

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and to disclose contingent assets and liabilities. In addition, management is also required to apply the accounting policies according to its own discretion. Although these estimates and assumptions are based on the best possible knowledge of events and measures, the results may differ from these estimates.

The consolidated financial statements have been prepared on the basis of historical acquisition or production costs, with the exception that certain financial instruments are measured at fair value. Historical cost is based on the respective value of the consideration paid for assets. The fair value of the consideration must be used as the basis here.

"Fair value" is the price that would be paid on the measurement date for the sale of an asset or transfer of a liability in an arm's length transaction between market participants, whether the price is directly observable or estimated using another valuation technique.

In determining the fair value of an asset or liability, the Group considers the characteristics of the asset or liability to the extent that market participants would also consider these characteristics in pricing the asset or liability on the measurement date. On this basis, the fair value is determined for purposes of measurement or inclusion in the financial statements. In addition, for financial reporting purposes, fair value measurements are divided into Levels 1, 2 and 3, depending on the observability of the inputs used to measure the respective fair values and the significance of those inputs to the fair value measurement as a whole. This measurement hierarchy is described as follows:

- Level 1 inputs include quoted (unadjusted) prices in active markets for identical assets or liabilities to which the entity has access on the measurement date.
- Level 2 inputs include sources of information other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs include unobservable inputs related to the asset or liability.

The profit and loss account contained in the consolidated statement of comprehensive income was disclosed in accordance with the cost summary method. The Group makes use of the option to present all income and expense items and the components of other comprehensive results recognized in a period in one single-step statement of comprehensive income.

2.2 APPLICATION OF IFRS

The IFRS opening balance sheet of AKASOL AG was prepared as of 1 January 2015. This date marked the date of transition to IFRS. Until financial year 2018, the IFRS figures only included the parent company, AKASOL GmbH.

The following table shows the International Financial Reporting Standards and interpretations that are mandatory as of financial year 2019 with their corresponding effects on the financial statements of the Company:

Standard/ Interpretation	Titel	Application obligation	Effects
IFRS 9	Amendments to IFRS 9: Prepayment regulations with negative compensation	Jan 1, 2019	None
IFRS 16	Lease	Jan 1, 2019	See section 3
IAS 19	Amendments to IAS 19: Employee benefits Plan modification, curtailment, or settlement	Jan 1, 2019	None
IAS 28	Amendments to IAS 28: long-term investments in associates and joint ventures	Jan 1, 2019	None
IFRIC 23	Tax risk positions from income taxes	Jan 1, 2019	None
	Annual improvement of the IFRS (AIP) -cycle 2015 - 2017	Jan 1, 2019	None

The following standards and interpretations have already been adopted by the IASB and partially approved by the EU, but their application is not mandatory for the 2019 financial year w here applicable, the Group will take them into account when the application obligation arises. No effects are currently expected from this.

Standard/ Interpretation	Titel	Application obligation	Effects
IFRS 3	Amendment to IFRS 3: Business combinations - definition of a business operation	Jan 01, 2020	None
IFRS 17	Insurance contracts	Jan 01, 2021	None
IAS 1 & IAS 8	Amendments to IAS 1 and IAS 8: definition of materiality	Jan 01, 2020	None
	Amendments to IFRS 9, IA 39 and IFRS 7: reform of the interest rate benchmark	Jan 01, 2020	None
	Amendment of references to the framework in IFRS standards	Jan 01, 2020	None

3 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

As of 1 January 2019, the Group applied IFRS 16 for the first time for the accounting of leases. IFRS 16 replaces the previous standard IAS 17 and the interpretations IFRIC 4, SIC-15 and SIC-27. Application of the new rules was mandatory as of 1 January 2019.

In addition, a number of other new standards had to be applied for the first time as of 1 January 2019. However, these have no effect on the consolidated financial statements.

The Group has applied IFRS 16 using the modified retrospective method. Therefore, the comparative information for the 2018 financial year, i.e. as previously presented in accordance with IAS 17 and the related interpretations, has not been adjusted. Details of the changes in accounting policies are set out below. Furthermore, the disclosure requirements in IFRS 16 have not generally been applied to the comparative information.

3.1 DEFINITION OF A LEASE

Previously, the Group determined at the inception of an agreement whether an arrangement contained or was a lease pursuant to IAS 17 and IFRIC 4. The Group now assesses whether an agreement is or contains a lease based on the definition of a lease, as explained below.

In the transition to IFRS 16, the Group decided to apply the relief provision to maintain the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases in accordance with IAS 17 and IFRIC 4 were not reviewed to determine whether they qualify as leases under IFRS 16. Therefore, the definition of a lease according to IFRS 16 was only applied to contracts concluded or amended on or after 1 January 2019.

3.2 LEASING RELATIONSHIP AS LESSEE

The Group leases assets as a lessee such as real estate, office furniture and equipment and motor vehicles. The Group previously classified leases as operating leases based on its assessment of whether the lease transferred substantially all the risks and rewards incidental to ownership of the underlying asset to the Group. Pursuant to IFRS 16, the Group recognizes rights of use and lease liabilities for most of these leases, i.e. these leases are recognized in the balance sheet.

On the provision date or when a contract containing a lease component is amended, the Group splits the contractually agreed compenzation into lease and nonlease components on the basis of the relative individual prices.

3.3 LEASES CLASSIFIED AS OPERATING LEASES IN ACCORDANCE WITH IAS

Previously, the Group classified leases as operating leases in accordance with IAS 17. On transition, the lease liabilities for these leases were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as of 1 January 2019.

Rights of use are measured at an amount equal to the lease liability, adjusted by the amount of lease payments made or deferred in advance. The Group applies this approach to all other leases.

The Group audited its rights of use for impairment as of the transition date and concluded that there were no indications of impairment of the rights of use.

The Group has made use of a number of simplification options when applying IFRS 16 to leases that were classified as operating leases under IAS 17. In detail, the Group:

- recognizes neither rights of use nor lease liabilities for leases whose term ends within 12 months of the date of first-time application;
- recognizes neither rights of use nor lease liabilities (e.g. IT equipment) in the case of leases where the underlying asset is of minor value (KEUR 5);
- does not take the initial direct costs into account when measuring the right of use as of the date of first application; and
- retroactively determines the term of leases.

3.4 EFFECTS OF IFRS 16 ON THE CONSOLIDATED FINANCIAL STATEMENTS

On transition to IFRS 16, the Group recognized additional rights of use and lease liabilities at present value. There were no differences that had to be recognized in the earnings reserves.

The effects on the transition date are summarized below:

KEUR	1 JANUARY 2019
Use rights – property, plant and equipment	2,702
Lease liabilities	2,702
Result carried forward	0

In measuring lease liabilities under operating leases, the Group discounted the lease payments at its marginal borrowing rate as of 1 January 2019. The weighted average interest rate is 2.24%.

The following table shows the reconciliation of operating lease obligations to lease liabilities in accordance with IFRS 16 as of 1 January 2019:

KEUR	1 JANUARY 2019
Obligations from operating leases as of 31 December 2018, as reported in accordance with IAS 17 in the previous year's financial statements	1,661
Discounted at the incremental borrowing rate as of 1 January 2019	1,618
- pursuant to the option for unreported leases for which the underlying asset is of minor value	-2
- pursuant to the option for unreported leases whose term ends within 12 months after the date of the initial application	-16
+ extension options that are to be exercised with sufficient certainty	1,102
Lease liability as of 1 January 2019	2,702

4 CONSOLIDATION AND SCOPE OFCONSOLIDATION

"Subsidiaries" means all companies (including structured companies) that are controlled by the Group. The Group controls a holding if there is an exposure to risk from or entitlement to fluctuating returns from its investment in the holding and the Group has the ability to use its power of control (voting majority) over the holding in such a way as to affect the level of return of the holding.

Subsidiaries are included in the consolidated financial statements (full consolidation) from the date on which control is transferred to the Group or the subsidiary is not of minor significance for the presentation of a true and fair view of the financial, liquidity and earnings position of the Group. Consolidation ends as soon as the parent company no longer exercises control.

As of 31 December 2019, the consolidated group encompasses, in addition to the ultimate parent company AKASOL AG, the subsidiary AKASOL Inc, Detroit, Michigan, USA, in which the AKASOL AG holds all shares, which is included within the framework of the full consolidation. The Company in the United States was formed on 17 October 2017, by way of a cash contribution with the aim of producing and selling high-performance lithium-ion battery systems and providing product-related services.

AKASOL, Inc. was consolidated for the first time as of 1 January 2019. The book value of the investment on the date of the initial consolidation is EUR 819.34. The difference between the book value of the investment and the shareholders' equity of AKASOL, Inc. as of 1 January 2019 in the amount of KEUR 61 was recognized in the current result, as it reflects the operating losses incurred by the Company to date.

Financial year 2018 was initially characterized exclusively by the choice of location for production from the point of view of state aid possibilities and the search for local management.

The tendering procedure for the selection of the production site was completed in June 2019 and a lease agreement was signed for a period from 1 December 2019 to 31 December 2024.

In financial year 2018, AKASOL Inc. only carried out preparatory administrative activities and was not operationally active, which is why it will only be consolidated for the first time with its relative contribution within the Group in financial year 2019 when it is integrated into the financial activities of the Group.

The financial statements of the subsidiary are prepared using uniform accounting policies as of the same balance sheet date as the financial statements of the parent company.

Intercompany transactions, balances and profits and losses from transactions between Group companies are eliminated. However, if losses from intercompany transactions exist, this is taken as an indicator that an impairment test must be performed for the transferred asset.

5 ACCOUNTING AND VALUATION PRINCIPLES

5.1 INTANGIBLE ASSETS

Intangible assets are carried at cost. Intangible assets are reported if it is probable that the future financial benefits attributable to the asset will flow to the Company and if the acquisition or production costs of the asset can be reliably determined. The cost of acquisition or production is reduced by the cumulative scheduled depreciation and the cumulative impairment losses. Intangible assets with finite useful lives are amortized on a straight-line basis over their estimated useful lives. The amortization period and the amortization method are reviewed annually at the close of each financial year.

5.1.1 INTERNALLY GENERATED INTANGIBLE ASSETS

Development costs for products and production procedures are capitalized provided the prerequisites in IAS 38 are fulfilled. Production costs include all costs directly attributable to the development process as well as appropriate portions of development-related overhead costs. Capitalized development costs are amortized beginning at the start of production using the straight-line method over the anticipated product life cycle, usually three to five years. Research costs and development costs that cannot be capitalized are expensed as incurred.

AKASOL AG takes advantage of subsidies within the framework of the funding from the Federal Ministry of Economics and Energy and other public institutions. Government grants are recognized when there is reasonable assurance that the grants will be received and the Company will comply with the conditions attached to them. Expenditure-related grants are recognized as income on a scheduled basis over the period required to offset them against the corresponding expenses for which the grants are intended to compensate. Grants for capitalized development projects reduce the cost of the assets concerned and decrease depreciation over the anticipated useful life of three to five years.

5.1.2 SOFTWARE AND OTHER RIGHTS

Software and other rights are capitalized at cost and reported as intangible assets unless the cost of the software is an integral part of the related hardware. Software and other rights are amortized over a period of three to five years.

5.2 TANGIBLE ASSETS

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. When property, plant and equipment are sold or retired, their cost and accumulated depreciation are removed from the balance sheet and the gain or loss resulting from their sale is recognized in the consolidated statement of comprehensive income.

The original cost of property, plant and equipment comprises the purchase price including incidental acquisition costs. Production costs include all directly attributable direct costs as well as proportionally attributable overhead costs.

Expenses incurred after the item of property, plant and equipment has been used, such as maintenance and repair costs and overhaul costs, are usually recognized in profit or loss in the period in which the costs are incurred. In situations where it has been clearly demonstrated that expenses result in additional future financial benefits expected to arise from the use of an item of property, plant and equipment beyond its originally assessed degree of performance, these expenses are capitalized as additional costs of property, plant and equipment.

Depreciation was calculated using the straight-line method over the following estimated useful lives:

	Useful life in years
Technical equipment, plant and machinery	3 to 20
Other equipment, fixtures, fittings and equipment	3 to 13

The depreciation methods and useful lives used are reviewed in each period to ensure that the depreciation methods and useful lives are consistent with the anticipated financial benefits from property, plant and equipment.

Machinery in process of construction is recorded at the acquisition or production cost. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as incidental acquisition costs.

5.3 INVENTORIES

Inventories are measured at the lower of cost or net realizable value pursuant to IAS 2. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling and distribution expenses. In addition to direct costs, the acquisition or production costs contain appropriate portions of the necessary material and production overhead costs as well as production-related depreciation and prorated administrative overhead costs that can be directly allocated to the production process. Where necessary, the average cost method is used to simplify valuation.

5.4 TRADE RECEIVABLES

Trade receivables are carried at amortized cost less necessary allowances for doubtful accounts. Receivables that are not individually identified as impaired are written down on the basis of experience in order to anticipate expected bad debts.

If the revenues realized per service contract as of the balance sheet date exceed the advance payments, the contract assets are reported under receivables from customer contracts as a component of the trade receivables. A negative balance is reported under other liabilities as contract liabilities. Impairment losses on receivables are generally recognized in a separate allowance account and, if necessary, changes in the allowance account are recognized in the profit or loss in the statement of comprehensive income.

5.5 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand and in bank. Liabilities are recorded at the nominal amounts.

5.6 OTHER FINANCIAL ASSETS

Other financial assets are measured at amortized cost or at fair value with an effect on profit or loss.

5.7 OTHER NON-FINANCIAL ASSETS

Other non-financial assets are measured at amortized cost. Individual risks are taken into account by means of appropriate value adjustments (specific impairments).

5.8 PROVISIONS AND ACCRUED LIABILITIES

A provision is only recognized if the Company has a present (legal, contractual or constructive) obligation as a result of a past event, it is probable that an outflow of resources embodying financial benefits will be required to settle the obligation and the amount of the obligation can be reliably measured. Provisions and accrued liabilities must be reviewed as of every balance sheet date and adjusted to the current best estimate. Where the fair value of money is material, the amount of the provision is the present value of the expenditure expected to be required to settle the obligation.

5.9 TRADE PAYABLES AND OTHER LIABILITIES

Trade payables and other liabilities are measured at amortized cost.

Obligations arising from stock option plans were measured at fair value in accordance with IFRS 2 for cash-settled share-based payments. The fair value was determined using the Monte Carlo simulation method of financial computation.

The liability is recognized on the basis of the fair value thus determined, taking into account the remaining term of the plan, and changes in value are recognized in the income statement under personnel expenses.

Details of the premises incorporated into the model and the structure of the stock option plan are provided in Section 9.5.

5.10 REVENUE RECOGNITION

In May 2014, the IASB published IFRS 15 „Revenue from contracts with customers." The application obligation applies to reporting periods beginning on or after 1 January 2018. AKASOL has already applied the standard since the transition to IFRS on 1 January 2015. The standard provides for a uniform, principles-based, five-tier model for revenue recognition and measurement that is to be applied to all contracts with customers. In particular, it replaces IAS 18 „Revenue“ and IAS 11 „Construction contracts.“ Accordingly, in order to record revenues, a contract with a customer must first be identified, as well must the individual performance obligations. A transaction price is then to be determined, which must then be allocated to possible individual components. Revenue is recognized on this basis for fulfilled performance obligations.

AKASOL concludes contracts with customers in relation to the supply and development of goods and their maintenance. On this basis, the Company classifies its recognized revenue from contracts with customers into the categories „product sales“ and „services.“ The category „product sales“ includes the sale of all products, such as prototypes, serial production and small materials. The category „services“ includes all engineering services and other maintenance and consulting services.

The contracts thus consist of several components. As a basic principle, revenue is recognized in the course of the transfer of goods and services in the amount of the anticipated consideration. Among other things, IFRS 15 contains extended guidelines on multi-component transactions and new rules on the treatment of service contracts and contractual amendments.

When products are sold, the time of the revenue recognition is determined by the delivery of the respective subject of the contract. Payment is usually due after delivery and invoicing. Engineering services are generally considered to be realized when the contractual terms and conditions are considered to have been fulfilled. Invoices are issued in this regard according to the progress of the project based on approved progress milestones. For engineering services, revenue is recognized over a period of time. Maintenance contracts are realized on a pro rata temporis basis over the corresponding term of the contracts.

Advance payments are invoiced in the form of invoices or down payment requests in accordance with the agreements made in the individual agreements on the basis of the milestones defined therein. All invoices are regularly due for payment within two weeks of receipt.

Discretionary decisions with regard to the application of IFRS 15 are made in determining the stage of completion of development projects and in the context of multi-component contracts, particularly with regard to the transaction price. The transaction price, usually a contractually agreed fixed price, must be allocated to the performance obligation in an amount corresponding to the consideration. Since the individual selling price is not directly observable, an estimate is made on the basis of the „expected-cost-plus-margin approach“ (IFRS 15.79). The Company follows the approach of determining the individual selling price of each performance obligation using this approach. The sum of the individual selling prices results in the transaction price. The individual selling price is determined by increasing the relevant costs by a profit margin in line with the market.

The stage of completion is recorded using the cost-to-cost method, i.e. on the basis of the order costs incurred for the work performed in relation to the total anticipated order costs. Management believes that this input-based method is an appropriate measure of the stage of completion for these performance obligations pursuant to IFRS 15.

5.11 LEASING

The Company has applied IFRS 16 according to the modified retrospective approach and has therefore not adjusted the comparative information, but continues to present the comparative information in accordance with IAS 17 and IFRIC 4. Details of the accounting methods in accordance with IAS 17 and IFRIC 4 are presented separately (cf. a. 9.11 „Leases/other financial obligations").

The method applied as of 1 January 2019 is described below:

At the inception of the contract, the Group assesses whether the contract constitutes or contains a lease. This is the case when the contract gives the right to control the use of an identified asset for a specified period of time in return for compenzation. In order to assess whether a contract contains the right to control an identified asset, the Group uses the definition of a lease in accordance with IFRS 16.

This method is applied to contracts entered into on or after 1 January 2019.

On the provision date or when a contract containing a lease component is amended, the contractually agreed compenzation is split into a lease component and a non-lease component.

On the date of provision, the Group recognizes an asset for the right of use granted and a lease liability. The right of use is initially measured at cost, which is equal to the initial measurement of the lease liability, adjusted for payments made on or before the provision date, plus any initial direct costs less any lease incentives received.

Subsequently, the right of use is amortized on a straight-line basis from the date of provision to the end of the lease term unless ownership of the underlying asset is transferred to the Group at the end of the lease term or the cost of the right of use reflects the fact that the Group will exercise a purchase option. In this case, the right of use is depreciated over the useful life of the underlying asset, which is determined in accordance with the rules for property, plant and equipment. In addition, the right of use is continuously adjusted for impairment if necessary and adjusted for certain revaluations of the lease liability.

The lease liability is initially recognized at the present value of the lease payments not yet made on the provision date, discounted at the interest rate underlying the lease or, if this cannot be readily determined, at the Group's incremental borrowing rate. Normally, the Group uses its incremental borrowing rate as the discount rate.

The lease payments included in the measurement of the lease liability comprise fixed payments and lease payments for an extension option if the Group is sufficiently certain that it will exercise this option.

The lease liability is measured at amortized cost using the effective interest rate method. It is revalued if the Group changes its assessment regarding the exercise of a purchase, extension or termination option or if a de facto fixed lease payment changes.

If the lease liability is revalued in this way, the book value of the right of use is adjusted accordingly or, if the book value of the right of use has been reduced to zero, this adjustment is recognized in profit or loss.

Short-term leases and leases based on assets of minor value:

The Group has decided not to recognize rights of use and lease liabilities for leases that are based on assets of minor value and for short-term leases. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the term of the lease.

The method applied before 1 January 2019 is described below:

The Company has operating leases under which all significant risks and rewards of ownership remain with the lessor. Lease payments within an operating lease were recognized as an expense in the statement of comprehensive income on a straight-line basis over the term of the lease. They were not shown in the balance sheet.

The Company has no finance leases in which all material risks and rewards incidental to ownership of a leased asset are attributable to the Company as lessee.

5.12 FOREIGN CURRENCY TRANSACTIONS/ CURRENCY TRANSLATION

Transactions in foreign currencies are translated in accordance with the functional currency concept of IAS 21 at the exchange rates prevailing on the date of initial recognition of the transactions. Exchange rate gains and losses are recognized in profit or loss.

5.13 FINANCIAL INSTRUMENTS

Upon initial recognition, financial assets are to be classified in the categories „measurement at fair value through profit or loss" or „measurement at amortized cost." The basis for the classification depends on the business model of the Company and the contractual terms and conditions of the financial asset. The measurement category (FVOCI) newly introduced under IFRS 9 can be applied to certain financial assets if the assets are managed with the aim of both collecting and selling the contractually agreed cash flows (hold and sell business model) and the contract cash flows from the assets are exclusively payments of principal and interest (cash flow criterion). If both conditions are met, a debt instrument must be classified as FVOCI, subject to the application of the fair value option at the time of acquisition.

The rules contained in IFRS 9 on the recognition of impairment losses are based on the expected loss model. The expected loss model takes into account expected losses without the existence of concrete loss indicators. As a result, IFRS 9 generally requires the formation of risk provisions for expected payment defaults.

A three-step model is used to determine the extent of the risk provision, according to which, as a matter of principle, 12-month loss expectations are to be recorded from the initial recognition onwards, and the expected total losses are to be recorded in the event of a significant deterioration in credit risk.

An exception to the general impairment model is the socalled "simplified impairment model for trade receivables, lease claims and active contract items" pursuant to IFRS 15. According to the simplified impairment model, a provision for impairment must be recognized for all instruments, irrespective of their credit quality, in the amount of the expected losses over the remaining term, i.e. at the time of acquisition a lump-sum allocation of these instruments to Level 2 and a transfer to Level 3 are made if there is objective evidence of impairment. Allocation to Level 1 is prohibited when applying the simplified impairment model.

The outstanding trade receivables are divided into three categories, taking into account advance payments received, and the probabilities of default are set at 0.2/0.5/1.0% depending on this category of receivables. If the debtor is listed on a stock exchange, a discount of 50% is applied to the calculated amount, since a stock exchange listing is expected to increase transparency and make it easier for the debtor to raise capital. The amount is then multiplied by the loss given default (LGD) to obtain the expected credit loss (ECL). In the model of the AKASOL Corporate Group, an LGD of 90% is assumed, corresponding to an insolvency rate of 10%.

The expected credit loss (ECL) for corporate bonds and debentures is calculated depending on the bond rating or, if this is not available, the issuer rating with probabilities of default of between 0.03 and 0.24% for ratings in the classes between Aa3 and BBB- and an LGD of 60%, corresponding to an insolvency rate of 40%.

With regard to hedge accounting, IFRS 9 contains rules that establish a stronger link between hedge accounting and the risk management practiced in operations.

AKASOL AG holds financial instruments in the form of financial assets, securities, receivables, liabilities, loans and, from time to time, derivative financial instruments in the form of forward exchange transactions.

The initial recognition of a financial asset or financial liability is at fair value. Depending on the original classification, subsequent measurement is at amortized cost using the effective interest rate method or at fair value.

If funds or securities are held to cover short-term liquidity, they are reported under current financial assets.

In the case of current receivables and liabilities, the amortized cost is equal to the nominal amount or the repayment amount.

Regular way purchases and sales of financial assets are generally recognized on the settlement date. The Company derecognizes financial assets as soon as the contractual rights to the cash flows have expired or these rights have been transferred by the Company to a third party in such a way that the criteria for derecognition are met.

Financial liabilities are derecognized from the balance sheet when they have been repaid, i.e. when the contractual obligations have been settled, cancelled or have expired.

Derivative financial instruments (forward exchange transactions) are used at AKASOL AG for hedging purposes in order to reduce currency risks from the operating business. According to IFRS 9, all derivative financial instruments such as forward exchange contracts must be recognized at their fair value, irrespective of the purpose or intention of the hedge. Derivative financial instruments are valued on the basis of market data or recognized valuation methods. At the end of the past financial year, there were no forward exchange transactions.

5.14 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as incidental acquisition costs.

5.15 GOVERNMENT GRANTS

AKASOL AG takes advantage of subsidies within the framework of the funding from the Federal Ministry of Economics and Energy and other public institutions. Government grants are recognized when there is reasonable assurance that the grants will be received and the Company will comply with the conditions attached to them. Expenditure-related grants are recognized as income on a scheduled basis over the period required to offset them against the corresponding expenses for which the grants are intended to compensate. Grants for capitalized development projects reduce the acquisition and production costs of the assets concerned and reduce depreciation over the anticipated useful life.

5.16 INCOME TAXES

The actual tax refund claims and liabilities for the current period are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates on which the tax calculations of current income taxes are based correspond to the tax rates applicable on the balance sheet date.

Deferred taxes are calculated using the liability method. Deferred tax claims and liabilities are measured using the tax rates expected to apply to the period in which an asset is realized or a liability settled.

Deferred tax assets are recognized for all deductible temporary differences and for tax loss carryforwards to the extent that it is probable that future taxable income will be available against which the loss carryforwards can actually be utilized. On each balance sheet date, the Company reassesses unrecognized deferred tax assets and the book value of deferred tax claims.

Deferred tax assets and liabilities are offset if they relate to the same tax authority.

5.17 IMPAIRMENT OF ASSETS

Intangible assets that are not subject to amortization are tested for possible impairment once a year. In addition, property, plant and equipment and intangible assets must be tested for impairment whenever events or changes in circumstances indicate that the book value may not be recoverable. Whenever the book value of an asset exceeds its recoverable amount, an impairment loss is recognized in profit or loss for property, plant and equipment and intangible assets carried at cost. The recoverable amount is the higher of net selling price and the value in use. The net selling price is the amount obtainable from the sale of the asset in an arm's length transaction between knowledgeable, willing parties, less costs to sell. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Impairments are recognized in the income statement under other operating expenses.

A reversal of an impairment loss recognized for an asset in prior years is recorded if there is an indication that the impairment loss no longer exists or has decreased. The reversal is recognized in profit or loss in the statement of comprehensive income.

5.18 SEGMENTS

Due to the different technical criteria, the respective specific corporate culture of the customers and the individual market requirements in a dynamic environment, AKASOL will in future subdivide its business areas as follows and base its internal reporting on this:

The applications can generally be divided into applications for buses and commercial vehicles as well as Tier 1 powertrain suppliers of rail vehicles, industrial vehicles (e.g. construction, mining and logistics) and ships and boats.

With the help of the new ERP system S/4HANA, which is to be introduced in the 2020 financial year, internal and external reporting will be restructured in order to subdivide and manage these business units by segment. In 2019, there was no management by segment.

The breakdown of revenues by geographical market is as follows:

KEUR	1.1.-31.12.2019	1.1.-31.12.2018
Domestic	19,012	8,322
Foreign	28,636	13,265
	47,648	21,587

Non-current assets (excluding deferred taxes) of KEUR 51,507 (previous year: KEUR 62,995) are attributable to Germany and KEUR 2,771 (previous year: KEUR 0) to other countries.

Of the foreign revenues, KEUR 17,320 (previous year: KEUR 6,924) is attributable to Sweden, KEUR 2,427 (previous year: KEUR 87) to the Republic of Korea and KEUR 1,950 (previous year: KEUR 82) to the United States, among others.

The following customers accounted for more than 10% of revenues in the respective years:

2019	%	KEUR
Customer 1	26.2	12,464
Customer 2	13.5	6,420
Customer 3	12.2	5,810

2018	%	KEUR
Customer 1	33.7	7,275
Customer 2	23.3	5,030

5.19 CONTINGENT ASSETS

Contingent assets are not recognized in the consolidated financial statements. However, they are disclosed if the inflow of financial benefits is probable.

5.20 CASH FLOW STATEMENT

The cash flow statement was prepared in accordance with IAS 7 („Cash flow statements") using the indirect method. A distinction is made between cash flows from operating, investing and financing activities. The liquidity shown as cash and cash equivalents in the cash flow statement comprises cash on hand and bank balances available at short notice.

5.21 ASSUMPTIONS AND ESTIMATES

The preparation of the consolidated financial statements in accordance with IFRS requires estimates to be made for some items, which have an effect on recognition and measurement in the balance sheet or statement of comprehensive income. The actual amounts may differ from these estimates. Estimates are required in particular to determine the stage of completion of customer orders and their recoverability. The book value of the assets is KEUR 866 (previous year: KEUR 935).

AKASOL AG determines allowances for expected credit losses on trade receivables and financial assets. When calculating the expected credit losses of financial instruments, the company uses reasonable and reliable forward-looking information based on assumptions about the future development of the various relevant economic factors and how these factors will affect each other.

The „loss given default" (LGD) is an estimate of the loss given default. It is based on the difference between the contractual cash flows due and those which the lender would expect in the event of default, taking into account cash flows from collateral or netting with other liabilities.

The „probability of default" (PD) is a central factor in the calculation of the value adjustment. This is an estimate of the probability of default over a certain time horizon, the calculation of which involves historical data as well as current assumptions and expectations about future conditions.

The carrying amount of trade receivables is KEUR 15,198 (previous year: KEUR 7,551). The carrying amounts of other financial assets amount to KEUR 40,372 (previous year: KEUR 63,404).

Further information on expected credit loss is presented in section 5.13 „Financial instruments".

The Company capitalizes the costs of product development projects. The initial capitalization of costs is based on management's assessment that technical and economic feasibility has been demonstrated; this is the case when the development project has achieved the defined characteristics from the project management model.

For the purpose of determining the amounts to be capitalized, management makes assumptions about the amount of expected future cash flows from the project, the discount rates to be applied and the period of inflow of the expected future benefit.

Many factors can influence these parameters, as a result of which the actual cash flows may differ significantly from the underlying future cash flows and thus the capitalized product development costs. However, the underlying assumptions and estimates are regularly reviewed by management.

The carrying amount of the development costs is KEUR 5,379 (previous year: KEUR 2,724).

At the time the consolidated financial statements were prepared, there were no indications that the under-lying assumptions and estimates would have to be changed significantly, so that from today's perspective no significant adjustment of the book values of the recognized assets and liabilities is expected in the following financial year.

6 NOTES TO THE BALANCE SHEET IN ACCORDANCE WITH IFRS

6.1 FIXED ASSETS

The development and composition of fixed assets in 2019 and 2018 is shown in the following statement of changes in fixed assets:

6.1.1 INTANGIBLE ASSETS

2019 KEUR	Development costs	Purchased rights	Advanced payments rendered	Total
Acquisition and production costs				
As of 1 January 2019	4,363	191	36	4,590
Additions	2,990	81	349	3,420
Disposals	394	62	36	492
As of 31 December 2019	6,959	210	349	7,518
Amortization/depreciation				
As of 1 January 2019	1,639	137	0	1,776
Additions	335	39	0	374
Disposals	394	61	0	455
As of 31 December 2019	1,580	115	0	1,695
Book values				
As of 1 January 2019	2,724	54	36	2,814
As of 31 December 2019	5,379	95	349	5,823

2018 KEUR	Develop-ment costs	Purchased rights	Advanced payments rendered	Total
Acquisition and production costs				
As of 1 January 2018	2,500	241	0	2,741
Additions	1,863	46	36	1,945
Disposals	0	96	0	96
As of 31 December 2018	4,363	191	36	4,590
Amortization/depreciation				
As of 1 January 2018	1,320	206	0	1,526
Additions	319	25	0	344
Disposals	0	94	0	94
As of 31 December 2018	1,639	137	0	1,776
Book values				
As of 1 January 2018	1,180	35	0	1,214
As of 31 December 2018	2,724	54	36	2,814

The reported internally generated assets relate to own work capitalized within the scope of development projects in connection with the development, evaluation and demonstration of lithium-ion battery systems both for hybrid and fully electric drive systems in mobile applications and for stationary systems for storing renewable energies. In the context of the annual review of capitalized development costs for projects with residual book values, no impairment losses were necessary in the reporting years.

For the purpose of impairment testing, AKASOL determines the recoverable amount for each self-developed product, which may consist of several separate partial developments, in the form of a value in use determined by discounted planned future cash flows. The determination of future cash flows is estimated on the basis of the following parameters:

› Various publicly available analyst reports were evaluated for the discount rate of 7.82% (previous year: 8.00%) and the median of these reports was used as the basis for discounting.

› The future cash flows are largely dependent on the following factors:

  - The expected sales volumes were calculated based on the planned sales volumes from the weighted sales forecast and/or the estimated sales volumes multiplied by

  - the expected revenues resulting from concrete customer offers and/or the expected market prices for the respective product

- The related costs were estimated based on the expected EBITDA margin of the respective years. The expected EBITDA margins were estimated by management based on the future prospects of the company, taking into account a risk buffer.
- The cash flows are calculated for the expected useful life. The useful life is generally assumed to be 3 years for battery systems and 6 years for accessory products that are expected to be usable over several battery system generations.

The value thus calculated is compared with the current book value of the product. If the recoverable amount were lower than the book value, the book value would have to be adjusted to the recoverable amount. However, this was not the case in the reporting period.

The following development projects were of material importance for the Company's financial statements:

Completed projects:

KEUR	Residual useful life	31.12.2019	31.12.2018
Project "OPTISTORE"	2.75 years	282	298
Project "PREDIKT"	1.5 years	256	426
Project "SWIVT"	2.0 years	93	135
Project "DCDC WANDLER"	5.25 years	78	89
Project "HEIPHOSS"	0 years	0	83
		708	1.031

Projects under development in 2019:

KEUR	31.12.2019
Project "MOBAT"	832
Project "RESERVEBAT"	658
Project "CYC PHEV MODUL"	654
Project "CYC UHE MODUL"	615
Project "AKASYSTEM 16 OEM"	481
Project "CYC UHE SYSTEM"	452
Project "AKMSTANDARD"	318
Project "MSM + STEUERGERÄT"	298
	4,307

Projects under development in 2018:

KEUR	31.12.2018
Project "AKASYSTEM 16 OEM"	360
Project "MOBAT"	329
Project "RESERVEBAT"	217
Project "MSM + STEUERGERÄT"	212
	1,118

The book values of development projects include subsidies from the Federal Ministry of Economics and Energy and other public institutions. These have reduced the cost of the relevant assets by KEUR 267 in 2019 (previous year: KEUR 782).

In addition to own work capitalized, development costs of KEUR 68 were incurred in the income statement in 2019 (previous year: KEUR 101).

6.1.2 TANGIBLE ASSETS

2019 KEUR	Property and buildings	Technical systems	Fixtures, fittings and equipment	Advanced payments rendered	Total
Acquisition costs					
As of 1 January 2019	0	3,376	2,593	1,592	7,562
Recognition of rights of use from the first-time application of IFRS 16	2,598	0	104	0	2,702
Adjusted as of 1 January 2019	2,598	3,376	2,697	1,592	10,263
Additions	6,358	1,068	1,871	15,429	24,726
Disposals	0	0	12	0	12
Transfers	0	1,658	3	-1,658	3
As of 31 December 2019	8,956	6,102	4,559	15,363	34,980
Depreciation/ Amortization					
As of January 1, 2019	0	880	1,286	0	2,166
Additions	546	550	667	0	1,763
Disposals	0	0	0	0	0
As of December 31, 2019	546	1,430	1,953	0	3,929
Carrying amounts					
As of January 1, 2019	0	2,496	1,307	1,592	5,396
As of December 31, 2019	8,410	4,672	2,606	15,363	31,051

2018 KEUR	Technical systems	Fixtures, fittings and equipment	Advanced payments rendered	Total
Acquisition costs				
As of January 1, 2018	977	1,958	1,894	4,829
Additions	469	635	1,629	2,733
Disposals	0	0	0	0
Transfers	1,930	0	-1,930	0
As of December 31, 2018	3,376	2,593	1,592	7,562
Depreciation/Amortization				
As of January 1, 2018	784	914	0	1,697
Additions	96	372	0	468
Disposals	0	0	0	0
As of December 31, 2018	880	1,286	0	2,166
Carrying amounts				
As of January 1, 2018	193	1.045	1,894	3,131
As of December 31, 2018	2,496	1,307	1,592	5,396

There was no need for unscheduled impairments in the past financial year or the previous year. With regard to the collateralisation of tangible assets, please refer to section 9.10.

6.1.3 OTHER NON-CURRENT FINANCIAL ASSETS

Other non-current financial assets consist primarily of securities (KEUR 17,372) in the form of domestic and foreign bonds with maturities from 2022 to 2025 and shares in an open-ended real estate fund.

Financial assets are generally recognized at amortized cost. An exception is the shares in the open-ended real estate fund (KEUR 2,083), which were measured at fair value through profit or loss. The fair value accounting resulted in income of KEUR 69.

The fair value of the non-current securities carried at amortized cost is KEUR 303 higher than the acquisition cost.

When determining the impairments for corporate bonds and domestic and foreign bonds, the default risk is classified as low because the corresponding counterparties have at least a BBB- rating on the balance sheet date. Consequently, the expected loss for the 12 months is used to determine the impairments (cf. note 5.13 „Financial instruments").

6.2 INVENTORIES

KEUR	31.12.2019	31.12.2018
Raw materials and supplies	23,139	8,143
Work in progress	1,154	1,141
Finished goods	3,510	907
Advance payments rendered	12	271
	27,815	10,462

If the acquisition and production costs of inventories are not recoverable, they are written down to their net realizable value. The Company undertook depreciation and amortization amounting to KEUR 179 (previous year: KEUR 35) as of the balance sheet date.

In 2019, the consumption of raw materials and supplies in the amount of KEUR 33,707 was recorded under cost of materials (previous year: KEUR 10,648). Changes in inventories of finished goods and work in progress are shown in the income statement as income or expense from changes in inventories.

6.3 TRADE RECEIVABLES

Trade receivables are carried at the nominal value less any necessary impairments. All trade receivables have a residual term of less than one year, as in the previous year.

KEUR	31.12.2019	31.12.2018
Trade receivables	14,332	6,616
Contract asssets in accordance with IFRS 15.116	866	935
	15,198	7,551

The total value of unfulfilled performance obligations from existing customer contracts as of the balance sheet date was KEUR 8.944 (previous year: KEUR 8,039). These revenues are essentially expected to be realized within one year.

If the sales already realized on service contracts exceed the advance payments received, they are reported on the assets side under trade receivables as contract assets.

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KEUR	31.12.2019	31.12.2018
Production order revenues realised as of the cutoff date	875	1,196
Less advance payments received	-9	-261
Contract assets in accordance with IFRS 15.116	866	935

The contract assets were established on 1 January 2018 at KEUR 555.

The Company always measures the impairment for trade receivables at the amount of the losses expected to be incurred over the remaining term to maturity and on the basis of the parameters described under 5.13 „Financial instruments."

The following table shows the development of expected losses over the remaining term of the receivables, which were recognized for the respective trade receivables in accordance with the provisions of the simplified model under IFRS 9.

KEUR	Portfolio-based	On an individual basis
As of January 1, 2019	9	11
Derecognitions	0	0
Appreciation	0	0
Changes based on new receivables	13	0
As of December 31, 2019	22	11

KEUR	Portfolio-based	On an individual basis
As of January 1, 2018	17	11
Derecognitions	0	0
Appreciation	0	0
Changes based on new receivables	-8	0
As of December 31, 2018	9	11

6.4 CURRENT OTHER FINANCIAL ASSETS

Other current financial assets of KEUR 23,000 relate to fixed-term deposits that expire on 30 March 2020 (KEUR 20,000) and a guarantee security account (KEUR 3,000).

6.5 OTHER NON-FINANCIAL ASSETS

KEUR	31.12.2019	31.12.2018
Value-added tax	3,866	1,419
Security deposits	45	14
Other	680	629
	4,591	2,062

Other non-financial assets amounting to KEUR 32 have a term of more than one year (previous year: KEUR 14).

6.6 INCOME TAX CLAIMS

KEUR	31.12.2019	31.12.2018
Income tax receivables	183	140
	183	140

6.7 CASH AND CASH EQUIVALENTS

The cash and cash equivalents consist of cash on hand and in bank.

6.8 SHAREHOLDERS' EQUITY

The individual equity items are shown in the statement of changes in shareholders' equity.

The subscribed capital of AKASOL AG remains unchanged at EUR 6,061,856.00. As of the balance sheet date, there were 6,061,856 no-par-value shares in circulation with a notional value of one euro each in the share capital.

By resolution of the shareholders in general meeting on 24 April 2018, the share capital was increased by EUR 2.0 million to EUR 4.0 million. A premium of EUR 1.0 million was also rendered. The Company was entered in the Commercial Register on 3 May 2018. The contributions were made in cash (EUR 2.0 million) and through the non-cash contribution of a claim of the Schulz Group GmbH, Ravensburg, against AKASOL, which at that time still operated as a limited liability company, in the amount of EUR 1.0 million.

Within the framework of the conversion of AKASOL into a joint stock corporation, 4,000,000 registered no-par value shares with a notional value of one euro in the share capital were issued.

As part of the IPO on 29 June 2018, the share capital increased by a further KEUR 2,062 to a total of KEUR 6,062.

The Management Board is authorized by the Articles of Association of 14 May 2018, with the approval of the Supervisory Board, to increase the share capital on one or more occasions up to and including 13 May 2023 by up to EUR 2,000,000.00 in return for cash and/or non-cash contributions, whereby the shareholders' subscription rights may be excluded (Authorized Capital 2018/I).

The IPO premium of EUR 97,938 million was recognized in the surplus capital in the previous year. The costs incurred as a result of the capital increases in the previous year (KEUR 3,182), less the tax effect of KEUR 991, were deducted from the surplus capital.

In financial year 2019, KEUR 223 of the deferred tax assets were written down against the capital reserve, see also 7.9 „Taxes on income".

In addition to ensuring the Company's continued existence, AKASOL AG's capital management aims at generating appropriate profits for the shareholders. Capital management is based on the shareholders' equity, in particular the equity ratio. This ratio is calculated as the share of the shareholders' equity in the total assets.

KEUR	31.12.2019	31.12.2018
Shareholders' equity	95,050	101,706
Total assets	149,894	115,109
Equity ratio (as a %)	63.4	88.4

The result carried forward contains the results achieved in the past and in the current financial year, as well as adjustments due to the first-time application of IFRS.

The undiluted earnings per share is calculated as follows:

	2019	2018
Result attributable to shareholders in KEUR	–6,434	-726
Weighted average number of shares issued	6,061,856	4,382,206
Earnings per share in EUR	-1.06	-0.17

The diluted earnings per share corresponds to the undiluted earnings per share.

6.9 FINANCIAL LIABILITIES

6.9.1 LIABILITIES DUE TO BANKS

Long-term liabilities to banks relate to assistance loans from Sparkasse Bodensee and Baden-Württembergische Bank and investment loans from Commerzbank and Deutsche Bank.

Der Nominalzins entspricht dem jeweiligen Effektivzins des Darlehens.

	Term until	Nominal interest rate	31.12.2019	31.12.2018
Formation and growth financing KEUR 1,300	2023	2.95%	26	170
ERP Innovations Program KEUR 1,000	2023	2.45%	312	437
BW-Bank KEUR 5,500	2022	3.40%	2,062	3,438
Commerzbank KEUR 15,000	2029	0.68%	13,938	0
Deutsche Bank KEUR 17,000	2027	0.85%	15,828	0
			32,166	4,045

The nominal interest rate corresponds to the respective effective interest rate of the loan.

Current liabilities to banks amounting to KEUR 3,700 (previous year: KEUR 1,933) are mainly due to Baden-Württembergische Bank (KEUR 1,510, previous year: KEUR 1,510), Deutsche Bank (KEUR 1,172, previous year: KEUR 0), Commerzbank (KEUR 850, previous year: KEUR 0) and Sparkasse Bodensee (KEUR 135, previous year: KEUR 409).

6.9.2 OTHER FINANCIAL LIABILITIES

In addition to lease liabilities of KEUR 5,470 (previous year: KEUR 0), other financial liabilities include liabilities for the stock appreciation rights („SAR“) granted to selected employees of KEUR 239 (previous year: KEUR 0), see a. 9.5 „Stock option program“.

6.10 TRADE PAYABLES

As in the previous year, trade payables as of 31 December 2019 have a remaining term of up to one year.

6.11 OTHER NON-FINANCIAL LIABILITIES

KEUR	31.12.2019	31.12.2018
Liabilities in accordance with IFRS 15.116	37	855
Advance payments received on inventories	244	1,005
Personnel affairs	1,468	1,136
Customers with credit balances	196	0
Payroll and church tax	185	109
Other	202	0
	2,332	3,105

If the advance payments received for construction contracts exceed the revenues already realized from customer orders, they are reported on the liabilities side under other liabilities as contract liabilities.

KEUR	31.12.2019	31.12.2018
Revenues realized from customer orders	13	216
Less advance payments received	-50	-1,071
Contract liabilities in accordance with IFRS 15.116	-37	-855

KEUR	2019	2018
Income recognized in the reporting period which was contained in the balance of contract liabilities at the start of the period	844	1,019

Contract liabilities were established on 1 January 2018 at KEUR 1,245.

Other liabilities are carried at their settlement or repayment amount. The trade receivables disclosed as of December 31, 2019 have a residual term of less than one year, as in the previous year.

The Company enters into forward exchange transactions (derivative financial instruments) with German banks on an irregular basis, requiring the sale of US dollars at a certain rate. As in the previous year, there were no obligations from such transactions as of the balance sheet date of December 31, 2019.

6.12 PROVISIONS

KEUR	As of 1.1.2019	Usage	Reversal	Addition	As of 31.12.2019
Warranty	225	0	0	272	497

KEUR	Stand 1.1.2018	Usage	Reversal	As of 31.12.2018
Warranty	356	0	131	225

This item exclusively represents short-term provisions and accrued liabilities. Due to their immateriality, the effects of discounting and interest rate changes were therefore not taken into account.

Uncertainties arise with regard to the amount of the outflows from warranty obligations. The estimate was based on past experience.

6.13 MATURITY OF LIABILITIES

The maturity dates of liabilities are as follows:

	31.12.2019			
		Residual term of		
KEUR	Total	Up to 1 year	> 1 to 5 years	more than 5 years
Financial liabilities	41,575	4,584	18,162	18,829
Trade payables	10,440	10,440	0	0
Other liabilities	2,332	2,332	0	0
Total	54,347	17,356	18,162	18,829

	31.12.2018			
		Residual term of		
KEUR	Total	Up to 1 year	> 1 to 5 years	more than 5 years
Financial liabilities	5,978	1,933	4,045	0
Trade payables	4,095	4,095	0	0
Other liabilities	3,105	3,105	0	0
Total	13,178	9,133	4,045	0

7 NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME IN ACCORDANCE WITH IFRS

7.1 REVENUES

AKASOL concludes contracts with customers in relation to the supply and development of goods and their maintenance. On this basis, the Company classifies its recognized revenue from contracts with customers into the categories „product sales“ and „services“. The category „product sales“ includes the sale of all products, such as prototypes, serial production and small materials. The category „services“ includes all engineering services and other maintenance and consulting services. Revenue breaks down as follows:

KEUR	1.1.-31.12.2019	1.1.-31.12.2018
Product sales	36,769	15,978
Services	10,879	5,609
	47,648	21,587

7.2 OWN WORK CAPITALIZED

Own work capitalized is attributable in the amount of KEUR 3,257 (previous year: KEUR 2,645) to assisted and development projects and in the amount of KEUR 218 (previous year: KEUR 255) to own work for the production line under construction in Langen.

7.3 OTHER INCOME

KEUR	1.1.-31.12.2019	1.1.-31.12.2018
Income from the sale of securities	94	0
Income from exchange rate differences	38	68
Other	148	519
	280	587

7.4 COST OF MATERIALS

KEUR	1.1.-31.12.2019	1.1.-31.12.2018
Costs of raw materials and supplies	33,707	10,648
Costs of purchased services	3,164	1,821
	36,871	12,469

7.5 PERSONNEL EXPENSES

KEUR	1.1.-31.12.2019	1.1.-31.12.2018
Wages and salaries	11,400	5,843
Social security contributions	2,144	1,230
Thereof, for pensions (pension insurance contributions)	895	466
Thereof, for pensions (direct insurance)	65	53
	13,544	7,073

7.6 OTHER EXPENSES

KEUR	1.1.-31.12.2019	1.1.-31.12.2018
Legal and consulting costs	1,312	1,270
Third-party services	725	2
Costs for transport and packing	696	218
Costs of space	588	682
IT and communication costs	500	278
Trade fairs and advertising	445	471
Travel and entertainment costs	408	183
Operational needs	306	142
Addition to warranty provision	272	0
Management fees	240	695
Insurance	154	48
Repair and maintenance	150	52
Costs for personnel procurement	73	94
Expenses from initial consolidation	63	0
Bank fees in connection with the IPO	0	1,841
Other	824	675
	6,756	6,651

7.7 DEPRECIATION AND AMORTIZATION

KEUR	1.1.-31.12.2019	1.1.-31.12.2018
Internally developed intangible assets	335	319
Other intangible assets	39	25
Tangible assets	1,763	468
	2,137	812

7.8 FINANCIAL RESULT

Composition of financial income:

KEUR	1.1.-31.12.2019	1.1.-31.12.2018
Interest income	221	95
Other	32	36
	253	131

Composition of financial expenses:

KEUR	1.1.-31.12.2019	1.1.-31.12.2018
Non-current liabilities	195	253
Interest from cash pooling	0	15
Other current interest expenses	71	0
	266	268

7.9 TAXES ON INCOME

Taxes on income include taxes paid or owed on income as well as deferred taxes.

Deferred taxes are recognized for all material temporary differences between the commercial balance sheet in accordance with IFRS and the tax balance sheet in accordance with German law pursuant to IAS 12. Significant temporary differences arose due to differences in accounting standards. In the area of deferred tax assets, these arose in particular for tax loss carryforwards that can be carried forward indefinitely.

The tax relief potential from corporate and trade tax losses carried forward is generally capitalized. The basis for the determination of the tax deferral is the available tax assessment notices and/or tax returns of the companies.

As of December 31, 2019, the Group has domestic corporate income tax loss carryforwards of KEUR 15,003 (previous year: KEUR 7,449) and trade tax loss carryforwards of KEUR 14,534 (previous year: KEUR 7,135). The increase in loss carryforwards that can be used in the future in the past financial year is primarily due to the negative annual result, which is primarily attributable to increased expenses in connection with the creation of necessary structures for sustainable corporate growth and short-term reduced purchase quantities from series customers in the second half of 2019. In addition, project-related special effects, such as the support of external consultants in organisational and process development, whose results will be of great benefit for the further development of the company, have contributed to further burdens.

The following unused loss carryforwards exist in the Group as of the reporting date:

KEUR	31.12.2019	31.12.2018
Losses carried forward (corporate income tax)	9,233	0
Losses carried forward (trade tax)	8,994	0
Losses carried forward by foreign units	494	0
	18,721	0

The deferred tax liabilities are attributable to temporary differences in intangible assets (capitalized development costs).

As a corporation, AKASOL AG is subject to corporate and trade tax. The trade tax rate is determined by the municipality in which the Company operates. As in the previous year, the corporate income tax rate in Germany was 15%. In addition, a solidarity surcharge of 5.5% on the corporate income tax is levied. Due to the differing assessment rates of the cities of Darmstadt (454%), Langen (380%), Weiterstadt (375%) and Ravensburg (363%), the combined tax rate of AKASOL AG is 31.09%.

The federal tax rate of AKASOL Inc is 21% and the income tax rate in Michigan is 6%.

Deferred taxes result from the individual balance sheet items as follows:

	31.12.2019		31.12.2018	
KEUR	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	0	1,672	0	848
Financial assets	0	37	0	19
Receivables	0	59	0	62
Provisions and accrued liabilities	9	0	12	0
Losses carried yforward	1,759	0	2,271	0
	1,768	1,768	2,283	929
Balance	-1,768	-1,768	-929	-929
Balance sheet value	0	0	1,354	0

According to IAS 12.56, a review of the valuation of capitalized claims from deferred taxes must be carried out. If necessary, a write-down must be made if it is no longer probable that the previous carrying amount will be realized.

Since AKASOL operates in a very dynamic environment and further significant investments and expenses, e.g. in development projects, will have to be made in the future for the growth of the Group, which will also be reflected in the planned results for the following years, the deferred tax assets formed for the prompt utilization of loss carryforwards were reviewed.

The very high level of transparency and probability with regard to future results, which is necessary to use the loss carryforwards due to the growth-related loss history, is subject to uncertainties, particularly with regard to the timing, so that the review has shown that deferred tax assets should only be recognised for the loss carryforwards existing as of December31, 2019 to the extent that deferred tax liabilities exist. The existing income tax loss carryforwards are still available and can be used in the future with a corresponding quality of earnings.

Due to the different circumstances that led to the recognition of deferred taxes on losses carried forward in the past, the carrying amounts recognised to date as of December 31, 2019 had to be recognised either directly in equity (KEUR 223) or in the income statement (KEUR 1,131). Accordingly, no further capitalization of the newly created differences was made.

These deferred taxes are taken into account again as soon as future reviews show that the forecast probability is restored to the required extent.

The reconciliation of tax expenses at the effective tax rate (based on earnings before taxes to actual income tax expenses) is shown below for the financial year:

KEUR	2019	2018
Earnings before tax	-5,302	-1,137
Anticipated income tax (31.09%, previous year: 31.13%)	1,648	354
Effect from non-deductible expenses/taxable income	-12	-24
Deferred tax income from other periods	0	79
Effect from tax rate differences of foreign tax jurisdictions	-19	0
Tax effect from the change in the tax rate	-2	0
Execution of a value adjustment of assets deferred taxes	-1,131	0
Non-recognition of deferred tax assets	-1,613	0
Other effects	-2	2
Taxes on income pursuant to the statement of comprehensive income	-1,131	411

The resulting tax expenses in the amount of KEUR 1,131 (previous year: tax income in the amount of KEUR 411) is attributable to deferred taxes.

8. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT IN ACCORDANCE WITH IFRS

The cash flow statement shows how the cash and cash equivalents of AKASOL changed in the course of the year under review as a result of cash inflows and outflows. In accordance with IAS 7 (Cash flow statements), cash flows are distinguished between business activities, investment activities and financing activities. The cash and cash equivalents reported in the cash flow statement comprise the liquid assets, which consist of cash in hand and bank balances with a term of up to three months. There are no cash or cash equivalents held by the Company that the Company cannot dispose of, with the exception of a guarantee security account in the amount of KEUR 3,000 (previous year: KEUR 2,145). This is reported under other financial assets.

The cash flow from operating activities is calculated using the indirect method and amounts to KEUR -25,599 (previous year: KEUR -10,394). The negative cash flow from investment activities in the amount of KEUR 812 (previous year: KEUR 68,081) relates in the amount of KEUR 24,000 (previous year: KEUR 63,404) to the acquisition of financial assets in the form of interest-bearing securities and bonds and in the amount of KEUR 24,812 (previous year: KEUR 4,677) to the acquisition of tangible and intangible assets.

In financial year 2019, there is an overall positive balance from cash flow from financing activities of KEUR 29,336 (previous year: KEUR 97,563), due to new borrowings (KEUR 32,000, previous year: KEUR 0) and taking into account loan repayments (KEUR 2,664, previous year: KEUR 1,255).

The following table shows the reconciliation of movements in liabilities to cash flows from financing activities:

KEUR	Liabilities to banks	Other financial liabilities	Total
Balance sheet as of 1 January 2019	5,978	0	5,978
Change in cash flow from financing activities			
Proceeds from the raising of financial liabilities	32,000		32,000
Payments for the repayment of financial liabilities	-2,044	-620	-2,664
Total change in cash flow from financing activities	**29,956**	**-620**	**29,336**
Other changes			
Leasing liabilities		6,090	6,090
Other financial liabilities	-68	239	171
Balance sheet as of December 31, 2019	35,866	5,709	41,575

9 MISCELLANEOUS INFORMATION

9.1 FINANCIAL INSTRUMENTS

9.1.1 INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has largely eliminated the risk of interest rate changes by taking out long-term loans at fixed interest rates. As of the balance sheet date, there were no derivative financial instruments to hedge the interest rate risk.

9.1.2 EXCHANGE RATE RISK

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

AKASOL conducts its sales transactions primarily in Germany and within the EU, which is why the majority of transactions are concluded and carried out without exchange rate risk in the EURO zone. For transactions outside the EURO zone, it is exposed to risk, especially if sales are denominated in a different currency. In order to reduce the effects of exchange rate fluctuations, AKASOL AG hedges the main risks through forward exchange transactions, if financially reasonable.

As in the previous year, there were no derivative financial instruments in the form of forward exchange contracts as of December 31, 2019. Currency derivatives are always assigned to original underlying transactions, so that no currency risks arise from these instruments.

Bank accounts in the amount of KEUR 1,146 (previous year: KEUR 627) were held in USD as of the balance sheet date. This does not give rise to any significant exchange rate risks.

9.1.3 LIQUIDITY RISKS

Liquidity risks result from the risk that the Company might not be able to meet its financial obligations. Due to the financing structure of AKASOL AG after the IPO in 2018 and the new funds raised in financial year 2019 to finance the new building for the new location, the solvency of the Group is guaranteed at all times and no liquidity risks that could endanger the going concern are discernible.

AKASOL AG has a control and risk-management system. The main components of this system are reports on the development of the financial, liquidity and earning position, prepared on a continuous monthly basis and including target/actual analyses, and detailed liquidity planning.

9.1.4 DEFAULT RISK

Default risks, i.e. risks that contractual partners will fail to meet their payment obligations, are controlled by the internal approval of major transactions by management. Where appropriate, the Company procures additional collateral. The maximum default risk is reflected in the values shown on the balance sheet. In the current reporting period, there were no changes in the estimation method or material assumptions regarding the determination of the impairments.

The Company also has a securities portfolio in the amount of KEUR 17,372(previous year: KEUR 54,771). This mainly comprises corporate bonds and long-term money market instruments. In the case of corporate bonds, the Company invests in companies with a rating between A and BBB-, all of which are redeemed at the nominal value (100%) upon maturity. In this respect, the Company does not see itself exposed to any default risk in its securities portfolio. The ratings on which the corporate bonds are based are reviewed for changes at regular intervals. This information is provided by independent rating agencies.

9.1.5 FAIR VALUE

The Group's financial instruments not recognized at fair value primarily comprise bonds, cash and cash equivalents, trade receivables, trade payables, bank overdrafts and loans.

The book value of cash and cash equivalents is very close to their fair value due to the short maturity of these financial instruments.

In the case of receivables and liabilities based on normal commercial credit terms, the book value based on historical cost is also very close to the fair value.

The fair values of financial liabilities are determined on the basis of expected cash flows discounted at an appropriate market interest rate. Due to the short-term nature and minor changes in the interest rate level of the main financial liabilities the carrying amounts of the financial liabilities are reasonable and approximate value for the fair value.

9.1.6 ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS

The fair values compared to the book values are as follows for the financial assets and liabilities:

2019			Balance sheet valuation in accordance with IFRS 9		
KEUR	Assessment categories	Carrying amount 31.12.2019	Amortized cost (AC)	Fair value through profit or loss	Fair value
Financial assets	FAAC	35,276	35,276		35,529 [1]
Financial assets	FAFVTPL	2,096		2,096	2,097 [1]
Trade receivables and receivables from affiliated companies	FAAC	15,198	15,198		15,198 [3]
Cash and cash equivalents and financial assets	FAAC	27,861	27,861		27,861 [3]
Financial liabilities	FLAC	41,575	41,575		41,575 [3]
Trade payables	FLAC	10,440	10,440		10,440 [3]
Thereof, aggregated according to assessment categories					
Assets at amortized cost	FAAC	78,335	78,335		78,588 [1 3]
Liabilities at amortized cost	FLAC	52,015	52,015		52,015 [3]
Assets at fair value	FAFVTPL	2,096		2,096	2,097 [1]

FAAC Financial assets at amortized costs
FAFVOCI Financial assets at fair value through other comprehensive income
FAFVTPL Financial assets at fair value through profit and loss
FLAC Financial liabilities at amortized cost
FLFVPL Financial liabilities at fair value through profit and loss
1) Level 1 of the fair value hierarchy
2) Level 2 of the fair value hierarchy
3) The figures stated for financial assets and financial liabilities are not measured at fair value, but at amortized cost/book value, which is an appropriate approximation of fair value.

2018			Balance sheet valuation in accordance with IFRS 9		
KEUR	**Assessment categories**	**Carrying amount 31.12.2018**	**Amortized cost (AC)**	**Fair value through profit or loss**	**Fair value**
Financial assets	FAAC	52,721	52,721		52,142 [1]
Financial assets	FAFVTPL	2,050		2,050	2,050 [1]
Trade receivables and receivables from affiliated companies	FAAC	7,551	7,551		7,551 [3]
Cash and cash equivalents and financial assets	FAAC	30,559	30,559		30,559 [3]
Financial liabilities	FLAC	5,978	5,978		5,978 [3]
Trade payables	FLAC	4,095	4,095		4,095 [3]
Thereof, aggregated according to assessment categories					
Assets at amortized cost	FAAC	90,831	90,831		90,252 [1 3]
Liabilities at amortized cost	FLAC	10,073	10,073		10,073 [3]
Assets at fair value	FAFVTPL	2,050		2,050	2,050 [1]

FAAC Financial assets at amortized costs
FAFVOCI Financial assets at fair value through other comprehensive income
FAFVTPL Financial assets at fair value through profit and loss
FLAC Financial liabilities at amortized cost
FLFVPL Financial liabilities at fair value through profit and loss
1) Level 1 of the fair value hierarchy
2) Level 2 of the fair value hierarchy
3) The figures stated for financial assets and financial liabilities are not measured at fair value, but at amortized cost/book value, which is an appropriate approximation of fair value.

Net results according to valuation categories

2019	Financial assets measured at amortized cost	Assets measured at fair value	Financial liabilities measured at amortized cost	Total
Interest expenses			-266	-266
Interest income	221			221
Unexpected income/derecognized liabilities	0			0
Changes in fair value recognized in profit or loss		32		32
Net financial result	221	32	-266	-13

The sale of securities resulted in a capital gain on securities carried at amortised cost of KEUR 94, which is included in other operating income.

2018	Financial assets measured at amortized cost	Assets measured at fair value	Financial liabilities measured at amortized cost	Total
Interest expenses			-268	-268
Interest income	95			95
Unexpected income/derecognized liabilities	0			0
Changes in fair value recognized in profit or loss		36		36
Net financial result	95	36	-268	-137

9.2 RISK MANAGEMENT

The AKASOL Group is exposed to various risks through its business activities. These are countered by a risk-management system implemented throughout the Company, which is closely aligned with the business strategy. The internal control system and compliance guidelines are inseparably linked to the risk-management system. They ensure accurate financial reporting and compliance with codes of conduct by employees. The existing system of controls and guidelines enables the Company to comply with the requirements of the corporate governance guidelines. In particular, the focus is on the areas: finance and accounting, controlling and taxes, legal and compliance, and the main operating processes.

In this context, reference is made to the opportunities and risks report in the management report.

9.3 RELATIONSHIPS WITH RELATED COMPANIES AND PERSONS

Persons and companies are considered "related parties" if they control AKASOL AG or exercise significant influence over its financial and operating policies. The relationships with members of the Management Board and Supervisory Board are explained in Section 9.13.

The follow companies or persons are „related parties" in accordance with IAS 24:

- The shareholder Schulz Group GmbH, Ravensburg, and its subsidiaries in the Schulz Group;
- Mr. Sven Schulz as member of the Company's Management Board and main shareholder of Schulz Group GmbH (beneficial owner);
- Mr. Carsten Bovenschen as member of the Management Board (from 15 January 2019; until 10 January 2019 Dr. Curt Philipp Lorber);
- Sven & Reinhold Schulz Immobilienverwaltungs-GbR, Ravensburg;
- The members of the Supervisory Board of the Company.

9.3.1 TRANSACTIONS WITH SCHULZ GROUP GMBH, RAVENSBURG, AND ITS SUBSIDIARIES

As of 31 December 2019, Schulz Group GmbH, Ravensburg, held a share of 47.41 (previous year: 47.41%) in the subscribed capital of AKASOL AG.

On 6 August 2008, an outsourcing agreement was concluded with Schulz Group GmbH for the provision of various services. The contractual compenzation for the partial outsourcing of financial services and support in the areas of payroll accounting and IT activities amounted to KEUR 240 in financial year 2019 (previous year: KEUR 740).

In addition, administrative costs were passed on to Schulz Group GmbH (KEUR 117, previous year: KEUR 115) and Schulz Engineering GmbH (KEUR 3, previous year: KEUR 95).

With further subsidiaries of Schulz Group GmbH, total revenues amounting to KEUR 45 (previous year: KEUR 51) were generated. In addition, licence costs of KEUR 58 (previous year: KEUR 51) were charged to Schulz Engineering GmbH.

In the fixed assets, services of Schulz Engineering GmbH were capitalized in the amount of KEUR 468 in the machinery in process of construction on the balance sheet date. The contracts with Schulz Engineering GmbH were concluded for the planning and conceptual design of the new production facilities in Langen and Darmstadt. No services provided by Schulz Engineering GmbH or other companies affiliated by the Schulz Group GmbH were capitalised in 2018. Further expenses arose from trade in the amount of KEUR 285 (previous year: KEUR 109).

On the balance sheet date, there were recoverable receivables from Schulz Group GmbH amounting to KEUR 69 (previous year: KEUR 9) from a credit balance of the management fee charged in 2019, from Schulz Engineering GmbH from passed-on licence costs amounting to KEUR 19 (previous year: KEUR 15), from DengerLang Tube Tec GmbH from passed-on sales activity charges for project management amounting to KEUR 53 (previous year: KEUR 0) and from Sven & Reinhold Schulz Immobilien GbR from an rent overpayment amounting to KEUR 3 (previous year: KEUR 0).

On the balance sheet date, there were liabilities from costs passed on to Schulz Engineering GmbH amounting to KEUR 275 (previous year: KEUR 68).

9.3.2 TRANSACTIONS WITH SVEN & REINHOLD SCHULZ IMMOBILIENVERWALTUNGS-GBR, RAVENSBURG

Mr. Sven Schulz, member of the Management Board of AKASOL AG and main shareholder of Schulz Group GmbH, also holds a share in Sven & Reinhold Schulz Immobilienverwaltungs-GbR, Ravensburg. Since 2016, the Company has been leasing business premises in Ravensburg to AKASOL AG. The volume in 2019 was KEUR 45 (previous year: KEUR 45).

9.3.3 TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

No transactions were carried out with management in key positions beyond their activities for the Company.

9.4 DECLARATION ON THE CORPORATE GOVERNANCE CODE IN ACCORDANCE WITH § 161 OF THE GERMAN CORPORATION ACT

The corporate governance declaration in accordance with § 289a of the Commercial Code includes the declaration of compliance pursuant to § 161 of the Corporation Act, the relevant disclosures on corporate governance practices applied beyond the statutory requirements and a description of the working methods of the Management Board as well as of the composition and working methods of the Supervisory Board. Reference is made regarding these to the disclosures in the management report.

9.5 STOCK OPTION PLAN

AKASOL AG has granted stock appreciation rights („SARs“) to selected employees. After a waiting period of three years, each right entitles the holder to receive a cash amount equal to the difference between the share price when exercised and the initial value (issue price on the day of the IPO) of EUR 48.50. The granting of SARs to the employees or their exercise by the employees does not give rise to any legal position under corporate law in relation to the Company.

In the past financial year, the rights granted developed as follows:

	Number of employees	Number of rights
Rights outstanding at the beginning of the reporting period	0	0
Rights granted in the reporting period	53	137,210
Rights forfeited in the reporting period	5	13,378
Rights exercised in the reporting period	0	0
Rights expired during the reporting period	0	0
Rights outstanding at the end of the reporting period	48	123,832
Rights exercisable at the end of the reporting period	0	0

The options can only be exercised on condition that the share price exceeds the initial value by 3% annually from the beginning of the allocation date. The options may be exercised within 4 weeks from the 2nd trading day after the publication of quarterly, half-yearly or annual results. The last possible exercise date is December 31, 2029.

The payment claim per entitlement is limited to a maximum amount of EUR 11.50.

Share-based forms of payment that are paid out in cash must be revalued as of each balance sheet date on the basis of the parameters applicable at that time. The total value determined in this way is to be recorded on a pro rata temporis basis over the payment period as an expense in the liabilities. Fluctuations from year to year, e.g. due to changes in share prices, can therefore have a considerable impact on the annual expense.

In detail, the valuation as of December 31, 2019 is based on the following assumptions:

	Value
Anticipated volatility of the share	46.50%
Anticipated dividend payment	0.00%
Share price on the balance sheet date	34.45 €
Risk-free interest rate	-0.19%

On the basis of the valuation principles, the commitment and the conditions of the plan, the fair value of the rights issued in accordance with IFRS 2 as of December 31, 2019 was EUR 4.78 using a Monte Carlo simulation.

The expense from the commitment is included in personnel expenses and liabilities in the amount of KEUR 240.

9.6 REPORTABLE SECURITIES TRANSACTIONS

According to the last available notification of voting rights, the shares of AKASOL AG were held as follows as of 31 December 2019:

Shareholder structure	as a %
Schulz Group GmbH	47.41
FMR LLC	7.12
Felix von Borck	6.20
Stephen Raiser	4.33
Others	34.94
	100.00

The following table shows the notifications published in the financial years 2018 and 2019 regarding changes in voting rights pursuant to § 40 (1) of the Securities Trading Act (WpHG) and an overview of the general voting rights above the notification threshold of 3%:

Declarant	Location	Date	Reporting threshold	Share of voting rights (in %)	Amount of voting rights	Attributed to Security Trading Act
Schulz Group GmbH	Ravensburg, Germany	June 28, 2018	One-time admission of the share to trading	47.41 %	2,873,926	paragraphs 21,22
Mr. Felix von Borck	Darmstadt, Germany	June 28, 2018	One-time admission of the share to trading	6.20 %	375,835	paragraphs 21,22
Mr. Stephen Raiser	Wiesbaden, Germany	June 28, 2018	One-time admission of the share to trading	4.33 %	262,478	paragraphs 21,22
Fidelity Investment Trust	Boston, USA	June 28, 2018	Exceeding 3 %	4.98 %	301,880	paragraphs 21,22
Fidelity Management & Research Company	Boston, USA	June 28, 2018	Exceeding 3 %	4.93 %	298,850	paragraphs 21,22
FIAM Holdings LLC	Boston, USA	January 16, 2019	Undercutting 3 %	n.a.	n.a.	-
Total as of 31 December 2019						
FMR LLC	Wilmington, Delaware, USA	June 28, 2018	Exceeding 5 %	7.12 %	431,604	paragraphs 21,22

The Company also publishes proprietary trading by persons performing managerial functions and by persons (natural persons and legal entities) closely related to them, in accordance with the provisions of Article 19 MAR (Directors' dealings). These transactions can be viewed on the website within the legally prescribed periods. The notices published in the 2019 financial year are published on the Company's website at akasol.com/en/directors-dealings.

9.7 AUDITOR'S FEES

The auditor of AKASOL AG and the Group is BDO AG Wirtschaftsprüfungsgesellschaft, Berlin. The auditor's fees are comprised as follows:

	2019	2018
KEUR	**Total**	**Total**
Auditing services	209	196
Other certification services	-	173
Other services	4	15
	213	384

KEUR 82 (previous year: KEUR 75) of the audit fees relate to the audit of the HGB and IFRS individual financial statements of the previous year. The other certification services relate to services in connection with the DPR audit.

9.8 EMPLOYEES

As of December 31, 2019, the AKASOL Group had 284 full-time employees, not including Management Board members (previous year: 155), corresponding to an increase of approx. 83% in personnel capacity.

Broken down by functional areas, the employees as of December 31, 2019 can be allocated as follows:

	31.12.2019	31.12.2018
Administration	38	13
Development	84	54
Production	112	63
Sales	12	10
Service	11	5
Purchasing	17	6
Quality	10	4
Total	**284**	**155**

Of the employees as of December 31, 2019, 43% worked in production, service and engineering and around 30% in research and development (R&D). 4% of AKASOL employees worked in sales and marketing and 23% in the administration including purchasing and quality assurance.

236 persons were employed on average by the Group in financial year 2019 (previous year: 125) as well as 2 Management Board members (previous year: 2) and 4 apprentices and trainees (previous year: 4).

9.9 LEGAL LIABILITY RELATIONS

There were no legal liability relations as of the balance sheet date.

9.10 SECURITY ASSIGNMENTS/ MORTGAGES

Sparkasse Bodensee and BW Bank have concluded a collateral pooling agreement for liabilities in the amount of KEUR 608 with a global assignment of customer A-Z receivables and assignment of the inventory and warehouse at the Darmstadt main branch as security.

In addition, Sparkasse Bodensee has two mortgages for a total of KEUR 1,850 on properties of Schulz Group GmbH and Dengler Engineering GmbH. In addition, limited guarantees have been issued by Schulz Group GmbH (KEUR 750) with the in personam co-obligation of Schulz Engineering GmbH.

In addition, BW Bank has also been assigned the inventory and warehouse at the Langen site as security.

The loan from Deutsche Bank of KEUR 17,000 is secured by securities and deposits with a lending value of KEUR 9,700. The guarantee credit line of Deutsche Bank in the amount of KEUR 5,000 is also secured by additional securities and/or deposits in the amount of KEUR 1,500, so that the total amount of collateral is KEUR 11,200.

Three new loan agreements were concluded with Commerzbank in financial year 2019. A fixed rate loan of KEUR 15,000 and two further loans were granted for the investment projects: construction of an office building (KEUR 5,000) and construction of a production and logistics bay (KEUR 8,000). As of the cutoff date, the fixed-rate loan was drawn down and valued at KEUR 14,788. The funds for the investment projects are available for call until August 30, 2020. For the loans with a total volume of KEUR 28,000, a land charge in the same amount was registered on the new corporate premises of AKASOL AG in Darmstadt.

9.11 LEASE CONTRACTS/OTHER FINANCIAL OBLIGATIONS

The Company has concluded various rental and lease agreements. For 2019, these contracts will be treated in accordance with IFRS 16 for the first time.

The Group rents office space, production bays and warehouses. The terms of these leases are mainly between three and 10 years with the option to extend the leases after this period. Some lease agreements provide for additional rent payments based on changes in local price indices.

The lease agreements concluded in the past were classified as operating leases in accordance with IAS 17.

In addition, the Group leases operating and office equipment and motor vehicles with contractual terms of up to three years. Some of these agreements have extension options unless they are terminated accordingly before the end of the basic term of lease.

Leases in which the Group acts as a lessee are as follows:

Rights of use

KEUR	Property and buildings	Technical systems	Fixtures, fittings and equipment	Advanced payments rendered	Total
As of January 1, 2019	2,598	0	104	0	2,702
Additions	3,252	0	82	0	3,334
Depreciation of financial year	-546	0	-72	0	-618
As of December 31, 2019	5,304	0	114	0	5,418

Amounts recognized in the statement of comprehensive income:

	KEUR
2019 – leasing agreements according to IFRS 16	
Interest expenses for leasing liabilities	54
Expenses for non-current leasing agreements	18
2018 – operating leasing agreements to IAS 17	
Leasing expenses	488

Amounts recognized in the consolidated cash flow statement:

- Total cash outflows for leases KEUR 620

The maturities of the leasing liabilities are as follows:

2019 KEUR	Up to 1 year	1-5 years	Over 5 years
Leasing liabilities	884	2,982	1,604

The maturities of minimum lease payments under operating leases are as follows for the previous year:

2018			
KEUR	Up to 1 year	1-5 years	Over 5 years
Rent	501	1,061	16
Leased hardware and office equipment	18	9	0
Leased vehicles	35	21	0
	554	1,091	16

As of the balance sheet date, other financial obligations from purchase commitments for production materials (stock materials) and non-stock materials totaled EUR 42.4 million (previous year: EUR 14.4 million).

9.12 EVENTS AFTER THE BALANCE SHEET DATE

Events after the balance sheet date that provide additional information on the situation of the Company on the balance sheet date (events leading to adjustments) are reported in the balance sheet or statement of comprehensive income. Events after the balance sheet date that do not lead to an adjustment are explained below.

In mid-February 2020, AKASOL commissioned Manz AG, a global high-tech engineering company, to supply production equipment for the fully automated manufacture of high-performance battery modules for its Gigafactory 1 at its new location in Darmstadt. Linked to various options, the total order volume can amount to up to EUR 20 million, including production lines for AKASOL's new US site in Hazel Park, Michigan.

In March 2020, AKASOL commissioned its second series production line for Li-ion battery systems at the Langen production site 6 months earlier than planned. With the implementation of the second production line, the Company has more than doubled its annual maximum production capacity in Langen to up to 800 MWh compared to 2019.

On January 30, 2020, the World Health Organization (WHO) declared an international health emergency due to the COVID-19 pathogen and classified its spread as a pandemic since March 11, 2020. The current developments and restrictions of individual procurement and sales markets as well as the consequences of this on the business development of the AKASOL Group are continuously monitored. At the present time, it cannot be ruled out that there will be negative effects on the asset, financial and earnings situation in 2020. In this regard, reference is also made to the statements in the forecast report and the risk report. At the time of completion of the consolidated financial statements, AKASOL had initially maintained the series production of battery systems as well as prototype and sample construction under tight-ened hygiene and health protection measures for the workforce. At that time, AKASOL customers had taken a block break of several weeks in their series production and interrupted vehicle production, but had not changed their call-off forecasts to AKASOL.

These financial statements were released on April 23, 2020 by the Management Board for publication.

9.13 MANAGEMENT AND SUPERVISORY BOARDS

(a) Management Board

Sven Schulz

- Management Board member responsible for sales and marketing, product management, production, research and development, purchasing, logistics and quality management
- Spokesman of the Management Board

No other Supervisory Board mandates

Carsten Bovenschen (since 15 January 2019)

- Management Board member responsible for Finance, Legal Affairs, Human Resources, IT, Organization and Investor Relations

Dr. Curt Philipp Lorber (until 10 January 2019)

- Management Board member responsible for Finance, Legal Affairs, Human Resources, Organization and Investor Relations

(b) Supervisory Board

Dr. Christoph Reimnitz
Chairman

- APR Energy, Vice President of Strategic Development
- GE Pension Plan UK, Managing Director (until 31 December 2019)
- World LPG Association, Chairman, LPG to Power Working Group

Dr. Marie-Luise Wolff
Deputy Chairwoman

- Chairwoman of the Management Board of ENTEGA AG

Further mandates

- Federal Association of the Energy and Water Industry e.V. (BDEW), President, Member of the Management Board
- citiworks AG, Chairwoman of the Supervisory Board
- German Academy for Language and Poetry, Member of the Board of Trustees, Member of the Finances Working Group
- Digitalstadt Darmstadt GmbH, Member of the Advisory Board
- DIHK - Association of German Chambers of Industry and Commerce, Member of the Environment and Energy Committee
- e-netz Südhessen AG, Member of the Supervisory Board
- ENTEGA Plus GmbH, Chairwoman of the Advisory Board
- ENTEGA Foundation, Chairwoman of the Management Board, Member of the Board of Trustees
- Gothaer Versicherungsbank VVaG, member of the general assembly of members' representatives - dormant
- House of Energy (HoE) e. V., Vice Chairwoman of the Presidium, Vice Chairwoman of the Management Board
- hr werbung gmbh, member of the Supervisory Board
- IHK Darmstadt, Vice President, Chairwoman of the Committee for Environment and Energy
- Industriekraftwerk Breuberg GmbH, Chairwoman of the Advisory Board
- State Association of the Energy and Water Industry of Hesse / Rhineland-Palatinate e. V., Member of the Management Board
- Schader Foundation, Member of the Foundation Board
- TU Darmstadt, Deputy Chairwoman of the University Council - since 22 March 2019
- University Clinic of Cologne - A public law entity, Member of the Supervisory Board
- Association of Municipal Enteprises e. V. (VKU), Member of the Management Board, Member of the Management Board of the Hesse State Group

Dr. Christian Brenneke
Supervisory Board member

- Technology Officer & Head of Engineering, WABCO Global GmbH

Further mandates abroad:

- SmartDrive Systems, Member of the Board of Directors
- WABCO TVS (India) Ltd, Member of the Board of Directors

In financial year 2019, the Supervisory Board held four ordinary meetings in person (on 5 April, 24 May, 24 September and 22 November) and three ordinary conference calls (on 10 January, 14 April and 13 December).

The term of office of the members of the Supervisory Board ends at the end of the annual general meeting where the shareholders are to resolve on the actions of the Management Board members in financial year 2022.

(c) Remuneration of board members

The following table shows the benefits granted to the members of the Management Board in the reporting period.

Payments granted	**Sven Schulz Chief Executive Officer Joined Company on: 14.05.2018**		**Carsten Bovenschen Chief Financial Officer Joined Company on: 15.01.2019**		**Dr. Curt Philipp Lorber Chief Financial Officer Joined Company on: 14.05.2018***	
KEUR	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Fixed remuneration	120	76	173	-	3	76
Fringe benefit	0	3	15	-	0	3
One-year variable remuneration	8**	6	9**	-	(-5)***	23
Multi-year variable remuneration	17	12	26	-	0	0
Total	145	97	223	-	3	102
Pension expenses	0	4	3	-	0	4
Total remuneration	145	101	226	-	3	106

* Dr. Curt Philipp Lorber resigned from his position as member of the Management Board with immediate effect on January 10, 2019.

** The current members of the Board of Management have not yet received the corresponding Board of Management remuneration for the past 2019 financial year with regard to the one-year variable remuneration (annual bonus). Payment will be announced in the course of the 2020 financial year.

*** In financial year 2018, a provision for variable remuneration of KEUR 23 was formed for Dr. Curt Philipp Lorber in financial year 2018, although it was not paid out. Upon termination of his employment, he received a total amount of KEUR 18 in financial year 2019.

The executive board of AKASOL AG currently consists of two members. During the period under review, the Management Board consisted of Sven Schulz and Carsten Bovenschen (with effect from January 15, 2019). Dr. Curt Philipp Lorber had resigned from his office as a member of the Board of Management with immediate effect on January 10, 2019.

The total remuneration of Mr. Sven Schulz includes salaries and short-term benefits of KEUR 145 and comprises fixed components of KEUR 120 (previous year: KEUR 76) and variable components of KEUR 25 (previous year: KEUR 18).

The total remuneration of Mr. Carsten Bovenschen includes salaries and short-term benefits of KEUR 226 and comprises fixed components of KEUR 173 (previous year: n.a.), variable components of KEUR 35 (previous year: n.a.) and fringe benefits and pension expenses of KEUR 18.

Remuneration of former Management Board members

Dr. Curt Philipp Lorber resigned from the Management Board as of January 10, 2019. In addition to the remuneration as an active member of the Management Board until January 10, 2019, he received fixed remuneration of KEUR 3 and a bonus of KEUR 18. The total remuneration for the 2019 financial year as an active member of the Management Board amounts to KEUR 21. For the remaining term of the employment contract up to and including March 31, 2020, his remuneration claims and his contractual pension contributions were continued for the remaining term in accordance with the termination agreement following the point in time of termination. His fixed compensation as a no longer active member of the Management Board amounted to KEUR 127 in financial year 2019, as well as fringe benefits and pension contributions of KEUR 10. Corresponding provisions of KEUR 32 were recognized for the remaining term of the employment contract from January 1, 2020 to March 31, 2020.

Remuneration of the Supervisory Board

Pursuant to the Articles of Association, the remuneration of the members of the initial Supervisory Board is to be determined by the shareholders at the annual general meeting in which the shareholders decide on the actions of the members of the initial Supervisory Board in the first financial year.

In addition, the members of the Supervisory Board receive fixed remuneration of KEUR 15 pursuant to the Articles of Association. The Chairman of the Supervisory Board receives KEUR 30 and the Vice Chairman of the Supervisory Board KEUR 20 per financial year. If a member belongs to the Supervisory Board for only part of the financial year, the remuneration is determined on a pro rata temporis basis.

The members of the Supervisory Board are included in a financial loss liability insurance policy taken out by the company for the benefit of the members of the Management Board and the Supervisory Board at standard market conditions.

In addition, the members of the Supervisory Board shall be reimbursed for their reasonable and proven expenses incurred in the performance of their duties as well as for any value-added tax

Payments granted	Dr. Christoph Reimnitz Chairman of the Supervisory Board		Dr. Marie-Luise Wolff Deputy Chairwoman of the Supervisory Board		Dr. Christoph Brenneke Member of the Supervisory board	
KEUR	2019	2018	2019	2018	2019	2018
Fixed remuneration	30.0	20.0	20.0	13.9	15.0	10.4
Total remuneration	30.0	20.0	20.0	13.9	15.0	10.4

payable on the remuneration of the Supervisory Board, provided that they are entitled to separately invoice the Company for value-added tax and exercise this right.

9.14 RESPONSIBILITY STATEMENT BY THE LEGAL REPRESENTATIVES

"To the best of our knowledge, and in accordance with the applicable accounting principles, the consolidated financial statements convey a true and fair view of the financial, liquidity and earnings situation of the Company, and the management report portrays the course of business and business results so as to convey the actual situation, together with a description of the material risks and opportunities associated with the expected development of the Company."

Darmstadt, April 23, 2020

Sven Schulz
Chief Executive Officer

Carsten Bovenschen
Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT

To AKASOL AG, Darmstadt

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

AUDIT OPINION

We have audited the consolidated financial statements of AKASOL AG, Darmstadt, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2019, the consolidated statement of profit and loss, the consolidated statement of changes in equity and the consolidated cash flow statement for the financial year from 1 January to 31 December 2019, as well as the consolidated notes to the financial statements, including a summary of significant accounting methods. We have also audited the combined management report of AKASOL AG for the financial year from 1 January to 31 December 2019. In accordance with the provisions of German law, we did not perform a substantive review of the components of the combined management report mentioned under „Other Information."

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

- the accompanying consolidated financial statements comply in all material respects with the IFRS, as applied in the EU, and the provisions of German law which are applicable in addition thereto in accordance with § 315e(1) HGB [Handelsgesetzbuch: German Commercial Code] and, with due regard for those provisions, convey a true and fair view of the Group's assets and financial position as of 31 December 2019 and its financial performance for the financial year from 1 January to 31 December 2019; and
- on the whole, the attached combined management report gives a true and fair view of the Group's position. This combined management report is consistent with the consolidated financial statements in all material respects, conforms to German law and accurately presents the risks and opportunities of future development. Our audit opinion concerning the combined management report does not extend to the components of the combined management report mentioned under „Other Information."

Pursuant to § 322(3) Sentence 1 HGB, we declare that our audit has not led to any objections relating to the propriety of the consolidated financial statements and the combined management report.

BASIS FOR THE AUDIT OPINION

We conducted our audit of the consolidated financial statements and the combined management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014), with due regard for the German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibility for the Audit of the Consolidated Financial Statements and 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 and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements.

We also declare, in accordance with Article 10(2)(f) of the EU Audit Regulation, that we have not provided any prohibited non-audit services in accordance with 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 opinion on the consolidated financial statements and combined management report.

PARTICULARLY SIGNIFICANT MATTERS IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Particularly significant audit matters are those which, in our professional judgment, were most significant for our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2019. These matters were considered in connection with our audit of the consolidated financial statements as a whole and in the development of our audit opinion; we will not issue a separate audit opinion for these matters.

We have identified the following matters as particularly significant audit matters:

1. Revenue realization
2. Capitalization of development costs
3. Recognition and measurement of inventories

REVENUE REALIZATION

State of affairs

In the consolidated financial statements for 31 December 2019, AKASOL AG recognizes revenues in the amount of KEUR 47,648. Of this amount, KEUR 36,769 was from the delivery of goods and KEUR 10,879 was from the provision of services. Revenues from the delivery of goods are recognized for a specific date, while revenues from the provision of services are recognized for a specific period.

Revenues are a key performance indicator for the Company. There is a fundamental risk that revenues will be realized too early or in an incorrect amount in order to meet targets. In addition, there is a large amount of judgment involved in calculating revenues from the provision of services, since it is necessary to estimate the progress of the work. As a result, revenue realization is a particularly significant audit matter.

AKASOL AG's statements concerning revenue realization can be found in sections 5.10 („Revenue Realization") and 7.1 („Revenues") of the notes.

Auditor' response and findings

For our audit of revenues from the delivery of goods, we took a sampling of transactions in the financial year and compared the individual transactions against the orders, the invoices and suitable proofs of delivery.

For our audit of revenues from the provision of services, we took a sampling of projects classified as not yet completed and compared the revenues realized from these projects against the client's calculation in each case. We checked the calculation of the progress of the work based on the project budget and the accruing costs, evaluated the assumptions underlying the estimate of accruing costs, inspected the contractual foundations of the project and examined their incorporation in the client's calculations. We also verified the costs which were factored into the calculation of work progress by means of spot checks, as well as checking the mathematical accuracy of the calculation. We took a sampling of projects which were classified as completed and checked the revenues from these projects against the contractual foundations of the project, invoices and suitable records.

Based on the audit procedures we conducted, we are convinced that revenues were realized in an appropriate manner. We were able to verify the assumptions and discretionary decisions by the company's executive directors underlying the recognition of revenues from the provision of services with regard to determination of the progress of the work.

CAPITALIZATION OF DEVELOPMENT COSTS

State of affairs

In the 2019 financial year, AKASOL AG capitalized a total of KEUR 2,990 in costs for the development of intangible assets under „intangible assets." As of 31 December 2019, the book value of self-created intangible assets was KEUR 5,379 after deducting public subsidies for the promotion of these development projects.

Self-created intangible assets may only be recognized if the criteria for recognition in IAS 38.57 are met. A great deal of discretion must be exercised in evaluating whether these criteria have been met. Accordingly, this qualifies as a particularly significant audit matter.

AKASOL AG's statements concerning the capitalization of development costs can be found in sections 5.1.1 („Self-Created Intangible Assets") and 6.1.1 („Intangible Assets") of the notes.

Auditor' response and findings

We began by obtaining an overview of capitalized development projects. We then determined whether the necessary requirements for recognition have been met for these projects. To this end, we examined the documentation of these projects by the client, conducted discussions with the project coordinators about the subject of development, as well as technical feasibility and marketability, conducted a critical inquiry of the assumptions with regard to the future economic benefit of the projects, checked the allocation of costs to cost items and performed spot checks using suitable records.

Based on the audit procedures we conducted, we are convinced that the capitalization of development costs conforms to IAS 38.

RECOGNITION AND MEASUREMENT OF INVENTORIES

State of affairs

AKASOL AG recognized KEUR 27,815 in inventories in the consolidated financial statements for 31 December 2019.

Inventories were recorded by way of an expanded periodic inventory check. Inventories are measured at the cost of purchase or production, adjusted for necessary allowances.

Allowances for individual assets are made based on assumptions with regard to usability, marketability and obsolescence, as well as attainable sale price. In other words, allowances are made based on estimates by the management board, which are subject to discretion.

Given the material importance of inventories for the consolidated financial statements and the auditors' very extensive examination of the Company's approach to recording and measuring inventories, as well as the discretionary estimates involved in assessing value, the recognition and measurement of inventories are a particularly significant audit matter.

AKASOL AG's statements concerning the recognition and measurement of inventories can be found in sections 5.3 („Inventories") and 6.2 („Inventories") of the notes.

Auditor's response and findings

We verified the presence and condition of inventories by taking part as observers in physical inventories at the Darmstadt and Langen locations and by performing our own test counts. We also performed our own counts of inventories stored in a supplier's call-off stocks by means of spot checks. In addition, we obtained confirmations of additional stocks held by third parties. We checked the client's calculation of inventories at the time of the physical inventory and verified the existence and completeness of inventory transactions by means of spot checks.

With respect to the measurement of inventories and the assumptions made for this purpose, we verified the underlying assumptions through spot checks for each type of stock and obtained suitable documentation with regard to their purchase/production cost and value, as well as the adequacy of the allowances made.

Based on the audit procedures we conducted, we are convinced that inventories are correctly recognized and properly measured.

OTHER INFORMATION

The company's executive directors are responsible for other information. Other information includes:

- the corporate governance declaration in section 7.1 of the combined management report;
- the declaration of conformity with the recommendations of the „German Corporate Governance Code" pursuant to § 161 AktG [Aktiengesetz: German Stock Corporation Act], in section 7.2 of the combined management report; and
- the other sections of the annual report, with the exception of the audited consolidated financial statements and combined management report, as well as our audit report.

Our audit opinion with regard to the consolidated financial statements and combined management report does not extend to the other information. Accordingly, we will not be issuing an audit opinion or any other form of audit conclusion in this regard.

As part of our audit of the consolidated financial statements, we are responsible for reading the other information and evaluating whether the other information

- contains material inconsistencies with the consolidated financial statements, the combined management report or the information obtained over the course of the audit; or
- otherwise appears to contain material misstatements.

If we conclude based on the work we perform that such other information contains a material misstatement, we are obligated to report this fact. We have nothing to report in this regard.

RESPONSIBILITY OF THE EXECUTIVE DIRECTORS AND SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND COMBINED MANAGEMENT REPORT

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with the IFRS, as applied in the EU and the provisions of German law which are applicable in addition thereto in accordance with § 315e(1) HGB and, with due regard for those provisions, that the consolidated financial statements convey a true and fair view of the Group's assets, financial position and financial performance. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless the intention is to liquidate the Group or discontinue operations, or if there is no realistic alternative.

The executive directors are also responsible for preparing a combined management report which, on the whole, conveys a true and fair view of the Group's position, is consistent with the consolidated financial statements in all material respects, conforms to the provisions of German law and accurately presents the risks and opportunities of future development. The executive directors are also responsible for the precautions and measures (systems) which they deem necessary in order to enable preparation of a combined management report which conforms to applicable provisions of German law and in order to furnish adequate and suitable evidence for the statements 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 combined management report.

AUDITOR'S RESPONSIBILITY FOR AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND 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 as to whether the combined management report, as a whole, conveys a true and fair view of the Group's position, conforms in all material respects to the consolidated financial statements and the information obtained over the course of the audit, conforms to the provisions of German law and accurately presents the risks and opportunities of future development, as well as issuing an auditor's report that includes our audit opinion on the consolidated financial statements and combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation, in compliance with German Generally Accepted Standards for Financial Statement Audits 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 taken on the basis of these consolidated financial statements and the combined management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements and in 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 opinion. 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 controls;

- obtain an understanding of internal control relevant to the audit of the consolidated financial statements and the precautions and measures relating 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 this system of the Company;

- evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures;

- conclude on the appropriateness of the executive directors' 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 Company'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 combined management report or, if such disclosures are inadequate, to modify our audit opinion in each case. 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 Company to cease to be able to continue as a going concern;

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in such a way as to give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with the IFRS, as applied in the EU, and the provisions of German law which are applicable in addition thereto in accordance with § 315e(1) HGB;

- obtain adequate and suitable audit evidence for the Company's accounting information or business activities within the Group in order to issue audit opinions with regard to the consolidated financial statements and combined management report. We are responsible for guiding, monitoring and conducting the audit of the consolidated financial statements. We bear sole responsibility for our audit opinions;

- evaluate whether the combined management report is consistent with the consolidated financial statements, conforms to the law and conveys a true and fair view of the Group's position;

- conduct audit procedures in connection with statements about future events which are presented by the executive directors in the combined management report. In particular, we check the significant assumptions underlying statements about future events by the executive directors based on adequate and suitable audit evidence and evaluate whether such statements about future events are properly derived from those assumptions. We will not issue a separate audit opinion with regard to statements about future events and the underlying assumptions. There is a considerable and unavoidable risk that future events will deviate materially from statements about future events.

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

We issue a declaration to those charged with governance stating that we have adhered to the relevant requirements for independence and communicate with them with regard to all relationships and other matters which can be reasonably assumed to affect our independence, as well as the protective measures taken in this regard.

Of the matters on which we communicate with those charged with governance, we identify those which were more significant in the audit of the consolidated financial statements for the current reporting period, which are therefore particularly significant audit matters. We describe these matters in the audit report, unless public disclosure of those matters is prohibited by law or other regulations.

OTHER LEGAL AND STATUTORY REQUIREMENTS

OTHER DISCLOSURES IN ACCORDANCE WITH ARTICLE 10 OF THE EU AUDIT REGULATION

We were selected as auditor by the shareholders on 24 May 2019. We were engaged by the chairman of the supervisory board on 22 November 2019. We have been working as AKASOL AG's auditor since the 2017 financial year without interruption.

We declare that the audit opinions contained in this audit report are consistent with the additional report to the audit committee in accordance with Article 11 of the EU Audit Regulation.

RESPONSIBLE AUDITOR

The auditor responsible for the audit is Hagen Scholz.

Frankfurt, 23 April 2020

BDO AG
Wirtschaftsprüfungsgesellschaft

Sartori	**Scholz**
German Public Auditor	**German Public Auditor**

FINANCIAL GLOSSARY

CASH AND CASH EQUIVALENTS

Indicates the cash and cash equivalents provided by the various capital flows and is the result of the cash flow accounting.

CASH FLOW FROM FINANCING ACTIVITIES

Indicates the balance of cash and cash equivalents provided to or used by a company in connection with transactions involving shareholders' equity or outside capital.

CASH FLOW FROM INVESTMENT ACTIVITIES

Indicates the balance of cash and cash equivalents that a company has invested or received in connection with the acquisition or sale of financial and tangible assets.

CASH FLOW FROM OPERATING ACTIVITIES

Indicates the change in cash and cash equivalents resulting from operative business during the period under review.

CORPORATE GOVERNANCE

The organizational structure and content of the way companies are managed and controlled.

GERMAN CORPORATE GOVERNANCE KODEX

The German Corporate Governance Kodex (German Corporate Governance Code) presents essential statutory regulations for the management and supervisions of German listed companies and contains, in the form of recommendations and suggestions, internationally and nationally acknowledged standards for good and responsible corporate governance.

EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTIZATION (EBITDA)

EBITDA is the amount of profit that a person or company receives before interest, taxes, depreciation and amortization have been deducted.

FREE-FLOAT

The free-float includes all shares that are not held by major shareholders; i. e. shares that can be acquired and traded by the general public. Under Deutsche Börse's definition, shares totaling over 5 percent of total equity or over 25 percent held by investment funds are not considered to be part of the free-float.

GROSS MARGIN

Indicates the ratio between gross profit and net sales, enabling conclusions to be drawn regarding a company's production efficiency. Calculation: Gross Profit ÷ Net Sales x 100.

GROSS PROFIT

The result of net sales less cost of sales. Calculation: Net Sales – Cost of Sales. INITIAL PUBLIC OFFERING (IPO) Describes the Initial Public Offering of stocks of the AKASOL AG on the Deutsch Börse on 29th June 2018.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

IFRS are set by the International Accounting Standard Board (Board) and are used primarily by publicly accountable companies – those listed on a stock exchange and by financial institutions – such as 120 banks. Authoritative interpretations of the Standards, which provide further guidance on how to apply them, are developed by the IFRS Interpretation Committee and called IFRIC Interpretations.

KEUR

Amount stated in one thousand euros. It is used in this report for simplified presentation.

MARKET CAPITALIZATION

Indicates the current market value of a company's shareholders' equity on the stock exchange. Calculation: Number of Shares Outstanding x Trading Price.

MEASUREMENT CATEGORY UNDER IFRS 9 ACCORDING TO WHICH FINANCIAL ASSETS (FVOCI)

Describes a measurement category under IFRS 9 according to which financial assets are measured at fair value through other comprehensive income.

OPERATING PROFIT (EBIT)

Operating profit (earnings) before interest and taxes. Calculation: Net Income ± Financial Income / Expenses ± Income Taxes ± Gain / Loss from Investment.

OPERATING PROFIT MARGIN (EBIT MARGIN)

The ratio between operating profit and net sales – the higher the ratio, the higher the profitability of operating activities. Calculation: Operating Profit (EBIT) ÷ Net Sales x 100. ORDER BACKLOG Cumulative order total of the orders agreed with customers framework contracts and call-off agreements.

RETURN ON CAPITAL EMPLOYED (ROCE)

Ratio between operating profit and the total capital employed during a period. Calculation: EBIT ÷ (Net) Assets + Working Capital x 100.

RETURN ON EQUITY

Provides information about the yield on the equity provided by shareholders. Calculation: Net Income ÷ Shareholders' Equity x 100.

WORKING CAPITAL

A liquidity parameter that indicates the surplus of a company's assets that are capable of being liquidated short term (within one year) over its shortterm liabilities. Absolute calculation: Inventories + trade receivables - trade payables.

CONTACT

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LEGAL NOTES

Concept, Content , Design, Composition and Repress

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The English version is a translation of the original German version; in the event of variances, the German version shall take precedence over the English translation.

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