High Performance Battery Systems

HIGH PERFORMANCE FOR ZERO EMISSIONS

QUARTERLY STATEMENT Q1 2020

KEY FIGURES FOR THE 3-MONTHS (IFRS) [1)]

for the period from January 1, to March 31, 2020

	2020 KEUR	Change	2019 KEUR
Revenue	8,018	-1,054	9,072
Total output	12,930	2,822	10,108
Costs of materials	8,736	-2,861	5,875
Adjusted material ratio in % of revenue [2)]	59.8	n.a.	60.4
EBITDA [3)]	-1,730	-2,178	448
In % of revenue	-21.6	n.a.	4.9
EBIT [3)]	-2,404	-2,437	33
In % of revenue	-30.0	n.a.	0.4
EBT [3)]	-2,447	-2,426	-21
In % of revenue	-30.5	n.a.	-0.2
Net result of the period [3)]	-2,481	-2,387	-94
Total assets (as of Mar. 31/ Dec. 31)	150,557	663	149,894
Equity ratio (%)	61.5	n.a.	63.4
Employees (as of Mar. 31/ Dec. 31)	288	4	284
Free cash flow [3) 4)]	5,194	12,094	-6,900

1) Unaudited in accordance with IFRS

2) 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

3) Previous year adjusted by AKASOL Inc.

4) Free cash flow = cash flow from operating activities + cash flow from investment activities

Share	Mar. 30, 2020	Change	Mar. 29, 2019
Closing price in Xetra in EUR	31.30	-19.56%	38.91
Number of share issued	6,061,856	n.a	6,061,856
Market capitalization in EUR million	189.74	-19.56%	235.87

FOREWORD

Dear Shareholders,
Dear Customers and Business Partners,
Dear Employees,

The spread of the COVID-19 pandemic and the global lockdown in which it has resulted has forced us to face up to challenges of a kind we have never seen before. Already in late January, AKASOL AG was confronted with the first effects of the coronavirus and the disturbing news from China: the exceptional developments could have triggered supply bottlenecks among China-based suppliers of key electronic components for our battery systems. With the dramatic developments in Italy in February, the impacts drew closer and closer until finally, in March, Germany was placed in a lockdown that brought a large segment of our economic and public life to a halt.

The special situation also affected the business performance of AKASOL AG in the first quarter of 2020, especially because deliveries planned for March were suddenly brought to a standstill when our customers suspended their operations for several weeks. Despite this unforeseeable development brought on by the COVID-19 pandemic, we managed to stabilize total output compared to the previous year, at EUR 12.9 million (previous year: EUR 10.1 million), in the first quarter of the 2020 financial year. But because deliveries to our customers were suddenly interrupted, revenue stagnated in March and reached a relatively low level in the first quarter 2020 of EUR 8.0 million (previous year: EUR 9.1 million), while earnings before interest and taxes (EBIT) stood at EUR -2.4 million (previous year: KEUR 33). Although this falls short of the original earnings forecast, it was due solely to the abrupt halt in deliveries and does not reflect the actual first-quarter business performance.

Our customers have experienced production disruptions in recent weeks, but, based on the information available to us, reductions in production volume attributable to the effects of the coronavirus crisis are largely in keeping with our forecasts. Due to the close communication with our customers despite the disruptions, when the lockdown was instituted, we decided to continue to maintain production operations, taking into account stricter hygiene and health precautions, in the effort to meet our customers' needs once their plants reopen.

We have also made efficient use of the current coronavirus crisis to progressively advance existing and new development projects, thereby further expanding our technology leadership in the field of lithium-ion battery systems for commercial vehicles. Even once the lockdown had been announced, customers placed development orders with the Company for new and further projects. This provided lasting and welcome confirmation that, even in an environment as challenging as ours currently is, the market is still maintaining a long-term strategy of electrification, and our customers are deepening their business relationships with AKASOL with this objective in mind.

With regard to the second quarter, we expect to initially see even stronger effects in April as a result of the lockdown that has been instituted, even though production in the customer plants will resume in May and June. This leaves us time to gradually draw down the inventories that have been built up in the meantime. Since we are unlikely to be able to catch up on all outstanding deliveries by the end of June, however, we will still be busy in this regard well into the third quarter. Because we will still be starting delivery of the second generation of series batteries systems as scheduled in the middle of the year, the budget we drew up last year already assumed a weaker first half of the year and a strong second half. Thus, assuming there are no further setbacks in the current coronavirus crisis, we can expect a highly dynamic positive trend in the second half of the year and thus the chance to meet our originally planned revenue target.

This is due to our firm belief that electromobility is an unstoppable trend. The coronavirus pandemic will weaken this trend somewhat in the months ahead but will not stop it altogether. On the contrary, the trend will pick up considerably once the crisis is past. This development is also confirmed in communication with our customers, who are continuing to pursue all projects with AKASOL, in some cases even extending the cooperation.

Hence, given the sustainable market environment and the persistently high demand for our product portfolio, we are very confident that we will still be able to achieve our targets in 2020 – not least through the trusting and appreciative support of our business partners, customers, shareholders and our employees. With this in mind, on behalf of the Management Board, we would like to thank you all for this and look forward to your continued support in addressing all the challenges ahead.

Best regards

Sven Schulz
Chief Executive Officer

Carsten Bovenschen
Chief Financial Officer

BUSINESS PERFORMANCE

In the first quarter of the 2020 financial year, AKASOL reached total output in the amount of EUR 12.9 million (previous year: EUR 10.1 million) and thus managed to maintain its total output at a high level in spite of the abrupt negative impact of the COVID-19 pandemic. Total revenue for the Company, however, during the first three months of the year, was relatively low, at EUR 8.0 million (previous year: EUR 9.1 million). The drop was solely the result of the abrupt halt to deliveries in March, when a lockdown of customer plants led to a prohibition on deliveries of finished goods, that suddenly could not be recognized as revenue. Hence, earnings before interest and taxes (EBIT) for the first quarter of 2020 fell short of projections and totaled to EUR -2.4 million (previous year: KEUR 33).

Aside from the effects of the coronavirus pandemic, the first quarter bore the marks of ongoing expansion in production capacity and in the area of fuel-cell drives. With the order received from Alstom, specialist for the rail business, for delivery of high-performance lithium-ion battery systems to propel the world's first fuel-cell-driven urban train, the Coradia iLint, the Company grew its customer base into the off-highway area right at the beginning of the year and is thus a recommended specialist for battery systems used in hydrogen drives. With the powerful and robust AKM POC AKASystem battery systems, AKASOL supplies the important dynamic storage component for the world's only hydrogen-powered train, which has been in successful use in northern Germany since September 2018. With a volume totaling in the low-double-digit millions of euros, the order underscores AKASOL's broad expertise in developing the kinds of high-performance battery systems needed not just in battery-powered vehicles but also in alternative-propulsion applications such as fuel-cell technology.

The series order by Alstom is the outcome of an extensive and successful partnering arrangement in which AKASOL has leveraged its expertise in alternative-drive technologies for rail vehicles in a targeted way over the past ten years – from the testing stage through to official approval of the Coradia iLint – further developing this expertise with its partner in accordance with its specific requirements. Delivery of the first "Powerpacks" is planned for the second half of 2020.

Parallel to this, AKASOL reached another milestone on the path to expanding its production capacity at its series-production location in Langen, in the German state of Hesse: Already at the outset of the year, which was six months ahead of the date originally forecast, the Company commissioned the second series-production line for Li-ion battery systems ("Langen II"), where the second generation of the AKASystem OEM PRC lithium-ion battery system will be series-produced beginning in mid-2020. With this step, AKASOL boosted its annual maximum production capacity at the Langen plant to a total of 800 MWh – more than double the previous year's figure. By commissioning Langen II, the Company created the conditions required to meet mounting customer demand for high-performance Li-ion battery systems for applications in the commercial-vehicle sector.

In addition to this, construction is already under way to create further production capacity for manufacture of the third generation of AKASystem AKM CYC-type lithium-ion battery systems. In the course of this effort, in February, AKASOL commissioned Manz AG, a global high-tech equipment manufacturer, with delivery of fully automated production facilities for the latest generation of high-energy battery modules for its Gigafactory 1, at the new site in Darmstadt. The order, which is coupled to an array of options, has a total volume of up to EUR 20 million and includes, among other things, a production line for the new US plant in Hazel Park, Michigan. Headquartered in Reutlingen, Germany, the company has extensive expertise in the field of battery-cell and battery-module production lines and is expected to deliver the first items of equipment to AKASOL during 2020. Beginning at the end of 2021, Gigafactory 2 will be commissioned at the US site, with virtually identical production equipment.

The high level of demand on the part of customers within the context of the Company's growth strategy is illustrated by the high order backlog of around EUR 2 billion at the beginning of the current 2020 financial year for the planning period up to and including 2027. The emphasis in the months ahead will be on the effort to expand production capacities along with the marketing of new products and turnkey solutions for a variety of electromobility applications. This is how, within the scope of the strategic orientation of its business, AKASOL strives to achieve both horizontal (supplemental products, accessories, etc.) and vertical diversification with the development of comprehensive solutions (turnkey solutions) such as flexible and off-the-grid high-speed charging stations.

RESULTS OF OPERATIONS, FINANCIAL POSITION AND NET ASSETS

RESULTS OF OPERATIONS

Revenue for the first three months of 2020 totaled to EUR 8.0 million (previous year: EUR 9.1 million), marking a decrease of EUR 1.1 million from the same period last year, for a decline of 11.6%. The main reason for the drop in revenue is that lower year-over-year project sales could not be cushioned as expected due to several weeks' suspension of production operations by bus and commercial vehicle manufacturers in AKASOL's customer base. During the first quarter of 2020, major customers have already made use of halts in production as part of the effort to contain the COVID-19 pandemic. Based on the information available to AKASOL at the moment, these breaks in operations have since been gradually canceled, and production has partially resumed.

Assuming a recovery in the economic environment currently affected by the COVID-19 pandemic, the AKASOL Management Board expects to see positive business performance for the remainder of the year and a significant recovery in demand during the second half of the year. This is why AKASOL itself has not called for any suspension of its own production operations thus far in the course of 2020. The 27.9% increase in total output (total of revenue, changes in inventory and own work capitalized) to a value of EUR 12.9 million in the first quarter of 2020 (previous year: EUR 10.1 million) reflects inventory production of battery systems for quick delivery to AKASOL Group customers during the expected upturn in business in the further course of the year.

Given the expansion in production discernible in the trend in total output, the cost of materials increased from EUR 5.9 million in the previous year to EUR 8.7 million in the reporting period. This corresponds to an increase of 48.7% or adjusted materials ratio to revenue (cost of materials adjusted for changes in inventories/revenue) of 59.8% (previous year: 60.4%). Expressed in terms of total output, this results in a ratio of 67.6% (previous year: 58.1%).

Chiefly due to planned new hires to accommodate growth in operations, personnel expenses increased by 74.2% to EUR 4.6 million (previous year: EUR 2.6 million). The personnel-expense ratio relative to revenue rose from the prior-year figure of 29.0% to 57.2% in the period under report. Expressed in relation to total output, this results in a personnel-expense ratio of 35.5% for the first quarter of the financial year (previous year: 26.0%).

Other operating expenses in the first three months of 2020 stood at EUR 1.5 million (previous year: EUR 1.2 million). This results in earnings before interest, taxes and depreciation (EBITDA) of EUR -1.7 million for the reporting period (previous year: EUR 0.4 million). Depreciation and amortization total to EUR 0.7 million (previous year: EUR 0.4 million).

Earnings before interest and taxes (EBIT) for the first quarter of the financial year in progress totals to EUR -2.4 million (previous year: KEUR 33).

The financial result for the first three months of 2020 amounts to KEUR -43, following KEUR -54 in the comparable period of the previous year. After deduction of KEUR 36 in income taxes, (previous year: KEUR 73), the AKASOL Group generated EUR -2.5 million in net income for the period (previous year: EUR -0.1 million). Earnings per share thus amount to EUR -0.41 (previous year: EUR -0.02).

FINANCIAL POSITION

Cash and cash equivalents rose by EUR 9.5 million during the first three months of the current financial year and totaled to EUR 34.3 million as of March 31, 2020 (December 31, 2019: EUR 24.9 million). The increase was mainly the result of the sale of financial assets previously held to avoid negative interest on bank balances.

AKASOL had EUR 39.7 million in non-current financial liabilities as of March 31, 2020, reporting date, this represents a EUR 2.7 million increase (December 31, 2019: EUR 37.0 million). Current and non-current liabilities total to EUR 58.0 million (December 31, 2019: EUR 54.8 million). Net debt, cash and cash equivalents and securities classified as current assets, less current and non-current financial liabilities, total to EUR 11.7 million (December 31, 2019: EUR 16.7 million); this corresponds to an improvement of EUR 5.0 million. This development is mainly the result of an increase in cash and cash equivalents.

The sale of EUR 20.0 million in matured financial assets resulted in a cash flow from investing activities of around EUR 10.5 million (previous year: EUR -7.5 million). Due to the increase in inventory and working capital needed to secure revenue for the coming months, cash flow from operating activities stood at EUR -5.3 million (previous year: EUR 0.6 million).

The operating cash flow plus the cash flow from investing activities (free cash flow) total to EUR 5.2 million for the first three months of the financial year in progress (previous year: EUR -6.9 million).

Cash flow from financing activities stands at EUR 4.3 million (previous year: EUR -0.6 million) and includes utilization, in installments, of the building loan for the investment in the new company headquarters in Darmstadt, Germany.

NET ASSETS

Particularly as a result of the sale of financial assets, current assets dropped to EUR 87.3 million as of March 31, 2020, reporting date (December 31, 2019: EUR 95.6 million).

Trade receivables amounted to EUR 12.4 million as of the balance sheet date (December 31, 2019: EUR 15.2 million). Of this amount, EUR 11.4 million is attributable to invoiced receivables and EUR 1.0 million to contract assets not covered by prepayments (Percentage of Completion).

Cash and cash equivalents rose by EUR 9.5 million during the first three months of the current financial year as a result of the sale of financial assets and totaled to EUR 34.3 million as of March 31, 2020 (December 31, 2019: EUR 24.9 million).

Non-current assets were EUR 9.0 million higher and totaled to EUR 63.3 million as of March 31, 2020 (December 31, 2019: EUR 54.3 million). The increase in tangible assets to a value of EUR 39.2 million (December 31, 2019: EUR 31.1 million) reflects growth investments made at the site of the new headquarters in Darmstadt, Germany, at the new US site in the Detroit metropolitan area, and also toward expansion of manufacturing facilities at the Company's site in Langen, Germany.

Intangible assets, which in particular include capitalization of development costs, were EUR 0.9 million higher and totaled to EUR 6.7 million as of the reporting date (December 31, 2019: EUR 5.8 million).

Non-current liabilities amounted to EUR 39.7 million as of March 31, 2020 (December 31, 2019: EUR 37.0 million). The increase is due to higher liabilities to banks.

Current assets were EUR 0.5 million higher and totaled to EUR 18.3 million as of the balance sheet date (December 31, 2019: EUR 17.9 million).

Trade payables were EUR 2.9 million lower and stood at EUR 7.6 million in the first three months of the 2020 financial year (December 31, 2019: EUR 10.4 million).

Current financial liabilities were EUR 1.8 million higher due to increased liabilities to banks and stood at EUR 6.4 million as of the reporting date (December 31, 2019: EUR 4.6 million).

There were EUR 3.7 million in other non-financial liabilities, which were EUR 1.4 million higher as of March 31, 2020 (December 31, 2019: EUR 2.3 million).

Equity as of March 31, 2020, amounted to EUR 92.6 million (December 31, 2019: EUR 95.1 million). The equity ratio at the end of the first quarter of 2020 thus remains very solid at 61.5% (December 31, 2019: 63.4%).

FORECAST, OPPORTUNITY AND RISK REPORT

FORECAST REPORT

The Management Board explained in detail its forecast for the current year and the key assumptions for deriving it in the 2019 Annual Report in the Company's Management Report. 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.

OPPORTUNITY AND RISK REPORT

The main opportunities and risks of the Company's future development and the structure of the risk management system are described in detail in the Management Report of the Annual Report for the 2019 financial year. This report can be downloaded from the Company's website at www.akasol.com.

In order to be able to react adequately and quickly to emerging risks, the relevant markets are closely monitored, and possible scenarios created. In this way AKASOL can quickly implement various alternative courses of action. Potential risks, among other things with possible exchange rate fluctuations, pursue the management with special attention. Sales development, liquidity and cost control are the main focus. Overall, the general risk situation did not change significantly in the first three months of the 2020 financial year compared with the risk situation described in the management report for the 2019 financial year.

EVENTS AFTER THE BALANCE SHEET DATE

There were no events of particular significance after the end of the reporting period (March 31, 2020).

CONSOLIDATED BALANCE SHEET

as of March 31, 2020

	Mar. 31, 2020 [1)] KEUR	Dec. 31, 2019 KEUR
ASSETS		
Non-Current Assets		
Intangible assets	6,710	5,823
Tangible assets	39,166	31,051
Other financial assets	17,377	17,372
Other non-financial assets	32	32
Deferred tax assets	0	0
Total Non-Current Assets	**63,285**	**54,278**
Current Assets		
Inventories	34,158	27,815
Trade receivables	12,370	15,198
Other financial assets	3,000	23,000
Other non-financial assets	3,209	4,559
Income tax receivables	206	183
Cash and cash equivalents	34,329	24,861
Total Current Assets	**87,272**	**95,616**
TOTAL ASSETS	**150,557**	**149,894**
EQUITY AND LIABILITIES		
Equity		
Subscribed capital	6,062	6,062
Capital reserve	96,524	96,524
Result carried forward	-10,018	-7,535
Currency provisions	1	-1
TOTAL EQUITY	**92,569**	**95,050**
Non-Current Liabilities		
Deferred tax liabilities	0	0
Financial liabilities		
Liabilities to banks	34,912	32,166
Other financial liabilities	4,766	4,825
Total Non-Current Liabilities	**39,678**	**36,991**
Current Liabilities		
Financial liabilities		
Liabilities to banks	5,485	3,700
Other financial liabilities	913	884
Trade payables	7,580	10,440
Other non-financial liabilities	3,743	2,332
Provisions	589	497
Total Current Liabilities	**18,310**	**17,853**
TOTAL EQUITY AND LIABILITIES	**150,557**	**149,894**

1) Unaudited in accordance with IFRS

CONSOLIDATED INCOME STATEMENT [1)]

for the period from January 1, to March 31, 2020

	Q1 2020 KEUR	Q1 2019 [2)] KEUR
Revenue	**8,018**	**9,072**
Increase or decrease in unfinished and finished goods and work in progress	3,940	395
Own work capitalized	972	640
Other operating income	129	18
Cost of materials	8,736	5,875
Personnel expenses	4,585	2,632
Other operating expenses	1,468	1,171
Depreciation and amortization	674	415
Operating result (EBIT)	**-2,404**	**33**
Financial income	99	26
Financial expenses	-142	-80
Financial result	**-43**	**-54**
Earnings before taxes (EBT)	**-2,447**	**-21**
Taxes on income	-36	-73
Result for the period	**-2,483**	**-94**
Other comprehensive income	2	0
Net result for the period	**-2,481**	**-94**
Earnings per share in EUR	-0.41	-0.02
Average number of shares outstanding	6,061,856	6,061,856

1) Unaudited in accordance with IFRS
2) Including AKASOL Inc.

CONSOLIDATED CASH FLOW STATEMENT [1]

for the period from January 1, to March 31, 2020

	Q1 2020 KEUR	Q1 2019 [2] KEUR
Cash flow from operating activities		
Operating result (EBIT)	-2,404	33
+ Depreciation on fixed assets	674	415
+/- Other non-cash changes	5	334
Changes in net current assets		
-/+ Increase/decrease in inventories	-6,343	-4,473
-/+ Increase/decrease in trade receivables	2,828	-171
-/+ Increase/decrease in other assets not attributable to invest-ment or financing activities	1,323	809
+/- Increase/decrease in trade payables	-2,860	1,890
+/- Increase/decrease in accounts payable and other liabilities not attributable to investment or financing activities	1,431	1,771
+/- Increase/decrease in provisions	92	0
-/+ Interest paid/received	-20	45
-/+ Taxes paid	-59	-26
= Cash flow from operating activities	**-5,333**	**627**
Cash flow from investment activities		
- Production and purchase of intangible assets	-984	-620
- Purchase of fixed assets	-8,489	-3,489
- Purchase of financial assets and other securities	0	-3,419
+ Sale of financial assets	20,000	0
= Cash flow from investment activities	**10,527**	**-7,527**
Cash flow from financing activities		
+ Proceeds from financial liabilities	5,183	0
- Repayment of debt	-906	-635
= Cash flow from financing activities	**4,277**	**-635**
Funds at the end of the period		
Change in funds	9,471	-7,535
+/- Changes in cash and cash equivalents due to exchange rate and valuation	-3	0
+/- Change in funds due to change in scope of consolidation	0	9
+/- Funds on January 1	24,861	21,926
= Cash at end of period	**34,329**	**14,400**
Composition of funds		
Cash and cash equivalents	34,329	14,400

[1] Unaudited in accordance with IFRS
[2] Including AKASOL Inc.

CONSOLIDATED STATEMENT OF CHANGES TO EQUITY [1]

for the period of January 1, to March 31, 2020

	Subscribed capital	Capital reserve	Result carried forward	Currency provisions	Equity
	KEUR	KEUR	KEUR	KEUR	KEUR
Balance at January 1, 2019	**6,062**	**96,747**	**-1,101**	**0**	**101,707**
Result for the period [2]	0	0	-94	0	-94
Balance at March 31, 2019 [2]	**6,062**	**96,747**	**-1,195**	**0**	**101,613**
Balance at January 1, 2020	**6,062**	**96,524**	**-7,534**	**-1**	**95,051**
Result for the period	0	0	-2,483	2	-2,481
Balance at March 31, 2020	**6,062**	**96,524**	**-10,017**	**1**	**92,569**

[1] Unaudited in accordance with IFRS
[2] Including AKASOL Inc.

FINANCIAL CALENDAR 2020

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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IMPRINT

Publisher
AKASOL AG, Landwehrstraße 55, 64293 Darmstadt, Germany

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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