CONSOLIDATED HALF-YEAR REPORT

OF EXASOL AG

AS OF JUNE 30, 2020

The analytics database

Exasol
The analytics database

CONTENT

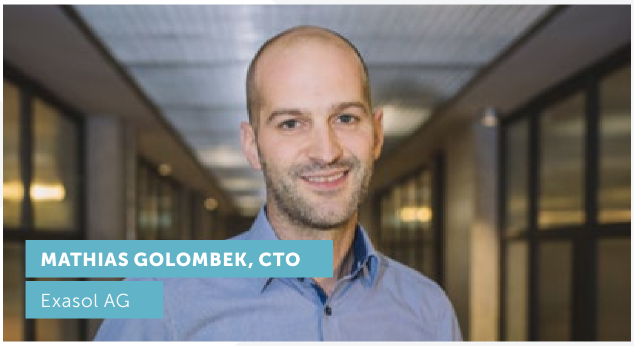
FOREWORD OF THE EXECUTIVE BOARD

DEAR SHAREHOLDERS,

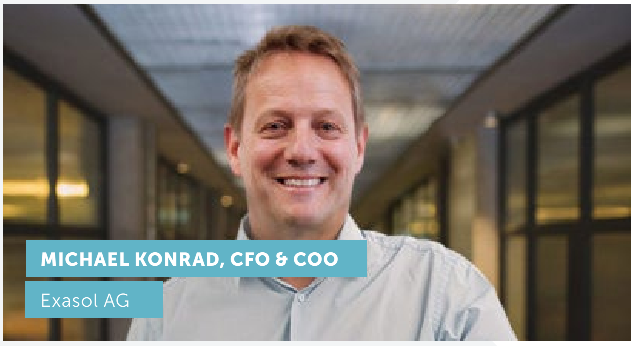
In May 2020, we successfully completed our IPO on the Frankfurt Stock Exchange, which was under the spell of the global coronavirus pandemic and thus faced particularly difficult preconditions. Our sincere thanks go in particular to our employees for their great commitment and to our customers and partners who always remained loyal to us during this challenging phase. They allowed us to go public despite all the challenges, and with the gross proceeds from the IPO of EUR 48.5 million, we have now laid the foundation for the implementation of our growth strategy.

As the COVID-19 situation aggravated in late February and was classified as a pandemic by the WHO on 12 March 2020, Exasol reacted quickly together as a unit, digitalizing all processes even more intensively and sending the majority of employees to work from home. The changeover of the workflows went very well and our customer relationships could almost seamlessly be transferred to remote mode.

In the first half of 2020, we grew our ARR by 30% to EUR 20.8 million. The ARR – annual recurring revenue – is currently the most important indicator for measuring our economic performance. It shows the recurring revenues of the last month of the reporting period, multiplied by twelve, which gives us a strong foundation for visibility and planning for the subsequent 12 months.



MATHIAS GOLOMBEK, CTO
Exasol AG



MICHAEL KONRAD, CFO & COO
Exasol AG

Let us put the growth we have achieved into perspective. Up until the IPO on 25 May 2020, Exasol's financial resources were very limited. At the same time, we were struggling with the global economic upheavals caused by the coronavirus crisis. Taking these two factors into account, we are satisfied with what we have achieved in the first half of 2020. This result underpins our robust business model and the importance of the significant performance advantages of our database technology for customers and partners.

Over a period of 20 years, we have developed a unique database infrastructure for the analysis of complex data sets based on the highly complex but exceptionally powerful in-memory technology. Our growth is mainly driven by the increasing focus on digitization and the rapidly growing volumes of data that companies want to use for ever more complex and rapid business decisions. Ultra-fast and cost-efficient data analysis is crucial to the success of superior data-driven business models. Exasol covers both customer needs, as our database technology has been proven to be the fastest technology of its kind in the world today. It is up to 100 times faster than conventional database systems. What is more, the superior performance values are provided at relatively low and efficient infrastructure costs.

The funds generated by the IPO, our highly qualified employees and our ultra-fast database infrastructure for complex data analytics make us confident that we are excellently positioned to benefit from the digital transformation process and the rapidly increasing acceleration effects in the market and also to increase our growth.

By the end of the current financial year 2020, we expect ARR of at least EUR 24 million, which would be equivalent to an increase of 36% compared to 2019.

Thank you very much for your trust.

AARON AULD
CEO

MATHIAS GOLOMBEK
CTO

MICHAEL KONRAD
CFO & COO

INTERIM GROUP MANAGEMENT REPORT

FOR THE PERIOD ENDED 30 JUNE 2020

REPORTING BASIS

The present interim Group management report of EXASOL AG (hereinafter either “Exasol”, “Exasol Group” or “Group”) was prepared in accordance with Sections 315 and 315a of the German Commercial Code (HGB) in compliance with German Accounting Standards (GAS 20). All contents and information relate to the reporting date 30 June 2020 or the half-year period from 1 January 2020 to 30 June 2020.

Unless stated otherwise, all information in the interim Group management report is made in thousands of euros (KEUR). All amounts have been commercially rounded to full KEUR. When adding up rounded amounts and percentages, the use of automatic calculation aids may lead to rounding differences.

The personal pronouns “we”, “us” or “our” used in this interim Group management report refer to Exasol AG and its subsidiaries and sub-subsidiaries.

FORWARD-LOOKING STATEMENTS

The present interim Group management report may contain forward-looking statements and information that can be identified by formulations such as “expect”, “want”, “anticipate”, “intend”, “plan”, “believe”, “aim”, “estimate”, “will” or similar terms. Such forward-looking statements are based on current expectations and certain assumptions, which may involve a number of risks and uncertainties. Exasol’s actual results may differ materially from those set forth in the forward-looking statements. Exasol assumes no obligation to update these forward-looking statements or to correct them if developments differ from those expected.

1.1. GENERAL CORPORATE INFORMATION

Business activity

Exasol was established in 2000 and operates a technologically leading infrastructure for next generation software-based data analytics (“big data analytics”). Exasol’s software technology enables companies to analyze their rapidly growing data volumes much faster than with conventional systems in order to make operational and strategic business decisions more efficiently, quickly and accurately. In addition, the database technology facilitates highly complex analyses and decision-making which were previously hardly possible or not possible at all with conventional systems.

The core of Exasol’s Relational Database Management System is the “in-memory” technology, where the data required for the analyses is stored in the main memory (RAM). Self-learning algorithms based on artificial intelligence decide which data is currently required and should be stored in the main memory. This innovative approach differs fundamentally from legacy database architectures, where the data is stored on hard disks.

Compared to traditional legacy architectures, Exasol’s in-memory approach performs data analytics at a much higher speed and can execute more complex and extensive queries, enabling companies to significantly improve their processes, operations and procedures based on data-driven decisions.

Business model

Exasol’s software infrastructure is designed as a platform-independent solution, i.e. customers can choose between two models, (1) “on premise” and (2) “cloud”.

(1) On-premise: the database solution is delivered based on a classic license-based on-premise solution. Customers install the solution on their own servers.

(2) Cloud: the database solution is operated on the dominant cloud architectures of, for instance, Amazon WEB Services, Azure (Microsoft), Google Cloud or on ExaCloud, Exasol’s proprietary cloud solution.

The business model is designed for high scalability. Exasol supplies its customers with its proprietary, standardized software infrastructure for the analysis of large and complex data volumes. The individual specification of the solution to the needs and applications of the customer is not carried out by Exasol. Instead, Exasol’s customers adapt the Exasol database infrastructure to their individual applications themselves or through external service providers.

This way, Exasol ensures that its database solution can be used for a wide range of applications and in almost all industrial, governmental and service sectors. What is more, this approach allows the infrastructure to be used by both very small businesses and very large corporations.

Exasol’s strategy is geared to generating revenues of a recurring nature as well as revenues generated through subscription or term contracts.

Revenues are generated based on the amount of data that customers need for their analyses and queries in Exasol's database infrastructure. In addition, revenues are mainly generated from licenses, maintenance, consulting services and cloud solutions. In this context, term-based and software-as-a-service (SaaS) models are increasingly gaining importance.

1.2. ECONOMIC REPORT

The macroeconomic environment

According to the latest International Monetary Fund (IMF) forecast of June 2020, the world economy will contract by 4.9% in the full year 2020. The reduction in economic output is mainly attributable to the impact of the COVID-19 pandemic on the major economies. At 8.0%, the decline in the industrialized countries will be exceptionally high. For Germany, the IMF projects a 7.8% drop in economic output.

The industry environment

The negative macroeconomic trend also has an impact on the IT industry. According to calculations by US market research institute Gartner, global spending on enterprise software will decline by 6.9% to USD 426 billion in 2020 as a result of the general spending restraint. The market for IT services is expected to contract by 7.7%. Industry association Bitkom projects a 4.0% decline for the German software market and a 5.4% contraction of the market for IT services.

With regard to important transformation projects such as cloud migrations, Gartner assumes that such projects may be delayed and postponed because of the pandemic in 2020, but that total investment expenditure should catch up in the following years. According to estimates by analyst firm IDC, the market volume for big data and business analytics, which totalled USD 189.1 billion in 2019, will rise at a compound annual growth rate (CAGR) of 13.2% to USD 274.3 billion in 2022. The main driver is the amount of data produced, which according to IDC will increase from 33 zettabytes in 2018 to 59 zettabytes (+ 79%) by the end of this year.

1.3. BUSINESS PERFORMANCE

Use of business-relevant financial performance indicators

In order to provide a clear and transparent presentation of the Exasol Group's business performance, the Group's annual and interim financial statements include financial performance indicators such as EBITDA, EBIT, recurring revenue, annual recurring revenue and other revenues in addition to the disclosures required by German HGB reporting standards. The definitions and calculations of the performance indicators are shown below:

EBITDA (earnings before interest, taxes, depreciation and amortization) is calculated from the consolidated net income/loss for the period before depreciation and amortization of intangible assets and property, plant and equipment, interest and similar expenses, other interest and similar income as well as taxes on income. EBIT (earnings before interest and taxes) is calculated from the consolidated net income/loss for the period before interest and similar expenses, other interest and similar income and taxes on income.

Recurring revenue is permanent, recurring revenue based on contractual agreements. This mainly comprises revenues from software rental (on-premise and cloud) and ongoing support and maintenance services. The contractual period is usually at least 12 months.

Annual recurring revenue (ARR) is calculated from monthly recurring revenue (MRR). MRR represents the recurring revenues of one month. ARR is calculated by multiplying the MRR of the last month in the reporting period by 12.

Other revenues are calculated by deducting the recurring revenue of the reporting period from the reported revenue. Other revenues are mainly composed of one-off license revenues and revenues from consulting.

Gross operating profit is calculated from sales revenue plus other operating income and less cost of materials.

If necessary, the performance indicators used are adjusted for one-time effects which, because of their nature or scope, would impair the informative value of the financial performance of the original core operations. All one-time effects are presented transparently and reconciled.

1.3.1 PERFORMANCE IN THE FIRST HALF OF 2020

Strategically important recurring revenue and ARR up by 30%

In the first half of 2020, Exasol generated revenues of EUR 10.1 million (first half of 2019: EUR 11.0 million). The EUR 0.9 million decline from the same period of the previous year is mainly due to a shift in the revenue structure from license revenue to strategically focused recurring revenue.

Exasol increased the important recurring revenue by 29.6% compared to the same period of the previous year to EUR 9.2 million in the first six months of 2020. Accordingly, recurring revenue accounted for 90.7% of total revenues, up from 64.2% in the same period of the previous year. Growth was driven primarily by new business and increased revenues with existing customers. At the bottom line, Exasol was able to win a total of 16 new customers in the first half of 2020.

Between June 2019 and June 2020, ARR rose by 30.0% to EUR 20.8 million. Compared to December 2019 (EUR 17.6 million), ARR was up by 18.2%.

Other revenues amounted to EUR 0.9 million in the first six months of 2020, compared to EUR 3.9 million in the same period of the previous year.

The decline in other revenues is almost entirely attributable to two factors. First, it is due to the strategic conversion of the revenue model to term-based contracts. Second, demand for one-time license models in the six months of 2019 was unusually high, which resulted in a correspondingly high contribution from other revenues in H1 2019.

in EUR m	30 June 2020	30 June 2019	Change
Revenue	10.1	11.0	-8.2 %
Recurring revenue in % of revenues	9.2 90.7 %	7.1 64.2 %	29.6 % +26.5 PP
Annual recurring revenue	20.8	16.0	30.0 %
Gross operating profit in % of revenues	9.3 92.1 %	10.0 90.9 %	-7.0 % +1.2 PP

Operating result influenced by extraordinary effects

In the first half of 2020, EBITDA amounted to EUR -15.0 million, compared to EUR -5.2 million in the same period of 2019. EBITDA were materially influenced by two extraordinary, non-operating effects: (1) IPO expenses and (2) share-based remuneration payments.

Exasol successfully completed its IPO in May 2020. Expenses for the IPO in the first half of 2020 totalled EUR 3.1 million. The remuneration system for the Executive Board and employees includes share-based remuneration components. Due to the good performance of the Exasol share as of the reporting date 30 June 2020, a total of EUR 10.1 million (previous year period: EUR 6.0 million) was additionally reserved for share-based remuneration payments and recognized as an expense, which reduced profit.

Excluding the extraordinary effects mentioned above, adjusted EBITDA for the first six months of 2020 was EUR -1.8 million (H1 2019: EUR 0.8 million). The EUR 2.6 million decline in adjusted EBITDA was primarily due to the EUR 1.5 million increase in personnel expenses (excluding expenses for share-based remuneration) and the EUR 0.9 million decline in revenues in the first half of 2020 compared to the same period of the previous year.

For further information on the share-based remuneration systems, please refer to paragraph 3 "Employees".

in EUR m	H1 2020	H1 2019
EBITDA	-15.0	-5.2
+ share-based remuneration	10.1	5.9
+ IPO expenses	3.1	0
= adjusted EBITDA	-1.8	0.8

EBIT amounted to EUR -16.0 million (PY period: EUR -6.3 million) in the reporting period. Adjusted EBIT stood at EUR -2.8 million (PY period: EUR -0.9 million).

Measures taken by Exasol AG in response to the outbreak of the COVID-19 pandemic

Exasol responded quickly and comprehensively to the coronavirus crisis and the resulting social distancing and lockdown measures. The focus of the measures introduced was to provide the best possible protection for employees, external service providers and customers. In addition, with the outbreak and further spreading of the pandemic, the Executive Board initiated various processes to temporarily cut costs.

At the beginning of March 2020, almost all employees were sent to work from home. Processes and workflows were digitalized even further and remote solutions were intensified. In this context, Exasol's business model of providing a highly scalable and platform-independent software infrastructure allows database services to be provided largely remotely and via online/cloud solutions, proved to be an advantage.

Moreover, at the time of the outbreak of the COVID-19 pandemic, nearly all employees were equipped with laptops or with mobile communication devices and corresponding VPN solutions.

On the whole, Exasol was able to convert the processes smoothly and to provide customers with the database infrastructure in the usual quality without interruption.

Successful IPO leads to gross cash inflow of EUR 48.5 million

In May 2020, Exasol successfully completed its IPO on the Frankfurt Stock Exchange as well as a related capital increase. The Exasol share is listed in the Open Market and included in the Scale segment. As a result of the IPO, Exasol generated gross proceeds totalling EUR 48.5 million.

1.4. FINANCIAL POSITION, NET ASSET AND RESULTS OF OPERATION

1.4.1. RESULTS OF OPERATION IN THE EXASOL GROUP

Revenue

In the first half of the financial year 2020, the Exasol Group generated revenues of EUR 10.1 million (PY period: EUR 11.0 million). The strategically important recurring revenue increased by 29.7% to EUR 9.2 million and represented 90.7% of total revenues (PY period: 64.2%).

in EUR m	30 June 2020	30 June 2019	Change
Revenue	10.1	11.0	-8.2 %
Recurring revenue	9.2	7.1	29.6 %
in % of revenues	90.7 %	64.2 %	+26.5 PP

In the DACH region (Germany, Austria and Switzerland), Exasol generated revenues of EUR 6.9 million. This represents 68% of total revenues (PY period: EUR 7.3 million; 66% of total revenues).

In North America, Exasol's revenues amounted to EUR 1.4 million, which represents 13% of total revenues. The EUR 0.3 million decline from the prior-year period (EUR 1.7 million) is mainly due to the fact that other revenues were lower than in the same period of the previous year.

in EUR m	30 June 2020	30 June 2019	Change
DACH	6.9	7.3	-5.5%
North America	1.4	1.7	-21.4%
United Kingdom	0.7	0.7	+0.0%
Rest of world	1.1	1.4	-21.4%
Total	**10.1**	**11.0**	**-8.2%**

Own work capitalized

Own work in the amount of EUR 0.95 million (PY: EUR 0.89 million) was capitalized in the first half of 2020. These are internally developed intangible assets, in particular internally generated software ("software development expenses").

Other operating income

As in the prior-year period, other operating income in the reporting period primarily includes income from sick pay supplements and income from the settlement of non-cash compensation (motor vehicles). On balance, other operating income rose from EUR 0.10 million in the prior-year period to EUR 0.22 million.

Cost of materials

At EUR 1.0 million, the cost of materials in the first half of 2020 was on a par with the same period of the previous year. The cost of materials essentially comprises expenses for the ExaCloud infrastructure (leasing of servers and data centre expenses) and the cost of hardware purchased for appliance revenues (bundling of hardware and software).

Personnel expenses

Personnel expenses increased by 44.2% to EUR 18.6 million in the reporting period (PY period: EUR 12.9 million). As explained in the previous paragraph, due to the good performance of the Exasol share as of the reporting date 30 June 2020, a total of EUR 10.1 million had to be set aside for share-based remuneration payments and recorded as an expense under personnel expenses. Adjusted for the share-based remuneration payments, which do not lead to a cash outflow in the 2020 reporting year, personnel expenses relevant for the company's operations would have stood at EUR 8.5 million (PY period: EUR 7.0 million).

The 23.2% rise in adjusted personnel expenses is mainly due to the higher average number of employees.

in EUR m	30 June 2020	30 June 2019	Change
Personnel expenses	18.6	12.9	44.2%
Share-based remuneration	10.1	6.0	68.3%
Adjusted personnel expenses	8.5	6.9	23.2%

Depreciation/amortization

At EUR 1.0 million, depreciation/amortization in the reporting period was almost unchanged from the prior-year period (EUR 1.1 million). Depreciation/amortization breaks down into amortization of intangible assets (mainly internally generated software) of EUR 0.6 million, amortization of goodwill of EUR 0.2 million and depreciation of property, plant and equipment of EUR 0.2 million.

Other operating expenses

Other operating expenses rose by EUR 3.5 million from EUR 3.2 million in the same period of the previous year to EUR 6.7 million in the first six months of the financial year 2020. Other operating expenses include extraordinary expenses (IPO-related expenses) in the amount of EUR 3.1 million. Other operating expenses also comprise advertising and travel expenses of EUR 1.1 million, other IT costs of EUR 0.8 million, the cost of premises of EUR 0.5 million, personnel recruitment costs of EUR 0.3 million as well as insurance expenses and contributions of EUR 0.2 million.

in EUR m	30 June 2020	30 June 2019	Change
Other operating expenses	6.7	3.2	109.4%
IPO expenses	3.1	0	n.a.
Adjusted other operating expenses	3.6	3.2	12.5%

Financial result

The financial result improved from EUR -0.4 million in the first half of 2019 to EUR -0.2 million in the reporting period, mainly driven by the repayment of financial liabilities, i.e. the conversion of shareholder loans into equity, and the associated reduction in interest expense in the reporting period.

Earnings after taxes

In the first six months of the financial year 2020, earnings after taxes stood at EUR -16.2 million, compared to EUR -6.7 million in the same period of 2019. This is primarily attributable to the extraordinary expenses of EUR 13.2 million incurred in the reporting period (PY period: EUR 6.0 million).

1.4.2. FINANCIAL POSITION

Exasol's financial management is fundamentally aimed at securing the company's liquidity at all times. It comprises capital structure, cash and liquidity management.

Changes in cash and cash equivalents

As of 30 June 2020, the Exasol Group had cash and cash equivalents in the total amount of EUR 40.4 million (31 December 2019: EUR 0.6 million). The strong EUR 39.8 million increase in cash and cash equivalents is almost entirely attributable to the capital increase associated with Exasol's IPO, which resulted in a gross cash inflow of EUR 48.5 million in the reporting period.

Bank liabilities were reduced to EUR 0.1 million as of the reporting date 30 June 2020, down from EUR 2.2 million on 31 December 2019.

This results in net cash (calculated on the basis of cash and cash equivalents less bank liabilities) of EUR 40.3 million as of the reporting date 30 June 2020 (31 December 2019: EUR -1.6 million).

Changes in cash flows

Operating cash flow in the first half of the 2020 financial year stood at EUR -4.7 million, compared with EUR 4.7 million in the previous year. The decline by EUR 9.4 million is attributable to several factors.

First, the IPO costs were recognized as expenses after receipt of the gross issue proceeds and settled in cash. Second, part of the share-based remuneration was paid out.

Cash flow from investing activities amounted to EUR -1.2 million in the 2020 reporting period, down by EUR 0.4 million on the corresponding figure for the same period of the previous year. The decline is essentially attributable to a reduction in spending on property, plant and equipment.

Cash flow from financing activities amounted to EUR 47.8 million in the first half of the year (prior year: EUR -0.8 million) and is essentially attributable to the addition of EUR 48.5 million in cash and cash equivalents from the capital increase carried out in connection with Exasol's IPO.

1.4.3. NET ASSETS

Change in total assets materially influenced by capital increase

The change in total assets and the balance sheet structure at the end of the reporting period ended 30 June 2020 compared to the balance sheet date 31 December 2019 was materially influenced by the capital increase carried out in May 2020 in connection with the IPO. As a result of the capital increase, the number of shares rose by 5,100,000. In addition, the capital increase through the contribution of shareholder loans, which was resolved at the Annual General Meeting in December 2019, was registered with the competent local court in the run-up to the IPO, which increased the subscribed capital by 1,463,870 shares. The subscribed capital thus increased from EUR 15,654,000 as of 31 December 2019 by a total of EUR 6,563,870 to EUR 22,217,870. The excess amount from the non-cash contribution (EUR 7,026,579.51) and the IPO (EUR 43,350,000.00) was allocated to the capital reserve. In the context of the IPO, part of the treasury shares were sold and the amount in excess of the nominal value was transferred to the revenue reserve. At the end of the reporting period (30 June 2020), total assets amounted to EUR 50.6 million, which corresponds to an increase by EUR 19.0 million compared to the reporting date 31 December 2019, when total assets stood at EUR 31.5 million. The main drivers of the change in total assets were the equity injected by the capital increase in the context of the IPO in the amount of EUR 48.5 million and the consolidated net loss for the reporting period of EUR -16.2 million, which led to a commensurate decline in equity.

As of 30 June 2020, non-current assets (fixed assets) totalled EUR 8.0 million, which was on a par with the EUR 7.9 million recorded as of 31 December 2019. At EUR 5.4 million, internally generated software (internally generated industrial property rights and similar rights and assets) represents the largest item (67.5% of non-current assets).

Cash and cash equivalents of EUR 40.4 million represent 79.8% of total assets

Current assets increased from EUR 2.7 million as of the balance sheet date 31 December 2019 to EUR 42.1 million at the end of the reporting period. The sharp rise in current assets is based on cash proceeds of EUR 48.5 million from the capital increase carried out in May 2020. The current assets as of 30 June 2020 represented 83.2% of total assets. At the end of the reporting period, cash and cash equivalents totalled EUR 40.4 million, which represented 79.8% of total assets.

When comparing the asset structure as of 30 June 2020 with the asset structure as of 31 December 2019, it should be noted that a deficit of EUR 20.5 million not covered by equity was reported as of 31 December 2019. Exasol is therefore of the opinion that the asset structures cannot be fully compared.

Equity ratio of 45.3% as of 30 June 2020

In the reporting period just ended, equity amounted to EUR 22.8 million on the reporting date 30 June 2020, which was equivalent to an equity ratio of 45.3%. As of the reference date 31 December 2019, the Exasol Group reported negative equity of EUR -20.5 million. The change in equity is due to the increase in equity described above.

As of 30 June 2020, Exasol reported liabilities and provisions of EUR 20.3 million, which represented 40.1% of total assets. Provisions amounted to EUR 17.4 million (31 December 2019: EUR 11.5 million) or 34.4% of total assets. At EUR 15.5 million, provisions for share-based remuneration systems were the largest provisions item. Provisions in the amount of EUR 2.5 million are due within the next 12 months. The remaining EUR 14.9 million is due within the next one to five years.

As of the balance sheet date 30 June 2020, liabilities amounted to EUR 2.9 million or 5.7% of total assets. Compared to the reporting date 31 December 2019 (EUR 7.4 million), this corresponds to a decline by EUR 4.5 million, which is mainly due to the repayment of bank loans and shareholder loans. Liabilities in the amount of EUR 2.8 million are due within the next 12 months, while an amount of EUR 0.1 million is due within the next one to five years.

Compared to the reporting date 31 December 2019, deferred income was up by 76% to EUR 7.4 million as of 30 June 2020. The increase is due to Exasol's business model of concluding term contracts with customers. In many cases, the amounts are paid at the beginning of the term or, in the case of monthly payments, at the beginning of the month. Accordingly, the cash flow underlying the contract occurs before the date of performance. These amounts must be deferred to match the period.

Digression: Undisclosed reserves as of 30 June 2020

In the context of Exasol's IPO in May 2020, existing shareholders transferred shares to the company free of charge. As a result, Exasol held a total of 597 thousand treasury shares as of 30 June 2020. At the end of the reporting period, the closing price of the Exasol share was EUR 13.40. Correspondingly, the market value of the treasury shares at the end of the reporting period would have been EUR 8.0 million. The shares are intended to cover a large part of the obligations resulting from the share-based remuneration payments.

2. RESEARCH AND DEVELOPMENT

Development activities in the H1 2020 reporting period focused on the further development of Exasol's software solution and the subsequent roll-out phase.

For the development of this new version, EUR 0.95 million in own work and EUR 0.2 million in associated material costs were capitalized in the reporting year. These development costs were not amortized, as the amortization period begins upon introduction of the new release. The market launch is planned for the second half of 2020.

3. EMPLOYEES

As of 30 June 2020, Exasol employed 150 people (incl. Executive Board members), three less than on 30 June 2019.

Of these, 50 people worked in Sales and Marketing, 42 in Professional Service, 36 in Development and 22 in Administration.

The headcount of 150 breaks down into 123 in Germany, 19 in the United Kingdom and 8 in the United States.

Share-based remuneration for Executive Board members and employees

The company has agreed a total of three different share-based remuneration programmes with its Executive Board members and its employees: (1) Stock Appreciation Rights - SAR - Executive Board, (2) Stock Awards – Executive Board and (3) Stock Appreciation Rights – Employees.

Stock Appreciation Rights – SAR – Executive Board

- Long-term share-based remuneration component from the year 2016 with a term until August 2022
- Remuneration claims can be settled in the form of shares or by payment
- Prior to the IPO, existing shareholders contributed 881,794 shares to the Company free of charge to cover the SAR program

In 2016, the company agreed with the Executive Board on a share-based remuneration program in the form of stock appreciation rights under the law of obligations. The program has a total term until August 2022.

To cover the Executive Board SAR programme, existing shareholders contributed a total of 881,794 shares to the company free of charge prior to the IPO. 285,000 of these shares were used as a greenshoe in the IPO, which generated additional proceeds and cash inflows of EUR 2.7 million for the company. Accordingly, the company still has 596,794 shares available for the Executive Board SAR programme.

The remuneration is paid in two stages. The remuneration of the first stage was due within four weeks of the date of the initial listing and was paid out accordingly in June 2020. Part of the proceeds from the greenshoe was used to fully cover the payment. The second stage is due in August 2022 and can be paid in the form of shares or a payment.

The following table shows notional cash charges at alternative average market prices that the company could incur at the time of the SAR payment obligation in August 2022. It is assumed that the company will be able to sell the 596,794 treasury shares at the average price that would be used to calculate the value of the SAR programme.

As of 30 June 2020, a total amount of EUR 9.7 million had been set aside for the SAR Executive Board programme.

Notional average stock market price in euros	**9.50**	**13.40**	**18.00**
in EUR m			
Notional market capitalization	211.1	297.7	399.9
Gross SAR entitlement	8.3	12.1	16.6
Already paid as of the balance sheet date	2.4	2.4	2.4
Net SAR entitlement	5.9	9.7	14.2
Value of the 596,794 shares of the company	5.7	8.0	10.7
Notional net cash outflow from the SAR entitlement in August 2022	**0.3**	**1.7**	**3.5**

Stock Awards – Executive Board

The Executive Board receives stock awards for each financial year.

The shares to which they are entitled are based on the annual base remuneration. This is multiplied by a factor that depends on the performance of the Exasol share. The factor is limited by a maximum value. It can be zero if the performance is insufficient. Payment of the remuneration entitlement extends over three years.

Stock Appreciation Rights – SAR – Employees

- SAR program to bind high potentials to Exasol, especially in the software and IT sectors
- Entitlement to remuneration totaling EUR 7.5 million over three years

After Exasol's successful IPO, employees are entitled to a total of 579,000 Stock Appreciation Rights (SAR). The equivalent value of one SAR is EUR 13.00. Accordingly, the entire SAR programme for employees has a value of EUR 7.5 million. The entitlement will be paid out in three instalments. Employees will receive 30% of the value of the employee SAR programme in May 2021, 40% in May 2022 and 30% in May 2023.

The purpose of the programme is to bind employees to the company in the long term. If an employee leaves the company, the SAR remaining at the time of departure will expire.

As of 30 June 2020, EUR 4.0 million had been set aside for the Employee SAR programme.

4. FORECAST, OPPORTUNITIES AND RISK REPORT

4.1 RISK REPORT

Material risks to the company are listed and outlined below.

Macroeconomic risks

Macroeconomic developments and the general business climate have a material influence on Exasol's business performance. Exasol's database infrastructure is normally used to replace, expand or improve existing systems. In times of economic uncertainty or in a deteriorating political or economic environment, long-term investments in technologies, software or IT infrastructures are often postponed or suspended. Exasol's database technology falls into the category of long-term IT investments. Accordingly, Exasol's existing or potential customers may cancel, reduce or refrain from making investments in Exasol's products.

In particular, the existing trade conflicts between the USA and China as well as the European Union might lead to a deterioration in the macroeconomic environment and have a sustained negative impact on Exasol's revenues and earnings.

The relationship between the European Union and the United Kingdom is another macroeconomic risk identified by Exasol. A no-deal exit of Great Britain from the European Union might have negative consequences for Exasol's revenues and earnings.

Macroeconomic risks in connection with the COVID-19 pandemic

The current dramatic downturn in the world economy caused by the global COVID-19 pandemic and the resulting lockdown and social distancing measures pose a material risk to Exasol's revenues and earnings. From today's perspective, it is impossible to predict if and to what extent existing or potential customers of Exasol will reduce or suspend their investments in software or database systems. Further developments primarily depend on the timely availability of pharmaceutical products and vaccines to clearly contain the pandemic.

Industry-specific and market-related risks

Exasol is facing strong competition. Database and data analytics solutions are offered by different companies. The market is currently dominated by traditional providers such as Microsoft, Oracle or IBM, which have both a global reach and considerable financial resources. In addition, there are a number of younger technology companies such as Snowflake which market solutions similar to Exasol's. Strong competition from established suppliers, younger technology companies and potential new entrants to the market may lead to a loss of customers and market share and thus have a negative impact on Exasol's development.

Risks from technological changes

Exasol considers itself technologically well positioned and believes that its database infrastructure is difficult to replicate.

The data analytics markets in which Exasol operates are subject to rapid technological change. New solutions and products are constantly being introduced. Exasol's competitiveness is highly dependent on its ability to quickly adapt and anticipate technological changes, to develop its products accordingly and to identify changing customer needs. If Exasol is unable to do so, this could have a negative impact on the business performance and thus on Exasol's revenues and earnings.

Risks from technical operations and cyber attacks

Data analytics is the core business of Exasol. In this context, sensitive customer data is permanently processed, stored, analyzed and forwarded.

Interruptions to the internet, external service providers and Exasol's infrastructure, faulty systems, slow speeds or system failures may have a strong negative influence on Exasol's reputation and have a substantial adverse impact on Exasol's business activity. As a result of such incidents, customers might terminate their business relationship with Exasol, which would have substantial negative effects on the company's revenues and earnings. The smooth operation of the technical infrastructure is therefore essential for Exasol.

In addition, cyber attacks may lead to the theft of customer data, system interruptions, system failures, damage to infrastructure and further damage in critical areas. Cyber attacks, in particular the publicity of such attacks, could severely damage Exasol's reputation and accordingly have a negative impact on Exasol's revenues and profits.

Risks from personnel recruitment

It is vital for Exasol that human resources are managed effectively to ensure that the company's short, medium and long term need for staff and expertise is satisfied. If Exasol is unable to retain and recruit managers and employees with specialist technical, technological and software knowledge, the company would probably not be able to reach its growth targets and maintain operations at a high level, with the corresponding negative effects on revenues and earnings.

Legal, regulatory and tax risks

Due to Exasol's business model, sensitive customer data is regularly processed, stored and forwarded via Exasol's systems, in cloud solutions, by external service providers. Exasol is subject to the laws and regulations on data protection, information security and the protection of personal rights. Any actual or alleged failure to comply with or breach these obligations could adversely affect Exasol's business activity, especially if such breaches became public. In addition, authorities have tightened data protection regulations. Alleged or actual violations of data protection regulations may lead to severe penalties and considerably weaken Exasol's financial strength.

Regulatory changes may lead to a further tightening of data protection rules and make it difficult for Exasol to adapt its business operations to new potential regulations.
Moreover, market access may be restricted by regulations and adversely impact Exasol's growth.

Third parties may claim that Exasol infringes their intellectual property rights, and Exasol may be subject to substantial litigation or licensing expenses or be prevented from selling products or services.

Financial risks

Exasol's financing has improved as a result of the May 2020 IPO. As of 30 June 2020, Exasol's net cash and equity capital amounted to EUR 40.4 million and EUR 20.8 million, respectively (equity ratio of 45%). Exasol plans to invest substantial resources in growth, which might lead to continued negative operating results. Exasol might fail to implement its growth strategy, which would result in considerable financial losses, which in turn would have a lasting negative impact on the company's liquidity and equity base. The company might need to raise new cash and cash equivalents to meet its financial obligations.

Exasol has entered into share-based remuneration arrangements with the Executive Board and employees. As of the reporting date 30 June 2020, a total of EUR 15.5 million had been set aside for share-based payment entitlements. The share-based remuneration entitlements may lead to a considerable outflow of funds for the company and might therefore significantly reduce its liquidity position.

A major customer of Exasol accounted for approx. 13% of the company's revenues in the reporting period. The loss of this major customer would have negative effects on Exasol's financial resources.

4.2. OPPORTUNITIES REPORT

The amount of data available in companies and public authorities is increasing rapidly each day. It is essential for every company to be able to analyze this data efficiently so as to be able to make daily data-based corporate decisions as well as operational decisions. Without a fast and efficient analysis of existing data, it will become increasingly difficult for companies to compete successfully.

Exasol considers its database infrastructure based on in-memory technology to be one of the world's leading solutions for ultra-fast data analytics and evaluation. The performance of the Exasol solution has been successfully demonstrated in many applications, especially in terms of speed, performance, scalability, flexibility and cost efficiency. Exasol sees itself in an excellent position to support companies with its products and solutions in their data analyses.

Global demand for database systems and analytics software on the increase

Exasol operates in a market in which the global demand for systems and database solutions enabling companies to analyze their increasing data volumes is growing structurally. Exasol considers itself well positioned to benefit from this growing demand.

Platform-independent solution for competitive differentiation

Exasol customers can choose between two models, (1) on-premise and (2) cloud. Many of Exasol's direct competitors exclusively offer cloud-based solutions. Exasol assumes that many customers will continue to prioritize on-premise solutions in the future. Exasol therefore sees its hybrid model as a means of differentiation from its competitors, which should open up market opportunities.

Speed advantages over traditional database solutions

There are many data analytics applications for everyday corporate decisions for which traditional database systems are not suited, as they do fail to achieve the necessary performance in terms of speed. Exasol's database infrastructure can be used as an additional layer to access data in the traditional systems, while performing the analysis in Exasol's infrastructure. As a result, companies can use Exasol as a complement to existing solutions to take advantage of the speed benefits without having to completely replace existing solutions. The complementary option significantly reduces the entry barriers to companies, while at the same time increasing Exasol's marketing opportunities.

The speed advantages of Exasol's technology in analyzing large amounts of data also open up the opportunity that companies decide to completely replace their existing traditional systems with Exasol's infrastructure.

Trend towards cloud-based data analytics systems

It is possible for companies to completely operate Exasol's infrastructure in the cloud. Companies increasingly tend to move more and more applications to cloud infrastructures, especially when it comes to processing large amounts of data. Exasol can adapt to customers' needs and requirements. For this purpose, Exasol provides its proprietary cloud solution, Exasol Cloud. Depending on the customer's wishes, the infrastructure may also be operated using the major cloud providers such as AWS, Microsoft or Google.

4.3 FORECAST

Macroeconomic forecast

While the COVID-19 pandemic will have a considerable adverse effect on the world economy in 2020, the IMF project a return to growth in the following years. At present, the analysts expect global economic output to increase by 5.4% in 2021. At +4.8%, the recovery in the industrialized countries will also be quite noticeable. A strong recovery by 5.4% is projected by the IMF for the German economy.

Industry-specific forecast

The market volume in the big data and business analytics segments is expected to increase noticeably in the coming years. IDC predicts that the amount of data produced worldwide will increase to 175 zettabytes in 2025, which would be equivalent to an annual growth rate (CAGR) of 61%. Based on a CAGR of 13.2%, the market for big data and business analytics solutions will grow to USD 274.3 billion by 2022.

Forecast for the financial year 2020

Besides the effects of the COVID-19 pandemic, the company is in the midst of the strategic transformation of its business model, which involves concluding primarily term-based contracts with new customers while significantly reducing contracts for one-time license income. In this way, the Executive Board aims to materially improve the quality of the revenue structure.

Against this background, the Executive Board expects the company to be able to achieve ARR of at least EUR 24 million in the current financial year. ARR (annual recurring revenue) is calculated by multiplying the recurring revenue in December 2020 by 12. ARR includes revenues from term-based contracts with a contractual period of at least 12 months.

Furthermore, Exasol intends to accelerate ARR growth in 2021 by increasing revenues from existing customers, expanding its business activities in North America, and increasing its market share in the DACH region (Germany, Austria and Switzerland).

Due to the Covid-19 pandemic, the forecast is subject to high uncertainty. Should the pandemic worsen again, social distancing measures be tightened or a second lockdown be imposed, this could have a negative impact on the investment behaviour of existing or potential customers and require the forecast to be adjusted.

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with applicable reporting principles, the interim consolidated financial statements for the period ended 30 June 2020 give a true and fair view of the net assets, financial position and results of operation of the Group and the interim consolidated management report includes a fair review of the business trend including the performance and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Nuremberg, 21 September 2020
EXASOL AG


Exasol
The analytics database

CONSOLIDATED HALF-YEAR REPORT OF EXASOL AG

AS OF JUNE 30, 2020

CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2020

ASSETS	30 JUNE 2020		31 DECEMBER 2019	
	EUR	EUR	EUR	EUR
A. Fixed assets				
I. Intangible assets				
1. Internally generated industrial property rights and similar rights and assets	5,391,431.66		4,805,765.48	
2. Concessions, industrial property rights and similar rights and assets as well as licenses to such rights and assets acquired for a consideration	1,905,878.00		1,929,227.00	
3. Goodwill	243,086.00	7,540,395.66	486,172.00	7,221,164.48
II. Property, plant and equipment				
Other equipment, operating and office equipment		496,773.00		648,598.00
		8,037,168.66		**7,869,762.48**
B. Current assets				
I. Receivables and other assets				
1. Trade receivables	1,424,134.55		1.844.884,69	
2. Other assets	260,395.17	1,684,529.72	249.700,92	2,094,585.61
II. Cash and cash equivalents		40,422,799.04		616,653.21
		42,107,328.76		**2,711,238.82**
C. Prepaid expenses		**463,236.87**		**480,695.14**
D. Deficit not covered by equity		**0.00**		**20,501,741.50**
		50,607,734.29		**31,563,437.94**

EQUITY AND LIABILITIES	30 JUNE 2020		31 DECEMBER 2019	
	EUR	EUR	EUR	EUR
A. Equity				
I. Issued capital				
1. Subscribed capital	22,217,870.00		15,654,000.00	
2. Nominal value of own shares	-596,794.00	21,621,076.00	-502,127.00	15,151,873.00
II. Capital reserve		66,636,606.48		13,457,859.97
III. Difference in equity due to currency translation		147,386.05		181,713.08
IV. Accumulated deficit brought forward		-49,293,187.55		-35,314,144.09
V. Consolidated profit/loss for the year		-16,230,219.54		-13,979,043.46
VI. Consolidated profit/loss for the year		0.00		20,501,741.50
		22,881,661.44		**0.00**
B. Contributions made to implement the resolved capital increase		**0.00**		**8,490,449.51**
C. Provisions				
1. Provisions		55,612.56		80,000.00
2. Other provisions		17,383,467.41		11,403,925.19
		17,439,079.97		**11,483,925.19**
D. Liabilities				
1. Liabilities to banks		88,640.18		2,192,517.56
2. Trade payables		668,267.87		1,502,009.78
3. Other liabilities – thereof for taxes: EUR 1,953,171.37 (PY: EUR 194,306.43) – thereof for social security: EUR 60,926.07 (PY: EUR 159,554.67)		2,138,882.91		3,742,560.03
		2,895,790.96		**7,437,087.37**
E. Deferred income		**7,391,201.92**		**4,151,975.87**
		50,607,734.29		**31,563,437.94**

CONSOLIDATED INCOME STATEMENT

FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2020

1 JANUARY - 30 JUNE	2020		2019	
	EUR	EUR	EUR	EUR
1. Revenue		10,129,698.11		11,042,653.66
2. Other own work capitalised		948,000.00		894,000.00
3. Other operating income – thereof from currency translation: EUR 53,099.31 (PY: EUR 19,534.69) –		218,520.36		103,462.23
4. Cost of materials a) Cost of raw materials, supplies and purchased goods b) Cost of purchased services	-992,716.01 -7,317.14	-1,000,033.15	-981,299.49 -113,763.02	-1,095,062.51
5. Personnel expenses a) Personnel expenses b) Social security, pension and other benefits – thereof for pensions: EUR 9,111.94 (PY: EUR 8,000.52) –	-17,733,066.69 -872,801.48	-18,605,868.17	-12,198,834.44 -676,224.01	-12,875,058.45
6. Amortisation of intangible assets and depreciation of property, plant and equipment		-1,036,039.10		-1,079,695.02
7. Other operating expenses – thereof from currency translation: EUR -13,121.97 (PY: EUR -5,122.72) –		-6,709,760.47		-3,215,086.61
8. Other interest and similar income		788.97		162.48
9. Interest and similar expenses – thereof to shareholders: EUR 151,882.73 (PY: EUR 421,604.73) –		-169,738.39		-433,946.01
10. Income taxes		-3,225.70		-11,816.23
11. Earnings after taxes		**-16,227,657.54**		**-6,670,386.46**
12. Other taxes		-2.562,00		-2,706.00
13. Consolidated profit/loss for the year		**-16,230,219.54**		**-6,673,092.46**

CONSOLIDATED STATEMENT OF CASH FLOWS

EXASOL AG, NUREMBERG

1 JANUARY - 30 JUNE	2020 KEUR	2019 KEUR
Profit for the period (net income including Periodenergebnis share of profit of other shareholders)	-16,230	-6,673
Amortisation, depreciation and write-downs on fixed assets	1,036	1,080
Increase/decrease in provisions	5,980	6,092
Other non-cash expenses/income	-3,623	-2,862
Increase/decrease in inventories, trade receivables and other assets not related to investing or financing activities	-53	1,779
Increase/decrease in trade payables and other liabilities not related to investing or financing activities	7,986	4.903
Interest expense/income	169	434
Income tax expense/income	3	12
Other operating income from grants	0	-24
Income taxes paid	-28	-12
Cash flows from operating activities	**-4,760**	**4,728**
Acquisition of intangible assets	-1,161	-1,253
Acquisition of property, plant and equipment	-43	-359
Interest received	1	0
Cash flows from investing activities	**-1,203**	**-1,612**
Proceeds from equity contributions by shareholders of the parent company	48,450	0
Proceeds from the issuance of bonds and from borrowings	1,200	0
Repayments of bonds and borrowings	-3,164	-817
Proceeds from subsidies/grants received	0	24
Proceeds from the sale of treasury stock	2,708	0
Interest paid	-1,305	-39
Cash flows from financing activities	**47,889**	**-832**
Net increase/decrease in cash and cash equivalents	41,926	2,285
Effect of movements in exchange rates and remeasurements on cash held	-38	-3
Cash and cash equivalents at the beginning of the period	-1,465	-95
Cash and cash equivalents at the end of the period	**40,423**	**2,187**

Cash and cash equivalents consist of the following	30 JUNE 2020 KEUR	30 JUNE 2019 KEUR
Cash and ash equivalents	40,423	2,442
Current account liabilties	0	-255
	40,423	**2,187**

Other non-cash expenses and income result from changes in prepaid expenses and deferred income.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

AS OF 30 JUNE 2020

PARENT COMPANY'S EQUITY
ISSUED CAPITAL

	Share capital	Own shares	Sum of share capital	Capital reserve	Foreign currency translation differences	Accumulated deficit brought forward	Consolidated net income/ loss for the year	Consolidated equity
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
As at 31 Dezember 2018	**15,654,000.00**	**0.00**	**15,654,000.00**	**12,955,732.97**	**210,493.64**	**-34,682,064.62**	**-632,079.47**	**-6,493,917.48**
Currency translation	0.00	0.00	0.00	0.00	-28,780.56	0.00	0.00	-28,780.56
Purchase of treasury stock	0.00	-502,127.00	-502,127.00	502,127.00	0.00	0.00	0.00	0.00
Other changes	0.00	0.00	0.00	0.00	0.00	-632,079.47	632,079.47	0.00
Consolidated net loss for the year	0.00	0.00	0.00	0.00	0.00	0.00	-13,979,043.46	-13,979,043.46
As at 31 December 2019	**15,654,000.00**	**-502,127.00**	**15,151,873.00**	**13,457,859.97**	**181,713.08**	**-35,314,144.09**	**-13,979,043.46**	**-20,501,741.50**
Currency translation	0.00	0.00	0.00	0.00	-34,327.03	0.00	0.00	-34,327.03
Purchase/sell of own shares	0.00	-94,667.00	-94,667.00	2,802,167.00	0.00	0.00	0.00	2,707,500.00
Issue of shares	6,563,870.00	0.00	6,563,870.00	50,376,579.51	0.00	0.00	0.00	56,940,449.51
Other changes	0.00	0.00	0.00	0.00	0.00	-13,979,043.46	13,979,043.46	0.00
Consolidated net loss for the year	0.00	0.00	0.00	0.00	0.00	0.00	-16,230,219.54	-16,230,219.54
As at 30 June 2020	**22,217,870.00**	**-596,794.00**	**21,621,076.00**	**66,636,606.48**	**147,386.05**	**-49,293,187.55**	**-16,230,219.54**	**22,881,661.44**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD FROM 1 JANUARY 2020 TO 30 JUNE 2020

A. GENERAL INFORMATION AND EXPLANATORY NOTES

(1) EXASOL AG is based in Nuremberg and listed in the commercial register of the Nuremberg District Court (register file number HRB 23037).

(2) The interim consolidated financial statements for the period from 1 January 2020 to 30 June 2020 were prepared in accordance with the provisions of Sections 290 et seq. of the German Commercial Code (HGB) and the supplementary provisions of the German Stock Corporation Act.

The functional currency is the euro.

The financial year for the Group and the consolidated companies is the calendar year.

B. BASIS OF CONSOLIDATION

The interim consolidated financial statements of EXASOL AG, Nuremberg, encompass the wholly owned subsidiaries included pursuant to Section 313 (2) HGB.

Disclosures pursuant to Section 313 (2) HGB

Name and registered office of the company	Share in %	Currency
EXASOL Vertriebsholding GmbH, Berlin	100	EUR
EXASOL Cloud Computing GmbH, Nuremberg	100	EUR
EXASOL Big Data Technologies GmbH, Berlin	100	EUR
EXASOL Europa Vertriebs GmbH, Nuremberg	100	EUR
EXASOL UK Ltd, London (United Kingdom)	100	GBP
EXASOL USA Inc., San Francisco (USA)	100	USD
EXASOL France S.A.S., Paris (France)	100	EUR

All companies were fully included in the interim consolidated financial statements through full consolidation. With the exception of the first-time consolidation of EXASOL France S.A.S, Paris, the date of first-time consolidation is 1 January 2017. EXASOL France S.A.S. was founded on 1 September 2017 and consolidated for the first time on this date. The investments are indirectly held by EXASOL AG through EXASOL Vertriebsholding GmbH, Berlin.

C. ACCOUNTING AND MEASUREMENT POLICIES

1) The interim financial statements of the companies included in EXASOL AG's interim consolidated financial statements were prepared in accordance with uniform accounting policies, the general accounting policies specified in Sections 246 – 256a HGB and the special recognition and measurement policies applicable to corporation (Sections 264 – 277 HGB in conjunction with Section 298 (1) HGB). The income statement was prepared using the nature of expense method. The following accounting policies were used to prepare the interim consolidated financial statements.

(2) The assets and liabilities were measured under the assumption that the company will be able to continue as a going concern.

(3) Fixed assets are generally stated at cost less amortization and depreciation. If permanent impairment is likely, assets are written down beyond amortization/depreciation to the lower fair value. Additions are depreciated pro rata temporis. Any low-value assets acquired at a cost of EUR 800.00 or less are written down in full in the year of acquisition.

(4) Internally generated intangible assets were recognized and measured in accordance with Section 248 (2) and Section 255 (2a) HGB. The manufacturing costs include all direct and indirect costs directly attributable to the production process. Exercising the capitalization option improves the presentation of the financial situation insofar as it is better matched to the respective period, and better reflects the potential of the developments in the net worth position. These assets are amortized on a straight-line basis over two to five years.

(5) Intangible assets acquired for a consideration (including advance payments) are stated at cost and, if they have a limited life, amortized on a straight-line basis over their respective useful lives. Recognized goodwill is amortized over its useful life of 15 years in line with tax regulations. As goodwill is based on established and consistent business, the company considers the total useful life approach to be appropriate. Purchased property rights are amortized over a useful life of five to ten years and the remaining intangible assets are written down over a useful life of three to 20 years.

(6) Property, plant and equipment are stated at cost less depreciation where subject to wear and tear. Items of property, plant and equipment are depreciated based on their estimated useful life in line with the highest rates recognizable for tax purposes. Fixed assets are depreciated on a straight-line basis. The useful lives vary between three and 14 years.

(7) Receivables and other assets are stated at nominal value. A general bad debt provision has been recognized for general credit risk and the costs usually incurred in connection with delayed payment. Specific allowances are recognized for all identifiable individual risks.

Non-current receivables denominated in foreign currency are translated at the rate prevailing on the transaction date or the lower rate on the balance sheet date. Short-term receivables denominated in foreign currency are translated at the average spot exchange rate applicable as at the reporting date.

(8) Cash and cash equivalents are recognized at nominal value or, in the case of foreign currency balances, at the average spot exchange rate as at the balance sheet date.

(9) Other provisions are recognized at the settlement amount deemed necessary based on sound business judgement and take account of all identifiable risks. Provisions with a remaining term of more than one year are discounted using a market rate with matching maturity.

(10) Liabilities are stated at their settlement amounts.

Non-current liabilities denominated in foreign currency are translated at the rate prevailing on the transaction date or the higher rate on the balance sheet date. Short-term liabilities denominated in foreign currency are translated at the average spot exchange rate as at the balance sheet date.

(11) Prepaid expenses and deferred income include receipts or expenditures prior to the reporting date that represent income or expenses after the reporting date.

(12) In accordance with Section 274 HGB, deferred tax assets and liabilities are recognized for temporary differences between the values stated in the tax balance sheet and the values reported under the German Commercial Code (temporary concept).

In addition, deferred taxes are recognized in respect of tax losses carried forward, provided it is expected that these can be used in the near future.

Deferred taxes are determined on the basis of the tax rates that, according to the current legal situation in the countries concerned, will apply or are expected to apply at the time of realisation. Deferred tax assets are recognized only if it is expected that these can be realised.

Deferred tax assets and liabilities are recognized and measured pursuant to Section 306 HGB if differences arising between the values reported in the commercial balance sheet and the values reported in the tax balance sheet are likely to be offset in future financial years.

The option to net deferred tax assets and liabilities has been exercised.

D. CURRENCY TRANSLATION

The company uses the modified closing rate method for translating foreign currencies.

The balance sheet items of the foreign subsidiaries are translated at the respective average spot exchange rate on the balance sheet date. Equity is translated at historical exchange rates.

Income statement items of foreign subsidiaries are translated using the average exchange rate of the reporting period. In order to incorporate the net income for the year from the income statement (translated at the average annual rate) into the balance sheet, the difference from the rate prevailing on the reporting date is allocated to a separate item entitled “foreign currency translation differences”.

The following exchange rates provided the basis for the translation of foreign currencies:

EUR 1 is equivalent to	Closing rate on 30 June 2020	Average rate from 1 Jan. 2020 to 30 June 2020
US dollar (USD)	1.12 (PY: 1.14)	1.10 (PY: 1.13)
British pound (GBP)	0.91 (PY: 0.90)	0.87 (PY: 0.87)

E. CONSOLIDATION POLICIES

The reporting date of the interim consolidated financial statements is 30 June 2020 and corresponds to the balance sheet date of the parent company and of the subsidiaries.

Capital consolidation

Capital is consolidated pursuant to Section 301 (2) sentence 5 HGB as at the date of first-time consolidation (1 January 2017) using the values recognized at the date the entities became subsidiaries, as all subsidiaries were established by cash contribution in the past. The differences from netting the acquisition costs of the shares upon establishment (date of acquisition) and the equity at book value as at 1 January 2017 of the subsidiaries are solely from accumulated profits and losses and were offset against the consolidated retained earnings brought forward.

Consolidation of liabilities

On account of Section 303 (1) HGB, receivables and liabilities between companies included in the interim consolidated financial statements are eliminated in the context of the consolidation of liabilities.

Elimination of intercompany profit or loss

Assets included in the interim consolidated financial statements which are based on supplies or services between the companies included in the consolidated financial statements were recognized at Group production cost. The Group's production costs include appropriate material and production overheads and are otherwise calculated using the same method that is uniformly used in the financial statements of the Group companies. If intercompany trade profits or losses were realized between companies included in the consolidated financial statements, these were determined and eliminated in accordance with Section 304 (1) HGB for the purpose of the interim consolidated financial statements.

The elimination of intercompany profits led to a KEUR 117 change in the Group's earnings as at 30 June 2020 (PY: KEUR -444).

Consolidation measures in the interim consolidated income statement

Both revenue and other trade income between consolidated companies were set off in the interim consolidated income statement against expenses attributable to them with respect to recipients of goods and services.

F. DISCLOSURES AND EXPLANATORY NOTES ON THE INTERIM CONSOLIDATED BALANCE SHEET

1. Fixed assets

The movements in fixed assets during the financial year between 1 January 2020 and 30 June 2020 as well as the breakdown of the individual items are presented in the statement of movements in fixed assets (appendix to the notes).

Intangible assets include purchased property rights and IT software as well as internally generated intangible assets (capitalised development costs for software) and goodwill.

Internally generated intangible assets in the amount of KEUR 1,159 were capitalized in the first half of 2020 (PY: KEUR 2,262). Overall, R&D expenses were incurred in the amount of KEUR 1,159 (PY: KEUR 2,262) in the form of personnel expenses and directly allocable overheads for rent, the IT infrastructure and administration.

Purchased property rights include property rights acquired as part of purchase and transfer agreements along with other acquired rights.

Additions to fixed assets in the first half of 2020 mainly included investments in internally generated intangible assets, IT software and IT infrastructure.

2. Current assets

Receivables and other assets are as follows:

KEUR	30 June 2020	thereof due after more than one year	31 Dec. 2019	thereof due after more than one year
Trade receivables	1,424	0	1,845	0
Other assets	260	48	250	61
	2,095	61	5,049	38

'Other assets' does not include any larger amounts that are not legally incurred until after the reporting date.

Deferred taxes

The company does not report any deferred tax assets. Deferred tax assets were offset against deferred tax liabilities – to the extent permissible and if they arose towards the same tax authority (Germany, UK, USA and France).

Deferred tax assets were recognized on tax loss carryforwards up to the amount of the net excess over deferred tax liabilities on temporary differences. The excess amount was written down because the usability of loss carryforwards in the next five years cannot be reliably estimated.

Temporary differences between the values stated for intangible assets and goodwill in the commercial and tax balance sheets resulted in deferred tax liabilities as of the balance sheet date, whereas deferred tax assets resulted from other provisions and items denominated in foreign currencies.

Deferred taxes resulted from consolidation measures pursuant to Section 306 HGB. They are not reported due to lacking evidence of usage.

Deferred taxes were calculated using the company-specific tax rates of the EXASOL single entities. In this regard, the tax rates used were 32.17% for the German entities, 19% for EXASOL UK Ltd., 21% for EXASOL USA Inc. and 31% for EXASOL France S.A.S.

3. Equity

(1) Subscribed capital

	1 Jan. 2020 EUR	Increase EUR	Decrease EUR	30 June 2020 EUR
Original capital	86,950	–	–	86,950
Capital increase	15,567,050	6,563,870	–	22,130,920
Share capital	15,654.000	6,563,870	–	22,217,870

In the first half of the year, the subscribed capital increased from EUR 15,654,000 to EUR 22,217,870. The increase by EUR 6,563,870 results, on the one hand, from the increase in the share capital against non-cash contribution in the amount of EUR 1,463,870, which was resolved at the Extraordinary General Shareholders' Meeting on 5 December 2019. The registration at the Nuremberg Local Court was made on 6 February 2020. On the other hand, the share capital was increased by a further EUR 5,100,000 as part of the IPO of Exasol AG on 25 May 2020. This capital increase was registered with the Nuremberg Local Court on 25 May 2020.

(2) Capital reserve

	1 Jan. 2020 EUR	Increase EUR	Decrease EUR	30 June 2020 EUR
Offering premium arising from capital increase	12,955,733	50,376,579	–	63,332,312
Other additional payments	502,127	3,087,167	285,000	3,304,294
	13,457,860	53,463,746	285,000	66,636,606

(3) Treasury stock

As of 30 June 2020, the Company held a total of 596,794 treasury shares, which were contributed by the shareholders free of charge and represent EUR 596,794 (2.69%) of the share capital.

(4) Authorized capital

On 5 December 2019, an Extraordinary General Shareholder Meeting resolved to form authorized capital (Authorized Capital 2019/I). The Executive Board is authorized to increase the share capital on one or more occasions on or before 4 December 2024 by up to EUR 8,558,935.00 against cash and/or non-cash contributions by issuing up to 8,558,935 new no-par value registered shares. The Authorized Capital 2019/I was registered with the Nuremberg Local Court on 6 February 2020.

On 22 July 2020, the Annual Shareholders' Meeting resolved to create new authorized capital (Authorized Capital 2020) in conjunction with the cancellation of Authorized Capital 2019/I. The Executive Board is authorized to increase the share capital on one or more occasions on or before 21 July 2025 by up to EUR 11,108,935.00 against cash and/or non-cash contributions by issuing up to 11,108,395 new no-par value registered shares. At the time of the preparation of the financial statements, the Authorized Capital 2020 had not been registered with the Nuremberg Local Court yet.

(5) Conditional capital

By resolution of the company's Extraordinary General Shareholders' Meeting held on 5 December 2019, the registered share capital of the company was conditionally increased by up to EUR 6,200,000.00 by issuing up to 6,200,000 new registered shares with a nominal value of EUR 1 each (Conditional Capital 2019/I). The Conditional Capital is limited until 4 December 2024. The Conditional Capital 2019/I was registered with the Nuremberg Local Court on 6 February 2020.

On 22 July 2020, the Annual General Shareholders' Meeting resolved to create new Conditional Capital (Conditional Capital 2020) to create subscription rights for Exasol Group employees under a stock option programme (Stock Option Programme 2020). The Executive Board is authorized to increase the share capital on one or more occasions on or before 22 July 2025 by up to EUR 2,221,787.00 against cash and/or non-cash contributions by issuing up to 2,221,787 new no-par value registered shares. At the time of the preparation of the financial statements, the Conditional Capital 2020 had not been registered with the Nuremberg Local Court yet.

4. Other provisions

The other provisions mainly include provisions for bonuses, commissions and stock appreciation rights (SAR) (KEUR 15,985; PY: KEUR 9,428), personnel expenses (KEUR 819; PY: KEUR 559), external annual accounting expenses (KEUR 196, PY: KEUR 262) and litigation (KEUR 162; PY: KEUR 162). Furthermore, provisions were recognized for archiving expenses and outstanding invoices.

5. Liabilities

The remaining terms of liabilities are as follows:

		thereof with a remaining term of		
KEUR	**Total amount as of 30 June 2020**	**up to one year**	**between one and five years**	**more than 5 years**
To banks	89 (PY: 2,192)	68 (PY: 2,121)	21 (PY: 71)	0 (PY: 0)
Trade receivables	668 (PY: 1,502)	589 (PY: 1,339)	79 (PY: 163)	0 (PY: 0)
Other liabilities	2,139 (PY: 3,743)	2,139 (PY: 3,743)	0 (PY: 0)	0 (PY: 0)
	2,896 (PY: 7,437)	2,796 (PY: 7,203)	100 (PY: 234)	0 (PY: 0)

Other liabilities include liabilities to shareholders of KEUR 0 (PY: KEUR 3,140).

None of the liabilities are securitised.

G. DISCLOSURES AND EXPLANATORY NOTES ON THE CONSOLIDATED INCOME STATEMENT

1. Revenue

The table below shows a breakdown of revenue by geographical region:

By region	1 Jan. 2020 to 30 June 2020 KEUR	1 Jan. 2020 to 30 June 2020 %	1 Jan. 2019 to 30 June 2019 KEUR	1 Jan. 2019 to 30 June 2019 %
Germany, Austria, Switzerland (DACH)	6,938	68	7,280	66
United Kingdom	730	7	667	6
Region America	1,361	13	1,713	16
Rest of world	1,100	11	1,382	13
Total	**10,130**	**100**	**11,043**	**100**

2. Other operating income

There are no items of exceptional incidence or amount.

Income relating to other periods in the amount of KEUR 4 (PY: KEUR 0) mainly relates to reversals of provisions.

3. Personnel expenses

Personnel expenses amounted to KEUR 18,606 (PY: KEUR 12,875).

In addition to the expansion of the average headcount in the first half of 2020, the increase is due to the recognition of provisions for share-based payments in the amount of KEUR 10,050 (PY: KEUR 5,970).

4. Other operating expenses

There are no items of exceptional incidence or amount.

5. Income taxes

Taxes on income include the current income tax expense of KEUR 3 (PY: KEUR 11).

H. CONTINGENCIES AND OTHER FINANCIAL OBLIGATIONS

1. Contingent liabilities pursuant to Section 251 HGB

There were no contingent liabilities pursuant to Section 251 HGB.

2. Off-balance sheet transactions

Material off-balance sheet transactions exist in the form of rental agreements for office space as well as leases for server capacity. This approach helps to reduce capital tie-up and means that the investment risk is borne by the landlord/lessor. For more information, please refer to the disclosures under “Other financial obligations”.

3. Other financial obligations

Type of obligation	Payable within 1 year KEUR	Total KEUR
Rents for premises	394	1,479
Rents and leases for office equipment	431	870
	825	2,349

The underlying agreements for the business premises have remaining terms of up to five years. The remaining terms for the leased office equipment are between one and three years. Other financial obligations totalled KEUR 2,349 as at the reporting date.

I. OTHER DISCLOSURES

1. Number of employees

	30 June 2020	30 June 2019
Administration / Sales / Marketing	84	83
R&D / Cloud / Services	70	54
Total	**154**	**137**
Thereof Executive Board	3	3

2. Executive Board

Members of the Executive Board in the first half of 2020:

Aaron Auld, CEO, Munich
Mathias Golombek, CTO, Ottensoos
Michael Konrad, CFO, Karlsruhe

As of the date the interim consolidated financial statements were prepared, the above Executive Board members remained in office.

The total remuneration paid to the Executive Board is not disclosed as provided for under Section 314 (3) sentence 2 in conjunction with Section 286 (4) HGB (exemption clause).

3. Supervisory Board

Members of the Supervisory Board in the first half of 2020:

Prof. h.c. Jochen Tschunke, Corporate Consultant, Munich
Gerhard Rumpff, Corporate Consultant, Munich
Dr. Knud Klingler, Corporate Consultant, Engerwitzdorf, Austria
Karl Hopfner, Corporate Consultant, Oberhaching

The total remuneration paid to the Supervisory Board in the first half of the financial year amounted to KEUR 55.

J. INFORMATION ON THE CASH FLOW STATEMENT

The cash flow statement was prepared in accordance with GAS 21.
Cash and cash equivalents consist of “cash at bank”, “cash on hand” and overdraft bank facilities included in “liabilities to banks”.

Material non-cash expense and income largely included the reversal of the prior year’s amounts for prepaid expenses (KEUR 463; PY: KEUR 481) and deferred income (KEUR 4,152; PY: KEUR 4,053) as well as retained interest (under interest expenses/income: KEUR 0; PY: KEUR 622).

K. SUBSEQUENT EVENTS

With the exception of the following, there were no events of particular importance after the balance sheet date that might have a material impact on the presentation of the net assets, financial position and results of operations.

Conditional Capital

The creation of Conditional Capital (Conditional Capital 2020), which was resolved at the Annual General Meeting on 22 July 2020, serves to establish an ESOP for existing and future employees („participants“) of the Exasol Group as well as executives of companies affiliated with Exasol AG. According to the authorization in the resolution of the Annual General Meeting, the Executive Board is entitled, with the consent of the Supervisory Board, to issue up to 2,221,787 options to the participants under certain conditions once or several times up to and including 22 July 2025. The selection of the participants and the scope of the options is made in all cases by the Executive Board with the consent of the Supervisory Board. In July, the Executive Board decided on the further details of the ESOP and issued a first tranche of options on 1 August 2020. Participants in the ESOP have the right to subscribe to or acquire shares or receive a corresponding cash compensation after a four-year waiting period, in each case subject to the achievement of performance targets. The achievement of the performance targets depends on the level of share price development during the waiting period.

Foundation of Exasol Schweiz AG

The wholly owned sub-subsidiary Exasol Schweiz AG headquartered in Zurich was founded on 26 August 2020. Going forward, Exasol Schweiz AG will ensure the efficient distribution of Exasol products in Switzerland with its own employees. To this end, the first sales employee started working for Exasol Schweiz AG on 15 September 2020.

Acquisition of shares in yotilla GmbH

On 7 September 2020, Exasol AG acquired 100% of the shares in yotilla GmbH headquartered in Cologne. yotilla owns a proprietary software solution which allows to automatically build up a data warehouse based on given parameters. Three employees who were instrumental in developing the software solution were taken over together with yotilla GmbH. With the acquisition of yotilla, Exasol will expand its range of software solutions and intends to offer this new product to existing and future new customers in addition to its core product. The purchase price was KEUR 900 and was paid in cash.

Nuremberg, 21 September 2020

EXASOL AG

Executive Board

Aaron Auld　　Mathias Golombek　　Michael Konrad

APPENDIX – NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MOVEMENTS IN THE GROUP'S FIXED ASSETS

IN THE FINANCIAL YEAR FROM 1 JANUARY 2020 TO 30 JUNE 2020

	PURCHASE AND PRODUCTION COSTS				ACCUMULATED AMORTISATION, DEPRECIATION AND WRITE-DOWNS				BOOK VALUE	
	31 Dec. 2019	Additions	Additions	30 June 2020	31 Dec. 2019	Amortisation, depreciation and write-downs during the financial year	Disposals	30 June 2020	30 June 2020	31 Dec. 2019
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
I. Intangible assets										
1. Internally generated industrial property rights and similar rights and assets	12,448,145.38	1,159,009.19	0.00	13,607,154.57	7,642,379.90	573,343.00	0.00	8,215,722.90	5,391,431.67	4,805,765.48
2. Concessions, industrial properts rights and similar rights and assets acquired for a consideration	8,913,143.36	1,700.00	0.00	8,914,843.36	6,983,916.36	25,049.00	0.00	7,008,965.36	1,905,878.00	1,929,227.00
3. Goodwill	7,294,411.04	0.00	0.00	7,294,411.04	6,808,239.04	243,086.00	0.00	7,051,325.04	243,086.00	486,172.00
	28,655,699.78	**1,160,709.19**	**0.00**	**29,816,408.97**	**21,434,535.30**	**841,478.00**	**0.00**	**22,276,013,30**	**7,540,395.67**	**7,221,164.48**
II. Property, plant and equipment										
Property, plant and equipment office equipment	2,459,273.25	42,736.10	23,216.10	2,478,793.25	1,810,675.25	194,561.10	23,216.10	1,982,020.25	496,773.00	648,598.00
	31,114,973.03	**1,203,445.29**	**23,216.10**	**32,295,202.22**	**23,245,210.55**	**1,036,039.10**	**23,216.10**	**24,258,033.55**	**8,037,168.67**	**7,869,762.48**

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