

The background of the page features a light green-to-white gradient. Overlaid on this gradient are white line-art illustrations of two vehicles. The upper vehicle is a truck, shown from a front-three-quarter perspective, with its front wheel and headlight area clearly defined. The lower vehicle is a bus, shown from a side profile, with its wheels, windows, and front grille visible.

# CREATING VALUE THROUGH INTELLIGENT ELECTROMOBILITY **ANNUAL FINANCIAL REPORT 2018**



High Performance Battery Systems





## 2018 AT A GLANCE

**+20.5 %**

€bn order backlog

**+49.1 %**

€m revenue increase

**+56.2 %**

Change EBIT (adjusted)

**+15.7 %**

EBIT margin (adjusted)

**+672.3 %**

€m cash position

**+69.2 %**

growth of employees

### ORDER BACKLOG

increased strongly

**€ 1.47bn**

(2017: € 1.22bn)

### REVENUE

increased strongly

**€ 21.6m**

(2017: € 14.5m)

### EBIT (ADJUSTED)

increased strongly

**€ 1.7m**

(2017: € 1.1m)

### EBIT MARGIN (ADJUSTED)

higher than expected

**8.1 %**

(Guidance 2018: 7 %)

### CASH POSITION

increased strongly

**€ 21.9m**

(2017: € 2.8m)

### NUMBER OF EMPLOYEES

increased strongly

**154 employees**

(2017: 91 employees)

## KEY FIGURES AT A GLANCE (IFRS)

KEUR	2018	Change	2017
Revenue	21,587	7,104	14,483
EBITDA*	-188	-1,933	1,745
EBITDA (adjusted)	2,557	812	1,745
EBITDA margin (adjusted)	11.8%	n.a.	12.0%
EBIT (earnings before interest and taxes)	-1,000	-2,117	1,117
EBIT (adjusted)	1,745	628	1,117
EBIT margin (adjusted)	8.1%	n.a.	7.7%
EBT (earning before taxes)	-1,137	-2,008	871
Net profit or loss for the period	-726	-1,331	605
Earnings per share in EUR	-0.17	-0.47	0.30**
Equity	101,706	100,082	1,624
Equity ratio	88.4%	n.a.	10.8%
Total assets	115,109	100,082	15,027
Operating cash flow	-10,394	-11,956	1,562
Employees as of Dec. 31	154	63	91
One-off IPO costs	2,745	2,745	0

\* Earnings before interest, taxes, depreciation and amortization

\*\* To achieve comparability the GmbH's share capital has been presented as capital stock.

Share	Dec. 31, 2018	Change	Jun. 29, 2018
Closing price in Xetra in EUR	34.20	-31.05%	49.70
Number of share issued	6,061,856	n.a.	6,061,856
Market capitalization	207.74	-31.05%	301.27

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## MANAGEMENT BOARD LETTER



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

**Dear Shareholders, Dear valued Customers and Business Partners, Dear Colleagues,**

The times change and so does AKASOL AG. Our biggest change has most certainly been the successful initial public offering on June 29, 2018 which was a huge milestone in our company's history. Through our newly gained financial flexibility we were able to create favorable conditions for our participation in and shaping of the ever growing market of electromobility. Beyond serving our existing customers and acquiring new projects we strive to expand our production capacity in both Germany and the United States. Moreover, we need to strengthen and improve our technological leadership concerning high performance lithium-ion battery systems for commercial vehicles through numerous new developments and enhancements in the upcoming years. We would like to explain the developments of the past financial in more detail to you.

By this we mean not only the key financial figures, which have continued the positive development from 2017 and which prove the stable growth of the company: In 2018, AKASOL achieved an increase in revenue of 49.1 % over the previous year and thus a turnover of EUR 21.6 million with an adjusted EBIT margin of 8.1 %.

Thus, we were able to increase revenue by almost 50 % in financial year 2018 and significantly fulfill our earnings forecast of 8.1 %. At the same time, we successfully launched the series production for our two most important globally active customers as announced and made crucial preparations for the investments planned for 2019 to master the upcoming growth period.

We would also like to highlight those achievements which cannot be directly expressed in monetary terms. With its innovative products, AKASOL was able to both strengthen and improve its market leadership as a supplier of high-performance battery systems for commercial vehicles. One of our customers recently put it this way: "If you seek to electrify your commercial vehicles, there is no way but to go with AKASOL." This becomes even more apparent when we have a look at our order backlog which, at the end of the financial year, showed a volume of approx. EUR 1.47 billion and is expected to further increase in 2019. This was made possible by our successful, trusting, and long-term relationships with well-known, internationally acting customers and their appreciation for our ideally tailored range of products for various electromobility applications. Furthermore, we see an increasing demand for different types of battery based solutions which need to be tailored to meet highly specific requirements. This further encourages us to provide even more individualized products for our customers which will give them a competitive edge on a highly dynamic market, not only through our series production site in the Germany city of Langen in the state of Hesse, but through our sites in other European countries and North America where we have been focusing our efforts to establish a presence since late 2018.

We will often be asked what it is that makes our battery technology for commercial vehicles so special. The answer is quite simple, in fact: We use decades of experience to provide compact, high-performance, safe, and reliable battery systems which have been proven by the thousands through their daily use in commercial vehicles, thereby not only meeting high standards applicable to one of the most important components of hybrid and all-electric drive solutions but building sustainable values and resilient trust. Another crucial USP for our customers is the technological flexibility provided by AKASOL. As opposed to almost any other manufacturer of battery systems, we offer an entire portfolio of tailored solutions for applications that are just as individual. For now, it is clear: There is no "one size fits all" battery in the commercial vehicle sector. Therefore, AKASOL's systems can already be found in our customer Alstom's fuel cell trains, having already mastered thousands of charging and discharging cycles over 10 years, in the city buses of Daimler EvoBus, which are running 24 hours and 7 days a week and are constantly charged with up to 300 kW, in trucks, which will master long distances of several hundred miles with our latest battery solutions, in boats and vessels with Rolls-Royce Power Systems powertrains, which employ AKASOL battery technology for their hybrid and all electric drive, thereby significantly reducing pollutant emissions on our oceans, and in construction and mining vehicles for safe electric operations belowground, thereby substantially reducing costs of keeping the air supply clean.

As you can see, AKASOL is already serving numerous customers in many different industries

in need of our solutions. However, this is not only a recent development. Most of these customers have been with us for a long time. Quite often such collaboration would start with projects involving prototypes and development efforts and due to the positive experience from these initial contacts, the relationship was continued and expanded. We are both proud and grateful for the trust vested in us. Together with the technological appeal of our work, this has been the motivating force for our employees.

However, our past success shall not prevent us from keeping an eye on future developments and objectives. To this end we have developed a sustainable growth strategy, which essentially comprises the four following core elements.

First, we are preparing for the planned growth by expanding our production capacity and optimizing the efficiency of our organization and processes. Second, we plan to invest in the expansion of our international presence. The focus will be on the North American market, particularly in the United States, which is becoming increasingly important for our business. Third, we will follow our announcement and increase our investments in research and development to maintain and expand our technology leadership. Fourth, we want to continue the rapid development of our existing product portfolio, but also ensure that our battery systems meet the highest quality and safety standards at the cutting edge of technology. All these aspects form the basis for our success and the performance that we and our customers expect from AKASOL AG products and services.



It goes without saying that we, as the Management Board, are not alone in this task. Rather, we are only one part of a unit working as one to achieve these goals. We are immensely grateful to all our employees for their continued commitment in both 2018 and in previous years! We are confident that this team will be able to turn any future challenge into an opportunity for our company.

So, what do we expect from the future? In 2019, our company is expected to grow significantly again. We want to successfully continue on our path and further expand our leading position in the field of electromobility. In the current financial year, the continuous capacity expansions and the right product portfolio should have a correspondingly positive effect on the business figures. In concrete terms,

we expect to be able to increase revenue in the 2019 financial year to at least EUR 60 millions. The task now is to shape this development carefully and sustainably. In view of the continued dynamic growth, the expansion of further production capacities and the rapid expansion of the US subsidiary, an EBIT margin of at least 7 % is targeted for the current financial year.

These goals will continue to challenge us this year, but we are confident that we will achieve them. Not least due to the trusted and valued support of our business partners, customers and shareholders. We look forward to continuing our growth story as a publicly listed company and will be counting on your continued support.

Creating Value Through Intelligent Electromobility

Your management,



**Sven Schulz**  
Chief Executive Officer



**Carsten Bovenschen**  
Chief Financial Officer

# CREATING VALUE THROUGH INTELLIGENT ELECTROMOBILITY

## HISTORY – FOCUSING ON ELECTROMOBILITY

AKASOL is a leading developer and manufacturer of predominantly liquid-cooled, high-performance, rechargeable lithium-ion („Li-ion“) battery systems for a wide range of applications, such as buses, commercial vehicles, rail vehicles, ships, industrial vehicles and stationary applications. The global energy and transportation sectors are undergoing a clear shift towards electrification. As a result, demand is growing for professional high-performance battery systems for mobile and stationary applications. AKASOL's high-performance Li-ion battery systems show that mass-produced lithium-ion battery systems are ready for the market and function reliably, regardless of whether they are designed for endurance or performance.

## PIONEER FOR INNOVATION

The goal of AKASOL is to be and remain a technology leader in electromobility. Its innovation prowess enables AKASOL to constantly optimize and expand its product portfolio and to grow together with its long-standing Blue-Chip customers. Many of the company's products focus on key trends in electromobility, such as the new battery module AKAModule CYC with its very high energy density of over 220 Wh/kg. Furthermore, AKASOL's wide range of leading and ready-to-deliver products enables expansion into new markets, such as battery-aided

fast-charging stations that are independent of the power grid. The company is therefore powering the electromobility revolution outside the commercial vehicle sector too. AKASOL owes its competitive strength to its decades of experience in electromobility, its powerful and robust technology, and the expertise of its founders and workforce, who seamlessly combine mechanics, electronics and software to cover all relevant customer needs.

## ELECTROMOBILITY CAN ONLY WORK IN A SYSTEM

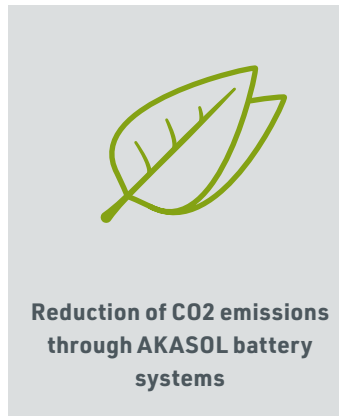
From the beginning, there have always been visions and great drive for researching alternative energy systems and making them a reality. The personal energy of the employees and the desire to create trendsetting solutions in the field of modern battery storage systems led to first-class products and market leadership in terms of technology competence. The high-performance Li-ion battery systems come from highly qualified engineers, some of whom have been developing, testing and producing battery systems for almost 30 years. This is true of both AKASOL and other companies that have brought outstanding electric vehicles to market in recent years. Thanks to its cutting-edge battery technology, AKASOL AG sees itself as one of the pacesetters on the way to economically sustainable electromobility worldwide and supporting efficient and environmentally friendly energy supply with its products.

**„Each of these milestones has helped AKASOL prepare and position itself for the challenges of the future“**

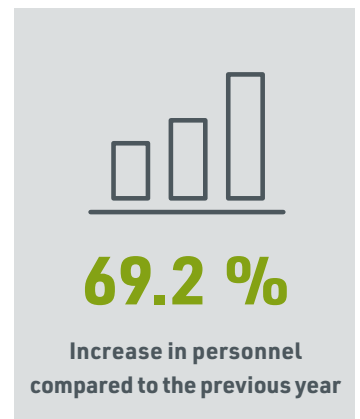


## MILESTONES - FROM SOLAR MOBILE WORLD CHAMPION TO INTERNATIONAL TECHNOLOGICAL LEADER

- 1990** AKASOL e.V. (Akademische Solartechnikgruppe Darmstadt e.V.) is founded at the TU Darmstadt
- 1990-1998** Development of concept vehicles "Pinky" (1990), "Chilli" (1992) and "OSCAR" (1998)
- 2008** Founding of AKASOL GmbH
- 2010-2015** Supply Li-ion battery systems for various development, prototype and fleet projects in the commercial vehicle sector
- 2015** First large-scale order from Daimler EvoBus for the supply of Li-ion battery systems for the eCitaro electric city bus
- 2016** Large-scale order from a major Swedish bus manufacturer for the supply of Li-ion battery systems for use in electric city buses
- 2017** Opening of Europe's largest series production facility for commercial vehicle battery systems in Langen, Germany
- 2018** Founding of AKASOL Inc. in the USA
- 2018** Successful IPO on the Frankfurt Stock Exchange
- 2019** Expansion of the series order with a large Swedish commercial vehicle manufacturer for the group-wide delivery of Li-ion battery systems (buses, trucks, construction vehicles, etc.)
- 2019** Construction of the new AKASOL headquarters begins in Darmstadt



# FIGURES A





Sold distance:

**400**

circumnavigations  
of the earth for  
commercial vehicles  
(1 circumnavigation per day)



**16,000,000 km**

Sold distance of a total of (9,941,939 miles)



**300 MWh**  
p.a.

MWh of production capacity in  
series production in end 2019



**3,050**

Number of manufactured  
battery systems

**AND FACTS**



**146**

Number of  
suppliers worldwide



**58**

Number of customers  
worldwide



**800 MWh**  
p.a.

MWh of production capacity in  
series production as of 2020



**156**

Research and development  
projects since 2008



**40 %**

of the employees are  
working in research  
and development



**12**

Number of trade fair  
presentations in 2018

## FOCUS ON TARGET MARKETS

AKASOL's pioneering high-performance Li-ion battery systems offer a high degree of flexibility in terms of battery chemistry and battery cell format, making them suitable for a variety of applications. In the on-highway segment, the company supplies manufacturers of hybrid and fully electric buses and commercial vehicles. In the off-highway segment, it concentrates on battery systems and services for manufacturers of rail vehicles, industrial vehicles (e.g. construction, mining and logistics) and ships, along with stationary systems for storing energy from renewable sources.

The battery systems of AKASOL are highly flexible in terms of battery chemistry and battery cell format, making them suitable for a variety of applications. In the on-highway segment, the company supplies manufacturers of hybrid and all-electric buses and commercial vehicles. The off-highway segment focuses on battery systems and services for

rail vehicle manufacturers, industrial vehicles (e.g. construction, mining and logistics), marine vehicles and stationary systems for the storage of energy from renewable sources.

### FURTHER EXPANSION OF LONG-TERM COOPERATION WITH BLUE-CHIP CUSTOMERS

AKASOL battery systems are manufactured to the industry standard requirements of leading OEM customers. As a result, the company has developed into a strategic battery supplier to leading manufacturers in its target industries. These include customers such as Daimler, Alstom, Bombardier, Rolls-Royce Power Systems (MTU Friedrichshafen), a Swedish bus and truck manufacturer and many more. AKASOL maintains a trusting and close cooperation with its existing customers and has a lively and promising demand for battery system solutions.

### UNSERE KUNDEN

DAIMLER

EvoBus



ALSTOM



BUCHER municipal

SIEMENS

FORD OTOSAN



IVECO

BOMBARDIER



„Scalable. Validated.  
Ready for series production“



buses



industrial vehicles



commercial vehicles



marine



rail vehicles



passenger vehicles

## INTENSIVE PREPARATION FOR FUTURE GROWTH

With locations in Germany and the USA, AKASOL is optimally positioned for future growth. At the central Germany Hessian location in Langen, the company operates a series production facility with a current production capacity of up to 300 MWh per year. This will be expanded to an annual capacity of up to 800 MWh by 2020. To the knowledge of AKASOL, the site is currently Europe's largest production facility for lithium-ion battery systems for commercial vehicles. Depending on battery size, it can produce battery systems for up to 1,500 all-electric buses or up to 6,000 light commercial vehicles per year.

For the planned location in USA, the management is currently in the final phase of site selection. AKASOL plans to start a production line by 2020 based on the facility in Langen and its series production concept. In the first stage, this facility will have a production capacity of up to 400 MWh.



*New AKASOL headquarters in Darmstadt as of 2020*

### LI-ION BATTERY SYSTEM PIONEER LAUNCHES SERIES PRODUCTION IN LANGEN

With over 3,500 square meters of production and office space in Langen, and another 4,000 square meters at its headquarters in Darmstadt, AKASOL had enough space available for dynamic growth at both of its sites in 2018. At its production facility in Langen, AKASOL spent 2018 creating the conditions that would allow Europe's largest battery systems factory for electric commercial vehicles to operate at the planned capacity of 300 MWh per year. A semi-automated production line is used to produce high-performance battery systems for hybrid and all-electric commercial vehicles. AKASOL plans to expand its production facilities in Langen, increase the production workforce and hire more specialists, to increase production to up to 800 MWh by the start of 2020, a much more ambitious target than originally planned. By doing so, the company is meeting the high and long-term expectations of the two major European commercial vehicle manufacturers that

**„A strong entrepreneurial management culture  
that attracts highly skilled workers“**





it supplies. It is also creating additional capacity for supplying more customers, such as in the market for battery-aided fast-charging stations.

### **LARGE NEW COMPANY HEADQUARTERS IN DARMSTADT**

As AKASOL's growth continues, its new company headquarters is being constructed in southwest Darmstadt. By mid-2020, this site of almost 20,000 square meters will be home to the new main administration building with over 7,000 square meters of floor space, along with a modern and environmentally friendly testing and inspection center. A two-story production, assembly and logistics hall will also be built with over 15,000 square meters of floor space. The new testing and inspection center will be fitted with cutting-edge testing equipment, allowing for mechanical and electronic testing from cell to battery system level. Overall, the new hall will be four times the size of the current series production

facility in Langen, which will be maintained. Construction is due to start in April 2019, with completion expected by mid-2020 according to current plans. The project has an investment budget in the mid-two-digit million-euro range.

### **EXPANSION IN THE USA**

In addition, AKASOL is expanding in the USA to serve the local battery systems market for electric buses and commercial vehicles. Led by an experienced automotive manager, the subsidiary AKASOL Inc. is due to begin production at the first plant in North America at the start of 2020, with a capacity of 400 MWh per year. One third of these battery systems will be produced for existing customers.

The tendering process for the series production site is still ongoing in several states. AKASOL Inc. has moved to a new building in downtown Detroit that is now home to the subsidiary's head office.

## EXPANSION OF SITES 2018–2020

### **SERIES PRODUCTION FACILITY IN LANGEN**

**2018:** Series production with annual capacity of 300 MWh, enough for up to 1,500 buses or 3,000 medium-class commercial vehicles depending on battery size (Langen I)

**Start of 2020:** Series production with annual capacity of 800 MWh, enough for up to 3,000 buses or 6,000 medium-class commercial vehicles depending on battery size (Langen I and II)

### **EXPANSION IN THE USA**

**2020:** The new production facility in the USA is due to have an initial annual capacity of 400 MWh, enough for up to 1,500 buses or 6,000 medium-class commercial vehicles depending on battery size

### **CURRENT HEADQUARTERS IN DARMSTADT**

- › Headquarters and R&D center
- › Sales for mobile battery systems
- › Production of prototypes and samples
- › Service center for mobile battery systems
- › Capacity: 20 MWh/year

### **RAVENSBURG**

- › Sales for marine battery systems and stationary solutions
- › Service center for stationary battery systems

### **NEW AKASOL HEADQUARTERS IN DARMSTADT**

After completion by mid-2020:

- › Office: 7,000 square meters gross floor space, four stories
- › Production hall: 15,000 square meters gross floor space, two stories
- › Up to 500 jobs at the new location



*Series production facility in Langen*



*New AKASOL headquarters in Darmstadt as of 2020*



AKASOL headquarters in Darmstadt in the Schenck Technology and Industrial Park

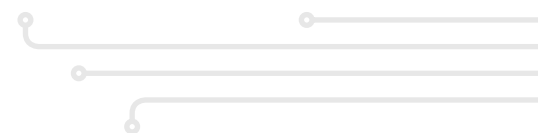
## FASTER THAN THE MARKET



AKASOL AG aims to achieve organic growth through continuously expanding market potential, combined with growing production capacity in Germany and entry into the North American market. The company's rapid growth is due to continue for the time being. By the end of 2019, the foundations will be in place to more than double production capacity in Langen from 300 to 800 MWh. Series production in the USA is due to begin in 2020, with an annual

capacity of up to 400 MWh. This means that AKASOL's overall capacity will have more than tripled within the space of a single year. By 2020, AKASOL aims to achieve a total installed production capacity of over 1 GWh. Together with the ongoing research and development activities, this will help the company secure its position as the technological leader for commercial battery systems.

**„Maximum flexibility when choosing the right battery technology“**



## **FLEXIBLE SYSTEM ARCHITECTURE TO ENSURE QUICK REACTION TO DEMAND**

Ein One important factor behind AKASOL's success is the technology-independent product portfolio. This allows the company, to focus on individual customer needs, offering the most innovative battery cells with the best battery chemistry for the respective applications at competitive prices. AKASOL's research and development activities focus on creating innovative and sustainable solutions that can be produced at globally competitive prices, while demonstrating long-term potential regarding compatibility and technological development in the process. The company also conducts research and development as part of customer-specific projects and offers tailor-made solutions from the concept phase through to series production. This results in customized battery systems that meet the specific customer and market requirements today. By doing so, AKASOL aims to achieve a reliable and predictable business, while maintaining a continuous technological advantage over the competition.

## **INVESTMENTS IN TECHNOLOGICAL PROGRESS AND PRODUCTION CAPACITIES**

In 2018, AKASOL continued its optimization of production and business processes. The gross proceeds of around EUR 100 million resulting from the capital increase in the IPO were used to double production capacity in Langen, expand into North America and invest in further testing and validation facilities. AKASOL used the second half of 2018 to carefully prepare these capital investments to implement them in the coming years. The year also saw the planned investments in research and development continue to take shape. AKASOL's experts in drive technology, mechatronics, electronics, software and cell chemistry develop ingenious solutions that solve customer challenges. All the company's series battery systems for buses, commercial vehicles, rail vehicles and marine applications are tested and certified in this process.



## LITHIUM-ION BATTERY SYSTEMS

## AKASYSTEM

**AKASYSTEM OEM 37 PRC**

High energy / high-performance technology



Technical data	AS 150 EM 37AH PRC
Energy	24.5 kWh
Weight (min.)	230 kg
Discharging power max.	75 ... 150 kW*
Charging power max.	40 ... 70 kW*
Continuous power	37 ... 50 kW*
Capacity	37 Ah
Voltage nom	661 V
Cycle	1,600 ... 3,000 cycles**

**MODULAR DESIGN FOR MAXIMUM EFFICIENCY AND FLEXIBILITY**

The latest AKASystem OEM lithium-ion battery system proves that customized, high-performance battery systems for commercial vehicles can be operated in an economically sensible way. AKASOL is one of the first battery system manufacturers in the world to offer a product that is compatible with the standardized PHEV (plug-in-hybrid electric vehicle) modules from all major manufacturers. This allows even series commercial vehicles to be best prepared for their demanding tasks, while remaining flexible should the module supplier change.

**AKASYSTEM AKM 53 POC**

Automotive certified High-Performance Battery Systems



Technical data	AS 15AKM 53AH POC
Energy	35.3 kWh
Weight (min.)	333 kg
Discharging power max.	270 kW*
Charging power max.	106 kW*
Continuous power	60 kW*
Capacity	53 Ah / 106 Ah / 159 Ah
Voltage nom	666 V / 333 V / 222 V
Cycle	> 3,100 cycles**

**OPTIMUM PERFORMANCE FOR SMOOTH OPERATION**

Electromobility applications that focus on electrical power benefit from the liquid-cooled and fully scalable AKASystem AKM. As well as fulfilling the most demanding safety standards, it is one of the most powerful battery solutions currently on the market. The robust, maintenance-free and fast-charging system is therefore ideal for use in commercial hybrid and electric vehicles, which require a very high level of service life, high performance and high system voltage.

## AKASYSTEM AKM 60 CYC

High-performance technology for long distances



Technical data	AS 15AKM 60 AH CYC
Energy	40 kWh
Weight (min.)	230 kg
Discharging power max.	60 kW*
Charging power max.	30 kW*
Continous power	20 kW*
Capacity	60 Ah
Voltage nom	662 V
Cycle	1,000 ... 3,000 cycles**

## MORE ENERGY FOR THE LONG HAUL

The AKASystem CYC high-energy battery system uses new cylindrical-cell battery modules with a very high energy density. It is robust and fully scalable, with low acquisition costs per kWh. The system therefore allows electric vehicles to increase their range by more than two times compared to technology currently being produced. This technology is perfectly suited for long-distance transport, such as city buses with overnight charging infrastructure, coaches and heavy trucks.

## AKARACK 50 PRC

The flexible energy package



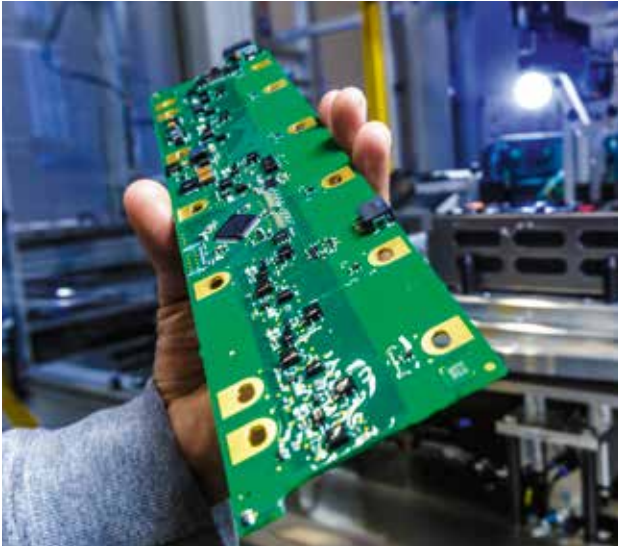
Technical data	AKARack Base Unit SAM 50 AH
Energy	6.4 kWh
Weight (min.)	approx. 56 kg
Discharging power max.	10 ... 18 kW*
Charging power max.	10 ... 18 kW*
Continous power	5 ... 9 kW*
Capacity	50 Ah / 150 Ah
Voltage nom	130 V / 43.2 V
Cycle	1,600 ... 3,000 cycles**

## THE ALL-ROUNDER FOR A WIDE VARIETY OF APPLICATIONS

The AKASystem AKR can be flexibly assembled from any number of AKARacks (AKR). The AKARack is a highly standardized 48 V Li-ion battery system with approximately 6.4 kWh of energy storage in a 19-inch format. It is therefore particularly suitable for providing flexible solutions for various customer needs.

\* Peak value depends on the fuse configuration and cable/plug

\*\* Depending on T, SOC, DOD



Battery management system (BMS) and other electronics components

### PERFORMANCE, RELIABILITY AND SAFETY AT THE HIGHEST LEVEL

AKAModules and cooling systems are merged together to form a compact unit in an extremely robust housing, combining low weight with high performance. The AKASystem's optimized active thermal management guarantees a uniform temperature level even at high loads, while significantly extending the service life.

Both the current high-performance battery systems with prismatic cells and the new high-energy battery systems feature standardized liquid cooling that functions without any rare coolants. AKASOL works with a standard water/glycol mixture that is used around the world by the automotive industry in countless applications, such as engine cooling.



### AUTOMOTIVE-CERTIFIED PLUG-AND-PLAY SOLUTION FOR HIGH PERFORMANCE APPLICATIONS

The Company is also continuing to rely on the modular principle, offering the greatest possible flexibility to commercial vehicle manufacturers and other users. AKASOL has a lithium-ion battery system that allows the integration of three different battery module variants.

The Company can therefore offer customers different technological properties in the same installation space, allowing it to perfectly respond to application-specific requirements in terms of performance, energy or cycle stability. The battery systems from AKASOL always ensures stable operations.

As differences in cell production and operating conditions lead to uneven cell charging, the battery management system must be capable of bringing individual cells to the same state of charge. AKASOL's battery management system creates the ideal conditions for safe, reliable and long-lasting operation at peak performance.



## AKASOL'S USPS

- › Proprietary hardware and software development
- › Automotive safety standards according to ISO 26262
- › Excellent electromagnetic compatibility (EMC)
- › Redundant BMS architecture
- › Flexible base design, adapted to various OEM specifications, battery types and sizes
- › Triple-layer architecture for highly compact design
- › Series development and supply for large-scale projects
- › High test and validation standards – norms: ECE R10, ECE R100, ISO 12405 etc.

## SUSTAINABLE GROWTH THROUGH STRONG PRODUCTS AND CONTINUOUS EXPANSION OF THE PRODUCT PORTFOLIO

AKASOL pursues a strategy of continuously expanding its product portfolio. The company develops new products that are closely related to existing ones but that can be used in completely different applications.

Examples include stationary fast-charging stations that can quickly charge multiple vehicles simultaneously without increased grid connection power. In the fall of 2018, this technology led a major German car manufacturer to commission AKASOL with the supply of fast-charging stations in a pilot project for electromobility charging infrastructure. This creates an interesting new market with high growth potential.



## GROWTH MARKETS IN ELECTROMOBILITY

The European market for hybrid and electric buses is forecast to grow by over 35 % per year. This is due to large orders expected following the successful tests from numerous fleet operators. The Hessian state capital of Wiesbaden, for example, is planning to convert its fleet of 220 buses to electric drive. Other major European cities like Paris, London or Hamburg plan to only order electric buses from 2020.

Furthermore, virtually all major bus manufacturers assume that almost all vehicles purchased in Europe will be fully electric by 2025. In this context, AKASOL concentrates on customers in dynamic industrial regions where it is anticipating the first major steps in the field of public transport and commercial vehicle electrification. The company aims to have unrivaled series production capacity for these sectors at its facilities in both Germany and North America by the start of 2020.

The plant in Langen has a current production capacity of 300 MWh, enough for up to 1,500 electric buses or 3,000 medium-class commercial vehicles. By comparison, a 2018 infrastructure and mobility study by PricewaterhouseCoopers discovered that Germany's cities operated 100 purely electric buses with zero-emissions. This figure is due to increase nine fold in just a few years. Cities like Hamburg have announced their intention to only purchase new vehicles with zero-emission technology such as electric or hydrogen drive from 2020. Demand for battery systems could increase rapidly as a result for both urban and intercity transport.

### **MULTI-DIMENSIONAL AND PROFITABLE REVENUE GROWTH SUPPORTED BY LARGE-VOLUME FRAMEWORK AGREEMENTS WITH LEADING COMMERCIAL VEHICLE MANUFACTURERS**

AKASOL's strong market position and international target markets also point to attractive and profitable growth opportunities. This is based on a high order backlog of approximately EUR 1.47 billion for the period until the end of 2024 (as of December 31, 2018). The order backlog is comprised of concrete expressions of interest and advanced customer negotiations on a probability-weighted basis.



**„As of December 31, 2018, the order backlog remains unchanged at EUR 1.47 billion. This figure comprises both signed customer orders and framework agreements“**



# AKASOL AG MAKES ITS DEBUT AT THE FRANKFURT STOCK EXCHANGE

Another huge step in 2018 was the successful initial public offering of AKASOL AG on June 29, 2018. Since then, shares of AKASOL AG have been traded on the regulated market of the Frankfurt Stock Exchange (Prime Standard Segment). The issue price was EUR 48.50; the first price determination slightly above EUR 48.80. At the end of the year, on December 28, 2018, the Xetra closing

price of the AKASOL AG share amounted to EUR 34.20. With 6,061,856 shares, the market capitalization of AKASOL AG at that time amounted to more than EUR 207.3 million. The IPO has been accompanied by both Citigroup and Commerzbank as joint global coordinators and Bankhaus Lampe as joint bookrunner, whereas Lazard provided financial consultancy to AKASOL AG.

## Shareholder Structure (as of December 31, 2018)

shares in %

Schulz Group GmbH	47.41
FMR LLC	8.26
Felix von Borck	6.20
Stephen Raiser	4.33
other	33.80
	100.00

This means:

- › 60 % of the shares (approx. 3.6 million) are held by the existing shareholders.
- › 40 % of the shares (approx. 2.4 million) are in free float.

AKASOL AG aims for a sustainable increase in shareholder value. To achieve this goal, management attached great importance to:

- › Expansion of technology advantage and customer base to generate profitable sales
- › Optimizing the cost structure in the medium term through a lean and efficient organizational structure with coordinated processes.

## REVENUES AND EXPENSES

As a pioneer in manufacturing high-performance lithium-ion battery systems, AKASOL operated in a highly dynamic market with considerable growth potential. The proceeds of approx. EUR 100 million from the successful IPO in June 2018 will be used to implement the growth strategy as announced, whereas the focus will lie on doubling the production capacity of the production site in Langen, Germany, and expanding to the North American market. A new company headquarters and additional test and validation facilities will be constructed, and significant investments will be made to strengthen research and development. AKASOL AG sees itself as technological leader in the market of high-performance lithium-ion battery systems and seeks to strengthen and continuously expand this favorable market position with funds from the IPO.



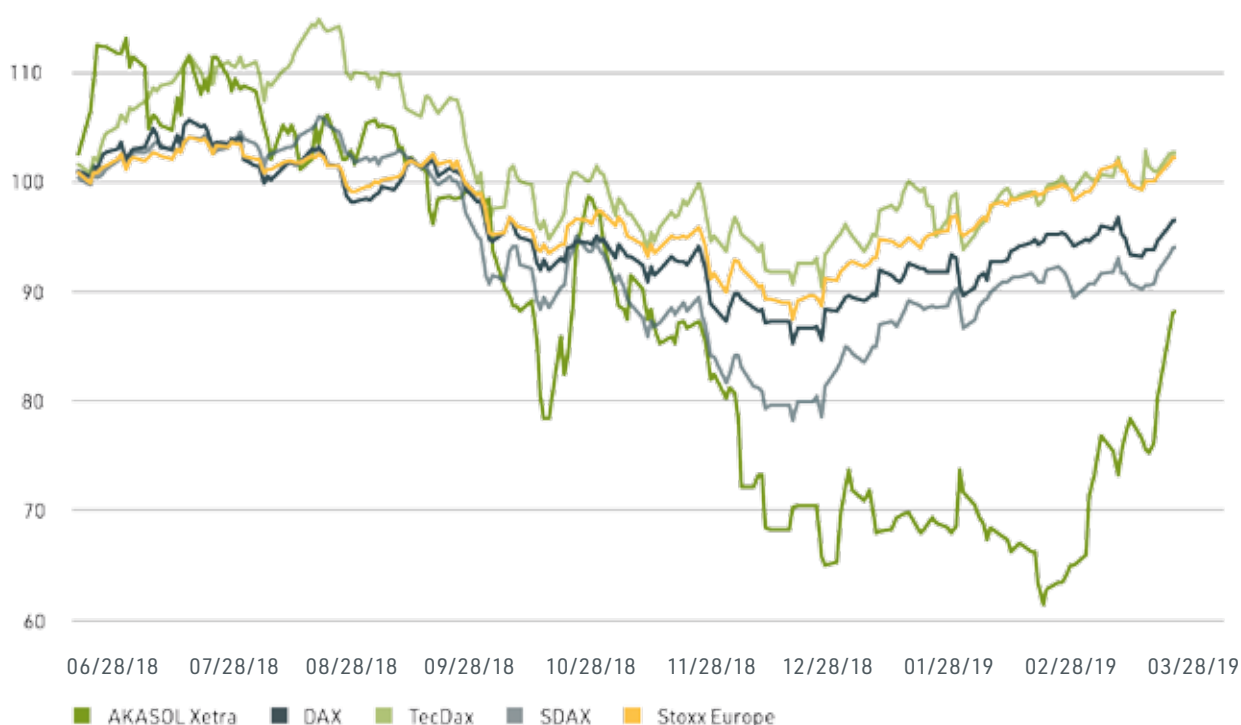
## IPO INFORMATION

- › Stock exchange symbol/ Reuters symbol: ASL / ASLG.DE
- › Type of Shares: No-par value share
- › First day of trading: June 29, 2018
- › Number of Shares: 6,061,856
- › Stock Exchange: Regulated Market (Prime Standard) of the Frankfurt Stock Exchange
- › Designated Sponsors: Oddo Seydler Bank, Commerzbank

## INVESTOR RELATIONS

Trust, transparency, responsibility and sustainability are the focus of the investor relations activities at AKASOL AG. Great importance is attached to continuous and comprehensive communication with all capital market participants in Germany and abroad to create lasting trust in the company. During the past financial year, AKASOL AG was present at numerous investor conferences, roadshows and other capital market events. Pertinent share information, obligatory publications, company reports, key announcements and press releases are published immediately and made accessible in the „Investor Relations“ section on the website [www.akasol.com](http://www.akasol.com).

## PERFORMANCE OF THE AKASOL SHARE





- › SUPERVISORY BOARD REPORT
- › MANAGEMENT REPORT
- › ANNUAL FINANCIAL STATEMENTS

2018

# SUPERVISORY BOARD REPORT

*Dear Shareholders,*

the past financial year was highlighted by the successful IPO in June 2018. This involved the transformation of the company from a limited liability company into a public limited company, as well as the creation of a corporate governance structure.

In the 2018 financial year, the Supervisory Board duly performed the advisory and supervisory tasks incumbent upon it in accordance with the law, the Articles of Association, the Corporate Governance Code and the rules of procedure. The cooperation with the board was characterized by a trusting dialogue.

Within the framework of its activities, the Supervisory Board set the following company-specific priorities:

- › **Strategic direction of AKASOLAG.** The Supervisory Board has maintained a continuous dialogue with the management about the strategic focus of the Company regarding the dynamic competitive environment. Specific attention was paid to possible market developments in the coming years to ensure optimal positioning of AKASOLAG in the medium to long term.
- › **Ramp-up of serial production.** Successful implementation of the goals communicated during the IPO is at the heart of the Company's activities. The Supervisory Board is following the development of the expansion of series production and is in constant dialogue with the management on this topic.
- › **Achievement of the financial objectives.** The expansion of series production is accompanied by monitoring of the financial development of AKASOL AG. The Supervisory Board was regularly informed about the financial development of the company and has maintained a close dialogue with the Management Board.

In addition, the Supervisory Board dealt with issues such as the development and expansion of the product portfolio, the introduction of a risk management system and observance of the applicable compliance guidelines.

The Chairman of the Supervisory Board and the Chairman of the Management Board were also in regular contact outside the Supervisory Board meetings. Current developments and significant individual issues were communicated promptly. Where the approval of the Supervisory Board was required for individual measures of the Management Board in accordance with the law or the Articles of Association, the Supervisory Board prepared the necessary resolutions. Through these actions, the Supervisory Board has its own picture of the situation of the company. Its goal is to create the best possible basis for the continued successful and sustainable development of AKASOLAG.

## COMPOSITION OF THE SUPERVISORY BOARD

The first appointment of the Supervisory Board of AKASOLAG took place on May 14, 2018. The Supervisory Board had three members in the financial year 2018; in the period from May 14, 2018 to June 8, 2018, they were Dr. Ing. Christoph Reimnitz (Chairman), Reinhold Schulz (Deputy Chairman) and Steffen Schlegel. Since June 8, 2018, they are Dr. Christoph Reimnitz (Chairman), Dr. Marie-Luise Wolff (Deputy Chairwoman) and Dr. Ing. Christian Brenneke.

## MEETINGS OF THE SUPERVISORY BOARD

In the 2018 financial year, the Supervisory Board convened within the framework of four regular physical attendance meetings, as well as two regular telephone conferences. Except for one meeting on August 31, 2018, the Supervisory Board was fully represented at all meetings and telephone conferences. However, the quorum of the Supervisory Board was achieved in all meetings.



## FORMATION OF COMMITTEES

For efficiency reasons, the Supervisory Board waived the formation of individual committees in the 2018 financial year and dealt with all issues collectively.

## GERMAN CORPORATE GOVERNANCE CODE

In the 2018 financial year, the Supervisory Board dealt in detail with compliance of corporate governance and the German Corporate Governance Code. On April 4, 2019, the Supervisory Board passed the resolution of compliance pursuant to the German Corporate Governance Code (as amended on February 7, 2017), in accordance with Section 161 of the German Stock Corporation Act. In April 2019, the Supervisory Board approved the new declaration of compliance. This is reflected in the Corporate Governance Statement and is available on the Company's website at any time. During the 2018 financial year, no conflicts of interest arose within the Supervisory Board.

## ANNUAL AUDIT FOR THE 2018 FINANCIAL YEAR

BDO AG Wirtschaftsprüfungsgesellschaft, established in Berlin, was appointed as auditor of the financial year from January 1 to December 31, 2018 on the shareholder meeting on May 14, 2018 and commissioned by the Chairman of the Supervisory Board. Before placing the order, the Supervisory Board obtained the declaration of independence of the auditor in accordance with section 7.2.1 of the German Corporate Governance Code.

The auditor, BDO AG Wirtschaftsprüfungsgesellschaft, audited the annual financial statements for the 2018 financial year and the management

report of AKASOL AG issued in accordance with the German Commercial Code (HGB) and provided an unqualified auditor's report. The auditor also issued an unqualified audit certificate for the annual financial statements prepared in accordance with International Financial Reporting Standards (IFRS).

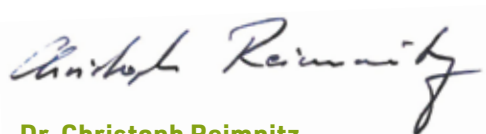
The auditor also determined that the information and monitoring system set up by the Board of Management is suitable for meeting legal requirements and anticipating developments that could jeopardize the continued existence of the company.

The audit was reported and discussed at the Supervisory Board meeting on April 5, 2019, where the auditors participated in the briefing of the annual financial statements. They reported on the main findings of the audits and were available to the Supervisory Board for additional questions and information. The Supervisory Board approved the annual financial statements prepared by the Management Board on April 14, 2019. Therefore, the financial statements have been duly approved.

## ACKNOWLEDGEMENTS

The Supervisory Board would like to express its gratitude and appreciation to the former members of the Supervisory Board and the members of the Executive Board as well as to the employees of AKASOL AG for their personal commitment and hard work in 2018. In addition, we would like to express our thanks to the shareholders for the trust placed in AKASOL AG.

Darmstadt, April 14, 2019  
for the Supervisory Board



**Dr. Christoph Reimnitz**  
Chairman of the Supervisory Board

# MANAGEMENT REPORT

## 1. AKASOL AG FUNDAMENTALS

### 1.1 BUSINESS MODEL, OBJECTIVES AND STRATEGY

AKASOL AG based in Darmstadt, Germany, develops, manufactures and distributes high-performance lithium-ion battery systems ("li-ion battery systems"). These li-ion battery systems are used in hybrid and all-electric drives in mobile on-highway and off-highway applications and in stationary systems for the storage and supply of renewable energies as needed.

AKASOL li-ion battery systems are not only highly reliable and safe, they also provide leading technologies in passive and active thermal management. In particular, the active thermal management strategy that is essential for li-ion battery systems is mostly based on a very efficient and economic liquid cooling system. All systems are equipped with certified battery management systems (BMS) specifically designed for the respective application and are operated with application-specific or, if required, customer-specific software. Currently, the AKASOL li-ion batteries, rechargeable up to 10,000 times, are being used in hybrid and all-electric buses, commercial vehicles, rail vehicles, ships and industrial vehicles from various manufacturers. Drawing on nearly 30 years of experience, AKASOL pioneered the development and production of li-ion battery systems in the fields described above.

AKASOL's key markets are currently Europe and North America.

Thanks to its technology, AKASOL AG is one of the global trendsetters moving towards economic and sustainable electromobility. As early as 2009, AKASOL's high-performance battery systems were among the first to contain efficient thermal management enabled by liquid cooling within a highly

functional battery module. Moreover, the AKASOL system design was first to pursue a consistently standardized and scalable approach with its highly functional battery modules. This approach afforded AKASOL the opportunity to satisfy a variety of customer requirements based on the same battery system architecture and thus enabled consistent and quick growth.

AKASOL aims at widespread organic growth, thus strengthening and expanding its market position as a global leader in battery systems for high-performance applications.

To this end, AKASOL employs intense research and development activities to expand and continually improve its product portfolio in line with customer and market requirements. To support these activities, AKASOL focuses on developing new, highly-qualified personnel and retaining the very successful and highly efficient development team. Part of the issuing proceeds from the successful initial public offering in June 2018 is invested in the additional testing and validation equipment as well as in the extension of the Company's research and development department. Not only does AKASOL strive to carry on the fast paced development of the existing product portfolio, the Company also continues to ensure that the leading technology battery systems meet the highest quality and safety standards. Please refer to the chapters "Research and Development" and "Locations and Employees" for more detailed information on research and development activities and personnel matters.

In order to ensure that the Company's ambitious growth objectives are met, we will expand the production capacities both in Germany and in the USA. In Langen, Hesse, AKASOL operates a serial production plant with an output of up to 300 MWh of li-ion battery systems per year, which will be expanded to 800 MWh

by the beginning of 2020. To AKASOL's knowledge, the plant in Langen will thus have the largest production capacity for lithium-ion battery system for commercial vehicles in Europe and will be able to supply up to 4,000 all-electric buses or medium-duty commercial vehicles with li-ion battery systems. In 2020, we plan on opening another production facility in the USA with a capacity of up to 400 MWh per year.

In terms of sales, existing customer relationships with bus and commercial vehicle manufacturers are to be deepened, and new customers for small series and mass production are to be acquired. New customer acquisitions not only focus on additional blue-chip customers, but also on medium-sized customers and new stakeholders, who pursue promising and scalable approaches with their respective electromobility applications. Naturally, these also include hybrid or all electric rail, construction or mining vehicles and ships and boats. For customer relationship management, AKASOL relies both on many relevant industry trade fairs and increasingly on digital marketing activities to directly inform or address the important decision-makers of existing and new customers.

Finally, the continuing optimization of the efficiency and organization of the company business processes is a top priority for AKASOL.

In addition to its Headquarters in Darmstadt, the production for series production is located at the Langen site in Hesse.

## **1.2 PRODUCT PORTFOLIO AND CUSTOMER STRUCTURE**

Based on the large diversity of the areas of application where customers use the AKASOL AG li-ion battery systems, the Company's battery systems must comply with a large range of certification and safety standards of the commercial vehicle industry. Many different customer requirements and specifications, including safety requirements, are met by AKASOL's battery system solutions, developed over many years. The experienced AKASOL customers and potential customers understand there is no such thing as a "one-size-fits-all"-solution for battery systems.

There are several perspectives to the strengths of AKASOL's battery systems. One of them is the Company's independence of technology. Therefore, AKASOL now estimates that it is the only company on the market that can offer its customers battery systems in the three material cell formats (cylindrical, prismatic and pouch cells) and even provide various battery-chemical characteristics in order to meet the customers' requirements both from a technological and a commercial point of view. The focus is on the so-called lithium NMC (nickel-manganese-cobalt) battery chemistry, but LTO (lithium-titanite-oxide) or LFP (lithium-iron-phosphate) battery cells are also available in the tried and tested AKASOL battery system architecture.

AKASOL AG purchases battery cells from various leading manufacturers, as well. This way, dependencies are avoided, and the technical advances of various cell manufactures can be flexibly used for the Company's battery systems.

All these benefits, combined with AKASOL's decades of experience, are highly valued by customers. The dynamic development of the Company requires technological flexibility and independence of battery cell suppliers.

The Company is currently not managed based on different segments.

The Management Board considers distinguishing between "On-Highway" and "Off-Highway" in the future management of the Company. The "On-Highway" segment would cover business activities from the cooperation with bus and commercial vehicle manufacturers. The "Off-Highway" segment would combine business activities for battery systems and services for manufacturers and tier-1 suppliers of rail vehicles, industrial vehicles (e.g. constructions, mining and logistics), marine vehicles and stationary applications in residential and commercial buildings.

## **1.3 COMPANY STRUCTURE AND PARTICIPATING INTERESTS**

The headquarters of AKASOL AG is in Darmstadt, Germany. In North America, the growth

region relevant for the company, AKASOL Inc., a wholly-owned subsidiary was established for production, sales and service, which will start operations in beginning of 2020. Currently, preparations are being made to commence operations of the US-American production site by the beginning of the first quarter 2020.

#### 1.4 RESEARCH AND DEVELOPMENT

AKASOL considers itself to be a company that is already held in high esteem as a technology leader and intends to maintain and expand this position in future. In this context, research and development play an essential role. The continuous improvement of products, customer-specific adjustments and the extension of the product portfolio require specific investments. This includes recruiting and retaining highly qualified employees and investments in development and laboratory facilities as well as internal development projects.

In 2018, expenses for research and development amounted to EUR 2.6 million (2017: EUR 1.4 million), or 12.0 % of the revenue (2017: 9.7 %).

In the past fiscal year, the research and development department saw a growth of 38.5 % to 54 employees as of the reporting date December 31, 2018 (December 31, 2017: 39). A new department, "System Engineering", was established within the organization to optimize technical project support.

In addition, investments were made in plants and new equipment. AKASOL expanded its own test facilities with multi-channel test stations for cylindrical cell measurements. This investment of EUR 1.9 million affords us additional opportunities to measure service life and thus to assess the relevance of battery systems for commercial vehicles. We also intensively prepared a major investment in the new testing & validation center planned for 2020. The resulting investment requirements will affect the key financial figures of the next few years.

In 2018, we managed to successfully validate battery systems in accordance with numerous industry and customer standards in electromagnetic compatibility (EMC), environmental compatibility tests, performance, vibration, crash, fire and shock, and the proof of excellent product characteristics, including without limitation for fire propagation in accordance with the provisions of ECE R100 (passive thermal management) of the United Nations.

To fulfill future requirements regarding the range of electric commercial vehicles, AKASOL started developing high-energy battery modules at the beginning of 2018; compared to the battery modules in serial use today, their energy density is higher by 70 % and starting in 2020, this will significantly increase the range of electric-drive buses and commercial vehicles. This added an attractive solution for range-focused applications to AKASOL AG's product portfolio and confirmed and further consolidate the Company's position as a technology leader, which resulted in positive feedback within the commercial vehicle industry.

At the same time, the existing product portfolio was advanced with numerous developments, optimizations and certifications to fulfill market and customer-specific requirements in the "On-Highway" and "Off-Highway" segments.

The so-called "AKARack" is another promising new development promoted by AKASOL in 2018. The AKARack is a small, liquid-cooled, highly functional battery system in a 19-inch format with a voltage of 48V. This product can be both scaled on a voltage level of 48V in a parallel connection and built up to a high-voltage system in a series connection, thus fulfilling the requirements of many applications for commercial, construction and mining vehicles and in ships and boats. Currently, some near-series "AKARack" model systems are being tested by some of our customers, all of them global leaders in their respective industry.

Another new, visionary and widely acclaimed activity was the Company's involvement in the development of battery-backed supercharging stations in cooperation with a major German automobile and commercial vehicle manufacturer. The core of the product is a liquid-cooled AKASOL battery system of approx. 200 kWh, which, in connection with proven power electronics, can supercharge up to two vehicles with 100 kW each at the same time and in addition, is capable of charging two vehicles with up to 22 kW at medium speed. The first 15 systems will be delivered by mid-2019. A series development of the product may follow.

Battery-powered fast charging stations can make an important contribution to grid stability with increasing charging infrastructure requirements through more electric vehicles; one of the major challenges in the implementation of the energy transition.

In addition to these significant new and further developments, AKASOL carried out a multitude of

optimizations during the reporting period, such as software of the battery management system, the high-voltage architecture and the mechanical structure of the battery boxes.

Patent applications were filed in 2018 for some of the developments described above. AKASOL adheres to a clear strategy regarding the protection of its own intellectual property, according to which the Company applies for patents, makes publications or subjects developments to proprietary protection by employing secrecy (e.g. software).

### 1.5 SITES AND STAFF

On December 31, 2018, AKASO AG had 154 permanent employees, not counting the Management Board (December 31, 2017: 91). That means that the human resource capacity increased by 69.2 % in the year-on-year comparison. This development is particularly positive, as AKASOL managed to acquire many qualified employees despite the demanding human resources market.

## EMPLOYEES BY FUNCTION

	Dec. 31, 2018	Dec. 31, 2017
Research and development	54	39
Production	62	34
Sales	7	3
Service	5	3
Administration	26	12
Total	154	91

## 1.6 MANAGEMENT SYSTEM

AKASOL AG's organization is based on a high degree of innovation, flat hierarches and streamlined decision-making processes. AKASOL exhibits all characteristics of an owner-managed, flexible medium-sized company and combines this with a long-term, strategic orientation and the unifying force of a dynamically growing listed company.

The Management Board of AKASOL AG subjects their strategy to a regular comparison with actual business developments. In discussions on performance goals on a management level, the next steps were set and optimizing measures or fundamental new focuses were implemented.

Due to the considerable growth AKASOL experienced and the intended internationalization, the Management Board resolved the implementation of a new ERP system to be able to better assess the economic situation and to improve planning and management of the operational performance processes. Currently, the management considers starting the project in the second half of 2019 and rolling out the system in the second quarter of 2020.

AKASOL AG has a comprehensive planning and control system for the operative implementation of its strategic planning. These reports document potential deviations from targets in a target/actual performance comparison and form the basis for decisions. Another essential controlling mechanism includes regular executive meetings, where current business developments and the short to medium-term outlook are discussed, as well as regular project status meetings.

## 2. ECONOMIC REPORT

### 2.1 OVERALL ECONOMIC ENVIRONMENT AND INDUSTRY-SPECIFIC FRAMEWORK CONDITIONS

#### Development of the Global Economy

In accordance with the report of the Kiel Institute for the World Economy (IfW), the economic sentiment continued to deteriorate in 2018. Economists think this is triggered by the insecurities caused by ongoing trade conflicts and the tightening of US American monetary policy. The resulting turnaround of capital flows put a lot of pressure on the currencies of many emerging economies and caused turbulences on the financial markets. In fact, pursuant to the report, economic dynamics slowed down as early as 2018: While researchers initially expected growth of 3.9 %, they adjusted their expectations downwards to 3.7 % at the end of the year. The development of the individual countries showed clear differences in 2018: Fiscal stimuli boosted the economic dynamics in the USA once more, while growth in Japan and in the eurozone lost momentum. The economic dynamics in emerging economies showed a slight downturn, as well. Argentina and Turkey were by far more affected and ended in a recession. World trade saw slower growth in 2018 compared to the previous year. Foreign trade development in Europe and Japan was particularly weak. Oil prices were unable to maintain their interim record-high of 85 dollars per barrel Brent Spar and returned to a level around 60 dollars in the further course of 2018 despite counter-measures by OPEC and Russia.<sup>1</sup>

#### Eurozone Development

The economy in the eurozone went up 1.9 % in 2018 (previous year: 2.5 %). In the first half of 2018, the economy considerably lost momentum<sup>2</sup> due to country-specific temporary factors and a weaker world trade, and this trend continued in the second half of the year due to a strong decline in automobile production. Although this effect is only temporary, the development on the employment market also

<sup>1</sup> [https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2018/KK-B\\_49\\_2018-Q4\\_Welt\\_DE.pdf](https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2018/KK-B_49_2018-Q4_Welt_DE.pdf)

<sup>2</sup> [https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2018/KK-B\\_46\\_2018-Q3\\_Euroraum\\_DE.pdf](https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2018/KK-B_46_2018-Q3_Euroraum_DE.pdf)

supports the notion that economic growth slowed down. In the second half of 2018, the unemployment rate in the eurozone hardly decreased at all, and at the time the last report of the IfW was published at the end of 2018, it was 8.1 %.<sup>3</sup> Estimated potentials in fall 2018 indicated a slight excess production capacity utilization. Company surveys suggest that companies have increasing difficulties in expanding their capacities. The reason given is the tense situation on the employment market, which also affects wage dynamics. This problem also curbs economic growth. Overall, the economy in the eurozone still has a broad range of countries to rely on, even if growth slowed down in most member states.<sup>4</sup>

### Development in Germany

Following some temporary factors such as restrictions caused by low water in the Rhine river or difficulties with the new licensing procedure for automobile manufacturers, the economists from the Kiel Institute expected the economy in Germany to pick up again at the end of the year. However, the overall growth potential seems limited in view of a very high capacity utilization and difficulties the companies face when they attempt to increase production. The noticeable shortages on the employment market are likely to remain in place according to the IfW, and they will not only slow down employment growth but also further the increase of wages. Therefore, the expected growth rate for 2018 is 1.5 % (previous year: 2.2 %). The economy reports of the Kiel Institute indicate that Germany is in the late phase of the 5-year upswing, as is indicated by the increasing production capacity utilization, stronger wage dynamics and a more expansionary financial policy.<sup>5</sup>

### Industry-Specific Framework Conditions

The very strong demand for battery cells in the past few years continued to grow in 2018. The Mechanical Engineering Industry Association (Verband Deutscher Maschinen- und Anlagenbau e. V., VDMA) recently expected the previous years' growth rates of approx. 15 % to continue and reach approx. 150 GWh by the end of the year. By the end of 2017, global demand was already at 100 to 125 GWh, approx. 57 to 69 GWh of which were attributable to electromobility.

In the demand development for li-ion battery cells, the market for battery-operated electric vehicles plays the most important role by far. An optimistic scenario projects the crossing of the terawatt hour threshold in this market for 2025 to 2030. The VDMA considers the dynamics in the commercial vehicle sector to be similar to those in the automobile sector. Despite low quantities of commercial vehicles sold, demand is likely to reach levels similar to those for automobiles due to the integrated higher storage capacity per vehicle.<sup>6</sup>

Sales figures outside of China for electric commercial vehicles such as delivery vans, garbage trucks, trucks etc. are currently at 50,000 to 60,000 vehicles per year and result in a demand of only few GWh. Since 2015, the Chinese market for battery cells for buses and commercial vehicles has been almost as large as the global market for electric automobiles. In 2017, this market included 20 GWh for electric buses and another 4 GWh for commercial vehicles; 24 GWh and 5 GWh respectively are expected for 2019.<sup>7</sup>

3 [https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2018/KK-B\\_49\\_2018-Q4\\_Welt\\_DE.pdf](https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2018/KK-B_49_2018-Q4_Welt_DE.pdf)

4 [https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2018/KK-B\\_46\\_2018-Q3\\_Euroraum\\_DE.pdf](https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2018/KK-B_46_2018-Q3_Euroraum_DE.pdf)

5 [https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2018/KK-B\\_50\\_2018-Q4\\_Deutschland\\_DE.pdf](https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2018/KK-B_50_2018-Q4_Deutschland_DE.pdf)

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

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

The VDMA estimates that the total demand for li-ion battery cells in Europe may range from 100 to 200 GWh by 2025 (depending on the scenario).<sup>8</sup> In particular in larger, densely populated cities and conurbations, interest in battery-operated solutions for public transport is rising as part of the measures taken to reduce CO<sub>2</sub> and other exhaust gas emissions.<sup>9</sup>

## 2.2 BUSINESS DEVELOPMENT

Unless otherwise stated, AKASOL's management report is based on the IFRS figures, as these are also used for corporate management and capital market communications.

In the 2018 financial year, AKASOL AG generated revenues amounting to EUR 21.6 million, following EUR 14.5 million in the previous year. This accounted for an increase in revenue of 49.1 %. The main drivers for this favorable development were the commencement of series production of battery systems for electric bus manufacturers.

On June 29, 2018, AKASOL AG's IPO was successfully completed. The Company's shares have been traded in the Prime Standard of the Frankfurt Stock Exchange ever since then.

The successful IPO generated issuing proceeds of approx. EUR 100 million to finance further company growth. The focus is on extending production capacities in Germany and the USA and securing the technology leadership in high-performance li-ion battery systems with many new and further developments in the next years. Furthermore, AKASOL makes investments in additional testing and validation equipment as well as in-house developments. In 2018, we invested in various technology projects dedicated to improving the energy and performance of our battery systems. Furthermore, we worked on developing battery systems for mobile use and continuously improving the functional safety of battery systems under extreme operating conditions. In addition, we have primarily dealt with the construction and com-

missioning of our series production in Langen. In 2018, we invested a mid-single-digit million amount.

At the beginning of October 2018, a managing director was appointed for the subsidiary AKASOL Inc. in the USA. This is to continue the development of the North American market as announced. The managing director is responsible for the establishment of the AKASOL series production in the USA. In accordance with current plans, the production site AKASOL Inc. is to be placed into operation in the beginning of 2020 with an annual production capacity of 400 MWh.

In October 2018, AKASOL AG secured the largest order in the Company's history in charging infrastructure with energy storage for electromobility applications. The customer is a major German automobile and commercial vehicle manufacturer that so far has not been part of AKASOL AG's customer portfolio. Pursuant to this order, AKASOL will supply battery supported and thus self-reliant supercharging stations for electromobility applications, which are to be established as the charging infrastructure in a regionally limited pilot project. The value of the order is within the mid-single-digit million euros range. The project is expected to go on until mid-2019. Following this project, the contractual parties intend to examine the possibilities of using the new supercharging technology internationally on a large scale.

In the fall of 2018, the serial production of the first generation of li-ion battery systems for the Mercedes-Benz eCitaro started as planned. AKASOL is currently developing the second generation of these li-ion battery systems. Instead of the current 25 KWh in storage capacity per battery pack, the second generation will be able to store 33 KWh. This means an increase of 35% per vehicle, from 243 to 330 KWh – within an identical installation space and with the same weight. In accordance with Daimler Buses, the further development of the battery systems contributes to increasing the range of the vehicles to

<sup>8</sup> <https://battprod.vdma.org/documents/7411591/15357859/Roadmap+Batterieproduktionsmittel+2030-Update+2018+final.pdf/9afdeebf-cf08-2ec5-8306-47dba37992d1>

<sup>9</sup> <http://zeeus.eu/uploads/publications/documents/zeeus-report2017-2018-final.pdf>



up to 200 kilometers pursuant to the SORT 2 urban cycle in mixed traffic and up to 250 kilometers in ideal conditions.

In the financial year, AKASOL AG was represented at the following trade fairs among others:

- › Battery Show Europe, Hanover
- › Electric & Hybrid Marine World Expo, Amsterdam
- › IAA Commercial Vehicles 2018, Hanover
- › InnoTrans 2018, Berlin

The Company uses these opportunities to meet with industry stakeholders, customers and potential customers.

### **Business Development by Regions**

The breakdown of revenues by regions presents itself as follows for the 2018 financial year: Europe generated the highest revenue, i.e. EUR 20.1 million and/or a 93.1 % share in the total revenue, followed by America (EUR 1.2 million and/or 5.6 %) and Asia (EUR 0.3 million and/or 1.4 %).

### **2.3 FINANCIAL AND NON-FINANCIAL PERFORMANCE INDICATORS**

The Management Board regularly uses financial performance indicators to measure the economic success of the operational implementation of its corporate strategy. The management system considers the type and amount of non-recurring and/or extraordinary effects on performance indicators stemming from the structure of the business activities. Because of such special influences, the internal target values are generally set as ranges for the measurement and management of the operational capacity, each depending on the relevant planning horizon. The relative development of the important performance indicators, i.e. revenue and EBIT margin, is observed based on rolling mid-term planning, considering learning curve effects within a corridor. Against the background of a dynamic growth strategy, forward-looking corporate management is considered in terms of both risk- and opportunity-oriented corporate governance.

AKASOL AG operates internationally, within a market environment that increasingly faces higher dynamics and complexity. This requires flexible and sustainable corporate processes which entail that economic, ecologic and social resources are used responsibly. In addition to efficient, value-driven corporate management, the non-financial performance indicators and sustainability aspects described below play an important role in AKASOL's lasting success.

- › Customer benefits: AKASOL's products and solutions focus on customer benefits. Ongoing research and development activities perpetually increase the efficiency of the AKASOL battery systems and reduce their costs. In a related survey, customers regularly confirm the excellent quality of our portfolio.
- › Ecological benefits: Regarding the sustainable development of electromobility, high-performance battery systems play a material role. Provided that efficient and durable high-performance battery systems are used, electromobility will contribute to the protection of important resources and minimization of environmental impacts. AKASOL supplies professional technical solutions, which not only address the economic benefits for the customer, but also the ecological and social dimensions of sustainability. In its production and installation procedures, AKASOL neither employs environmentally objectionable raw materials nor do environmentally hazardous (residual) materials occur in the form of waste products, which would need to be disposed of in special processes.
- › Innovation: Strong innovations, based on equally market-oriented and trendsetting developments and new technologies, is a significant pillar in the strategic evolution and profitable growth of AKASOL AG. Based on customer needs, the Company attaches great importance by continuously improving its technology positions and further expanding its technological lead over its competitors. AKASOL employs innovation roadmaps to ensure early identification of future market requirements and the acquisition and use of necessary technologies.

- › Market knowledge: Our customers have trusted us for more than 30 years now. Hence AKASOL AG can adapt its products to industry requirements in a flexible manner but also in large quantities. Customer loyalty as proven by long-standing, trusting business relationships is a clear indicator for our profound market knowledge. Further growth in market penetration and an expansion of the market share are important market knowledge goals. This also includes the translation of know-how into solutions for customers in industries not supplied so far, and the expansion to additional geographical markets, primarily focusing on North America. To support this process, positions in sales, project and product management are filled with experienced employees from the relevant target industries.
- › Efficiency of the business processes: AKASOL continuously improves the efficiency of its business processes. A repeated critical review of efficiency in production and in research and development with a focus on lean processes (e.g. lean production) is one of the major management responsibilities. In addition, the Company set up additional programs, which continually scrutinize and optimize, for example, the cost structures in administration and the workflow management, among others
- › Development and retention of qualified employees: Our employees, with their skills and personal qualities, play a major role in

AKASOL's success. To guarantee adequate staffing and staff development at all times, the Company invests in human resources management on an ongoing basis. As of December 31, 2018, AKASOL occupied 154 employees. Of the employees working for the Company as of December 31, 2018, 43 % are in production, in service and engineering, and approx. 35 % in research and development (R&D). Sales and marketing accounted for 5 % of the AKASOL employees and administration for 17 %. Early in the recruitment process, AKASOL recognizes the importance of highly qualified employees with social and interdisciplinary competency. This is reflected by the high proportion of employees with academic degrees. The cooperation with universities and technical colleges affords AKASOL the opportunity to recruit qualified academic talents. To further the personal qualifications of AKASOL's staff, the Company supports its employees by regularly offering internal advanced training and specific external training measures for individual positions. Human resources management continuously accompanies and supports employees to expand their skills according to their tasks and to motivate them to take responsibility. In this way, AKASOL ensures long-term corporate success and creates secure, high-quality jobs.

## 2.4 EARNINGS, FINANCIAL AND ASSETS SITUATION IN ACCORDANCE WITH IFRS

Earnings, financial and assets situation – overview

in EUR million	2018	2017
Revenue	21.6	14.5
EBITDA*	-0.2	1.7
EBIT	-1.0	1.1
Adjusted EBIT**	1.7	1.1
Adjusted EBIT margin***	8.1 %	7.7 %
Result for the year	-0.7	0.6
Earnings per share (EUR)	-0.17	0.30****
Total assets	115.1	15.0
Equity	101.7	1.6
Equity ratio	88.4%	10.8%
Cash and cash equivalents	21.9	2.8
Financial liabilities	6.0	8.4

\* Earnings before Interests, Taxes, Depreciation and Amortisation

\*\* Earnings before Interests and Taxes adjusted by IPO costs

\*\*\* Adjusted EBIT in relation to revenue

\*\*\*\* To achieve comparability the GmbH's share capital has been presented as capital stock.

### 2.4.1 Target/Actual Performance Comparison for the Financial year

For the 2018 financial year, the AKASOL AG Management Board had forecast a revenue ranging between EUR 22 and 24 million. The generated revenue of EUR 21.6 million fell slightly below the forecast range.

Adjusted by expenses relating to the IPO, the Management Board predicted an EBIT margin of approx. 7 %. The adjusted EBIT margin of 8.1 % for the 2018 financial year even slightly exceeded this target, with a somewhat lower revenue. In absolute numbers, the adjusted EBIT was higher, 7 % of EUR 24 million, the higher of the forecast revenue range.

### 2.4.2 Earnings Situation

AKASOL AG's **revenue** amounted to EUR 21.6 million for the 2018 financial year. This was EUR 7.1 million more than in the previous year, corresponding to an increase of 49.1 %. The increased revenue is mainly attributable to framework agreements with two reputable European commercial vehicle manu-

facturers on series production of battery systems which commenced in the second half of 2018.

The **order backlog** for the planning period up to December 31, 2024 was at EUR 1.47 billion on December 31, 2018. This item includes signed framework agreements and corresponding orders as indicated by our customers, which are all likely to become firm orders with a probability 100 %, and specific declarations of interest and advanced negotiations with customers, which are reflected in the order backlog with correspondingly weighted probabilities. The order backlog only reflects activities for which AKASOL was awarded the contract or for which the Company is in bilateral negotiations and to which the management attributed a probability of at least 50 %. Any other discussions and negotiations with customers are not reflected in the order backlog. Furthermore, the order backlog is based on forecasts for the actual purchase planning discussed with customers. However, these do not constitute binding purchase commitments.

**Own work capitalized** amounted to EUR 2.9 million in the 2018 financial year (previous year: EUR 1.0 million). **Other operating income** closed at EUR 0.6 million (previous year: EUR 0.5 million) and relate to EUR 0.2 million charges of IPO costs to shareholders.

Cost of materials was up 81.3 %, from EUR 6.9 million in the previous year to EUR 12.5 million due to a significantly higher order volume. This corresponds to a higher **cost of materials ratio** of 57.8 % (cost of material in proportion to revenues) compared to previous year's 47.6 %.

**Personnel expenses** were disproportionately low compared to the development of the revenue and only increased by EUR 2.3 million and/or 46.2 % to EUR 7.1 million. This increased the personnel **expenses ratio** to 32.8 % (personnel expense in proportion to revenues; previous year: 33.4 %).

**Other operating expenses** amounted to EUR 6.7 million in the 2018 financial year (previous year: EUR 2.6 million), of which EUR 3.0 million were IPO-related one-off costs for legal and transaction advice, as well as auditing services.

This results in **earnings before interest, taxes, depreciation and amortization (EBITDA)** of EUR -0.2 million for the financial year (previous year: EUR 1.7 million). Adjusted for the one-off IPO costs amounting to EUR 2.7 million, EBITDA is EUR 2.6 million (previous year: EUR 1.7 million).

**Depreciations of tangible assets and amortizations of intangible assets** amounted to EUR 0.8 million in the 2018 financial year versus EUR 0.6 million in the previous year.

**Earnings before interest and taxes (EBIT)** for the 2018 financial year was EUR -1.0 million (previous year: EUR 1.1 million). Adjusted for one-off IPO costs, EBIT amounted to EUR 1.7 million (previous year: EUR 1.1 million).

The 2018 financial year saw **interest expenses** of EUR 0.3 million (previous year: EUR 0.2 million) and **interest income** of EUR 0.1 million (previous year: EUR 0 million). This resulted in **earnings before**

**taxes (EBT)** of EUR -1.1 million (previous year: EUR 0.9 million).

After taking into account the **tax income** of EUR 0.4 million, as of December 31, 2018, AKASOL AG recognized a **result for the year** amounting to EUR -0.7 million (previous year: EUR 0.6 million). **Earnings per share** of EUR -0.17 (previous year: EUR 0.30) were generated.

### 2.4.3 Financial Situation

As of December 31, 2018, AKASOL AG held **cash and cash equivalents** of EUR 21.9 million, thus above the value on previous year's reporting date (EUR 2.8 million).

On the reporting date, December 31, 2018, AKASOL AG held **non-current financial liabilities** of EUR 4.0 million. This constitutes a reduction by EUR 2.2 million compared to previous year's reporting date (EUR 6.2 million).

As of the reporting date, current **financial liabilities** amounted to EUR 1.9 million (previous year: EUR 2.2 million). Considering other liabilities, **total liabilities** closed at EUR 13.4 million (previous year's reporting date: EUR 13.4 million).

**Cash flow from investment activities** amounted to EUR -68.1 million for the period from January 1 to December 31, 2018 (previous year: EUR -3.2 million).

Based on the increase in inventories, trade receivables and the increase in other assets, AKASOL AG generated **cash flow from operating activities** amounting to EUR -10.4 million (previous year: EUR 1.6 million).

**Free cash flow** (cash flow from operating activities plus cash flow from investment activities) therefore results in EUR -78.5 million for the 2018 financial year (2017: EUR -1.6 million).

**Cash flow from financing activities** for the reporting period was EUR 97.6 million (previous year: EUR 3.6 million). This cash flow was reduced in the 2018 financial year by costs for the IPO amounting included in equity by EUR 3.2 million.

In the past financial year, AKASOL AG was always able to fulfill its payment obligations.

#### 2.4.4 Assets Situation

In the past business year, AKASOL AG's **total assets** went up by 666.0 % to EUR 115.1 million as of the reporting date December 31, 2018 (December 31, 2017: EUR 15.0 million). This was mainly due to the IPO in June 2018. The premium of the IPO amounting to EUR 97.9 million was recorded in capital reserves and was cut by the costs of raising capital.

**Non-current assets** were EUR 64.3 million on the reporting date December 31, 2018. They showed an increase of EUR 60.0 million compared to previous year's reporting date. This is mainly due to the purchase of various securities to avoid negative interest rates. Tangible assets among other things, through the expansion of production facilities reached EUR 5.4 million, following EUR 3.1 million on previous year's reporting date. Intangible assets, relating to the capitalization of development costs, increased by EUR 1.6 million to EUR 2.8 million. Deferred tax assets amounted to EUR 1.4 million at the end of the financial year.

As of the reporting date December 31, 2018, **current assets** amounted to EUR 50.8 million, a plus of EUR 40.1 million compared to EUR 10.7 million on previous year's reporting date. This is due to the increase in cash and cash equivalents, financial assets as well as inventories and trade receivables.

**Trade receivables** totaled EUR 7.6 million on the reporting date, EUR 6.6 million of which were attributable to receivables invoiced and EUR 0.9 million to PoC receivables not covered by payments on account. **Liquid funds** saw a positive development and increased from EUR 2.8 million in the previous year to EUR 21.9 million on December 31, 2018.

On December 31, 2018, **equity** amounted to EUR 101.7 million, resulting in a plus of EUR 100,1 million compared to previous year's EUR 1.6 million. The **equity ratio** on the balance sheet date 2018 was therefore 88.4 %.

Total **IPO costs** attributable to AKASOL AG amounted to EUR 5.9 million on December 31, 2018, of which EUR 3.2 million were recognized in equity, considering tax impact of EUR 1.0 million. The remaining EUR 2.7 million were recognized as expense. The premium of the IPO amounting to EUR 97.9 million was recorded in capital reserves.

**Non-current liabilities** totaled EUR 4.0 million on the reporting date December 31, 2018, versus EUR 6.2 million in the previous year. This means a reduction of EUR 2.2 million, the reason being a lower interest charge and a reclassification of non-current liabilities to current liabilities.

**Current liabilities** showed an increase of EUR 2.2 million in comparison to previous year's reporting date and amounted to EUR 9.4 million on the balance sheet date December 31, 2018. **Trade payables** went up by EUR 2.7 million as of the end of the 2018 financial year, totaling EUR 4.1 million (previous year: EUR 1.4 million). **Current financial liabilities** decreased by EUR 0.3 million to EUR 1.9 million on the balance sheet data (previous year: EUR 2.2 million).

#### 2.4.5 Overall Assertion on the Economic Situation

With revenues recording a growth of 49.1 % and thus reaching EUR 21.6 million, AKASOL AG followed the growth path announced at the IPO.

The Management Board considers the order backlog amounting to EUR 1.47 billion on the reporting date December 31, 2018 for the planning period 2019 to 2024 to be a good basis for a successful continuation of the growth trend.

Based on the order for the development of the second generation of li-ion battery systems for the Mercedes-Benz eCitaro, the order for the supply of battery supported supercharging stations for e-mobility applications within the framework of the charging infrastructure pilot project of a major German automobile and commercial vehicle manufacturer and the extension of the framework contract for the supply of a Swedish commercial vehicle suppliers with high-performance battery systems for electric buses and trucks, which was finalized at the beginning of 2018, the AKASOL AG Management

Board considers promising companies growth potentials to be a given and confirmed.

#### 2.4.6 Assessment of the course of business

The board of AKASOL assesses the completed financial year as a successful year. With an increase in revenue to EUR 21.6 million, a milestone was reached for additional economies of scale and further growth. Finally, AKASOL continued its profitable growth with a double-digit increase in adjusted EBIT of 56.2 % and an adjusted EBIT margin to revenue of 8.1 %.

Non-financial performance indicators also contributed to the good business development. In financial year 2018, research and development and production, among other things, were expanded and the operating divisions were optimized, among other things, through new processes and infrastructure. The employee base was strengthened by selective, targeted hiring, including in the management team.

On the basis of the net assets, financial position and results of operations described above, management views the Company's overall economic situation as positive. On the basis of the good equity base, AKASOL enjoys a high degree of independence, which allows it to continue on its growth course.

## 2.5 EARNINGS, FINANCIAL AND ASSETS SITUATION ACCORDING TO HGB

### 2.5.1 Difference in accounting according to HGB and IFRS

The main differences in accounting according to HGB and IFRS at AKASOL AG relate to the accounting treatment of the costs of raising capital as well as the revenue recognition for projects in accordance with IFRS 15. Furthermore, they relate to differences in the balance sheet structure. The differences between HGB and IFRS are presented below for the balance sheet and the income statement.

### 2.5.2 Earnings Situation

AKASOL AG's **revenue** amounted to EUR 22.9 million for the 2018 financial year. This was EUR 9.2 million more than in the previous year, corresponding

to an increase of 66.8 %. The increased revenue is mainly attributable to framework agreements with two reputable European commercial vehicle manufacturers on series production of battery systems which commenced in the second half of 2018.

The **order backlog** for the planning period up to December 31, 2024 was at EUR 1.47 billion on December 31, 2018. This item includes signed framework agreements and corresponding orders as indicated by our customers, which are all likely to become firm orders with a probability 100 %, and specific declarations of interest and advanced negotiations with customers, which are reflected in the order backlog with correspondingly weighted probabilities. The order backlog only reflects activities for which AKASOL was awarded the contract or for which the Company is in bilateral negotiations and to which the management attributed a probability of at least 50 %. Any other discussions and negotiations with customers are not reflected in the order backlog. Furthermore, the order backlog is based on forecasts for the actual purchase planning discussed with customers. However, these do not constitute binding purchase commitments.

**Own work capitalized** amounted to EUR 2.7 million in the 2018 financial year (previous year: EUR 0.5 million). **Other operating income** closed at EUR 0.9 million (previous year: EUR 0.8 million).

**Cost of materials** was up 54.2 %, from EUR 8.1 million in the previous year to EUR 12.5 million. This corresponds to a higher **cost of materials ratio** of 54.5 % (cost of material in proportion to revenues) compared to previous year's 58.9 %.

**Personnel expenses** were disproportionately low compared to the development of the revenue and only increased by EUR 2.4 million and/or 49.9 % to EUR 7.2 million. This increased the **personnel expenses ratio** to 31.7 % (personnel expense in proportion to revenues; previous year: 35.2 %).

Balance-differences HGB to IFRS in EUR million	2018	2017
<b>Fixed Assets</b>		
Intangible Assets	-0.5	-0.6
Financial Assets	-20.1	0.0
<b>Total Fixed Assets</b>	<b>-20.6</b>	<b>-0.6</b>
<b>Current Assets</b>		
Inventories	-1.1	-1.7
Trade Receivables and Other Assets	-1.0	-0.5
Cash and Cash Equivalents	20.0	0.0
<b>Total Current Assets</b>	<b>17.9</b>	<b>-2.2</b>
Deferred Tax Assets	0.2	0.3
<b>Total Assets</b>	<b>-2.4</b>	<b>-2.5</b>
<b>Equity</b>		
Capital Reserve	2.2	0.0
Loss Carried forward	-2.7	-0.5
<b>Total Equity</b>	<b>-0.5</b>	<b>-0.5</b>
Accruals	1.2	0.6
Liabilities	-3.1	-2.5
<b>Total Liabilities</b>	<b>-2.4</b>	<b>-2.5</b>

Income Statement-differences HGB to IFRS in EUR million	2018	2017
Revenue	1.3	-0.8
Change in Inventory	-1.2	0.5
Own Work Capitalized	-0.2	-0.5
<b>Total output</b>	<b>-0.1</b>	<b>-0.8</b>
Other Income	0.4	0.2
Costs of Materials	0.0	-1.2
<b>Gross Profit</b>	<b>0.3</b>	<b>-1.8</b>
Personnel Expenses	-0.2	0.0
Other Expenses	-3.2	0.0
<b>EBITDA</b>	<b>-3.1</b>	<b>-1.8</b>
Depreciation	0.1	0.1
<b>EBIT</b>	<b>-3.0</b>	<b>-1.7</b>
Financial Income	-0.1	0.0
<b>Financial Result</b>	<b>-0.1</b>	<b>0.0</b>
<b>EBT</b>	<b>-3.1</b>	<b>-1.7</b>
Taxes on income and profit	0.9	0.6
Result of the Period	-2.2	-1.1

**Other operating expenses** amounted to EUR 9.9 million in the 2018 financial year (previous year: EUR 2.5 million). Other operating expenses in the financial year include EUR 6.1 million incurred in connection with the IPO and the capital increases.

**Depreciations of tangible assets and amortizations of intangible assets** amounted to EUR 0.7 million in the 2018 financial year versus EUR 0.6 million in the previous year.

The 2018 financial year saw **interest expenses** of EUR -0.3 million (previous year: EUR -0.3 million) and **income from other securities held as financial assets** of EUR 0.1 million (previous year: EUR 0 million).

After taking into account a deferred **tax income** of EUR 1.3 million (previous year: EUR 0.3 million), as of December 31, 2018, AKASOL AG recognized a **result for the year** amounting to EUR -2.9 million (previous year: EUR -0.5 million).

### 2.5.3 Financial Situation

As of December 31, 2018, AKASOL AG held **cash and cash equivalents** of EUR 41.9 million, thus above the value on previous year's reporting date (EUR 2.8 million).

On the reporting date, December 31, 2018, AKASOL AG held **liabilities to banks** of EUR 6.0 million. This constitutes a reduction by EUR 1.3 million compared to previous year's reporting date (EUR 7.3 million).

**Cash flow from investment activities** amounted to EUR -65.9 million for the period from January 1 to December 31, 2018.

Based on the increase in inventories, trade receivables and the increase in other assets, AKASOL AG generated **cash flow from operating activities** amounting to EUR -15.5 million.

**Free cash flow** (cash flow from operating activities plus cash flow from investment activities) therefore results in EUR -81.4 million for the 2018 financial year.

**Cash flow from financing activities** for the reporting period was EUR 100.5 million.

In the past financial year, AKASOL AG was always able to fulfill its payment obligations.

### 2.5.4 Assets Situation

In the past business year, AKASOL AG's **total assets** went up by 802.4 % to EUR 112.7 million as of the reporting date December 31, 2018 (December 31, 2017: EUR 12.5 million). This was mainly due to the IPO in June 2018. The premium of the IPO amounting to EUR 97.9 million was recorded in capital reserves and was cut by the costs of raising capital.

**Non-current assets** were EUR 42.4 million on the reporting date December 31, 2018. They showed an increase of EUR 38.6 million compared to previous year's reporting date. This is mainly due to the purchase of various securities to avoid negative interest rates. Tangible assets reached EUR 5.4 million, following EUR 3.1 million on previous year's reporting date. Intangible assets, relating to the capitalization of development costs, increased by EUR 1.7 million to EUR 2.3 million. Deferred tax assets amounted to EUR 1.6 million at the end of the financial year.

As of the reporting date December 31, 2018, **current assets** amounted to EUR 68.7 million that is EUR 60.3 million higher compared to EUR 8.4 million on previous year's reporting date.

**Trade receivables** totaled EUR 6.5 million on the reporting date. (previous year EUR 1.6 million).

**Liquid funds** saw a positive development and increased from EUR 2.8 million in the previous year to EUR 41.9 million on December 31, 2018.

On December 31, 2018, **equity** amounted to EUR 101.2 million, resulting in a plus of EUR 100.1 million compared to previous year's EUR 1.1 million. The **equity ratio** on the balance sheet date 2018 was therefore 89.8 %.

**Liabilities** totaled EUR 10.1 million on the reporting date December 31, 2018, versus EUR 10.5 million in the previous year. This means a reduction of EUR 0.4 million.



**Liabilities to banks** showed a decrease of EUR 1.3 million in comparison to previous year's reporting date and amounted to EUR 6.0 million on the balance sheet date December 31, 2018, previous year EUR 7.3 million.

**Trade payables** went up by EUR 2.6 million as of the end of the 2018 financial year, totaling EUR 3.9 million (previous year: EUR 1.3 million).

**Amounts owed to affiliated undertakings** totaled by EUR 0.1 million on December 31, 2018 compared to EUR 1.1 million in the previous year.

Furthermore, **other liabilities** decreased by EUR 0.6 million to EUR 0.1 million (previous year: EUR 0.7 million).

### 3. EVENTS AFTER THE REPORTING DATE

Effective January 15, 2019, Carsten Bovenschen became a member of the AKASOL AG Management Board and was appointed Chief Financial Officer (CFO) for a term of three years. His responsibilities include finances, investor relations, human resources, legal, IT and organization. The former CFO and member of the Board, Dr. Curt Philipp Lorber, decided to leave the Company in favor of a professional reorientation for personal reasons and agreed with the Company's Supervisory Board on the termination of his employment contract.

In February 2019, AKASOL AG extended its long-term framework contract on the supply of a Swedish commercial vehicle manufacturer with high-performance battery systems for electric buses and trucks. The Company will supply the customer with second-generation lithium-ion battery systems from its Langen site and from the planned new site in the USA until the end of 2023.

At the end of 2018, AKASOL AG decided to build new headquarters and a new production site, including a testing and development center in southwest Darmstadt. The property was acquired in March 2019. The plan calls for a four-story office building with a gross area of 7,000 square meters and an adjoining industrial hall with a gross area of 15,000 square meters. Construction is to start in the first half of 2019 and is to be completed by mid-2020. The new headquarters will replace the current establishment in the Schenck Technology and Industrial Park, Darmstadt. Series production at the Langen site will continue. However, the new headquarters will combine existing specialist departments from Darmstadt and Langen under one roof to shorten work distances and promote synergies.

## 4. OPPORTUNITIES AND RISKS REPORT

### 4.1 OPPORTUNITIES AND RISK MANAGEMENT

AKASOL AG's opportunities and risk management aims at identifying potential opportunities and risks at an early stage and to make the best possible use of opportunities by employing adequate measures and/or to avert any harm. To this end, the Company has an internal control and risk management system in place. The control and monitoring systems are enhanced on an ongoing basis to identify and control potential risks. Within the framework of opportunities and risk management, the Company management is informed regularly on the probability of occurrence and potential amount of damage.

AKASOL is exposed to risks both due to external effects and its own entrepreneurial activities. Risk impacts may result in goals not being reached and/or their fulfillment being negatively affected. Between the conflicting priorities of opportunities and risks, AKASOL knowingly takes risks that are adequately proportionate to the benefits expected from the respective corporate activity. Therefore, risks cannot be generally avoided, however, their impacts are minimized to the extent possible.

AKASOL AG distinguishes the following risk categories:

- › Overall economic risks
- › Industry-specific risks
- › Operations risks
- › Financial risks
- › Risks from the use of financial instruments
- › Legal, regulatory and tax risks

### 4.2 INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM REFERRING TO THE ACCOUNTING PROCESS

AKASOL AG takes the mentioned risks into account by employing an adequate risk management system. To avert disadvantages for the Company, measures are taken at an early stage, including but not limited to:

- › the establishment of a controlling department that continuously compares target, actual and forecast data on company level using monthly business controlling;
- › project controlling accompanying operations projects that supports the management and control of the projects by providing target/actual analyses and identifying measures to ensure the project's success;
- › central monitoring of material contractual risks or legal disputes by the management and, if required, by qualified law firms.

The accounting-related internal control system is an integral part of AKASOL AG's risk management. The system mainly aims at ensuring a correct illustration of all business transactions in the reports and at preventing deviations from internal or external regulations. Referring to external accounting, this means guaranteeing the conformity of the financial statements with the rules and standards applicable from time to time. For this purpose, the accounting-related internal control system and risk management are categorized by department. Uniform regulations apply to accounting.

### 4.3 INDIVIDUAL OPPORTUNITIES AND RISKS

#### OPPORTUNITIES

Both the VDMA and AKASOL still believe the electromobility market to be a market of the future with considerable growth potential.<sup>10</sup> In addition to the increasing electrification of vehicle drives, other vehicle components are also being electrified. Wherever combustion engines are still being used, their efficiency and ecological friendliness are a hot topic – and they are thus in competition with electric engines. These market trends constitute great opportunities for AKASOL.

AKASOL considers that it is in a good position to participate in this positive market development, including in the electromobility field for commercial vehicles. This is not least supported by the issuing proceeds AKASOL received following its IPO on June 29, 2018, which are to finance the Company's growth strategy.

AKASOL actively pushes the Company's strategic development. AKASOL's growth strategy is based on three pillars: (1) promotion of organic growth by increasing our potentials on the electromobility market, expanding our production capacities in Germany, entering the US market and broadening our marketing and sales activities; (2) strengthening our technology leadership in electromobility by supporting research and development, targeted M&A activities and first-rate employees; (3) increasing our operational capacity by efficiently employing capital and by using efficient structures.

AKASOL intends to use the growth potentials resulting from this strategy now and in future.

The Company's growth opportunities based on this strategy are also reflected in the high order backlog at the beginning of the current financial year. The new financial year focuses on capacity expansion and continued marketing of new technologies, including but not limited to the fields e-mobility and stationary battery systems (e.g. stationary supercharging stations).

Global trends and favorable political framework conditions, such as the increasing urbanization and the related challenges for intra-urban mobility solutions or the promotion of e-mobility in connection with the politically and socially promoted emission reduction support the increasing electrification of both the "On-Highway" and "Off-Highway" segments. These trends are amplified by the limited supply and the increasing costs of fossil raw materials that are used for conventional drive systems.

Moreover, AKASOL estimates that it has the largest serial production facility for lithium-ion batteries fit for commercial vehicles in Europe and is thus able of manufacturing serial battery systems fit for automobiles at very competitive prices. This price advantage affords AKASOL the opportunity to better penetrate the market for li-ion battery systems. In addition to the opportunities on the market for electric-drive buses and commercial vehicles, the flexible applications of AKASOL battery system also entails opportunities for "off-highway" applications such as construction and rail vehicles, ships and boats. AKASOL is also a player on the emerging market for stationary battery systems, such as stationary supercharging stations, in connection with regenerative energy sources, and works at unlocking existing potentials in this regard.

AKASOL is well-positioned to profit from the developments described. AKASOL holds a leading market position as a supplier of battery systems for bus and commercial vehicle manufacturers. At the same time, AKASOL is a technology leader, as AKASOL battery systems are modular, freely scalable and independent of a specific battery cell type and/or a specific cell chemistry. The Company is well established on the market and possesses the necessary flexibility to use opportunities and trends in e-mobility for the optimization of its own business activities.

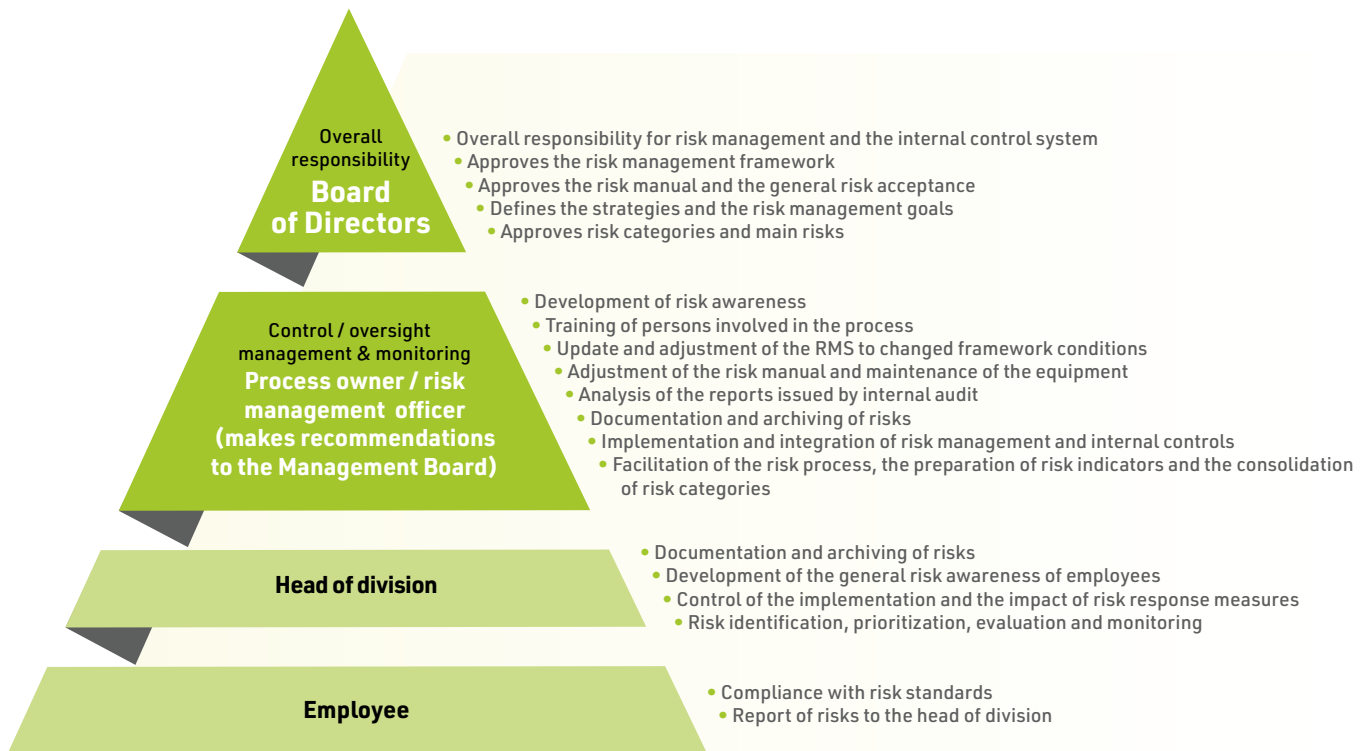
<sup>10</sup> <https://battprod.vdma.org/documents/7411591/15357859/Roadmap+Batterieproduktionsmittel+2030-Update+2018+final.pdf/9afdeebf-cf08-2ec5-8306-47dba37992d1>

## RISKS

AKASOL AG is aware of how important it is to identify and actively manage the financial and non-financial risks the Company faces. The management wishes AKASOL employees to feel competent to use attractive opportunities within the risk appetite determined by the Management Board. For this purpose, it is essential that the Company has a solid

and repeatable risk management framework at its disposal.

The Management Board established a risk management system summed up in the following illustration:



Risk management involves the development and implementation of measures for risk prevention, reduction and protection. The head of the relevant specialist department is responsible for the identification of risks. In case significant risks are identified, the risk manager and the Management Board are responsible for developing, implementing and monitoring measures to minimize the risks.

The AKASOL AG business model caters to the young, dynamic market for electromobility solutions. This means the risks basically result from the overall economic and industry-specific market development and from regulatory and political changes. With that said, the Management Board expects potential drastic regulatory interference, fierce competition and delivery risks in future. The identification of risks presented below takes place before the implemen-

tation of risk mitigation measures.

### Overall Economic Risks

As a manufacturer of high-quality li-ion battery systems, AKASOL depends upon the economic situation of its customers, which in turn depends on the overall economic development. Should global uncertainties on financial markets intensify once again and cause an economic downturn, this may negatively impact the economic situation of AKASOL's customers and the demand for AKASOL products. Consequently, the Company may face revenue and earnings risks.

Great Britain's exit from the EU ("Brexit") and the potential effects thereof constitute a serious uncertainty for the further development of the European Economic Area. Should Great Britain leave the EU

without signing a withdrawal agreement, this would pose various regulatory risks for companies with international operations, as in that case Great Britain would be considered a non-EU foreign country. However, an unregulated Brexit does not constitute a significant risk for AKASOL AG, as revenue in Great Britain is of rather minor importance to the Company.

### **Industry-Specific Risks**

The demand for batteries in electromobility market segments is materially conditional upon the further development of the trends in electrification, environmental protection and urbanization. Political and economic incentives supporting the dependency upon fossil fuels or a shift away from policies aiming at preventing the use of fossil fuels and at promoting the use of alternative energy forms and energy efficiency and supporting urbanization could have significant negative impacts on AKASOL AG's business development. This is also true of a politically motivated reduction in incentives to apply electromobility solutions.

At the same time, the business development of AKASOL AG is dependent on the growth of the automotive market, especially the electromobility market for commercial vehicles. Should the development of the automobile industry take a negative turn, especially local public bus transport, AKASOL will face sales risks. AKASOL counterbalances these risks by diversifying the areas of application of its battery systems, e.g. by establishing a "Off-Highway" segment.

Because of the strong market growth in electromobility, AKASOL AG also faces increasing competition due to new providers of battery system technologies on the market. The increase in competition may cause AKASOL risks regarding its market share, margins and overall profitability. The Company believes that the competitors are trying to convince potential customers of their products with very ambitious promises. Another risk is that cell suppliers and other established market players, including vehicle manufacturers, change their business strategy owing to the larger financial resources at their disposal and enter AKASOL's market segments with their own battery systems. Therefore, major AKASOL AG customers may cover battery technology themselves.

To counter these risks, AKASOL AG needs to continuously position itself on the market as a technology leader and to hold and expand this position.

Because of strong market growth in electromobility and the shift away from fossil fuels, which has only been seriously subsidized in the past few years, companies in this industry, including AKASOL AG, only look back on a relatively short business history. This also means that the Company is faced with risks resulting from the inefficient use of proceeds and the in-time implementation of the business strategy. AKASOL AG counters such risks by incessantly observing all relevant market and regulatory affairs and by preparing a detailed business plan.

As a manufacturer of li-ion battery systems, AKASOL AG depends on third parties in terms of timely delivery of raw materials, semi-finished goods, parts, components, production equipment and services in adequate and sufficient quantities, at adequate prices. To counter risks resulting from this dependency, AKASOL endeavors to diversify its supplier pool and to employ efficient and predictive inventory management to thwart supply bottlenecks. The Company concludes long-term supply agreements, including annual capacity forecasts, with the relevant suppliers of materials with a long delivery period and/or raw materials that are essential to produce battery systems, such as battery cells and modules, in order to avoid shortages in supply.

### **Operations Risks**

Owing to AKASOL AG's strong growth, the Company mainly focuses on organizational expansion and the associated staff increase. In doing so, AKASOL must rely on the availability of new, qualified staff, to be able to cover the production of increasing quantities of battery systems sold to warrant the continuous further development of product technologies. As a countermeasure to potential risks resulting from a potential shortage of staff and qualified employees, building and developing human resources is a decisive strategic factor for the management. Moreover, paying heed to potential staff shortages, AKASOL is always working on adapting the Company culture and the relevant corporate processes and on retaining personnel.

AKASOL AG's order backlog includes signed customer orders and framework contracts, but also clear declarations of interest and advanced negotiations with customers, to facilitate the highly efficient planning of future business development. These declarations of interest and negotiations with customers do not yet constitute binding purchasing commitments, a fact that in turn may cause revenue and earnings risks for AKASOL. To counter risks resulting from loss of orders, AKASOL AG evaluates all potential orders in terms of their probability of occurrence and weights them accordingly.

AKASOL AG's order backlog includes contracts with a limited number of reputable customers, which could entail risks resulting from a high customer concentration. To warrant adequate revenues, AKASOL AG is always working to extend its customer basis and to turn successfully completed customer and development projects into long-term framework cooperation agreements. Therefore, AKASOL entered into strategic partnerships with major customers, subject to agreements and other contracts, thus securing future cooperation and reducing risks from sales shortfalls. However, these agreements also contain clauses permitting either party to terminate the business relationship under certain circumstances.

The development of new markets, especially in North America, is part of AKASOL's growth strategy. The expansion may cause the risk that the products manufactured for this market are not sold or that the Company's business activities are restricted on these markets due to political or governmental intervention. To counterbalance this risk, AKASOL AG evaluates the situation of a new market and considers the potential of an expansion project before deciding in favor of expansion.

Product development and series production trigger quality and business risks for AKASOL in connection with the materials and technologies used and with the organizational processes employed. AKASOL employs an adequate quality management system to minimize these risks.

Production bears material risks, regarding the disruption of production processes, e.g. in case of

failure of the power or compressed air supply, fire, IT system failure, shortage of manpower or a disruption in the supply of production material. To minimize risks, AKASOL uses standby power sources (aggregates) and equipment for decentralized compressed air supply. Regular backups secure the system software. As part of the preventive fire protection measures, health and safety briefings are held for employees regarding the hazards in handling li-ion batteries and damaged battery cells, safety containers and bags for the transport of damaged battery cells are available, battery cells are stored in a separate hazardous goods store that is remote from the plant and regular safety walkabouts, including fire protection tests, are made by an occupational health and safety officer. Furthermore, there is the risk that production processes can only be executed in a restricted manner in case employees cannot be recruited in sufficient quantities and with the required qualifications. AKASOL works with recruiters to fill vacancies, if any, with temporary staff. The existing process documentation in the form of works instructions is to help train new workers expediently. A careful selection and development of suppliers and the maintenance of a security stock help prevent any shortages in the availability of production materials.

### **Financial Risks**

AKASOL carries out sales transactions with customers, suppliers and distribution partners and is therefore prone to the risk that one or more of these counterparties become insolvent or are otherwise unable to fulfill the obligations they owe to AKASOL. While AKASOL adjusts for bad debts and overdue amounts, these may not cover third-party credit risks. Material or repeated delays in payment or bad debt losses may have a considerable negative impact on business activities, the financial and earnings situation and the future development of AKASOL AG.

The Company's growth strategy provides for significant organic growth and the geographic expansion to the North American market. The growth plan requires the Company to significantly increase its management capacities and to undertake further allocations of the responsibilities to the members of the management. Consequently, AKASOL always endeavors to enhance and update its administrative, financial, information and control system to support

the planned expansion. Should these adjustments prove insufficient, this could result in reduced efficiency and associated risks regarding the financial performance of the Company.

Furthermore, raw material and supply prices may increase due to shifts in supply and demand. A select number of our suppliers may depend on few or even only one single supplier for certain important raw materials and supplies, which we use to manufacture our products. Therefore, AKASOL is exposed to financial risks caused by fluctuations in raw material prices, which may affect margins. AKASOL counterbalances these risks by employing adequate supplier management and optimizing its warehouse organization.

Moreover, fluctuations in exchange rates and interest rates may have material negative impacts on the financial result of AKASOL AG. Some of our revenues are invoiced in currencies other than the euro, i.e. the US-dollar, while our financial statements are prepared in euros. Moreover, considering our expansion to the United States and Canada, the effects of exchange rate fluctuations on the US-dollar, the Canadian dollar and the euro may have negative impacts on AKASOL's business. To hedge such currency risks, the Company concludes currency swap transactions and generally hedges its transactions by employing security partners. However, a full hedge against exchange rate risks is impossible.

### **Risks from the Use of Financial Instruments**

The use of financial instruments is regulated within the Management Board's risk provisioning, which sets limits based on the underlying transactions and defines authorization procedures. The Company does not use derivative instruments for speculative transactions. Financial instruments are to minimize credit risks. Hedges are only executed by the Company's central finance department upon the Management Board's approval to hedge market interest fluctuations. The risks from the use of financial instruments are mainly attributable to liquidity risks, default risks, credit-worthiness risks, interest risks and cash flow fluctuations, currency and price risks.

### **Liquidity risks:**

To guarantee that AKASOL is solvent and financially flexible at all times, a liquidity reserve in the form of credit lines and cash is maintained. Credit lines, cash flows and in the proceeds resulting from the successful IPO in 2018 have so far provided sufficient provisions at all times. The Company will continue to carefully observe the liquidity needs resulting from the planned growth and associated capacity development, review its related forecasts on an ongoing basis and adjust liquidity management as required.

### **Default risks:**

AKASOL maintains customer relationships with many major companies in various commercial vehicle segments. These companies are mostly multinational groups. Pursuant to our strategy, we minimize dependency on individual customers and successively increase the number of new customers. While increasing the acquisition of new customers also increases the risk of individual defaults, the relevance of an individual case is reduced. Specific default risks must be reduced by preliminarily analyzing new customers.

### **Creditworthiness risks:**

Most of AKASOL's customers have good creditworthiness. To avoid a complete loss of a receivable, the total receivable is divided into various milestone-related partial amounts (e.g. payable before delivery, during system installation and after commissioning). The insolvency risk of our multinational customers is deemed to be low. Still, this risk requires intensive observation. The expansion of the business to other countries is likely to increase this risk.

In addition, there are generally risks regarding the creditworthiness of the bond issuers and the financial institutions whose financial instruments we have subscribed to to avoid negative interest rates. However, since we only write papers from institutions and companies with proven excellent credit ratings, we consider the risk to be very low.

### **Interest risks and cash flow fluctuations:**

AKASOL restricts the management of interest rate risks to marketable instruments, which are used

to secure existing loans only and not for speculative purposes. Changes in future interest rate levels may lead to additional cash flow fluctuations for floating rate liabilities. They may result in further risks in case the general interest rate level is subject to extreme changes.

***Currency and price risks:***

But for a few exceptions, our customer orders are transacted in euros. Merely in the USA do we offer AKASOL products in domestic currency. Management regularly adjusts the sales calculations to the exchange rates development to minimize currency risks. The currency risk in sales is put into perspective by the fact that in turn, the Company uses USD to pay for certain goods from Asia. Residual currency risks in sales and/or procurement are minimized by forward exchange contracts with matching maturities. Furthermore, the Company has basic risks from local providers and competitors in the dollar area.

A price risk is inherent to an industry growing as fast as the industry of storage systems for electric energy, which at the same time is required to plan for sometimes restricted availability of some raw materials. As we do not directly procure any of these raw materials, but instead only purchase intermediate products, we are able to counterbalance risks resulting from changes in raw material prices by including adequate price escalation clauses in our sales contracts.

**Legal, regulatory and tax risks**

During AKASOL AG's business activities, risks may be incurred from potential project delays and contractual penalties resulting therefrom. The Company's development projects, those for series production customers, are subject to a tight schedule. At the same time, the projects are prone to regulatory and legal contingencies, such as product validations (crash tests, shaker tests, EMC tests etc.), which may delay the project in case they fail. In the worst-case scenario, this may delay the time of the planned product launch, which may result in claims for damages against AKASOL. The same is true for delays regarding start of production. AKASOL counters these risks by employing adequate project controlling.

Furthermore, AKASOL faces risks related to product liability, warranty claims, product recalls and in connection with law suits and claims filed against us, including but not limited to actions for damages, arbitration proceedings or other legal disputes. Moreover, the Company is subject to numerous environmental, health and safety laws and various directives, which are becoming increasingly stricter. The expansion to new markets also entails several business, economic, legal and political risks. Additional risks result from cases of corruption and fraud or other criminal and unauthorized behavior. To be able to identify and control factual and legal risks at an early stage and prevent their escalation to the extent possible, AKASOL has a risk management and reporting program in place and legal counseling available.



#### 4.4 OVERALL ASSERTION ON OPPORTUNITIES AND RISKS

AKASOL AG expects opportunities for future development especially from the dynamically growing market for electromobility, its own technology leadership, global trends towards electromobility solutions and price advantages from series production. AKASOL intends to consistently make use of existing growth opportunities resulting from its growth strategy, the enhancement of its technology leadership in electromobility and the increase of operational capacity through the efficient employment of capital and efficient structures.

AKASOL AG expects risks in its future development from increasing competition, its dependency on suppliers, changes in political and regulatory framework conditions and challenges resulting from strong company growth. Because of the positive business development and the flexible applications for AKASOL's li-ion battery systems, the Company deems itself well-equipped to cope with future risks. This is confirmed by the successful IPO on June 29, 2018 on the regulated market (Prime Standard) on the Frankfurt Stock Exchange. At this time, no risks could be identified that may jeopardize the continued existence of the Company.

#### 5. FORECAST REPORT

AKASOL expects the market environment to remain positive for the 2019 financial year. The International Monetary Fund expects the world economy to record growth of 3.5 % in 2019, and 3.6 % for 2020. The IMF only forecast minor growth for Germany: a plus of 1.3 % for 2019 and of 1.6 % for 2020.<sup>11</sup>

The VDMA estimates that global demand for li-ion battery cells was at approx. 150 GWh in 2018, whereas the market segment for electromobility applications is the one with the most dynamic development potential by far. An optimistic scenario projects the crossing of the terawatt hour threshold in this market for 2025 to 2030. In the last few years, growth rates were at about 40 %, and are likely to average 30 to 40 % in the next few years. The commercial vehicle segment currently accounts for approx. 20 % of the demand.<sup>12</sup>

AKASOL AG managed to achieve many project milestones in the 2018 financial year and thus to build a solid basis for the next financial year. The Company signed framework agreements with two reputable European commercial vehicle manufacturers on the series production of battery systems, which commences in the second half of 2018. Moreover, AKASOL AG is in advanced negotiations on additional series production agreements with reputed manufacturers both in the "On-Highway" and the "Off-Highway" segments. In addition to the agreed series production volume, smaller customer projects will continue to increase the order backlog of AKASOL AG. To cover the upcoming orders and series production successfully, AKASOL AG commenced operations in an additional production site in Langen, Hesse, in November 2017, with capacities doubling at the end of 2019.

<sup>11</sup> <https://www.imf.org/en/Publications/WEO/Issues/2019/01/11/weo-update-january-2019>

<sup>12</sup> <https://battprod.vdma.org/documents/7411591/15357859/Roadmap+Batterieproduktionsmittel+2030-Update+2018+final.pdf/9afdeebf-cf08-2ec5-8306-47dba37992d1>

On December 31, 2018, the order backlog amounted to EUR 1.47 billion. It contains signed customer orders and framework contracts that are fixed orders with a probability of 100 %. Further-more, clear declarations of interest and advanced negotiations are reflected in the order backlog, in each case weighted in accordance with their probability of occurrence. Only activities with at least an underlying RfQ (request for quotation) are reflected, where the management assumed with a probability of at least 50 % that an order will be placed (i.e. the Company knows that only one other competitor is considered for the order). Any of the other customer contacts and negotiations ("long list") are not contained in the order backlog. The order backlog covers the planning period 2019 to 2024.

Taking this into account and in view of the current order backlog, AKASOL AG expects a considerable increase in total output for the next financial year. This development should significantly improve the earnings before taxes. AKASOL plans on raising revenue to at least EUR 60 million in the 2019 fiscal year. Considering the sustained dynamic growth, the early development of additional production capacities and the expedient expansion of the US-American subsidiary, an EBIT margin of at least 7 % is sought.

## 6. CORPORATE GOVERNANCE

### 6.1 CORPORATE GOVERNANCE STATEMENT

#### Principle

Good corporate governance plays a key role in AKASOL AG's corporate management. The Management Board and the Supervisory Board are committed to good corporate governance and all company divisions comply. The statement of the Company management in accordance with Section 289f of the German Commercial Code includes the statement of compliance in accordance with Section 161 of the Stock Corporation Act, relevant information on corporate management practices which are applied beyond legal requirements, and a description of the mode of operation of the Management Board and the Supervisory Board, and the composition and mode of operation of the Supervisory Board.

#### AKASOL AG bodies

##### Management Board

The Management Board manages AKASOL AG on its own responsibility. The Management Board's most significant management responsibilities include the definition of the Company's goals and its strategic focus, control and supervision, as well as business planning. Currently, AKASOL AG's Management Board has two members. During the reporting period, the Management Board consisted of Mr. Sven Schulz and Dr. Curt Philipp Lorber.

**Sven Schulz**, born in 1975, holds an MBA in business engineering and administration and was co-founder and sole investor of AKASOL GmbH in 2008. Before he was appointed CEO of AKASOL AG in May 2018, he had been the Managing Director of AKASOL GmbH ever since it was founded. The following functions are within his sphere of responsibility: research and development, production, project and product management, sales, marketing and communications. Mr. Schulz's appointment expires in May 2021.

**Dr. Curt Philipp Lorber**, born in 1971, is an economist and was a member of the Management Board of AKASOL AG from May 2018 to January 2019. In his function as Chief Financial Officer, he was respon-

sible for finances, investor relations, HR, legal and organization.

The Supervisory Board appointed **Mr. Carsten Bovenschen**, born in 1964, who holds a degree in business administration, Chief Financial Officer of AKASOL AG on January 15, 2019 with immediate effect. Mr. Bovenschen will be responsible for finances, investor relations, HR, legal, IT and organization. His appointment expires in January 2022.

##### Supervisory Board

The Supervisory Board of AKASOL AG appoints and advises the Management Board. At the same time, the Supervisory Board supervises the management, also regarding fulfilling the Company's long-term goals. In the 2018 financial year, the members of the Management Board did not have any conflicts of interest which would have to be disclosed to the Supervisory Board. The Management Board involves the Supervisory Board in the planning process regarding the future development of AKASOL AG and in decisions on significant measures. The Chairperson of the Supervisory Board issues a separate Supervisory Board Report on the activities of this corporate body.

The Chairperson of the Supervisory Board coordinates the activities within the Supervisory Board, chairs the meetings, is in regular contact with the CEO, including in the times between the Supervisory Board meetings, and gives advice in terms of strategy, planning, business development, risk situation, risk management and compliance. The Chairperson of the Supervisory Board will inform the CEO without delay of significant events, which are material for the evaluation of the situation and development and for the management of AKASOL AG. Business transactions subject to approval are defined in the rules of procedure of the Management Board.

The Supervisory Board of AKASOL AG had three members at all times during the 2018 financial year. From May 14, 2018 to June 8, 2018, Dr. Christoph Reimnitz (Chairman), Mr. Reinhold Schulz (Deputy Chairman) and Mr. Steffen Schlegel constituted the Supervisory Board. Since June 8, 2018, the members have been Dr. Christoph Reimnitz (Chairman), Dr.

Marie-Luise Wolff (Deputy Chairwoman) and Dr. Christian Brenneke. The term in office of all three Supervisory Board members shall end at the end of the general meeting of shareholders which formally approves the actions of the Supervisory Board for the financial year ended December 31, 2022. In the 2018 financial year, the Supervisory Board met in four regular meetings, where personal attendance is mandatory, and two regular conference calls.

The AKASOL AG Supervisory Board refrained from establishing committees in the 2018 financial years for efficiency reasons and addressed all relevant topics within the entire board.

### Target proportion of women

No women are part of the two-person AKASOL AG Management Board currently. One of the three Supervisory Board members of AKASOL AG is a woman. The selection focuses on the professional and personal qualification of each candidate, irrespective of whether they are male or female. No target proportion of women was defined for the two bodies Supervisory Board and Management Board.

An adequate proportion of women within the two executive levels reporting to the Management Board depends on the individual competency for the relevant position. On this condition, the Management Board will pay heed to diversity and an adequate proportion of women when filling executive positions. Downstream executive levels of the Company cur-

rently have a proportion of women of 25%. The target proportion of women within the two executive levels reporting to the Management Board was set at 5%.

### Shareholders and general meeting of shareholders

The shareholders exercise their rights regarding the affairs of the Company in the annual general meeting of shareholders unless otherwise provided for by law. Shareholders who registered in due time and provided evidence for their right to participate and to exercise their voting right in the general meeting of shareholders are entitled to participate and exercise their voting right in the general meeting of shareholders. The right to participate and exercise a voting right in the general meeting of shareholders must be evidenced in the form of a confirmation of the shares held in text form issued by the custodian bank.

Up until the IPO, Schulz Group GmbH and the shareholders Mr. Felix von Borck, Mr. Stephen Raiser and Mr. Björn Eberleh together held 100% of the capital of AKASOL GmbH. The shareholders' resolution of May 8, 2018 approved the 2017 financial statements of AKASOL GmbH. After the change in legal form from a company limited by shares (GmbH) to a stock corporation (AG), Schulz Group GmbH and the shareholders listed above together held 100% of the shares in AKASOL AG.

The shares in AKASOL AG were held as follows:

Shareholder	Shares in %
Schulz Group GmbH	76.0
Felix von Borck	11.0
Stephen Raiser	8.0
Dr. Björn Eberleh	5.0
	100.0

In an extraordinary meeting of shareholders held on June 8, 2018, the following resolutions were passed, each with 100 % of the voting capital:

- › Election of Dr. Marie-Luise Wolff and Dr. Christian Brenneke to the Supervisory Board, after Mr. Reinhold Schulz and Mr. Steffen Schlegel resigned from office
- › Approval of the preparations for and the implementation of the IPO of the Company (authorization to execute any additional actions required for the IPO)
- › Resolution on the increase in the share capital of the Company for the IPO against a cash contribution and excluding the statutory subscription right of shareholders, and authorization of the Supervisory Board to modify the articles of association regarding the increase in capital
- › Resolution on the remuneration of the Supervisory Board

The next regular general meeting of shareholders will be held in Darmstadt on May 24, 2019.

### **Accounting and Audit**

The shareholders' meeting of May 2018 appointed BDO AG Auditing Company, Berlin (hereinafter referred to as "BDO") auditor of AKASOL AG. No business, financial, personal or other relationships have ever existed between BDO (and its bodies and head auditors) and AKASOL AG (and its bodies), which could establish doubts as to the independence of the auditing company.

The Supervisory Board, represented by the Chairperson, awarded the audit engagement and agreed on the fee in accordance with the Supervisory Board meeting of August 31, 2018. BDO shall participate in the Supervisory Board's deliberations on the annual financial statements and shall report on the core results of its audit. The Supervisory Board satisfied itself of the independence of BDO before agreeing to the audit engagement.

### **Open and Transparent Capital Market Communication**

AKASOL AG informs all market participants in an open, transparent, comprehensive and timely manner. In the 2018 financial year, the Company participated in several investor conferences, roadshows and other capital market events. Price-relevant information is reported immediately via ad-hoc notifications. All mandatory publications, company reports, material notifications and press releases are published on AKASOL's website at [akasol.com](http://akasol.com) in a timely manner. AKASOL AG informs investors, analysts and journalists in accordance with uniform criteria. The information is transparent for all capital market participants.

### **Compliance**

Transparency, independence and trust are the fundamental principles and the basis for AKASOL AG's economic success. Unlawful business practices not only harm existing business relationships but sooner or later the economy and the competition. Therefore, our trading is guided by the principle that all entrepreneurial decisions and acts comply with applicable laws and our internal policies. For this purpose, the Management Board set up a compliance management system. In case of indications to statutory violations within the Company, AKASOL AG employees and third parties have the opportunity make a report about the violations or grievances within the Company, either stating their name or completely anonymously. Our compliance management system aims at systematically and permanently precluding, identifying and sanctioning any breach of rules in the relevant divisions of the Company.

### **Changes in the Proportion of Voting Rights (in Accordance with Section 40(1) of the German Securities Trading Act)**

The Company's management report contains information on the shareholder structure of AKASOL AG. The announcements published in the 2018 financial year on the change in the proportion of voting rights in accordance with Section 40(1) of the German Securities Trading Act are published on the Company's website at <https://www.akasol.com/en/voting-rights-notification>.

### Directors' Dealings (Notifications on Managers' Transactions in Accordance with Article 19 of the MAR)

The Company also publishes transactions made by persons discharging managerial responsibilities as well as (natural and legal) persons closely associated with them in accordance with Article 19 of the MAR (Directors' dealings). These transactions are available on the website within the statutory time pe-

riods. The notifications published in the 2018 financial years are published on the Company's website at <https://www.akasol.com/en/directors-dealings>.

### Shares held by Members of the Management Board and the Supervisory Board

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

Management Board	Number of shares as of Dec. 31, 2018	Supervisory Board	Number of shares as of Dec. 31, 2017
Sven Schulz	2,874,116*	Dr. Christoph Reimnitz	1,300
Dr. Curt Philipp Lorber	0	Dr. Marie-Luise Wolff	0
Carsten Bovenschen	0**	Dr. Christian Brenneke	0

\* The voting rights allocated to Mr. Schulz are held by the company controlled by Mr. Schulz, Schulz Group GmbH

\*\* Mr. Bovenschen was appointed Chief Financial Officer of AKASOL AG at the beginning of 2019 and therefore after the balance sheet date December 31, 2018.

## 6.2 STATEMENT OF COMPLIANCE "GERMAN CORPORATE GOVERNANCE CODE"

The German Corporate Governance Code provides legal provisions for the management and supervision of German listed companies and contains internationally and nationally recognized standards of good and responsible governance.

The Management Board and the Supervisory Board of AKASOL AG hereby declare in accordance with Section 161 of the Stock Corporation Act that they complied with the recommendations of the governmental commission "German Corporate Governance Code" as amended on February 7, 2017 with the exceptions listed below and that they will comply with future recommendations of the German Corporate Governance Code as amended on February 7, 2017. The following recommendations will not be complied with or only in part:

### Section 4.1.5 of the German Corporate Governance Code:

When filling AKASOL AG's executive positions, the Management Board focuses exclusively on the professional and personal qualifications of the relevant candidate. The same is true of the Supervisory Board when filling Management Board positions and nominations for the Supervisory Board. A fixed proportion of women was not defined, neither for the Supervisory Board nor for the Management Board. A fixed proportion of women was defined for the two executive levels directly reporting to the Management Board, which was published in the corporate governance statement.

Neither the Management Board nor the Supervisory Board consider it productive for the Company to fill a position with a woman only to ensure that women in managerial positions receive special consideration. In the opinion of the Management Board and the Supervisory Board, this would not be in the best interest of the Company.

So far, the Supervisory Board has not issued a qualification profile for the overall body and has not defined clear objectives for its composition, which consider the Company-specific situation, the international operations of the Company, potential conflicts of interest, the number of independent Supervisory Board members and a limitation to be defined for the total term of office in the Supervisory Board, and diversity. A general specification regarding the composition of the Supervisory Board would constitute an unreasonable restriction of the selection of suitable candidates focusing on the individual case. Such specification would therefore impair the right of the shareholders to elect the members of the Supervisory Board.

A qualification profile for the overall body is to be issued within the framework of the efficiency

review of the Supervisory Board in the 2019 financial year.

**Sections 5.3 and 5.4.6 of the German Corporate Governance Code:**

The Supervisory Board of the Company did not form any committees as this was not considered to be efficient in view of the small size of the Supervisory Board consisting of only three members.

**Section 7.1.2 of the German Corporate Governance Code:**

AKASOL AG publishes its annual financial statements and interim reports in accordance with legal provisions and aims at complying with the time periods recommended in the Code (90 days for the annual financial statements, 45 days for interim reports, each after the balance sheet date).

Darmstadt, April 11, 2019  
For the Management Board



**SVEN SCHULZ**  
Chief Executive Officer



**CARSTEN BOVENSCHEN**  
Chief Financial Officer

For the Supervisory Board



**DR. CHRISTOPH REIMNITZ**  
Chairman of the Supervisory Board

## 6.3 ACQUISITION-RELEVANT INFORMATION

### Composition of Subscribed Capital

The subscribed capital (nominal capital) of AKASOLAG amounts to EUR 6,061,856.00 and is divided into 6,061,856 no-par value registered common shares (no-par share) with a pro-rata share in the nominal capital of EUR 1.00 each. All shares are entitled to dividends. Each share shall correspond to one vote at the general meeting of shareholders.

### Restrictions to Voting Rights or Transfers

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

### Capital Participations in Excess of 10 % of the Voting Rights

As of December 31, 2018, Mr. Sven Schulz held 2,874,116 shares in the Company directly and indirectly via Schulz Group GmbH, Ravensburg. This corresponds to approx. 47 % of the Company's nominal capital.

### Shares with Special Rights that Confer Powers of Control

The Company does not have shares with special rights that confer powers of control.

### Type of Voting Right Control in Case Employees hold a Capital Participation

Provided employees hold a capital participation as shareholders, they are not entitled to derive special rights therefrom.

### Appointment and Dismissal of Management Board Members and Amendments to the Articles of Association

For regulations on the appointment and dismissal of Management Board members, reference is made to the legal provisions contained in Section 84 and 85 of the Stock Corporation Act. The Management Board is composed of at least two persons in accordance with Section 6(1) of the articles of association. The Supervisory Board shall decide the number of the Management Board members.

For regulations on the modification of the articles of associations, reference is made to the legal provisions contained in Sections 133 and 179 of the Stock Corporation Act.

In addition, Section 9(2) of the articles of association provides as follows: "The Supervisory Board shall be authorized to resolve modifications to the articles of association referring to the version only. The Supervisory Board shall be authorized to adjust the version of the articles of association after the increase in the nominal capital from authorized capital was executed in full or in part (Section 4(6) of the articles of association) or upon expiration of the authorization period in line with the increase in capital from authorized capital."

### Authorities of the Management Board Regarding Issue of Shares

Based on the resolution passed by the extraordinary general meeting of shareholders of June 8, 2018, the Management Board shall be authorized to increase the nominal capital of the Company until and including May 13, 2023 and upon the Supervisory Board's approval once or several times by up to a total of EUR 2,000,000.00 against contributions in cash or in kind by issuing new no-par registered shares (common shares) (Authorized Capital 2018).

As a rule, the shareholders have a subscription right. In accordance with Section 186(5) of the Stock Corporation Act, the new shares may be acquired by a credit institution or a company operating in accordance with Section 53(1), clause 1 or Section 53b(1), clause 1 or (7) of the German Banking Act with the obligation to offer them to shareholders for subscription (indirect right of subscription). However, upon the Supervisory Board's approval, the Management Board shall be authorized to exclude the subscription right of the shareholders in the cases listed in Section 4.5 of the articles of association, as amended in June 2018.

### Change of Control and Indemnity Agreements

No regulations are in place governing a change of control or special indemnity agreements of the Company governing a take-over offer.



## 6.4 REMUNERATION REPORT

The Company is very committed to transparency in its reporting. This is also true of the Management Board's remuneration, which is disclosed and described in full of all its components in the remuneration report, including individual remunerations. On this basis, the Management Board and the Supervisory Board decided to use the model tables recommended by the governmental commission German Corporate Governance Code to present the remuneration of the Management Board.

### Management Board Remuneration

The remuneration of the members of the Management Board is based on a sustainable development of the Company. It comprises an annual fixed remuneration, fringe benefits and variable

remuneration. An annual cap (maximum) and a variable remuneration part considering positive and negative developments were agreed for the variable remuneration.

The total remuneration per board member in the entire financial year included salaries and short-term benefits as well as variable parts. The material variable remuneration parts are based on revenue and the EBIT margin in accordance with IFRS.

The following table shows the benefits granted to the Management Board members during the financial year:

Benefits granted	Sven Schulz CEO Date of appointment: May 14, 2018		Dr. Curt Philipp Lorber CFO Date of appointment: May 14, 2018	
	2018	2017	2018	2017
Fixed remuneration	76	n.a.	76	n.a.
Fringe benefits	3	n.a.	3	n.a.
One-year variable remuneration	23	n.a.	23	n.a.
Total	102	n.a.	102	n.a.
Pension expense	4	n.a.	4	n.a.
Total remuneration	106	n.a.	106	n.a.

Since May 14, 2018, the AKASOL AG Management Board has consisted of two persons, Mr. Sven Schulz and Dr. Curt Philipp Lorber. For the period from January 1 to May 13, 2018, Mr. Schulz held the position of Managing Director of AKASOL GmbH. He did not receive a remuneration for this function. His remuneration was covered with the pay he received as the sole shareholder of Schulz Group GmbH (parent company). From January 1, 2018 to May 13, 2018, AKASOL GmbH covered a pro-rata amount of EUR 162 k for Mr. Schulz's remuneration via an administrative fee of Schulz Group GmbH. For

his work as the CEO of AKASOL AG, Mr. Sven Schulz received an amount of EUR 83 k in the financial year.

Furthermore, Dr. Curt Philipp Lorber held the position of Chief Financial Officer (CFO) of AKASOL AG from May 2018 until January 2019. He resigned from office with immediate effect on January 10, 2019. For his work, Dr. Curt Philipp Lorber received the amount of EUR 83 k in the financial year.

The following table shows the benefits received by the Management Board members during the financial year:

Grants received	Sven Schulz CEO Date of appointment: May 14, 2018		Dr. Curt Philipp Lorber CFO Date of appointment: May 14, 2018	
	2018	2017	2018	2017
KEUR	2018	2017	2018	2017
Fixed remuneration	76	n.a.	76	n.a.
Fringe benefits	3	n.a.	3	n.a.
One-year variable remuneration	0	n.a.	0	n.a.
Total	79	n.a.	79	n.a.
Pension expense	4	n.a.	4	n.a.
Total remuneration	83	n.a.	83	n.a.

### Supervisory Board Remuneration

In accordance with the articles of association, the general meeting of shareholders which formally approves the actions of the first Supervisory Board determines the remuneration of the members of the first Supervisory Board.

Furthermore, the members of the Supervisory Board receive a fixed remuneration of EUR 15 k in accordance with the articles of association. The Chairperson of the Supervisory Board receives EUR 30 k, the Deputy Chairperson of the Supervisory Board receives EUR 20 k per financial year. Should a person be a member of the Supervisory Board only for part of the year, the remuneration is determined on a pro rata temporis basis.

The members of the Supervisory Board are included in a pecuniary damage liability insurance

policy taken out by the Company at customary market terms and conditions for the benefit of the Management Board and Supervisory Board members.

Moreover, the members of the Supervisory Board shall be reimbursed for reasonable and evidenced expenses incurred while discharging their duties and for the VAT amount attributable to the Supervisory Board remuneration, if any, provided they are entitled to invoice VAT separately to the Company and exercise this right.

So far, the members of the Supervisory Board have not received a fixed remuneration in the financial year. The pro-rata Supervisory Board remuneration for the financial year breaks down as follows:

KEUR	Chairperson of the Supervisory Board		Deputy Chairperson of the Supervisory Board		Member of the Supervisory Board	
	2018	2017	2018	2017	2018	2017
Fixed remuneration	20.0	n.a.	13.9	n.a.	10.4	n.a.
Total remuneration	20.0	n.a.	13.9	n.a.	10.4	n.a.

In the period from May 14, 2018 to June 8, 2018, Mr. Reinhold Schulz and Mr. Steffen Schlegel were members of the Supervisory Board of AKASOL AG. So far, they have not received any pay for this position.

## **7. FINAL STATEMENT BY THE EXECUTIVE BOARD ON THE REPORT ON RELATIONS WITH AFFILIATED COMPANIES**

AKASOLAG has received reasonable compensation in respect of the transactions listed in the Report on Relationships with affiliated companies based on the circumstances known to us at the time of the legal transaction. No measures have been taken or omitted at the instigation or in the interest of the controlling company or any of its affiliates.

## BALANCE SHEET

	Appendix	Dec. 31, 2018 KEUR	Dec. 31, 2017 KEUR
<b>ASSETS</b>			
<b>LONG-TERM ASSETS</b>			
Intangible assets	4.1.1	2,814	1,214
Tangible assets	4.1.2	5,396	3,131
Other financial assets	4.1.3	54,771	0
Other non-financial assets	4.5	14	14
Deferred tax assets	5.8	1,354	0
<b>TOTAL LONG-TERM ASSETS</b>		<b>64,349</b>	<b>4,360</b>
<b>SHORT-TERM ASSETS</b>			
Inventories	4.2	10,462	5,342
Trade receivables	4.3	7,551	2,068
Other financial assets	4.4	8,633	0
Other non-financial assets	4.5	2,049	327
Income tax receivables	4.6	140	92
Cash and cash equivalent	4.7	21,926	2,839
<b>TOTAL SHORT-TERM ASSETS</b>		<b>50,760</b>	<b>10,668</b>
<b>TOTAL ASSETS</b>		<b>115,109</b>	<b>15,027</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Subscribed capital		6,062	2,000
Capital reserve		96,747	0
Revenue reserve		-1,102	-376
<b>TOTAL EQUITY</b>	<b>4.8</b>	<b>101,706</b>	<b>1,624</b>
<b>LONG-TERM LIABILITIES</b>			
Deferred tax liabilities	5.8	0	48
<b>Financial debts</b>			
Liabilities to banks	4.9.1	4,046	6,176
<b>TOTAL LONG-TERM LIABILITIES</b>		<b>4,046</b>	<b>6,224</b>
<b>SHORT-TERM LIABILITIES</b>			
<b>Financial debts</b>			
Liabilities to banks	<b>4.9.1</b>	1,933	1,138
Liabilities to shareholders		0	1,071
Trade payables	<b>4.10</b>	4,095	1,365
Other non-financial liabilities	<b>4.11</b>	3,105	3,250
Accruals	<b>4.12</b>	225	356
<b>TOTAL SHORT-TERM LIABILITIES</b>		<b>9,357</b>	<b>7,179</b>
<b>EQUITY AND LIABILITIES</b>		<b>115,109</b>	<b>15,027</b>

## INCOME STATEMENT

	Appen dix	2018 KEUR	2017 KEUR
<b>Revenue</b>	5.1	21,587	14,483
Increase or decrease in unfinished and finished goods and work in progress		933	-25
Own work capitalized	5.2	2,900	1,018
Other operating income	5.3	587	536
Costs of materials	5.4	-12,469	-6,878
Personnel expenses		-7,073	-4,837
Other operating expenses	5.5	-6,652	-2,552
Depreciation and amortisation	5.6	-812	-628
<b>Operating result (EBIT)</b>		<b>-1,000</b>	<b>1,117</b>
Financial income		131	0
Financial expenses		-268	-246
<b>Financial result</b>	<b>5.7</b>	<b>-137</b>	<b>-246</b>
<b>Earnings before tax (EBT)</b>		<b>-1,137</b>	<b>871</b>
Taxes on income	5.8	411	-266
<b>Result of the period</b>		<b>-726</b>	<b>605</b>
Other result		0	0
<b>Net result of the period</b>		<b>-726</b>	<b>605</b>
Earnings per share (diluted/ undiluted)		-0.17	
<b>Average number of shares outstanding</b>		<b>4,382,206</b>	

The notes on pages 72 to 110 are an integral part of these financial statements.

## CASH FLOW STATEMENT

	Appendix	2018 KEUR	2017 KEUR
<b>Cash flow from operating activities</b>			
Net income before interest and taxes (EBIT)		-1,000	1,117
+ Depreciation on fixed assets		812	628
+/- Other non-cash changes		52	585
Changes in net working capital			
-/+ Increase or decrease in inventories		-5,120	-1,443
-/+ Increase or decrease in trade receivables		-5,482	-4
-/+ Increase or decrease in other assets not allocated to investment and financing activities		-1,629	-265
+/- Increase or decrease in trade payables		2,730	620
+/- Increase or decrease in other liabilities not allocated to investment and financing activities		-232	455
+/- Increase or decrease in accruals		-131	221
-/+ paid/received interest		-254	-246
-/+ paid taxes		-140	-105
<b>= Cash flow from operating activities</b>	<b>6</b>	<b>-10,394</b>	<b>1,562</b>
<b>Cash flow from investment activities</b>			
- Production and acquisition of intangible assets		-1,945	-577
- acquisition of tangible assets		-2,732	-2,602
- acquisition of financial assets and other securities		-66,904	0
+ Sales of intangible and other assets		3,500	0
<b>= Cash flow from investment activities</b>	<b>6</b>	<b>-68,081</b>	<b>-3,179</b>
<b>Cash flow from financing activities</b>			
+ Deposit from equity capital transfer		98,818	0
+ Borrowing of financial debts		0	5,914
- Repayment of financial liabilities		-1,255	-2,269
<b>= Cash flow from financing activities</b>	<b>6</b>	<b>97,563</b>	<b>3,645</b>
<b>Fund at the end of the period</b>			
Cash changes of funds		19,088	2,028
Funds on Jan 1		2,839	811
<b>= Cash and cash equivalents at the end of the period</b>		<b>21,926</b>	<b>2,839</b>
<b>Composition of the funds</b>			
<b>Cash and cash equivalents</b>	<b>4.7</b>	<b>21,926</b>	<b>2,839</b>

**STATEMENT OF CHANGES TO EQUITY**

	Subscribed capital (Appendix 4.8) KEUR	Capital reserve (Appendix 4.8) KEUR	Revenue reserve (Appendix 4.8) KEUR	Equity (Appendix 4.8) KEUR
Jan 1, 2017	2,000	0	-980	1,020
Comprehensive income for 2017	0	0	605	605
Dec 31, 2017	2,000	0	-376	-1,624
Jan 1, 2018	2,000	0	-376	-1,624
Capital Increase	4,062	0	0	4,062
Premium from the issue of new shares	0	96,747	0	96,747
Comprehensive income for 2018	0	0	-726	-726
Dec 31, 2018	6,062	96,747	-1,102	101,706

# NOTES TO THE FINANCIAL STATEMENTS ACCORDING TO IFRS

## FOR THE FINANCIAL YEAR 2018

### 1. GENERAL INFORMATION ON AKASOL AG, DARMSTADT, GERMANY

AKASOL AG (also referred to as the Company) was founded initially as AKASOL GmbH on October 8, 2008 has it's headoffice in D-64293 Darmstadt, Landwehrstraße 55.

On May 14, 2018, the limited liability company AKASOL GmbH, registered with the commercial register maintained by the Local Court Darmstadt under no. HRB 87340, changed its legal form to a German stock corporation which, in turn, was registered with the commercial register on June 8, 2018.

As of June 29, 2018, AKASOLAG has been listed on the regulated Prime Standard market segment of the Frankfurt Stock Exchange under International Securities Identification Number (ISIN) DE-000A2JNWZ9 and German Securities Identification Number A2JNWZ.

AKASOLAG develops and produces lithium-ion battery systems for hybrid and electric drive solutions, systems for mobile applications and for storing renewable energy for stationary systems.

The company's financial statements have been prepared in euros (EUR), the functional and reporting currency. Figures in the financial statements are stated in thousands of Euro, unless otherwise stated. This can result in rounding differences up to one currency unit.

Each AKASOL's fiscal year begins on January 1 and ends on December 31 of the respective calendar year.

### 2. ACCOUNTING PRINCIPLES

#### 2.1 GENERAL INFORMATION

As per the reporting date, AKASOL AG meets the requirements of a major corporation pursuant to Section 267(3) clause 2 of the German Commercial Code due to its issued shares being traded a regulated market pursuant to Section 2(5) of the German Securities Trading Act.

In addition to the statutory financial statement in accordance to the German commercial code this separate financial statement is published for publication purposes. This consolidated financial statements shall be prepared per the reporting date of December 31 of each financial year and issued in accordance with the International Financial Reporting Standards (IFRS) and the interpretations of the IFRS Interpretations Committee (IFRS IC) of the International Accounting Standards Board (IASB), as applicable within the European Union, whereas these consolidated statements shall comply with any and all accounting standards and interpretations to be mandatorily applied in the European Union.

The accounting and valuation principles applied to prepare the present financial statements shall be presented hereinafter. Unless otherwise provided for, these principles will be consistently applied to each reporting period referred to hereinafter.

The Company has prepared its annual financial statements assuming the going concern principle.



In its preparation of the financial statements the Management Board is required to apply estimates and assumptions which, in turn, may affect assets, liabilities, revenue, expenses and the figures of the contingent assets and liabilities. Furthermore, the Management Board is required to apply the accounting and measurement principles in its own discretion. Whereas these estimates and assumptions will be based on the best of the Management Board's knowledge of the underlying events and measures, the result may eventually deviate from the estimates and assumptions.

Historical acquisition and production costs have been applied to prepare the present financial statements. However, certain financial tools have been recognized at fair value. The historical costs are based on the original value of the consideration paid for the respective asset, whereas the consideration shall be measured at fair value.

The fair value is the price which would have been paid on the valuation date as consideration for the sale of an asset or the transfer of a liability in the due course of a transaction at arm's length between market participants, whereas it shall be inconsequential whether or not the price is directly observable or will be estimated through other means.

In determining the fair value of any such asset or liability the company will consider the properties of the asset or liability as would any other market participant for the purpose of determining the price of said asset or liability on the valuation date. The fair value will thusly be determined for measurement or recognition purposes. Moreover, a fair value hierarchy shall be established that categorizes into three levels, whereas the attribution to each of these levels shall depend on the observability of the respective input used to measure the respective fair value and on its significance for the overall measurement. This hierarchy shall be as follows:

- › Level 1 includes prices (unadjusted) in active markets for identical assets or liabilities.
- › Level 2 includes other information sources than the quoted prices on level 1, whereas these other sources for the asset or liability will be observable either directly or indirectly.
- › Level 3 includes unobservable for the measurement of the assets or liabilities.

The nature of expense method has been applied to prepare the profit and loss account as included in the statement of comprehensive income. The Company opts to present all items of income and expense recognized in a period as well as the components of income in a single statement of income.

## 2.2 APPLICATION OF THE IFRS

AKASOL's first IFRS financial statements have been prepared as per the reporting date of January 1, 2015. This date shall mark the first-time adoption of the International Financial Reporting Standards.

Pursuant to IFRS 1.10, the opening IFRS balance sheet

- › recognizes all assets and liabilities whose recognition is required by IFRS;
- › does not recognize items as assets or liabilities if the IFRS do not permit such recognition;
- › reclassifies items that were recognized under previous GAAP as one type of asset, liability or component of the capital stock, but are a different type of asset, liability or component of the capital stock under the IFRS; and
- › applies the IFRS in measuring all recognized assets and liabilities.

Due to the change of accounting principles, the opening IFRS balance sheet per January 1, 2015 shows a negative impact of KEUR 566 on the capital stock as compared to the previous statements prepared in accordance with the German Commercial Code (HGB).

Their mandatory appliance as of 2018 notwithstanding, the provisions of IFRS 9 “Financial Instruments” and IFRS 15 “Revenue from Contracts with Customers” previously adopted by the IASB have already been voluntarily applied as of the initial reporting date of January 1, 2015.

The following table shows all International Financial Reporting Standards and interpretations to be mandatorily applied as of 2018 and lists the corresponding effects on the company’s financial statements:

Standard / Interpretation	Title	Mandatory Application	Effects
IFRS 2	Changes to IFRS 2: Categorization and validation of share-based transactions	January 1, 2018	None
IFRS 4	Changes to IFRS 4: Insurance Contracts - Applications of IFRS 9 Financial Instruments in conjunction with IFRS 4 Insurance Contracts	January 1, 2018	None
IAS 40	Changes to IAS 40: Transfer of immovable property categorized as investment property	January 1, 2018	None
	Annual improvements of IFRS (AIP) - cycle 2014-2016	January 1, 2018	None
IFRIC 22	Foreign Currency Transactions and Advance Consideration	January 1, 2018	None

The following standards and interpretations have previously been adopted by the IASB and partially adopted by the European Union, however, their ap-

plication for 2018 remains facultative. AKASOL AG will, however, apply them as soon as they become mandatory.

Standard / Interpretation	Title	Mandatory Application	Effects
IFRS 3	Changes to IFRS 3: Business Combinations - clarifications as to the definition of a business	January 1, 2020	None
IFRS 9	Changes to IFRS 9: Prepayment Features with Negative Compensation	January 1, 2019	None
IFRS 16	Lease	January 1, 2019	See below
IFRS 17	Insurance Contracts	January 1, 2021	None
IAS 1 and IAS 8	Changes to AIS 1 and AIS 8: Definition of materiality	January 1, 2020	None
IAS 19	Changes to IAS 19: Employee Benefits - Plan Amendment, Curtailment or Settlement	January 1, 2019	None
IAS 28	Changes to IAS 28: Investments Associates and Joint Ventures	January 1, 2019	None
IFRIC 23	Uncertainty over Income Tax Treatments	January 1, 2019	None
	Annual improvements of IFRS (AIP) - cycle 2015-2017	January 1, 2019	Case-by-case assessment
	Changes to the references to the conceptual framework in the IFRS	January 1, 2019	Case-by-case assessment

## IFRS 16 "Leases"

In January 2016, the IASB issued a new International Accounting Standard relating to leases. This IFRS 16 replaces the previous standard IAS 17 as well as the interpretations IFRIC 4, SIC 15 and SIC 27. The revised provisions shall mandatorily apply as of January 1, 2019. However, prior voluntary application shall be permissible in conjunction with IFRS 15. The material changes introduced in IFRS 16 apply to the lessee's accounting and require all leases to be reported on a lessee's balance sheet as either assets or liabilities, as the case may be, whereas any acquired right to use an asset shall be reported as asset and any payment obligation shall be recognized as liability. Therefore, the distinction between finance and operating lease as previously required by IAS 17 shall no longer apply to lessees. Application will be facilitated for both leased low-value assets and short-term leases. The company has leased vehicles as well as facilities and equipment and further concluded leases for immovable property as is customary for the company.

When transitioning to the new standard, AKASOL will apply the following simplification rules granted by IFRS 16 to the lessee:

- › In the case of leases previously classified as operating leases in accordance with IAS 17, the leases liability is recognized at the present value of the outstanding lease payments, discounted at the marginal borrowing interest rate as of January 1, 2019. The associated usage right is generally recognized in the amount of the lease liability,
- › Leases that end no later than December 31, 2019, are accounted for as short-term leases, irrespective of the original contract term,
- › When assessing the right of use at the time of initial application, the initial direct costs are disregarded, and
- › When determining the duration of contracts with extension or termination options, current knowledge is taken into account.

The implementation preparation for first-time application of IFRS 16 has shown that the conversion to January 1, 2019 will result in usage rights and lease liabilities of approximately EUR 1.6 million. In the Income Statement Income, the implementation of IFRS 16 will result in a shift in expenses from other operating expenses to depreciation (app. EUR 0.5 million) and interest expense (EUR 0.03 million). The effects of the result are of secondary importance.

### 3. ACCOUNTING AND MEASUREMENT PRINCIPLES

#### 3.1 INTANGIBLE ASSETS

Intangible assets shall be recognized at acquisition or production costs, as the case may be. Moreover, intangible assets shall be recognized if the company is likely to economically benefit from such asset, provided, however, the acquisition or production costs can be reliably determined. Cumulative depreciation and amortization amounts as well as cumulative impairment losses shall be deducted from the acquisition and production costs. Intangible assets with finite useful lives shall be depreciated individually over their useful lives on a straight-line basis. The depreciation period and method shall be reviewed at the end of each financial year.

##### 3.1.1 Internally Developed Intangible Assets

Recognition of development costs for intangible assets require compliance with the requirements set forth in IAS 38. The production costs shall comprise all costs directly attributable to the development process as well as an appropriate share of the related overhead costs. Thusly recognized development costs shall be depreciated over the product's anticipated useful life of commonly three to five years on a straight-line basis, whereas the depreciation period shall commence with the start of the production. Research and non-recognizable development costs will be itemized as expenses at the time of incurrence.

Moreover, AKASOL AG receives funding provided by the German Federal Ministry for Economic Affairs and Energy and other public institutions. Any such public funding will be recognized only if granting is sufficiently certain and the company meets the applicable requirements. This type of expense-related grant shall be recognized over the period of time required to offset it against the expenses to be compensated. Grants for recognized development projects reduce the production costs of the corres-

ponding assets as well as the depreciation over the anticipated useful life of three to five years.

##### 3.1.2 Software and Other Rights

Software and other rights shall be recognized at acquisition costs as intangible assets, unless these costs are inextricably linked to the accompanying hardware. Software and other rights shall be depreciated over a period of three to five years.

#### 3.2 TANGIBLE ASSETS

Tangible assets shall be recognized at acquisition or production costs less cumulative depreciation and amortization amounts and cumulative impairment losses. However, the acquisition costs and cumulative depreciation and amortization amounts of sold or derecognized tangible assets shall be transferred from the balance sheet to the statement of comprehensive income where the profit or loss, as the case may be, generated through their sale shall be recognized accordingly.

The original acquisition or production costs of tangible assets include the purchase price as well as the incidental acquisition costs. Production costs include all directly attributable individual costs and pro rata overheads.

Expenses incurred after commissioning the tangible asset, such as service and maintenance charges or repair costs, shall be recognized through profit or loss at their time of incurrence. However, said expenses shall be recognized as additional costs of any intangible asset where expenses have verifiably led to a future economic benefit exceeding the commonly associated utilization of such asset.

Straight-line depreciation has been applied to the following anticipated useful lives:

	Useful life in years
Plant and machinery	3 to 20
Other fixtures and fittings, tools and equipment	3 to 13

The applied depreciation methods and useful lives will be reviewed in each reporting period in order to ensure their compliance with the anticipated economic benefits of the intangible assets.

### 3.3 INVENTORIES

In accordance with IAS 2 inventories shall be recognized at the lower value of either acquisition/production costs or net realizable value. The net realizable value equals the estimated selling price in the due course of business less the remaining costs until completion and less sales and distribution costs. The acquisition or production costs comprise the itemized costs and an appropriate share of the overhead costs for materials and manufacturing as well as production related depreciations and pro rata administrative overhead costs directly attributable to the process of production. The method of the weighted average shall be applied as required.

### 3.4 TRADE RECEIVABLES

Trade receivables shall be recognized at amortized costs less any value adjustments for bad debts. The value of receivables which have not been individually identified as impaired shall be reduced by an amount based on past experience in order to compensate for anticipated defaults.

If the realized revenue per service contract exceeds the down payments, the service contract will be recognized as trade receivables under revenue from contracts with customers. Any negative balances, however, shall be recognized under liabilities as contract-based liabilities. As a rule, value adjustments to receivables shall be itemized separately in a dedicated account, any changes in which shall be recognized in the statement of comprehensive income through profit or loss.

### 3.5 CASH

Cash includes cash at hand and available balances with banks which will be measured at nominal value.

### 3.6 OTHER FINANCIAL ASSETS

Other financial assets shall be measured at amortized costs or at fair value through profit and loss.

### 3.7 OTHER NON-FINANCIAL ASSETS

Other financial assets shall be measured at amortized costs, whereas individual risks will be considered through corresponding value adjustments (specific provisions).

### 3.8 ACCRUALS

Accruals shall only be reported if the company has a current (statutory, contractual or constructive) obligation due to a past event, if an outflow of resources embodying economic benefits will likely be required to settle the obligation and if the amount of the obligation can be measured with sufficient reliability. Accruals shall be reviewed per each reporting date and adjusted to the best current estimate. If, however, the time value of money will be authoritative, the accrued amount shall equal the cash value of the expenses presumably required to settle the obligation.

### 3.9 TRADE PAYABLES AND OTHER LIABILITIES

Trade payables and other liabilities will be measured at amortized costs.

### 3.10 REVENUE RECOGNITION

In May 2014, the IASB published IFRS 15 "Revenue from Contracts with Customers" which applies to any annual reporting period beginning on or after January 1, 2018. AKASOL has been applying the standard as of January 1, 2015 when transitioning to

the IFRS. The standard provides a single, principles based five step model to be applied to all contracts with customers. It replaces IAS 18 "Revenue" and IAS 11 "Construction Contracts". In order for the revenue to be recognized, the specific customer contract shall be identified as shall be the corresponding performance obligations. Moreover, a transaction price shall be determined which will then be allocated to the individual performance obligations in the contract. Revenue shall be recognized when (or as) the company satisfies a performance obligation.

AKASOL concludes contracts with customers on the supply and development of items as well as on their maintenance. Therefore, the company divides its revenue from contracts with customers into "sale of products" and "services", whereas the former comprises the selling of all products, such as prototypes, products from series production and incidentals. "Services" includes all engineering services and other maintenance and consulting services.

The contracts therefore comprise several components. In principle, revenue is recognized through the transfer of goods and services in accordance with the anticipated consideration. Furthermore, IFRS 15 contains extended guidelines on multi-component transactions as well as new provisions on service contracts and contractual revisions.

Regarding the sale of products, the corresponding revenue shall be recognized at the time of delivery of the subject matter of the contract. Payment in this case will usually be due after delivery and invoicing. Moreover, engineering services shall be recognized at the time of settlement of all contractual obligations. Invoices shall be issued in accordance with the progress of the project, i.e. after acceptance of individual milestones. However, revenue for milestones that have not yet been achieved shall be recognized over the applicable time period. Maintenance contracts shall be recognized pro rata temporis over the contractual term.

Payments on account will be invoiced in accordance with the progress of the project which often occurs rather early into the project. Therefore, contract-based liabilities will often exceed the amount of

contract based assets. All invoices shall be payable within two weeks after receipt.

Discretionary decisions regarding the application of IFRS 15 will frequently occur in determining performance progress in relation to development projects as well as in case of multi component transactions, more specifically the overall price of such transaction. This transaction price, commonly fixed by way of contractual agreement, shall be allocated to the contractual performance obligations to an amount equaling the respective standalone selling price. However, if a standalone selling price is not directly observable, the company will need to estimate it by applying the approach of expected cost plus margin (IFRS 15.79) which is applied by the company to determine the standalone selling price of each performance obligation. The sum of all standalone selling prices will determine the transaction price. The standalone selling price will be determined through increasing the relevant costs by a profit margin at market conditions.

The progress of the work is recorded using the cost-to-cost method, that means on the basis of the incurred contract costs for the work performed in relation to the total contract costs. The company management believes that this input-based methodology is an appropriate measure of the degree of completion of this performance obligation under IFRS 15.

### 3.11 LEASES

The Company maintains operating leases under which all material risks and opportunities linked to the property remain with the lessor, respectively. Payments under these operating leases shall be recognized over the term of the respective lease as expenses in the statement of comprehensive income on a straight line basis.

However, the Company has concluded no finance leases under which the material risks and opportunities linked to the subject matter of the lease will be assigned to the company as lessee.

### 3.12 FOREIGN CURRENCY TRANSACTIONS/ PERCEPTION ACCOUNTING

Foreign currency transactions are translated according to the functional currency concept in accordance with IAS 21 with exchange rates applicable on the date when the transactions were initially recognized. Gains and losses are recognized through profit or loss.

### 3.13 FINANCIAL INSTRUMENTS

Financial assets shall initially be measured at either "fair value through profit or loss" or "amortized costs". The underlying principle of the categorization will be determined by the business model of the company and the contractual conditions applicable to the financial asset. The new assessment category under IFRS 9 FVOCI (Fair Value through Other Comprehensive Income) can be applied to all financial assets held for the purpose of collecting contractual cash flows and selling financial assets (hold and sell model), provided, however, these cash flows are solely payments of principal and interest (cash flow criterion). If both requirements are met, the debt instrument shall be mandatorily categorized at FVOCI, however, subject to a fair value option at the time of initial recognition.

The measurement gains of financial assets categorized at FVOCI (incl. recycling) shall be recognized as other income, whereas impairment losses, revenue from reversals, profits and losses due to foreign currency translation as well as interest income shall be recognized in the profit and loss account. Measurement gains derecognized as other income shall thereafter be reclassified to profit or loss (recycling).

If an equity investment is not held for trading, an entity can make an irrevocable election at initial recognition to measure it at FVOCI. However, amounts recognized as other income shall not be reclassified to profit or loss (no recycling).

IFRS 9 introduced the expected loss impairment model in derogation from the previous incurred loss model. As opposed to the incurred loss model, the expected loss impairment model considers losses without the presence of any specific loss indicators.

Therefore, IFRS 9 henceforth requires risk provisioning for expected losses.

In order to determine the amount of said risk provisioning, a three-level model shall be applied which requires to consider both expected losses over a period of 12 months and any overall losses due to increasing credit risks.

An exception to the impairment model is the so called simplified impairment model applicable to trade receivables, lease receivables and recognized contract-based assets and receivables pursuant to IFRS 15. The simplified model requires the risk provisioning of an instrument to equal the expected losses over the residual term, regardless of their credit quality, i.e. upon initial recognition, all instruments will be assigned to level 2 and only transferred to level 3 in the event of objectively verifiable impairments. The simplified model does not allow for an assignment to level 1.

Outstanding trade receivables will be divided into three categories, whereas down payments shall be considered accordingly. This categorization will determine the probability of default of either 0.2 %, 0.5 % or 1.0 %. However, to publicly listed debtors a discount of 50 % shall be applied for it shall be assumed that the debtor's public listing provides for a higher degree of transparency and the debtor will be able to obtain funding more easily. Now, this amount shall be multiplied by the Loss Given Default (LGD) in order to obtain the Expected Credit Loss (ECL). AKASOL's model applies an LGD of 90 % and an insolvency rate of 10 %.

The Expected Credit Loss (ECL) for corporate bonds and notes will, depending on the bond rating, be available from the issuer rating with default probabilities between 0.00 % and 0.25 % for ratings between AAA and BBB- and LGD of 60 %, corresponding to a bankruptcy rate determining by 40 %.

IFRS 9 further includes provisions on hedge accounting requiring risk management activities to be reflected in the financial statements.

AKASOL AG has the following financial tools: financial assets, securities, accounts receivable and payable, loans and from time to time derivative financial tools in the form of forward exchange transactions.

Financial assets or liabilities are initially recognized at fair value. Financial assets are subsequently valued at amortized acquisition costs in application of the effective interest method depending on the initial classification or at fair value.

Listed securities covering short-term liquidity needs shall be recognized as current assets.

The amortized costs of current receivables and payables will equal the nominal amount or the repayment amount, respectively.

Customary purchases and sales of financial assets are generally accounted for on the settlement date. Financial assets are derecognized as soon as the contractual rights to the cash flow have expired or these rights were passed on to a third party by the company in such a way that criteria for a derecognition are met.

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

AKASOL AG uses derivative financial tools (forward exchange transactions) for security purposes in order to reduce currency risks from the operative business. According to IFRS 9 all derivative financial tools such as forward exchange transactions reported at market value, regardless for what purpose or with what intention they were concluded. The measurement of derivative financial tools is based on market data or recognized measurement methods. However, there were no forward exchange transactions at the end of the applicable reporting period.

### **3.14 BORROWING COSTS**

Borrowing costs shall be recognized as expenses for the period in which they occurred, respectively.

### **3.15 PUBLIC FUNDING**

AKASOL AG receives funding provided by the German Federal Ministry for Economic Affairs and Energy and other public institutions. Any such public funding will be recognized only if granting is sufficiently certain and the company meets the applicable requirements. This type of expense-related grant shall be recognized over the period of time required to offset it against the expenses to be compensated. Grants for recognized development projects reduce the production costs of the corresponding assets as well as the depreciation over the anticipated useful life of three to five years.

### **3.16 INCOME TAXES**

Current tax assets and current tax liabilities for the current period shall be measured at the amount expected to be paid to or recovered from the taxation authorities, as the case may be, using the tax rates that have been enacted by the balance sheet date.



The liability method shall be applied to account for deferred tax. Deferred tax assets and liabilities should be measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled.

In the balance sheet, deferred tax assets shall be applied to all deductible temporary differences and tax loss carryforwards insofar as a future taxable income will be available to sufficiently guarantee the actual use of such loss carryforward. Per each balance sheet date, the company will reassess unrecognized deferred tax assets and the carrying amount of each deferred tax asset.

However, only deferred tax assets and liabilities payable to or recoverable from the same taxation authority shall be eligible for set-off.

### **3.17 IMPAIRMENT OF ASSETS**

Intangible assets which are not subject to depreciation are tested once a year for possible impairment. Furthermore, tangible and intangible assets shall be reviewed for impairment whenever events or changes in circumstances give rise to the assumption of a shortfall in the carrying amount. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment shall be applied through profit or loss to any tangible and intangible asset which has been recognized at acquisition or production costs, as the case may be. Recoverable amount is the higher of an asset's net selling price and its value in use. Net selling price is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Impairments shall be recognized as other expenses through profit and loss.

An impairment loss recognized for an asset in prior years may be reversed if there is sufficient evidence that it no longer exists or has decreased. Any such reversal shall be recognized accordingly in the income statement.

### 3.18 SEGMENTS

To date AKASOLAG is not organized in different segments. Preparations are currently underway to differentiate the On-Highway and Off-Highway segments in future. This means that a distinction between the On-Highway Segment and the Off-Highway Segment will be made. A corresponding

internal reporting system is currently being established.

The following revenues have been generated per geographical market:

	2018	2017
	KEUR	KEUR
Domestic	8,322	7,035
Foreign	13,265	7,448
	21,587	14,483

Of the foreign revenues, KEUR 6,924 (previous year: KEUR 3,416) are in Sweden, KEUR 1,936 (previous year: KEUR 986) in Switzerland and KEUR 1,142 (previous year: KEUR 786) in Canada.

Transactions accounting for more than 10 % of the overall revenue have been conducted with the following customers:

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

2017	%	KEUR
Customer 1	24.3	3,523
Customer 2	23.6	3,416

### **3.19 CONTINGENT RECEIVABLES**

Contingent receivables shall not be recognized in the financial statements unless an economic benefit is to be expected in which case they shall be indicated accordingly.

### **3.20 CASH FLOW STATEMENT**

The cash flow statement has been prepared in accordance with IAS 7 ("Statement of Cash Flows"), applying the indirect method. Cash flows are classified into operating activities, investing activities or financing activities. The liquidity reported in the financial accounts comprises cash available at short notice and available balances with credit institutions.

### **3.21 ASSUMPTIONS AND ESTIMATES**

The preparation of the financial statements pursuant to the IFRS requires estimates to be applied to individual items which, in turn, will affect recognition and measurement in the balance sheet and/or statement of comprehensive income, as the case may be. However, the actual figures may deviate from these estimates. Estimates will, inter alia, be

applied to determine the performance progress of customer contracts as well as their respective recoverability. The carrying amount financial assets with customers amounts to KEUR 935 (previous year: KEUR 555). However, at the time of the preparation of the financial statements, there has been no indication that might warrant a material change in the underlying assumptions and estimates. Therefore, no material adjustments to the carrying amounts of the recognized assets and liabilities for the following reporting period appear to be necessary.

### **3.22 EVENTS AFTER THE REPORTING DATE**

Any event occurring after the reporting date which, however, yields additional information as to the situation of the company as per the reporting date (events resulting in adjustments) will be reported in the balance sheet and/or statement of comprehensive income. Events which do not result in any adjustment will be presented separately in Section 7.11.

## 4. EXPLANATIONS TO THE BALANCE SHEET ACCORDING TO IFRS

### 4.1 FIXED ASSETS

Both development and composition of the fixed assets in 2017 and 2018 will be laid out hereinafter:

#### 4.1.1 Intangible Assets

2018	Development costs KEUR	Rights against payment KEUR	Advance payments KEUR	Total KEUR
<b>Acquisition and production costs</b>				
Per January 1, 2018	2,500	241	0	2,741
Inflows	1,863	46	36	1,945
Outflows	0	96	0	96
Per December 31, 2018	4,363	191	36	4,590
<b>Depreciation and amortization</b>				
Per January 1, 2018	1,320	206	0	1,526
Inflows	319	25	0	344
Outflows	0	94	0	94
Per December 31, 2018	1,639	137	0	1,776
<b>Carrying amounts</b>				
Per January 1, 2018	1,180	35	0	1,214
Per December 31, 2018	2,724	54	36	2,814

2017	Development costs KEUR	Rights against payment KEUR	Advance payments KEUR	Total KEUR
<b>Acquisition and production costs</b>				
Per January 1, 2017	1,954	209	0	2,164
Inflows	545	32	0	577
Outflows	0	0	0	0
Per December 31, 2017	2,500	241	0	2,741
<b>Depreciation and amortization</b>				
Per January 1, 2017	1,012	167	0	1,179
Inflows	308	39	0	347
Outflows	0	0	0	0
Per December 31, 2017	1,320	206	0	1,526
<b>Carrying amounts</b>				
Per January 1, 2017	942	42	0	984
Per December 31, 2017	1,180	35	0	1,214

The internally developed assets as recognized herein refer to own work capitalized from projects regarding the development, evaluation and demonstration of lithium-ion battery systems for hybrid and all-electric drive solutions in both On- and Off-Highway applications, as well as for stationary systems for the storage of renewable energy. No adjustments for impairment were required as shown by the annual review of the recognized development costs for projects with residual values.

For internally generated assets that are not yet available for use, the value in use was determined on the basis of the estimated future discounted cash flows and compared with the carrying amount at the balance sheet date. In addition, the determined value in use was compared with the planned production costs. The cash flows were discounted at an interest rate of 7.9 %. There were no impairment losses on projects under development.

The following development projects were of significance for the company's financial statements:

Completed projects	Residual useful life	Dec. 31, 2018 KEUR	Dec. 31, 2017 KEUR
Project „PREDIKT“	2.5 years	426	476
Project „OPTISTORE“	3.0 years	298	187
Project „SWIVT“	3.0 years	135	106
Project „HEIPHOSS“	1.0 year	83	166
		942	935

Projects currently in development	Dec. 31, 2018 KEUR	Dec. 31, 2017 KEUR
Project „AKA System 16 OEM“	360	0
Project "MoBat"	329	53
Project „ReserveBat“	217	41
Project „MSM+ Steuergerät“	212	0
	1,118	94

The carrying amounts of the development projects listed above duly consider the public funding received from the German Federal Ministry for Economic Affairs and Energy and other public institutions. Due to the public funding referred to above, the production costs of the corresponding assets have decreased by KEUR 782 in 2018 (2017: KEUR 472).

In addition to own work capitalized, development costs of KEUR 101 (previous year: KEUR 413) were incurred in the income statement in 2018.

#### 4.1.2 Tangible Assets

2018	Technical facilities	Tools and equipment	Advance payments	Total
	KEUR	KEUR	KEUR	KEUR
<b>Acquisition costs</b>				
Per January 1, 2018	977	1,958	1,894	4,829
Inflows	469	635	1,629	2,733
Outflows	0	0	0	0
Transfers	1,930	0	-1,930	0
Per December 31, 2018	3,376	2,593	1,592	7,562
<b>Depreciation and amortization</b>				
Per January 1, 2018	784	914	0	1,697
Inflows	96	372	0	468
Outflows	0	0	0	0
Per December 31, 2018	880	1,286	0	2,166
<b>Carrying amounts</b>				
Per January 1, 2018	193	1,045	1,894	3,131
Per December 31, 2018	2,496	1,307	1,592	5,396

2017	Technical facilities	Tools and equipment	Advance payments	Total
	KEUR	KEUR	KEUR	KEUR
<b>Acquisition costs</b>				
Per January 1, 2017	892	1,337	490	2,719
Inflows	87	621	1,894	2,602
Outflows	2	0	490	493
Transfers	0	0	0	0
Per December 31, 2017	977	1,958	1,894	4,829
<b>Depreciation and amortization</b>				
Per January 1, 2017	738	679	0	1,417
Inflows	45	235	0	281
Outflows	0	0	0	0
Per December 31, 2017	784	914	0	1,697
<b>Carrying amounts</b>				
Per January 1, 2017	154	659	490	1,302
Per December 31, 2017	193	1,045	1,894	3,131

No adjustments for impairment were required in 2017 or 2018.

### 4.1.3 Other Non-Current Financial Assets

The other non-current financial assets substantially comprise securities (KEUR 54,770) in form of domestic and foreign debt securities with terms from 2022 to 2025 and units in an open-ended real estate fund as well as the share in the subsidiary AKASOL Inc. in Detroit, Michigan, USA (KEUR 1), which had not yet been active in the reporting period.

As a rule, financial assets shall be recognized at amortized costs, with the exception, however, of the shares in the open-ended real estate fund (KEUR 2,051) which shall be measured at fair value through

profit or loss. The measurement at fair value yielded an income of KEUR 36.

The fair value of the investments held as fixed assets recognized at amortized costs falls short of the acquisition costs by KEUR 527.

In determining the valuation allowance for corporate bonds and domestic and foreign bonds, the default risk is considered as the corresponding counterparties have at least a BBB-rating. Consequently, the 12-month loss is used to determine the allowance (see. a. 3.13 'Financial Instruments').

## 4.2 INVENTORIES

	Dec. 31, 2018	Dec. 31, 2017
	KEUR	KEUR
Raw materials and consumables	8,143	4,197
Unfinished products	1,141	0
Finished products	907	1,115
Down payments	271	30
	10,462	5,342

Depreciation shall be applied to the net selling price if the acquisition and production costs are not recoverable. The company has charged depreciation of KEUR 35 (previous year: KEUR 314).

In 2018, the consumption of raw materials and consumables amounting to KEUR 10,648 has been recognized as cost of materials (previous year: KEUR 5,363). The changes in the inventory of unfinished

and finished products will be recognized in the profit and loss account as either profit or loss due to net changes in inventories.

### 4.3 TRADE RECEIVABLES

Trade receivables shall be recognized at nominal value less any necessary value adjustments. As last year, all trade receivables have a residual term of up to one year.

	Dec. 31, 2018	Dec. 31, 2017
	KEUR	KEUR
Trade receivables	6,616	1,513
Contract-based assets pursuant to IFRS 15.116	935	555
	7,551	2,068

The unsettled performance obligations from current customer contracts per the reporting date amount to KEUR 8,039 (previous year: KEUR 3,491). These revenues are generally expected to be realized within one year.

Any realized revenues exceeding the down payments under the respective service contract shall be recognized accordingly as contract-based assets under trade receivables.

	Dec. 31, 2018	Dec. 31, 2017
	KEUR	KEUR
Realized revenues from construction contracts per reporting date	1,196	857
Less down payments	-261	-302
Contract-based assets pursuant to IFRS 15.116	935	555

The contract assets in accordance with IFRS 15.116 were opened on January 1, 2017 at KEUR 173.

The Company always values the allowance for trade receivables from the losses expected above the residual value and on the basis of the parameter shown under 3.13 'Financial Instruments'.

The following table shows the changes in expected residual maturity, which are reported in respectivetrade receivables in accordance with the provisions of the simplified IFRS 9 model:

	On a portfolio basis	On a stand alone basis
	KEUR	KEUR
As of Jan. 1, 2017	19	41
Write-offs	0	-30
Value reversals	0	0
Changes due to new recervables	-2	0
As of Dec. 31, 2017	17	11

	On a portfolio basis	On a stand alone basis
	KEUR	KEUR
As of Jan. 1, 2018	17	11
Write-offs	0	0
Value reversals	0	0
Changes due to new recervables	-8	0
As of Dec. 31, 2018	9	11



#### 4.4 CURRENT FINANCIAL ASSETS

The total other current financial assets of KEUR 8,634 comprise a domestic bullet bond due May 23,

2019 which is measured at amortized costs (KEUR 6,489) as well as an security account (KEUR 2,145).

#### 4.5 OTHER NON-FINANCIAL ASSETS

	Dec. 31, 2018	Dec. 31, 2017
	KEUR	KEUR
Value-added tax	1,419	294
Creditors with debit balances	0	8
Securities	14	14
Other	629	25
	2,062	341

The other non-financial assets amounting to KEUR 14 have residual terms of more than a year (previous year: KEUR 14).

#### 4.6 INCOME TAX RECEIVABLES

	Dec. 31, 2018	Dec. 31, 2017
	KEUR	KEUR
Income tax receivables	140	92
	140	92

#### 4.7 CASH AND CASH EQUIVALENTS

Cash includes cash at hand and available balances with credit institutions.

#### 4.8 EQUITY

The development of the equity is laid out in "Statement of changes in equity".

Per the reporting date, the subscribed capital amounted to EUR 6,061,856.00 (previous year: EUR 2,000,000.00). A total of 6,061,856 no-par value shares with a nozional value of the capital stock of EUR 1 has been issued.

By resolution of the Extraordinary General Meeting on April 24, 2018, entered with the German commercial register maintained by the Local Court of Darmstadt on May 3, 2018, the share capital of EUR

2,0 million against cash or noncash contributions in the amount of EUR 2.0 million was increased to EUR 4,0 million. Simultaneously, a capital increase of EUR 1,0 million was made due to a loan granted by the Schulz Group GmbH to the then limited liability company AKASOL GmbH, of the same amount.

As part of the conversion of AKASOL AG, 4,000,000 registered no-par value shares with a notional value of one euro in the capital stock were issued.

Due to the initial public offering on June 29, 2018, capital shares were increased by another KEUR 2,062 to KEUR 6,062.

The Board of directors is authorized by the Article of Association of May 14, 2018 to increase the

share capital up to and including the May 13, 2023 with the approval of the Supervisory Board once or several times by up to EUR 2,000,000.00 against cash and/or non-cash contributions, whereby the subscription right of the shareholders is excluded (authorized capital 2018/I).

The premium of the IPO in the amount of KEUR 97,938 was recorded as capital reserve. The costs incurred due to the capital increase in the financial year in the amount of KEUR 3,182 were deducted

from the capital reserve, less the tax effect (KEUR 991) resulting from the tax deductibility of the costs.

The objective of AKASOL's capital management is to generate adequate profits for the shareholders and keep the company a going concern. Capital management is based on the company's capital stock, in particular the equity ratio. This ratio reflects the equity share in the total assets.

	Dec. 31, 2018	Dec. 31, 2017
	KEUR	KEUR
Equity	101,706	1,624
Total assets	115,109	15,027
Equity ratio (in %)	88.4	10.8

The balance of retained earnings includes profits and losses of the past and the current year as well as adjustments due to the initial application of the IFRS.

The undiluted earnings or losses per share shall be calculated as follows:

Earnings or losses applicable to shareholders in KEUR	-726
Weighted average number of shares in circulation	4,382,206
Undiluted earnings per share in EUR	-0.17

The diluted earnings per share correspond to the undiluted one.

## 4.9 FINANCIAL LIABILITIES

### 4.9.1 Liabilities to banks

Non-current liabilities to banks include promotional loans granted by Sparkasse Bodensee and Baden-Württembergische Bank.

	Maturity	Nominal interest rate	Dec. 31, 2018 KEUR	Dec. 31, 2017 KEUR
Sparkasse Bodensee KEUR 300	2019	4.95 %	0	38
Sparkasse Bodensee KEUR 450	2019	4.55 %	0	150
Start-up and growth financing KEUR 1,300	2023	2.95 %	170	614
ERP Innovation Program KEUR 1,000	2023	2.45 %	437	562
BW-Bank KEUR 5,500	2022	3.40 %	3,438	4,812
			4,045	6,176

The nominal interest rate equals the effective interest rate of the respective loan.

The short-term liabilities to banks in the amount of KEUR 1,933 mainly relate to the Baden-Württembergischen Bank (KEUR 1,510) and the Sparkasse Bodensee (KEUR 409).

#### 4.10 TRADE PAYABLES

As per December 31, 2018, trade payables have a residual term of up to one year which was equally the case in the previous financial year.

#### 4.11 OTHER NON-FINANCIAL LIABILITIES

	Dec. 31, 2018	Dec. 31, 2017
	KEUR	KEUR
Contract-based liabilities pursuant to IFRS 15.116	855	1,245
Down payments on inventories	1,005	788
Human Resources	1,136	516
Creditors with debit balances	0	472
Value-added tax	0	128
Payroll and church tax	109	57
Other	0	44
	3,105	3,250

Any down payments exceeding the realized revenues under the respective construction contract shall be recognized accordingly as contract-based

liabilities under other liabilities.

	Dec. 31, 2018	Dec. 31, 2017
	KEUR	KEUR
Realized revenue from customer contracts	216	1,855
Less down payments	-1,071	-3,100
Contract-based liabilities pursuant to IFRS 15.116	-855	-1,245

	Dec. 31, 2018	Dec. 31, 2017
	KEUR	KEUR
Revenues recognized for the reporting period which, at the beginning of such period, have been included in the balance of the contract based liabilities	1,019	718

Contract liabilities in accordance with IFRS 15.116 were opened on January 1, 2017, at KEUR 1,150.

The other liabilities shall be recognized at their respective settlement or redemption amount, as the case may be. The reported liabilities as per December 31, 2018 have a residual term of up to one year which was equally the case in the previous financial year.

AKASOL AG irregularly concludes forward exchange transactions (derivative financial tools) which require the company to sell US-Dollars at a fixed exchange rate. As per December 31, 2018, no obligations due to such transactions persisted which was equally the case in the previous financial year. Refer to Section 7.1.2

**4.12 ACCRUALS**

	Per Jan. 1, 2018 KEUR	Utilization KEUR	Reversal KEUR	Per Dec. 31, 2018 KEUR
Warranties	356	0	131	225

	Per Jan. 1, 2017 KEUR	Utilization KEUR	Addition KEUR	Per Dec. 31, 2017 KEUR
Warranties	135	0	221	356

These are short-term accruals only and due to their minor nature discounting and interest rate changes have not been considered.

However, there are uncertainties as to the amount of the outflows due to warranty obligations. The estimates are based on past experience.

#### 4.13 DUE DATE OF THE LIABILITIES

The due dates of the liabilities shall be as follows:

Dec. 31, 2018				
	Residual term of			
	Total KEUR	up to 1 year KEUR	> 1 to 5 years KEUR	> 5 years KEUR
Financial liabilities	5,978	1,933	4,045	0
Trade payables	4,095	4,095	0	0
Other liabilities	3,105	3,105	0	0
Total	13,178	9,133	4,045	0

Dec. 31, 2017				
	Residual term of			
	Total KEUR	up to 1 year KEUR	> 1 to 5 years KEUR	> 5 years KEUR
Financial liabilities	8,385	2,209	6,077	99
Trade payables	1,365	1,365	0	0
Other liabilities	3,250	3,250	0	0
Total	13,000	6,824	6,077	99

## 5. EXPLANATIONS TO THE STATEMENT OF COMPREHENSIVE INCOME ACCORDING TO IFRS

### 5.1 REVENUE

AKASOL concludes contracts with customers on the supply and development of items as well as on their maintenance. Therefore, the Company di-

vides its revenue from contracts with customers into "sale of products" and "services", whereas the former comprises the selling of all products, such as prototypes, products from series production, and incidentals. "Services" includes all engineering services and other maintenance and consulting services. The following table shows the revenue itemized by each category:

	Jan. 1 – Dec. 31, 2018	Jan. 1 – Dec. 31, 2017
	KEUR	KEUR
Sale of products	15,978	10,347
Services	5,609	4,136
	21,587	14,483

### 5.2 OWN WORK CAPITALIZED

Of the own work capitalized, KEUR 2,645 (previous year: KEUR 1,018) relates to funding and de-

velopment projects and KEUR 255 (previous year: KEUR 0) to own work for the production line under construction in Langen.

### 5.3 OTHER INCOME

	Jan. 1 – Dec. 31, 2018	Jan. 1 – Dec. 31, 2017
	KEUR	KEUR
Compensation for damages	0	510
Exchange Losses	68	17
Other	519	9
	587	536

The remaining costs essentially relate to the passing on of costs for the IPO to the shareholders.

### 5.4 COST OF MATERIALS

	Jan. 1 – Dec. 31, 2018	Jan. 1 – Dec. 31, 2017
	KEUR	KEUR
Expenses for raw materials and consumables	10,648	5,363
Expenses for purchased services	1,821	1,515
	12,469	6,878

## 5.5 OTHER EXPENSES

	Jan. 1 – Dec. 31, 2018	Jan. 1 – Dec. 31, 2017
	KEUR	KEUR
Bank charges in connection with the IPO	1,841	0
Legal and Consulting Costs	1,270	24
Cost of Premises	682	447
Management Fees	695	528
Fair and Advertising	471	321
IT and Communication Costs	278	232
Cost for Transport and Packaging	218	167
Travel and Entertainment Costs	183	94
Cost of Recruitment	94	42
Insurance	48	25
Other	872	672
	6,652	2,552

## 5.6 DEPRECIATION AND AMORTIZATION

	Jan. 1 – Dec. 31, 2018	Jan. 1 – Dec. 31, 2017
	KEUR	KEUR
Internally developed intangible assets	319	308
Other intangible assets	25	39
Tangible assets	468	281
	812	628

## 5.7 FINANCIAL RESULTS

Composition of the financial income

	Jan. 1 – Dec. 31, 2018	Jan. 1 – Dec. 31, 2017
	KEUR	KEUR
Interest Income	95	0
Other	36	0
	131	0

## Composition of the financial expenses

	Jan. 1 – Dec. 31, 2018	Jan. 1 – Dec. 31, 2017
	KEUR	KEUR
Non-current interest expenses	253	194
Interest from cash pooling	15	48
Other current interest expenses	0	4
	268	246

### 5.8 TAXES ON INCOME

Both settled and due taxes on income as well as deferred tax assets and liabilities are recognized as taxes on income.

Pursuant to IAS 12, deferred taxes shall be applied to all material temporary differences between the trading balance according to IFRS and the tax balance according to German legislation. Material temporary differences occurred due to deviating accounting standards. Differences occurred particularly in the area of deferred tax assets, specifically in the taxable and indefinite income tax loss carryforwards.

As a rule, any admissible relief from corporate and business tax loss carryforwards shall be recognized. The corresponding tax deferral will be determined on the basis of the available tax assessments and tax returns of the companies, as applicable.

Deferred tax assets amounting to KEUR 344 have been recognized for the existing corporate tax loss carryforward of KEUR 2,175 in the initial IFRS statements per January 1, 2015. The loss carryforward has been utilized in 2015 and 2016. However, per December 31, 2018, the loss carryforward increased to KEUR 7,449 due to the tax loss.

Deferred tax assets amounting to KEUR 313 have been recognized for the existing business tax loss carryforward of KEUR 2,107 in the initial IFRS statements per January 1, 2015. The loss carryforward has been utilized in 2015 and 2016. However, per December 31, 2018, this loss carryforward increased to KEUR 7,135.

Deferred tax liabilities are attributable to temporary differences in the area of intangible assets (recognized development costs).

As corporation AKASOL AG is subject to both corporate and business tax. The rate of business tax will be set forth by the municipality in which the company is conducting business. The German corporate tax rate amounted to 15 % which was equally the case in the previous financial year. Furthermore, a solidarity surcharge of 5.5 % will be applied to the established corporate tax amount. Due to the applicable rates of the city of Darmstadt, Germany, (454 %), Langen, Germany, (370 %) and Ravensburg, Germany (363 %) a combined tax rate of 31.13 % shall apply to AKASOL AG.



The following deferred tax assets and liabilities have been determined for the individual balance items:

	Dec. 31, 2018		Dec. 31, 2017	
	Deferred tax assets KEUR	Deferred tax liabilities KEUR	Deferred tax assets KEUR	Deferred tax liabilities KEUR
Intangible assets	0	848	0	362
Financial assets	0	19	0	0
Receivables	0	62	0	83
Accruals	12	0	0	0
Loss carryforwards	2,271	0	397	0
	2,283	929	397	445
Balance	-929	-929	-397	-397
	1,354	0	0	48

The realization of the total net deferred tax assets of KEUR 1,354 depends exclusively on the future achievements of taxable profit. Due to the positive development and corporate planning, it can be assumed that the existing tax loss carryforward can be completely used up in the near future.

The tax expenses at the effective tax rate have been transferred to the current income tax expenses as follows (with regard to the earnings and losses before taxes):

	2018 KEUR	2017 KEUR
Earnings before taxes	-1,137	871
Anticipated income tax (31.13%, previous year: 30.71 %)	354	-267
Effects from non-deductible expenses / income	-24	0
Periodic deferred tax income	79	0
Other effects	2	1
Taxes on income pursuant to statement of comprehensive income Effective tax burden	411	-266

The resulting tax income of KEUR 411 (previous year: tax expense of KEUR -266) is attributable to deferred tax.

serve taking into account tax effects; The deferred tax income recognized in 2018 amounts to KEUR 991.

In the fiscal year, tax-deductible costs for capital measures were offset against the capital re-

## 6. EXPLANATIONS TO THE CASH FLOW STATEMENT ACCORDING TO IFRS

The cash flow statement lists all changes in AKASOL's cash reserves for the reporting period due to inflowing and outflowing funds. In accordance with IAS 7 "Statement of Cash Flows" cash flows shall be classified into operating activities, investing activities or financing activities. The funds of the cash flow statement comprise cash at hand and balances with credit institutions, whereas terms of up to three months will be considered. All cash and cash equivalents with the exception of an Avak security account of KEUR 2,145 are available to the company and at its disposal. The disclosure is made in other financial assets.

The cash flow from operational activities will be determined using the indirect method and amounts

to KEUR -10,394 (previous year: KEUR 1,562). The acquisition of financial assets in form of interest bearing securities and bonds of netted KEUR 63,404 and the acquisition of property, plant and equipment and intangible assets of KEUR 4,677 translates to an overall negative cash flow from investing activities of KEUR 68,081 (previous year: KEUR 3,179).

However, for 2018 an overall positive cash flow from financing activities of KEUR 97,563 (previous year: KEUR 3,645) has been determined, mainly due to the capital injection of KEUR 98,818. The net inflows from the capital measures were increased by non-cash tax effects of KEUR 991.

The following table represents the transfer of changes in debt to the cash flow from financing activities:

	Liabilities to banks	Liabilities to shareholders	Total
	KEUR	KEUR	KEUR
Balance Sheet Jan 1, 2018	7,314	1,071	8,385
Changes of cash flow from financial activities			
Payments from repayment of financial loans	-1,255	-	-1,255
Total Changes of the cash flow from financial activities	-1,255	0	-1,255
Other Changes			
Capital increase	-	-1,000	-1,000
Other	-81	-	-81
Change in the reporting of shareholder liabilities	-	-71	-71
Total Other changes	-81	-1,071	-1,152
Balance Sheet Dec 31, 2018	5,978	0	5,978

## 7. MISCELLANEOUS INFORMATION

### 7.1 FINANCIAL INSTRUMENTS

#### 7.1.1 Interest Rate Risk

The risk of changing market interest rates which, in turn, will lead to fluctuations in the fair value or future cash flows of financial tools. However, by borrowing long-term loans at fixed interest rates, the company has been able to largely eliminate the interest rate risk. Per the reporting date, no derivative financial tools have been utilized by the company to hedge against interest rate risks.

#### 7.1.2 Currency Risk

The currency risk is the risk of changing exchange rates which, in turn, will lead to fluctuations in the fair value or future cash flows of financial tools.

However, AKASOL AG primarily conducts domestic and within the EU sales transactions. Therefore, the majority of these transactions within the euro-area will not be subject to any currency risk. However, transactions outside the euro-area will be subject to such risks, particularly if said transactions involve revenue in a foreign currency. In order to mitigate the currency risks in this case, the company ensures such material risks and uses, if economically viable, forward exchange transactions.

No derivative financial tools such as forward exchange transactions were utilized per December 31, 2018 which was equally the case in the previous financial year. Foreign exchange derivatives will always be based on non-derivative underlying transactions, thereby avoiding currency risks.

In the amount of KEUR 627, bank accounts held in USD exist as at the balance sheet date. As a result there are no material exchange rate risks.

#### 7.1.3 Liquidity Risks

The risk of the company failing to settle its financial obligations is called liquidity risk. However, due to the new financing structure of AKASOL AG following its public listing the ability of the company to settle its financial obligations has been secured at all times. Furthermore, no liquidity risks that may jeopardize the company's survival have been identified.

AKASOL AG has established a control and risk management system. Major elements of said system are continuous reports on net assets, financial status and results of operations of the company which shall be submitted on a monthly basis. Such reports include target-performance analyses and detailed liquidity planning.

#### 7.1.4 Default Risks

The risk of a contractual partner failing to settle their financial obligations is being controlled through internal approvals to be granted by the management. Where appropriate, the company will obtain additional collaterals. The maximum default risk is reflected in the recognized values. There were no changes in the estimation method or the significant assumptions regarding the determination of value adjustments in the current reporting period.

The company also has a securities portfolio of KEUR 54,771. This mainly comprises corporate bonds as well as long-term money market securities. The company invests in corporate bonds in companies with a rating between A and BBB-, all of which will be repaid at maturity at par (100%). In this respect, the company does not face any default risk in the securities portfolio. Ratings underlying corporate bonds are reviewed for changes at regular intervals. This information is provided by independent rating agencies.

### **7.1.5 Fair Value**

The financial tools of AKASOL AG that have not been recognized at fair value primarily bonds, comprise cash, trade receivables, trade payables, bank overdrafts and loans.

Cash carrying amounts will nearly equal their respective fair value due to the rather short term of such financial tools.

The carrying amount of receivables and liabilities at common credit market conditions will depend on historical acquisition costs and will also nearly equal the respective fair value.

The fair value of financial liabilities will be determined on the basis of expected cash flows, discounted by an adequate market interest rate. Due to their rather short-term nature, the carrying amounts of financial liabilities will serve as appropriate range for the respective fair value.

The fair values of the financial assets and liabilities as compared to their carrying amounts are as follows:

2018		Valuation Balance according to IFRS 9			
in KEUR	Assessment categories	Carrying amount Dec.31, 2018	Amortized cost	Affecting net income	Fair value
Financial assets	FAAC	52,721	52,721		52,142 <sup>1</sup>
Financial assets	FAFVTPL	2,050		2,050	2,050 <sup>1</sup>
Trade receivables and amounts owed by affiliated companies	FAAC	7,551	7,551		7,551 <sup>3</sup>
Cash and cash equivalents and financial assets	FAAC	30,559	30,559		30,559 <sup>3</sup>
Financial liabilities	FLAC	5,978	5,978		5,978 <sup>3</sup>
Trade payables	FLAC	4,095	4,095		4,095 <sup>3</sup>
<b>Aggregated according to measurement categories</b>					
Assets at amortized costs	FAAC	90,831	90,831		90,252 <sup>1 3</sup>
Liabilities at amortized costs	FLAC	10,073	10,073		10,073 <sup>3</sup>
Assets at fair value	FAFVTPL	2,050		2,050	2,050 <sup>1</sup>

FAAC: Financial assets measured at amortised costs

FLAC: Financial liabilities measured at amortised cost

FAFVOCI: Financial assets measured at fair value through other comprehensive income

FLFVPL: Financial liabilities at fair value through profit and loss

FAFVTPL: Financial assets measured at fair value through profit and loss

<sup>1</sup> Level <sup>1</sup> of the fair value hierarchy.

<sup>2</sup> Level <sup>2</sup> of the fair value hierarchy.

<sup>3</sup> The values stated for financial assets and financial liabilities are measured not at fair value but at the amortized cost/carrying amounts, which represent an appropriate approximation of fair value.

2017			Valuation Balance according to IFRS 9		
in KEUR	Assessment categories	Carrying amount Dec. 31, 2017	Amortized cost	Affecting net income	Fair value
Trade receivables and amounts owed by affiliated companies	FAAC	2,068	2,068		2,068 <sup>3</sup>
Cash and cash equivalents and financial assets	FAAC	2,839	2,839		2,839 <sup>3</sup>
Financial liabilities	FLAC	8,385	8,385		8,385 <sup>3</sup>
Trade payables	FLAC	1,365	1,365		1,365 <sup>3</sup>
<b>Aggregated according to measurement categories</b>					
Assets at amortized costs	FAAC	4,907	4,907		4,907 <sup>3</sup>
Liabilities at amortized costs	FLAC	9,750	9,750		9,750 <sup>3</sup>

FAAC: Financial assets measured at amortised costs

FLAC: Financial liabilities measured at amortised cost

FAFVOCI: Financial assets measured at fair value through other comprehensive income

FLFVPL: Financial Liabilities at fair value through profit and loss

FAFVTPL: Financial assets measured at fair value through profit and loss

<sup>1</sup> Level 1 of the fair value hierarchy.

<sup>2</sup> Level 2 of the fair value hierarchy.

<sup>3</sup> The values stated for financial assets and financial liabilities are measured not at fair value but at the amortized cost/carrying amounts, which represent an appropriate approximation of fair value.

## Net profits according to measurement categories

2018	Financial assets measured at amor- tized costs	Assets measured at fair value	Financial liabi- lities measured at amortized costs	Total
	KEUR	KEUR	KEUR	KEUR
Interest expenses			-268	-268
Interest income	95			95
Unexpected income/ derecognitions	0			0
Liabilities				
Changes in fair value reconisid in profit or loss		36		36
Net financial result	95	36	-268	-137

2017	Financial assets measured at amor- tized costs	Assets measured at fair value	Financial liabi- lities measured at amortized costs	Total
	KEUR	KEUR	KEUR	KEUR
Interest expenses			-246	-246
Interest income	0			0
Unexpected income/ derecognitions	0			0
Liabilities				
Changes in fair value reconisid in profit or loss		0		0
Net financial result	0	0	-246	-246

## 7.2 RISK MANAGEMENT

Due to its business activities, AKASOL AG is subject to different types of risks. The company has therefore implemented a comprehensive risk management system closely aligned with its business strategy. Inextricably linked to said risk management system are its integral components such as the internal control system and compliance policies which guarantee due financial reporting and staff compliance with the code of conduct. The existing system of controls and policies enables the company to satisfy any and all applicable corporate governance

provisions, whereas the focus predominantly lies on the areas of finance and accounting, controlling and taxes, legal and compliance as well as on all material business operations.

To this effect reference shall be made to the opportunities and risks report included in the Group Management Report.

## 7.3 RELATED PARTY DISCLOSURES

Related party shall be any party either controlling AKASOL AG or exerting material influence

over its financial and corporate policy. Further relationships with Management Board and Supervisory Board members are laid out in Section 7.12.

The following entities shall be regarded as related parties pursuant to IAS 24:

- › shareholder Schulz Group GmbH, Ravensburg, Germany, as well as its subsidiaries within Schulz Group;
- › Mr. Sven Schulz as managing director of the company and principal shareholder of Schulz Group GmbH (beneficial owner);
- › Mr. Carsten Bovenschen as Management Board member (as of January 15, 2019; previously Dr. Curt Philipp Lorber until January 10, 2019);
- › AKASOL Inc, Detroit, Michigan, as subsidiary of AKASOL AG.
- › Sven & Reinhold Schulz Immobilienverwaltungs-GbR, Ravensburg, Germany

### **7.3.1 Transactions with Schulz Group GmbH, Ravensburg, Germany, and its Subsidiaries**

As per December 31, 2018, Schulz Group GmbH, Ravensburg, Germany, is holding a share of 47.41 % (previous year: 76 %) in the subscribed capital of AKASOL AG.

Due to a contribution of a loan of KEUR 1,000 granted by Schulz Group GmbH, a capital increase of the same amount was implemented in 2018.

With effect from August 6, 2008, a contract for the outsourcing of Finance and Accounting, Human Resources, Sales and Marketing and Secretarial Services was entered into with Schulz Group GmbH which provides for a contractual remuneration of KEUR 740 in 2018 (previous year: KEUR 528).

Moreover, administration costs have been passed on to Schulz Group GmbH (KEUR 115), Schulz Engineering GmbH (KEUR 95), Schulz Soluware GmbH (KEUR 47) and DenglerLang Tube Tec GmbH (KEUR 2).

Furthermore, expenses amount to KEUR 109 (previous year: KEUR 85) incurred due to bought services.

Total revenues of KEUR 51 (previous year: KEUR

51) were generated through transactions with other subsidiaries of Schulz Group GmbH.

As of the balance sheet date, there are receivables from further charged license costs and to Schulz Engineering GmbH (KEUR 15) and further charged IPO costs to Schulz Group GmbH (KEUR 9). Furthermore there are liabilities from further charged costs of the Schulz Engineering GmbH (KEUR 68) as well as of Schulz Group GmbH (KEUR 10).

### **7.3.2 Transactions with Sven & Reinhold Schulz Immobilienverwaltungs-GbR, Ravensburg, Germany**

Mr. Sven Schulz, managing director of AKASOL AG and majority shareholder of Schulz Group GmbH is further holding shares in Sven & Reinhold Schulz Immobilienverwaltungs-GbR, Ravensburg, Germany, which has been renting business premises to AKASOL AG since 2016. The corresponding transaction value for 2018 amounts to KEUR 45 (previous year: KEUR 41).

### **7.3.3 AKASOL Inc, Detroit, Michigan, USA**

As of the balance sheet date, there are loan receivables to the subsidiary of KEUR 71.

### **7.3.4 Transactions with Management Key Positions**

There have been no transactions with Management Key Positions beyond the scope of their business related activities (see Section 7.12).

## **7.4 DECLARATION PURSUANT TO THE CORPORATE GOVERNANCE CODE IN ACCORDANCE WITH SECTION 161 OF THE GERMAN STOCK CORPORATION ACT**

The corporate governance statement pursuant to Section 289a of the German Commercial Code includes the statement of compliance pursuant to Section 161 of the German Stock Corporation Act, all relevant information on corporate governance practices which exceed statutory requirements and a description of Supervisory Board operations. For further information please refer to the Group Management Report.



## 7.5 STOCK OPTIONS PROGRAMS / TRANSACTIONS IN SECURITIES SUBJECT TO REPORTING

No stock option program or equivalent security-based incentive schemes have been implemented to date.

Pursuant to the most recent notification of voting rights available on December 31, 2018, the shareholdings in AKASOL AG were as follows:

Shareholder structure	in %
Schulz Group GmbH	47.41
FMR LLC	8.26
Felix von Borck	6.20
Stephen Raiser	4.33
Other	33.80
	<b>100.00</b>

The following table shows all notifications regarding changes in the voting interests issued in 2018

pursuant to Section 40(1) of the German Securities Trading :

Declarant	Location	Date	Reporting threshold	Share of voting rights (in %)	Amount of voting rights	Attributed to Security Trading Act
Schulz Group GmbH	Ravensburg, Germany	June 28, 2018	One-time admission of the share to trading	47.41 %	2,873,926	paragraphs 21,22
Mr. Felix von Borck	Darmstadt, Germany	June 28, 2018	One-time admission of the share to trading	6.20 %	375,835	paragraphs 21,22
Mr. Stephen Raiser	Wiesbaden, Germany	June 28, 2018	One-time admission of the share to trading	4.33 %	262,478	paragraphs 21,22
Fidelity Investment Trust	Boston, USA	October 2, 2018	Exceeding 5 %	5.06 %	306,477	paragraphs 21,22
Fidelity Management & Research Company	Boston, USA	September 27, 2018	Increase without further threshold contract	5.23 %	317,035	paragraphs 21,22
FIAM Holdings LLC	Boston, USA	September 27, 2018	Exceeding 3 %	3.03 %	183,674	paragraphs 21,22
<b>Total per Dec 31, 2018</b>						
FMR LLC	Wilmington, Dalaware, USA	September 27, 2018	Exceeding 5 %	8.26 %	500,709	paragraphs 21,22

Furthermore, the company regularly issues notifications and public disclosures of transactions conducted by persons discharging managerial responsibilities on their own account, or by a (natural or legal) person closely associated with them pursuant to Article 19 of the MAR (Directors' Dealings). These notifications and disclosures will be available in due time on the company's website under <https://www.akasol.com/en/directors-dealings>, whereas all no-

tifications and disclosures issued in 2018 have been made available under said address.

### 7.6 AUDIT FEES

AKASOL AG has appointed BDO AG Wirtschaftsprüfungsgesellschaft, Berlin, Germany, as auditor, whereas the following fees have been charged:

	<b>2018 Total KEUR</b>	<b>2017 Total KEUR</b>
Audit services	196	23
Opinion-related services	173	-
Other services	15	-
<b>Total</b>	<b>384</b>	<b>23</b>

An amount of KEUR 75 is attributable to audits of previous IFRS statements for previous reporting periods. Opinion-related services primarily refer to services rendered in connection with the company's IPO, including but not limited to letters of comfort, agreed-upon audit procedures, formation audit and audit reviews of interim financial statements. Other services include IT services.

### 7.7 EMPLOYEES

As per December 31, 2018, AKASOL AG employed 154 permanent staff – excluding the board (previous year: 91). Personnel capacity has increased by 69.2%.

Employees structured according to functional areas to December 31, 2018:

	<b>Dec. 31, 2018</b>	<b>Dec. 31, 2017</b>
Research and development	54	39
Production	62	34
Sales	7	3
Service	5	3
Administration	26	12
<b>Total</b>	<b>154</b>	<b>91</b>

The average number of employees in 2018 amounted to 125 (previous year: 82), whereas the Management Board comprised two members (previous

year: two members). Furthermore, staff included 4 trainees and interns (previous year: 3).

## 7.8 CONTINGENCIES

Schulz Group GmbH in Ravensburg, Germany, has been granted a line of credit with Sparkasse Bodensee amounting to a total of KEUR 5,000 and a guarantee loan with Zurich Versicherung amounting to a total of KEUR 5,000, whereas Schulz Group GmbH and the remaining group companies shall be jointly and severally liable. However, the company anticipates each debtor to be able to meet its obligations. Therefore, the afore-mentioned commitments shall not be listed on the liability side of the balance sheet but rather appear in the Appendix.

However, the joint liability of AKASOLAG under the line of credit issued by Sparkasse Bodensee has been cancelled on February 22, 2019, whereas its joint liability under the guarantee loan issued by Zurich Versicherung will likewise be cancelled during the first half of 2019.

## 7.9 TRANSFER OF TITLE/MORTGAGES ON IMMOVABLE PROPERTY

Sparkasse Bodensee and BW-Bank have concluded a security pool contract in order to secure

claims amounting to KEUR 877, whereas collaterals include the transfer of accounts receivable on customers and a transfer of title in inventories and warehouse stocks in Darmstadt, Germany.

Immovable property of Schulz Group GmbH and Dengler Engineering GmbH has been pledged to Sparkasse Bodensee by way of two mortgages amounting to a total of KEUR 1,850. Furthermore, limited guarantees have been issued by Schulz Group GmbH (KEUR 750), whereas Schulz Engineering GmbH shall be jointly liable.

Both inventory and warehouse stock at the site in Langen, Germany, have been assigned to BW Bank.

## 7.10 OTHER FINANCIAL OBLIGATIONS

The company has entered into various rental agreements and leases. The maturities of the minimum lease payments due under operating leases are as follows:

2018	Up to 1 year KEUR	1-5 years KEUR	> 5 years KEUR
Rent	501	1,061	16
Leased hardware and office furniture	18	9	0
Leased vehicles	35	21	0
	554	1,091	16

2017	Up to 1 year KEUR	1-5 years KEUR	> 5 years KEUR
Rent	417	1,171	57
Leased hardware and office furniture	9	0	0
Leased vehicles	22	29	0
	448	1,200	57

For 2018, rent and lease payments amounting to a total of KEUR 488 (previous year: KEUR 343) have

been recognized as other expenses.

### 7.11 EVENTS AFTER THE REPORTING DATE

On January 10, 2019, Dr. Curt Philipp Lorber resigned as member of the Management Board of AKASOL AG with immediate effect.

Subsequently on January 15, 2019, Mr. Carsten Bovenschen was appointed Management Board member and Chief Financial Officer (CFO) for a term of three years. His responsibilities include Finance, Legal, Human Resources, IT, Organization and Investor Relations.

In February 2019, AKASOL AG amended the long-term framework agreement on the supply of a Swedish manufacturer of commercial vehicles with high-performance battery systems for electric buses and trucks. The company supplies the customer from its site in Langen, Germany, with second-generation lithium-ion battery systems and, by late 2023, plans to supply said systems to the customer from its future site in the United States as well.

End of 2018, AKASOL AG adopted a resolution on the construction of new company headquarters and a new production site in the southwest of Darmstadt, Germany, including a center for testing and development purposes. The associated property was bought in March 2019. The plans include a four-story office building with a gross area of 7,000 square meters (75,347.37 sq ft) and a separate industrial hall with a gross area of 15,000 square meters (161,458.66 sq ft). Construction has been scheduled to commence in the first half of 2019. Completion has been scheduled for the middle 2020. The new company headquarters will replace the current headquarters in "Schenck Technologie- und Industriepark" in Darmstadt, Germany. However, the series production facility in Langen, Germany, will remain. Several departments from Langen and Darmstadt will jointly move to the new headquarters in order to shorten the commute and promote synergies.

The Management Board approved the present financial statements on April 11, 2019 for publication.

### 7.12 EXECUTIVE AND SUPERVISORY BOARD

#### (a) Management Board:

##### **Sven Schulz**

Management Board member responsible for Sales and Marketing, Product Management, Production, Research and Development, Procurement and Logistics and Quality Management  
Spokesman of the Management Board  
No further Supervisory Board mandates

##### **Carsten Bovenschen (as of January 15, 2019)**

Management Board member responsible for Finance, Legal, Human Resources, IT, Organization and Investor Relations

##### **Dr. Curt Philipp Lorber (until January 10, 2019)**

Management Board member responsible for Finance, Legal, Human Resources, Organization and Investor Relations

#### (b) Supervisory Board:

##### **Dr. Christoph Reimnitz, chairman (as of May 14, 2018)**

Attorney at Law  
Global Structuring Leader Gas to Power/ Project Development at GE international  
Managing director of GE UK Pensionsfond  
Managing director of OMA Power Generation Ltd, Nigeria

##### **Dr. Marie-Luise Wolff, deputy chairwoman (as of June 8, 2018)**

Managing director of ENTEGA AG

##### **Further Supervisory Board mandates:**

citiworks AG, chairwomen of the Supervisory Board;  
e-netz Südhessen GmbH & Co. KG, first deputy chairwoman of the board of administration;  
ENTEGA Energie GmbH, chairwoman of the advisory board;  
ENTEGA NATURpur AG, member of the Supervisory Board until February 28, 2018; and  
Industriekraftwerk Breuberg GmbH, chairwoman of the advisory board;  
Universitätsklinikum Köln – Anstalt des öffentlichen

Rechts, member of the Supervisory Board;  
hr Werbung GmbH, member of the Supervisory Board.

Member in various associations and similar bodies, such as the foundation Entega Stiftung, the Chamber of Industry and Commerce Darmstadt, the university TU Darmstadt etc.

#### **Dr. Christian Brenneke (as of June 8, 2018)**

Degree in electrical engineering  
Chief Technology Officer at WABCO, a global supplier of technologies and services in the areas of safety, efficiency and connectivity of commercial vehicles  
Member of board of directors at Smart Drive

#### **Steffen Schlegel (May 14, 2018 until June 8, 2018)**

Head of Organization and Business Development  
Schulz Group GmbH

#### **Reinhold Schulz (May 14, 2018 until June 8, 2018)**

No further Supervisory Board mandates

The Supervisory Board held four ordinary physical meetings and two regular telephone conferences in 2018.

The term of the Supervisory Board members shall end upon conclusion of the general meeting held on the discharge regarding the financial year 2022.

#### **(c) Remuneration of Board Members:**

As of May 14, 2018, Mr. Sven Schulz and Dr. Curt Philipp Lorber were appointed members of the Management Board of AKASOL AG. From January 1 to May 13, 2018, Mr. Schulz was Managing Director of AKASOL GmbH without direct remuneration payable by the company for it was settled through the benefits due to his position as sole shareholder of Schulz Group GmbH which, at that time, was the parent. From January 1 to May 13, 2018, AKASOL GmbH bore a pro rata administration fee of KEUR 162 for the remuneration of Mr. Schulz. In total in the past year remuneration amounted to KEUR 374 .

As Managing Director of AKASOL AG, Mr. Sven Schulz received an overall amount of KEUR 83 in 2018.

Moreover, Dr. Curt Philipp Lorber has been appointed Chief Financial Officer (CFO) of AKASOL AG from May 2018 to January 2019. He received an overall remuneration of KEUR 83 in 2018.

The following table shows all payments made to Management Board members:

Payments made	Sven Schulz, Chief Executive Officer, date of appointment: May 14, 2018		Dr. Curt Philipp Lorber, Chief Financial Officer, date of appointment: May 14, 2018	
	2018	2017	2018	2017
Fixed remuneration	76		76	
Fringe benefits	3		3	
One-year variable remuneration	0		0	
Total	79		79	
Pension expense	4		4	
Total remuneration	83		83	

The following table shows all payments granted to Management Board members:

Payments granted	Sven Schulz, Chief Executive Officer, date of appointment: May 14, 2018		Dr. Curt Philipp Lorber, Chief Financial Officer, date of appointment: May 14, 2018	
	2018	2017	2018	2017
Fixed remuneration	76		76	
Fringe benefits	3		3	
One-year variable remuneration	23		23	
Total	102		102	
Pension expense	4		4	
Total remuneration	106		106	

According to the articles of association, the remuneration of the members of the first Supervisory Board shall be adopted by the general meeting held on the discharge of said first Supervisory Board.

Moreover, the Supervisory Board members receive a fixed remuneration of KEUR 15 as stipulated in the articles of association. The chairman of the Supervisory Board receives KEUR 30 per financial year and the deputy chairwoman receives KEUR 20 per financial year. If members join the Supervisory Board for any term less than a year, the remuneration will be paid pro rata temporis.

The Supervisory Board members received a fixed remuneration of KEUR 40 only which was granted pro rata temporis for 2018.

During the transitional period from May 14 to June 8, 2018, Mr. Reinhold Schulz and Mr. Steffen Schlegel were appointed members of the Supervisory Board of AKASOL AG. Neither of them received any remuneration.

### 7.13 ASSURANCE OF THE LEGAL REPRESENTATIVES

To the best of our knowledge and in accordance with the applicable accounting principles for financial reporting, we confirm that this financial statement gives a true and fair view of net assets, financial position and earnings of AKASOL AG and that the Group Management Report includes a fair view of the development and performance of the business and the position of the company, together with a description of the material opportunities and risks associated with the expected development of the group for the remaining financial year.

Darmstadt, April 11, 2019



**Sven Schulz**



**Carsten Bovenschen**

# INDEPENDENT AUDITOR'S OPINION

## TO AKASOL AG, DARMSTADT REPORT ON THE AUDIT OF THE INDIVIDUAL FINANCIAL STATEMENT PURSUANT TO § 325 PARA. 2A HGB AND OF THE MANAGEMENT REPORT

### AUDIT OPINIONS

We have audited the Individual Financial Statement pursuant to § 325 para. 2a HGB [German Commercial Code] of AKASOL AG, Darmstadt, – consisting of the Statement of Financial Position as per 31 December 2018, the Statement of Comprehensive Income, the Statement of Changes in Equity, and the Statement of Cash Flows for the fiscal year from 1 January 2018 to 31 December 2018 with Notes – including a summary of the material financial accounting methods (hereafter also termed “IFRS Individual Financial Statement”). We have additionally audited the AKASOL AG Management Report for the fiscal year from 1 January 2018 to 31 December 2018. In accordance with German legal provisions, we have not audited the Management Report components named under “Miscellaneous Information.”

Based on the knowledge we gained during the audit, our assessment is

- › the accompanying IFRS Individual Financial Statement corresponds in all material aspects to the IFRS as applicable in the EU, and the supplementary German legal provisions applicable under § 325 para. 2a HGB, and in observance of those provisions conveys a picture corresponding to the actual circumstances with respect to the company’s asset and financial situation as per 31 December 2018 as well as its earnings situation for the fiscal year

from 1 January 2018 to 31 December 2018 and

- › the accompanying Management Report conveys an accurate overall picture of the company’s situation. In all material aspects, this Management Report is in line with the IFRS Individual Financial Statement, in accordance with the German legal provisions, and accurately presents the opportunities and risks for future development. Our audit opinion on the Management Report does not include the content in the Management Report under “Miscellaneous Information.”

In accordance with § 322 para. 3 sentence 1 HGB, we declare that our audit has not led to any objections to the regularity of the IFRS Individual Financial Statement and Management Report.

### FOUNDATION FOR AUDIT OPINIONS

We performed our audit of the IFRS Individual Financial Statement and the Management Report in accordance with § 324a para. 1 in connection with § 317 HGB and the EU Auditor Regulation (No. 537/2014; hereinafter “EU Audit Regulation”) in observance of the German Principles of Professional Auditing established by the Institute of Public Auditors in Germany (IDW, in its German abbreviation). Our responsibility under those provisions and principles is described in further detail in the section

“RESPONSIBILITY OF THE FINANCIAL AUDITOR FOR THE AUDIT OF THE IFRS INDIVIDUAL FINANCIAL STATEMENT AND THE MANAGEMENT REPORT” in our Audit Report. In accordance with the provisions laid out in European law, German commercial law, and regulations governing our profession, we are independent from the company and have met our other German professional obligations in accordance with those requirements.

Moreover, pursuant to Article 10 para. 2 f) of the EU Auditor Regulation, we declare that we have not performed any prohibited non-audit services laid out in Art. 5 para 1 EU Auditor Regulation.

Our opinion is that the audit proof we obtained is sufficient and suitable to serve as a foundation for our audit opinions with respect to the IFRS Individual Financial Statement and the Management Report.

### **PARTICULARLY IMPORTANT AUDIT POINTS IN AUDITING THE IFRS INDIVIDUAL FINANCIAL STATEMENT**

Particularly important audit points are those points which in our professional judgment were the most important in our audit of the IFRS Individual Financial Statement for the fiscal year from 1 January 2018 to 31 December 2018. These points were considered as a whole in connection with our audit of the IFRS Individual Financial Statement and taken into consideration for our corresponding audit opinion; we are not providing a separate audit opinion on those points.

We have identified the following points as being particularly important audit points:

1. Revenue recognition
2. Capitalization of development costs
3. Application of the costs for equity procurement
4. Application and valuation of inventories

## **REVENUE RECOGNITION**

### **Circumstances**

The AKASOL AG IFRS Individual Financial Statement as per 31 December 2018 recognizes revenue in the amount of kEUR 21,587. Of that, kEUR 15,978 pertains to the supply of goods and kEUR 5,609 to the provision of services. The revenue from the supply of goods is recognized at a specific point in time, while the revenue from the provision of services is recognized for a period of time.

Revenues represent an important company performance indicator. There is a fundamental risk that revenue is recognized too early or in an incorrect amount in the interest of meeting forecast objectives. Moreover, with respect to the calculation of revenue from the provision of services, there is a wide scope of discretion because progress needs to be estimated. That is why revenue recognition is a particularly important audit point.

The information from AKASOL AG regarding revenue recognition is found in the Section “3.10 Revenue recognition” and “5.1 Revenue” in the Notes.

### **Audit reaction and findings**

For the audit of revenue from the supply of goods, we performed reconciliation of a random sample from the transactions in the fiscal year with orders, invoices, and appropriate proof of delivery.

With respect to the audit of revenue from the provision of service, we took a random sample of projects classified as not yet complete and performed reconciliation of the recognized revenue with the respective customer calculation. We verified the calculation of performance progress based on project budget and the costs incurred, assessed the underlying assumptions for estimating the pending costs, reviewed the contractual foundations, and audited their application in the client’s calculations. Furthermore, we audited the costs applied in calculation of performance progress in random samples and verified the mathematical correctness. For a random sample of projects classified as not yet com



plete, we performed reconciliation of revenues with the underlying contracts, the invoices, and suitable proof of performance.

Based on the audit measures we carried out, we believe recognition of revenue was performed correctly. We were able to verify the legal representatives' assumptions and discretionary decisions underlying the recognition of revenue for the provision of services in relation to calculation of performance progress.

## **CAPITALIZATION OF DEVELOPMENT COSTS**

### **Circumstances**

AKASOL AG capitalized a total kEUR 1,863 in costs for the development of intangible assets in the fiscal year 2018 in the item "intangible assets." As per 31 December 2018, the book value of self-created intangible assets after deduction of public subsidies granted to promote those development projects is kEUR 2,724.

The application of self-created intangible assets requires that the criteria laid out in IAS 38.57 be met. Assessing fulfillment of these criteria is subject to a high degree of discretion. Therefore, this is a particularly important audit point.

The information from AKASOL AG regarding the capitalization of development costs is found in the Sections "3.1.1 Self-Created intangible assets" and "4.1.1 Intangible assets" in the Notes.

### **Audit reaction and findings**

In the first step, we obtained an overview of the capitalized development projects. In the next step, we assessed these projects with respect to whether the requisite balancing requirements have been met. To that end, we reviewed the client's documentation for the projects, conversed with the project managers regarding the object of development as well as its technical feasibility and marketability, questioned the assumptions regarding the future economic benefit of the projects, verified the recognition of costs

to the cost carriers, and performed reconciliation with suitable proof in random samples.

Based on the audit measures we carried out, we believe that capitalization of development costs is in line with IAS 38.

## **APPLICATION OF THE COSTS FOR EQUITY PROCUREMENT**

### **Circumstances**

The shares of AKASOL AG were admitted for trading on the regulated market of Deutsche Börse for the first time in the fiscal year 2018. In the lead-up to the initial public offering on 24 April 2018, a capital increase from kEUR 2,000 to kEUR 4,000 was carried out. Additionally, on 27 June 2018, within the scope of the initial public offering, the issuance of 2,061,856 new shares was performed with a share capital value of EUR 1, such that the stock capital was increased to kEUR 6,062.

IAS 32.35 specifies that the costs directly associated with the issuance of new equity capital instruments not be recognized as expenditure in a profit and loss statement, but rather deducted directly from the equity capital received. The deduction amount is to be reduced by the tax effects resulting from the tax deductibility of the costs.

In connection with the initial public offering and capital increases, AKASOL AG incurred costs totaling kEUR 6,124. Of that, kEUR 215 was passed on to the old shareholders who sold shares within the scope of the initial public offering. The company allocated the remaining kEUR 5,927 to equity capital procurement to the extent the costs were exclusively allocatable to the issuance of new shares. To the extent the costs also applied proportionately to the shares already in existence prior to the initial public offering, AKASOL AG broke down the incurred costs and deducted them from capital reserves as equity capital procurement costs in proportion to the issuance of new shares via a ratio.

The calculation of the costs for equity capital procurement and division of the costs based on the initial public offering to the issuance of new shares and the shares already in existence is subject to discretion. Therefore, this is a particularly important audit point with respect to auditing the balance sheet accounting for these costs.

The information from AKASOL AG regarding the costs of equity capital procurement is found in Section "4.8 Equity capital" in the Notes.

### **Audit reaction and findings**

We first reviewed an overview and breakdown created by the client with all cost items incurred in connection with the capital increases and the initial public offering and assessed based on our knowledge of the points whether these are fundamentally costs and eligible for allocation to the initial public offering. To the extent complete allocation to equity capital procurement costs took place, we verified whether it appears to be appropriate. To that end, we reviewed items, contracts, and invoices appearing to be material or noteworthy in order to audit the respective allocation. We also verified the ratio used by the client for the division of the costs based on the issuance of new shares and the shares already in existence is subject to discretion. Furthermore, we audited the mathematical correctness of the overview and the correct processing of the results in the IFRS IFS, also with consideration for the tax effect.

Based on the audit measures we carried out, we believe that the costs for equity capital procurement in AKASOL AG's IFRS Individual Financial Statement are mapped correctly.

## **APPLICATION AND VALUATION OF INVENTORIES**

### **Circumstances**

The AKASOL AG IFRS Individual Financial Statement as per 31 December 2018 recognizes inventories in the amount of kEUR 10,462.

The inventory assets were recorded via expanded taking of inventory as per a fixed date. The valuation is performed based on procurement and/or production costs with consideration for the requisite value adjustments.

The foundation for the value adjustments of individual assets consists of assumptions regarding the usability of the inventories based on their flow rate and/or outdatedness as well as based on the sale price to be yielded. Accordingly, the value adjustments are based on estimations subject to discretion.

The application and valuation of inventories is a particularly important audit point due to the materiality of inventories for an IFRS Individual Financial Statement, a very comprehensive audit examination of the company's inventory management and calculations, and the discretionary estimations regarding intrinsic value.

The information from AKASOL AG regarding application and valuation of inventories is found in the Section "3.3 Inventories" and "4.2 Inventories" in the Notes.

### **Audit reaction and findings**

We audited the presence and status of inventories via observational participation in the physical taking of inventory at the locations of Darmstadt and Langen as well as via our own test counts. Moreover, we performed our own counts in random samples for inventories stored with a supplier at a consignment warehouse. Additionally, we obtained confirmations for further inventories stored with third parties. We verified the transitions carried out by the client for inventory assets from the time of physical inventory-taking to the closing date and audited the existence and completeness of inventory movements via random sampling.

With respect to the valuation of inventories and the corresponding assumptions made, we used random sampling based on the type of inventory to verify the underlying assumptions and obtained suitable proof with respect to procurement and/or production costs as well as their intrinsic value and the appropriateness of value adjustments made.

Based on the audit measures we carried out, we believe that inventories have been calculated accurately and the valuation of the inventories is appropriate.

## MISCELLANEOUS INFORMATION

The legal representatives are responsible for miscellaneous information. That encompasses:

- › the “Management declaration” contained in Section 6. Corporate governance in the Management Report and the corresponding “German Corporate Governance Codex” declaration, and
- › the other sections of the Annual Report, with the exception of the audited IFRS Individual Financial Statement and the Management Report as well as our Audit Report.

Our audit opinions of the IFRS Individual Financial Statement and the Management Report do not cover the miscellaneous information, and accordingly we are not issuing an audit opinion nor any other form of audit conclusion in that respect.

In connection with our audit, it is our responsibility to read the miscellaneous information and appraise whether the miscellaneous information

- › shows significant incongruences with the IFRS IFS, the Management Report, or the knowledge we gained during our audit, or
- › otherwise appear to be materially false.

In the event we come to the conclusion based on the work we perform that there is a materially false presentation in the miscellaneous information, we are obliged to report that circumstance. We have nothing to report to that end.

## RESPONSIBILITY OF THE LEGAL REPRESENTS AND THE SUPERVISORY BOARD FOR THE IFRS INDIVIDUAL FINANCIAL STATEMENT AND THE MANAGEMENT REPORT

The legal representatives are responsible for creating the IFRS Individual Financial Statement, which must be in accordance with the IFRS as applicable in the EU, and the supplementary German legal provisions applicable under § 325 para. 2a HGB; and are responsible for the Individual Financial Statement conveying a picture corresponding to the actual circumstances with respect to the company's asset, financial, and earnings situation. Furthermore, the legal representatives are responsible for the internal controls they have determined to be necessary to facilitate an IFRS Individual Financial Statement that is free from materially false information – whether intentional or unintentional.

When creating the IFRS Individual Financial Statement, the legal representatives are responsible for the company's ability to continue its business activity. Furthermore, they have the responsibility to indicate circumstances in connection with continuing business activity to the extent relevant. Moreover, they are responsible for performing financial accounting based on the principle of continuing business activity, unless there is an intention to liquidate the company or to stop business operation or there is no realistic alternative to doing so.

Additionally, the legal representatives are responsible for creating a Management Report that conveys an accurate overall picture of the company's situation and is in line with the IFRS Individual Financial Statement in all material aspects, in accordance with provisions laid out in German commercial law, and accurately presents the opportunities and risks for future development. Furthermore, the legal representatives are responsible for precautions and measures (systems) they deem to be necessary for enabling creation of a Management Report in accordance with the applicable German legal provisions in order to provide sufficiently suitable proof for the statements in the Management Report.

The Supervisory Board is responsible for monitoring the company's financial accounting process for creating the IFRS Individual Financial Statement and the Management Report.

### **RESPONSIBILITY OF THE FINANCIAL AUDITOR FOR THE AUDIT OF THE IFRS INDIVIDUAL FINANCIAL STATEMENT AND THE MANAGEMENT REPORT**

Our objective is to obtain sufficient certainty on whether the IFRS Individual Financial Statement as a whole is free from materially false information - whether intentional or unintentional - and whether the Management Report conveys an accurate overall picture of the company's situation and is in congruence with all material aspects of the IFRS Individual Financial Statement as well as the knowledge gained during the audit, in accordance with the German legal provisions, and accurately lays out the opportunities and risks for future development, and to issue an Audit Report that lays out our audit opinions on the IFRS Individual Financial Statement and the Management Report.

Sufficient certainty consists of a high degree of certainty yet not a guarantee that an audit carried out in accordance § 317 HGB and the EU Auditor Regulation in observance of the German Principles of Professional Auditing established by the Institute of Public Auditors in Germany (IDW) will always discover materially false information. False information can result from violations or inaccuracies and are deemed to be material if it can be reasonably expected that they individually or as a whole will influence the financial decisions made by addressees on the basis of the IFRS Individual Financial Statement and Management Report.

During auditing, we exercise due diligence and deploy a fundamentally critical approach. Moreover,

- › we identify and assess the risks of materially false information - whether intentional or unintentional - in the IFRS Individual Financial Statement and in the Management Report, plan and carry out audit measures in reaction

to those risks, and obtain audit proof that is sufficient and suitable for serving as a foundation for our audit opinions. The risk of materially false information not being discovered is higher with respect to violations than with inaccuracies, as violations can consist of fraudulent coordination, falsifications, intentional incompleteness, misleading information, and circumvention of internal controls.

- › we gain an understanding of the internal control system relevant for auditing the IFRS Individual Financial Statement and the precautions and measures relevant for auditing the Management Report in order to plan audit measures that are appropriate under the circumstances at hand, yet not with the objective of issuing an audit opinion on the efficacy of the respective systems at the company.
- › we evaluate the appropriateness of the financial accounting methods implemented by the legal representative and the tenability of the estimated values shown by the legal representatives as well as the associated information.
- › we draw conclusions regarding the appropriateness of the financial accounting principle used by the legal representatives for continuation of business activity and, based on the audit proof obtained, whether there is material uncertainty in connection with events or circumstances that can raise significant doubt regarding the company's ability to continue business activity. In the event we come to the conclusion that there is significant uncertainty, we are obligated to draw attention in the Audit Report to the respective information in the IFRS Individual Financial Statement and Management Report, or, if such information is unsuitable, to modify our respective audit opinion accordingly. We draw our conclusions based on the audit proof obtained up to the date of our audit report. However, future events or circumstances can lead to the company no longer having the ability to continue its business activity.
- › we assess the overall picture, the structure, and the content of the IFRS Individual Financial Statement including the information as well

- › as whether the IFRS Individual Financial Statement presents the underlying business incidents and events such that the IFRS Individual Financial Statement conveys a picture corresponding to the actual circumstances with respect to the company's asset, financial, and earnings situation in accordance with the IFRS as applicable in the EU, and the supplementary German legal provisions applicable under § 325 para. 2a HGB.
- › we assess the Management Report's congruence with the IFRS IFS, its legal compliance, and the picture it conveys of the company's situation.
- › we perform audit measures with respect to the forward-looking information laid out by the legal representatives in the Management Report. Based on sufficient suitable audit proof, we particularly verify the significant underlying assumptions for the forward-looking information made by the legal representatives and assess the appropriate deducing of forward-looking information from those assumptions. We do not issue a separate audit opinion on forward-looking information or underlying assumptions. There is a significant unavoidable risk that future events will significantly deviate from forward-looking information.

We speak with the parties responsible with oversight about, among other things, the planned scope and scheduling of the audit and the significant audit determinations including any potential deficiencies in the internal control system we determine during our audit.

We submit a declaration to the parties responsible for oversight that we have complied with the relevant neutrality requirements, and discuss with them all relationships and miscellaneous matters for which it can be reasonably assumed that they have an impact on our independence, and the respective protective measures undertaken.

Based on the matters we have discussed with the parties responsible for oversight, we determine the points that were most important in auditing the IFRS Individual Financial Statement for the current fiscal period and therefore are particularly important audit points. We describe those points in the Audit Report unless laws or other legal provisions preclude the public disclosure of those points.

## **OTHER LEGAL REQUIREMENTS**

### **FURTHER INFORMATION PURSUANT TO ARTICLE 10 OF THE EU AUDITOR REGULATION**

On 14 May 2018, we were selected to audit the Annual Financial Statement by the Shareholder Assembly of what was Akasol GmbH at the time within the scope of transformation into a joint stock company. Under § 324a para. 2 HGB, the auditor appointed to audit the Annual Financial Statement is deemed to be appointed as the auditor for the Individual Financial Statement under § 325 para. 2a HGB. We were commissioned by the Supervisory Board on 20 November 2018. We have been active as the

auditor for AKASOL AG without interruption since the fiscal year 2017.

We declare that the audit opinions laid out in this Audit Report are in line with the supplementary report to the Audit Committee under Article 11 EU Audit Regulation (Audit Report).

## **RESPONSIBLE AUDITOR**

The auditor responsible for the audit is Silvia Sartori.

Berlin, April 11, 2019

BDO AG  
Financial Auditing Company

**Gebhardt**  
**Auditor**

**Sartori**  
**Auditor**

# FINANCIAL GLOSSARY

## CASH AND CASH EQUIVALENTS

Indicates the cash and cash equivalents provided by the various capital flows and is the result of the cash flow accounting.

## CASH FLOW FROM FINANCING ACTIVITIES

Indicates the balance of cash and cash equivalents provided to or used by a company in connection with transactions involving shareholders' equity or outside capital.

## CASH FLOW FROM INVESTMENT ACTIVITIES

Indicates the balance of cash and cash equivalents that a company has invested or received in connection with the acquisition or sale of financial and tangible assets.

## CASH FLOW FROM OPERATING ACTIVITIES

Indicates the change in cash and cash equivalents resulting from operative business during the period under review.

## CORPORATE GOVERNANCE

The organizational structure and content of the way companies are managed and controlled.

## COSTS OF IPO

All expenses due to the preparation of or the IPO itself as well as expenses in connection with the increase of capital of AKASOL AG

## DEUTSCHER CORPORATE GOVERNANCE KODEX

The Deutscher Corporate Governance Kodex (German Corporate Governance Code) presents essential statutory regulations for the management and supervisions of German listed companies and contains, in the form of recommendations and suggestions, internationally and nationally acknowledged standards for good and responsible corporate governance.

## EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTIZATION (EBITDA)

EBITDA is the amount of profit that a person or company receives before interest, taxes, depreciation and amortization have been deducted.

## EQUITY RATIO

Describes the relationship between shareholders' equity and total capital. The more shareholders' equity that is available to a company, the better its credit rating will typically be. Calculation:  $\text{Shareholders' Equity} \div \text{Balance Sheet Total} \times 100$

## FREE-FLOAT

The free-float includes all shares that are not held by major shareholders; i. e. shares that can be acquired and traded by the general public. Under Deutsche Börse's definition, shares totaling over 5 percent of total equity or over 25 percent held by investment funds are not considered to be part of the free-float.

## GROSS PROFIT

The result of net sales less cost of sales. Calculation:  $\text{Net Sales} - \text{Cost of Sales}$

## GROSS MARGIN

Indicates the ratio between gross profit and net sales, enabling conclusions to be drawn regarding a company's production efficiency. Calculation:  $\text{Gross Profit} \div \text{Net Sales} \times 100$

## INITIAL PUBLIC OFFERING (IPO)

Describes the Initial Public Offering of stocks of the AKASOL AG on the Deutsch Börse on 29th June 2018.

## INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

IFRS are set by the International Accounting Standard Board (Board) and are used primarily by publicly accountable companies – those listed on a stock exchange and by financial institutions – such as

banks. Authoritative interpretations of the Standards, which provide further guidance on how to apply them, are developed by the IFRS Interpretation Committee and called IFRIC Interpretations.

### **MARKET CAPITALIZATION**

Indicates the current market value of a company's shareholders' equity on the stock exchange. Calculation: Number of Shares Outstanding x Trading Price

### **MEASUREMENT CATEGORY UNDER IFRS 9 ACCORDING TO WHICH FINANCIAL ASSETS (FVOCI)**

Describes a measurement category under IFRS 9 according to which financial assets are measured at fair value through other comprehensive income.

### **OPERATING PROFIT (EBIT)**

Operating profit (earnings) before interest and taxes. Calculation: Net Income ± Financial Income / Expenses ± Income Taxes ± Gain / Loss from Investment

### **OPERATING PROFIT MARGIN (EBIT MARGIN)**

The ratio between operating profit and net sales – the higher the ratio, the higher the profitability of operating activities. Calculation: Operating Profit (EBIT) ÷ Net Sales x 100

### **RESEARCH AND DEVELOPMENT EXPENSE RATIO**

Is an expression of the relationship between the volume of research and development expenses and the volume of net income generated. Is thus considered to be an indicator of a company's willingness to invest in its own innovation activities. Calculation: R & D Expenses ÷ Net Income x 100

### **RETURN ON CAPITAL EMPLOYED (ROCE)**

Ratio between operating profit and the total capital employed during a period. Calculation: EBIT ÷ (Net) Assets + Working Capital x 100

### **RETURN ON EQUITY**

Provides information about the yield on the equity provided by shareholders. Calculation: Net Income ÷ Shareholders' Equity x 100

### **WORKING CAPITAL**

A liquidity parameter that indicates the surplus of a company's assets that are capable of being liquidated short term (within one year) over its short-term liabilities. Absolute calculation:

Inventories + trade receivables - trade payables

### **KEUR**

Amount stated in one thousand euros. It is used in this report for simplified presentation.



## FINANCIAL CALENDAR 2019

### May-24-2019

Annual general meeting

### May-27-2019

Publication Q1 Financial Results

### Aug-26-2019

Publication Q2 and Half-Year 2019 Financial Results

### Nov-25-2019

Publication Q3 Financial Results

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## LEGAL NOTES

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