Shaping the future of sustainable mobility

Annual Financial Report 2020

THE E IN MOBILITY

KEY FIGURES

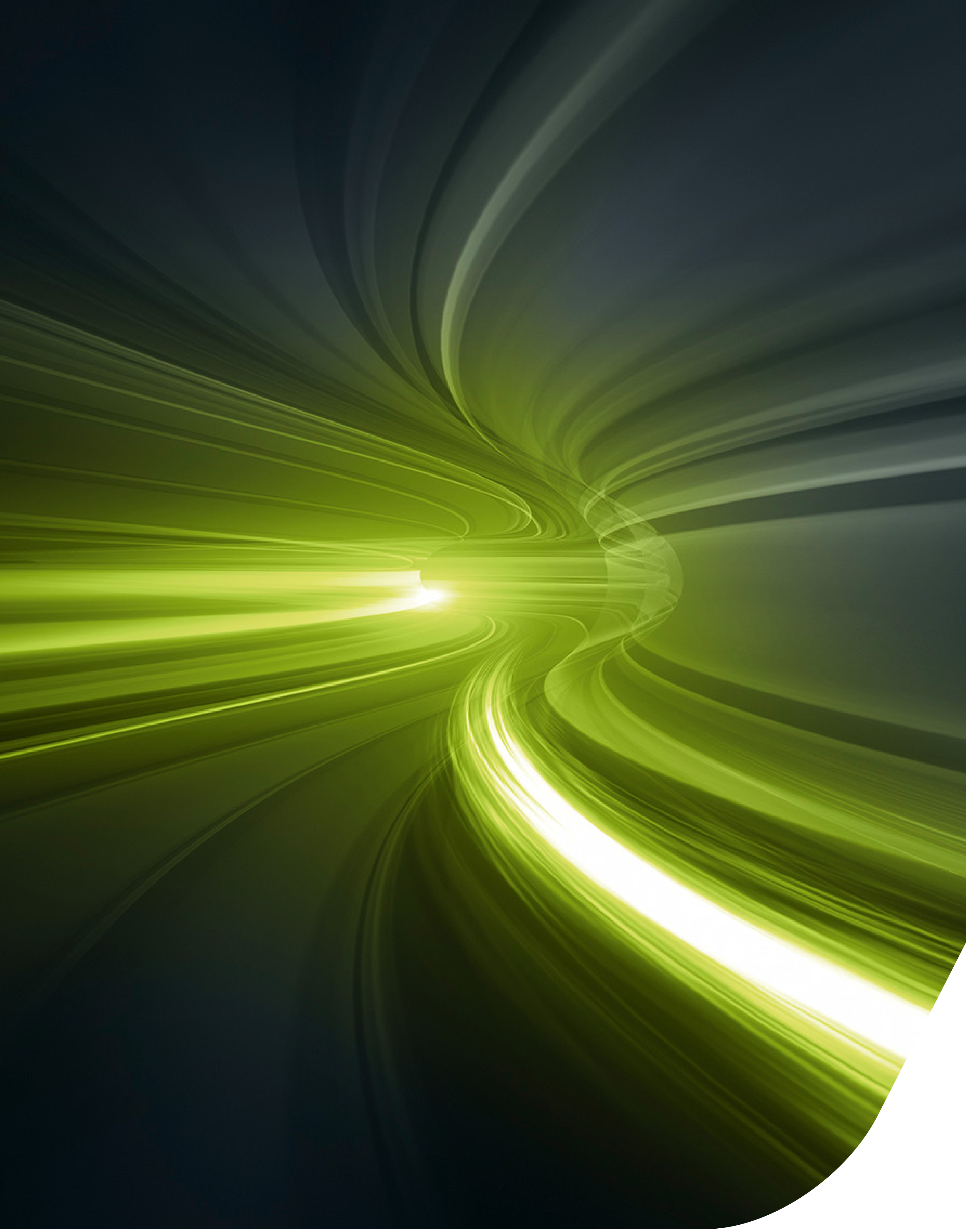
AKASOL Group (IFRS)

KEUR	2020	Change	2019
Revenue	68,332	20,684	47,648
Total output	73,965	20,226	53,739
Costs of materials	53,731	16,860	36,871
Adjusted material ratio in % of revenue [1]	78.2	n.a.	71.9
EBITDA [2]	-8,308	-5,156	-3,152
In % of revenue	-12.2	n.a.	-6.6
EBIT [2]	-12,119	-6,830	-5,289
In % of revenue	-17.7	n.a.	-11.1
EBIT (adjusted)	-5,268	-2,840	-2,428
In % of revenue	-7.7	n.a.	-5.1
EBT [2]	-12,488	-7,186	-5,302
In % of revenue	-18.3	n.a.	-11.1
Net result of the period [2]	-12,267	-5,833	-6,434
Total assets (as of Dec. 31 / Dec. 31)	164,182	14,288	149,894
Equity ratio (%)	50.4	n.a.	63.4
Employees (as of Dec. 31 / Dec. 31)	324	40	284
Free cash flow [2]	-19,634	6,777	-26,411

1 Costs of materials of products sold in relation to revenue
Adjusted material ratio = (Costs of materials adjusted by increase or decrease in unfinished and finished goods and work in progress) / revenue

2 Free cash flow = cash flow from operating activities + cash flow from investment activities

Share	30.12.2020	Change	31.12.2019
Closing prise in Xetra in EUR	97.15	182.00 %	34.45
Number of share issued	6,061,856	n.a.	6,061,856
Market capitalization in EUR million	588.91	182.00 %	208.83



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The E in Mobility

For more than 30 years, we have been a reliable partner for our well-known customers with global operations, accompanying them on their path to the emission-free mobility of tomorrow. We develop and produce both, standardized and customized battery-system solutions for hybrid, all-electric and hydrogen-powered drives in serial; these systems are used in demanding and high-growth market segments. Innovativeness and the great dynamics of the further development of our products are both deeply rooted in our DNA. That is why we consistently set the pace in the growing eMobility market as we constantly advance new technologies until they are ready to go into serial production. This is how we have already successfully equipped more than 2,500 commercial applications worldwide with our highly innovative battery systems. Through the consistent electrification of public transport and a growing number of commercial and construction vehicles with our innovative product portfolio, we are significantly contributing toward reducing CO_2 levels in cities.

With a production capacity currently exceeding one gigawatt hour, we already rank among the leading providers in the sector. But that is not enough for us: Our new headquarters including Gigafactory 1 and the adjoining research and development center, is setting standards for continued dynamic development. It also underscores our pivotal role as a key strategic partner for rapid electrification of the commercial-vehicle market. After all, we fully intend to continue to advance the eMobility market as a technology leader in the future.

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Our mission: Emission-free mobility, with us as part of the solution.

ALWAYS A STEP AHEAD – RELIABLE PARTNER FOR EMISSION-FREE MOBILITY

We develop and produce innovative and safe battery systems for a variety of applications – from city and long-distance buses to trucks and construction vehicles, to shipping traffic. With more than 30 years of experience in the field of high-performance lithium-ion battery systems, we know what technologies are right for every application. We also know exactly which mobility solutions are going to matter in the future. This is how we stay a step ahead of the market at all times.

GROUNDBREAKING TECHNOLOGIES – TAILORED FOR DIFFERENT APPLICATION AREAS

Our high-performance lithium-ion battery systems are distinguished by very high flexibility and scalability in relation to the respective customer requirements. We have access to different battery-cell formats and a wide selection of different battery chemistries that can optimally meet the performance and range requirements specific to a large number of electromobility applications.

FULLY AUTOMATED SERIAL PRODUCTION

Our new Gigafactory 1 in Darmstadt laid the decisive milestone for still more dynamic growth in the years ahead. This, taken together with Gigafactory 2 in the US and further locations, means that our production capacity will reach around 5 GWh in 2022. Our battery systems are produced on the fully automated and flexible serial production lines with which we set the highest standards in quality. This benefits our well-known customers with whom we have worked closely for many years.

FOCUS ON EUROPE AND NORTH AMERICA

Currently boasting Europe's largest serial-production operation for battery systems for use in electric commercial vehicles, we are a leader in the field of innovative lithium-ion storage technologies under the world's largest manufacturers. We have laid the cornerstone for successful growth in North America too: In 2020, in spite of the restrictions around the COVID-19 pandemic, the first serial production line in Gigafactory 2 was successfully commissioned, on time, at our US location in Hazel Park, Michigan. Between now and the end of 2021, we will install additional production lines there for the third generation of our serial-produced battery system, intensifying our focus on further development of the North American market.

HOLISTICALLY SUSTAINABLE

Even during the development of our battery systems, second-life use and recycling have an important role to play. With recycling rates of greater than 95%, this is how we minimize the company's environmental footprint – for a better climate all-round.

Everyday, we compete to provide outstanding value …

… TO OUR CUSTOMERS

343
Suppliers worldwide

68.3 Mio. €
Revenue

84
Customers globally

2 bn €
Order backlog

… TO OUR PLANET

16
R&D projects totaling 8 % of revenue

391 Mio. km
electric range sold

4,889
produced serial systems

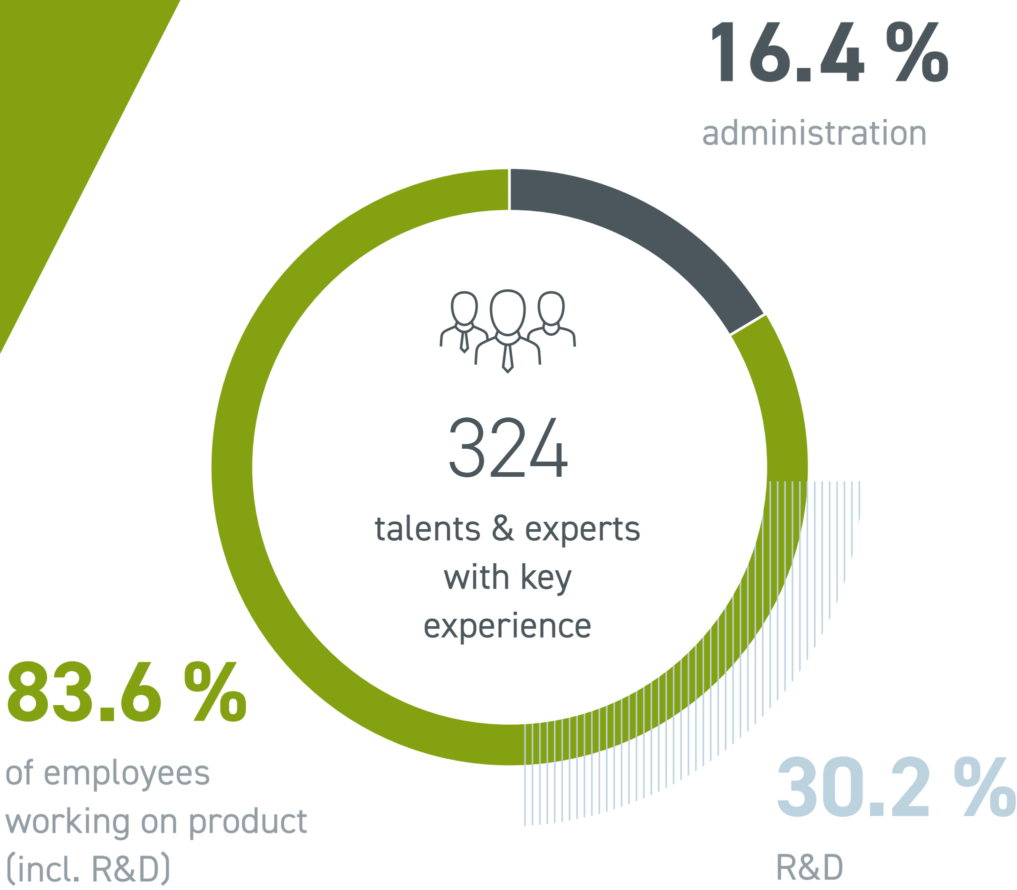
280,046 t
CO_2 reduction (by AKASOL battery systems over CV lifetime)

1 GWh

CAPACITY INSTALLED TODAY

5 GWh

CAPACITY INSTALLED UNTIL 2025



Interview with the Management Board

CEO Sven Schulz and CFO Carsten Bovenschen discuss the corona-related challenges of the past months, the Company's growth perspectives, new business opportunities, and why Second Life of battery systems is increasingly coming into focus.

Mr. Schulz, Mr. Bovenschen, the coronavirus crisis kept the entire world in suspense in 2020 and posed major challenges to everyone, whether in the private or public setting. What was the past year like for you?

Sven Schulz: 2020 was naturally an extremely ambivalent year. At AKASOL, our year got off to a very good start, but then the first lockdown brought a severe downturn – particularly since many of our customers took block breaks in their plants lasting several months, and we were initially unable to deliver our systems. On the other hand, the second half of the year led to the highest revenue in the Company's history. That's why I view the past financial year in a forgiving way, even though for me personally it was probably the most challenging year at AKASOL to date.

Carsten Bovenschen: I completely agree with Sven: For me, 2020 was also one of the most challenging years of my entire career and I am very happy that we were able to conclude it on such a successful note. There's one thing that has stuck in my mind: I really didn't think we would be able to divide ourselves up spatially as quickly and as effectively as we were unfortunately forced to last year. I was really impressed by how the various divisions managed to run so smoothly in many respects, even while working from home, and that we so quickly came up with productive ways of collaborating digitally. Particularly the fact of how responsibly our employees treat the “freedom of working from home”: This is really a testimonial to expanding flexible working-time models and might suggest some ways in which digitalization can help balance work and family life even better in the future.

Sven Schulz: On the IT side, we very quickly had good systems available to us, and those were a considerable help with digital collaboration. Nonetheless, this collaboration of course lacks personal contact – not just with colleagues, but also externally, with customers, business partners and suppliers.

Carsten Bovenschen: I think our situation is very fortunate overall. We still have a lot of work at AKASOL, even in spite of the impact of the global pandemic – that’s not something that goes without saying these days.

The coronavirus had a profound negative impact on the economy, and thus on businesses, too. Which of the divisions at AKASOL were hardest-hit by the outbreak of the COVID-19 pandemic in 2020?

Sven Schulz: Of course, AKASOL’s largest business area, the “On-Highway”- Business, was affected the most. Many of our major customers had closed their plants, and of course that had a tremendous impact on us. Fortunately, at least we were able to continue our research and development during that time. But of course the largest division also had the greatest negative impact on revenue and earnings trends during the first half of the year – but then very positive effects in the second half of the year.

And yet, in terms of industries, partners and employees as well, you were able to continue to enjoy growth with AKASOL in 2020. What do you attribute this to?

Sven Schulz: This clearly relates to the long-term trend toward electrification in the commercial vehicle sector. This is another one of the positive findings to arise out of the coronavirus crisis: Even an historic crisis of this magnitude cannot get in the way of the transformation to electromobility. We may not have generated quite as much overall revenue as we had expected. But our customers are continuing to pursue the electrification of their fleets of commercial vehicles. That is why it is extremely important for AKASOL not to interrupt the path to growth on which we have embarked. With this in mind, and despite the crisis, and despite the low revenue in the first half of the year, we have continued to build on our structures. And that has turned out to be the right strategy.

After the AKASOL AG share price mainly moved sideways in 2019, the development of the value was very positive in the past financial year. What do you think the reasons for this might be?

Carsten Bovenschen: Trends in stock prices are always a function of the interplay of multiple factors. On the one hand,

stock prices are quite clearly influenced by a company's success. Successful communication in capital markets also always takes a little time to take root. AKASOL went public in 2018, and we started out with three analysts; we were monitored by a total of 11 analysts in the 2020 financial year, so in that respect the coverage nearly quadrupled. In addition: Although we performed weaker than forecast in the first half of the year, we always dealt transparently with the situation. At the same time, we knew that a high-revenue second half of the year was on the way, and we indicated that to the capital markets at an early stage. And that is what ultimately also happened. This kind of transparency is something that investors reward.

Of course the major highlight for AKASOL was the relocation to the new headquarters, complete with a new production and test center.

Sven Schulz: This is definitely a sign of strength for AKASOL, and it heralds a new era for us. We are now very well-positioned for the coming years, so we can also realize the growth potential we envision for the Company. Naturally, the new headquarters is also a clear symbol of AKASOL's prospects for the future. Because our new corporate headquarters is just the beginning of the things that are yet to come.

Carsten Bovenschen: For our work in general, this means: We have everything in close proximity, and we can make shared use of our capacities – not just in production, but in administration and operations, too. I think this brings us even closer together as a Company. And finally, the working environment in the new headquarters is beautiful. The importance of such state-of-the-art surroundings for the working atmosphere in our Company should not be underestimated. After the successful IPO in 2018, it is one of the most important milestones in the Company's recent history.

The US market is immensely important to AKASOL. How is the expansion proceeding there? Are you able to stay on schedule there in spite of the coronavirus?

Sven Schulz: We are slightly behind schedule there due to the coronavirus, but in spite of the restrictions on travel to the US, we successfully managed to commission the first production line there, on time, for the second generation of battery systems. Further developments there are clearly driven by the partnership with a globally active manufacturer of commercial vehicles that also has a very robust presence and lots of plans in the US.

What other markets do you currently have in your sights?

Carsten Bovenschen: Our focus is currently still on Europe and North America. But I can well imagine that we could be doing business in Latin America and Asia in the future as well. Time will certainly tell. For the moment, though, in Europe and North America we are called upon to participate in the current market growth. That is our prime task at hand – after that, we will see what other opportunities are open to us – also in tandem with our new, strong partner.

What technological solutions is AKASOL currently working on?

Sven Schulz: As a technology-leading Company, AKASOL is known for its very, very dynamic product development. So, we actually introduce a new generation of battery systems every two years, which means our customers can be very competitive with the vehicles they manufacture. Now, in 2021, the launch of the new ultra-high-energy battery system is ready for the off. At the same time, we are already working to launch advance development for the subsequent generation, which is expected to come two to three years later. With our smaller battery system, the 48 V battery packs, we are working on an advancement that will yield even higher energy densities. In addition, we are also involved with battery-powered charging stations and are becoming increasingly active in the hydrogen field – both on the road and on the rail. This is also an important and significant advancement, so we are developing our product portfolio not only horizontally, but also vertically.

Speaking of charging stations, how important is this new division for AKASOL?

Carsten Bovenschen: Developing a charging station presents a great opportunity for our Company, because infrastructure is one of the basic requirements if electromobility is actually going to catch on in the broader market. Many people also base their decision for an electric car on whether they can charge the vehicle easily and quickly. And of course, this is true not just for cars, but for commercial vehicles too.

Sven Schulz: With our battery-based high-speed charging station, we can make an important contribution to growing the charging infrastructure – regardless of the grid connection and power supply on location, since the batteries serve as buffer storage. Charging stations manufactured by other providers generally require an appropriate grid connection if they are going to deliver the necessary charging power to begin with. The AKASOL charging station with battery storage can be connected to any power

connection and still delivers up to 300 kilowatts of charging power. This is already a huge advantage and means an enormous increase in the number of potential locations.

Many cities are increasingly turning to emissions-free public transportation, a fact that can also be seen in orders from various bus manufacturers. What are some other important drivers for AKASOL, in your view?

Sven Schulz: In addition to public transportation, the truck area is becoming increasingly electrified, too. We can also see this with our customers, for example in goods transport or construction vehicles. Electrification of commercial vehicles is gaining significance in all areas. In February, for instance, the Volvo Group and DHL announced a partnership to study the use of electric vehicles, not just for medium- and short-haul applications, but for long-haul use, too. This is creating a lot of movement in the market, and of course we at AKASOL want to – and will – benefit from this.

In Europe – fueled by the European Commission's "Green Deal" – the focus is turning more and more to recycling battery systems for electromobility applications. What solutions is AKASOL working on in this area?

Sven Schulz: Naturally, recycling and sustainability are very important topics for us: Where do our raw materials come from, how are our products produced, what is the lifecycle like, and how are they ultimately recycled? We created a division at AKASOL last year that deals specifically with this issue. Even during development of our battery systems, we conduct a detailed investigation into which materials are used and what the recycling rates are. For example, we intend to achieve a recycling rate of at least 95% for our battery systems by 2025. Of course, the battery systems should also be eligible for use in a variety of second-life applications. That way, they will not have to be recycled immediately after their first life and can remain in operation much longer instead.

From Pioneer to Technology Leader

AKASOL e.V.

1989 – 2008

Pioneer – R&D activities at Technical University Darmstadt

2015

AKASOL wins **serial contracts** for two major bus manufacturers

AKASOL GMBH

2017

Opening of new **serial production facility** for CV battery systems in **Langen**

In February of this year, AKASOL signed a strategic co-operation agreement with BorgWarner, the major US automotive supplier. How did this come about, and why do BorgWarner and AKASOL fit together so well?

Sven Schulz: We had been in casual contact with BorgWarner for a long time, and then the situation became really concrete during the fourth quarter of 2020. Regardless of the strategic cooperation with BorgWarner, we already had a very clear idea of where we wanted to see AKASOL five years down the road. With a new, strong partner at our side, we can now achieve these goals – and perhaps even a few more – much more efficiently. Together with BorgWarner, AKASOL can grow even faster in the next five years, particularly in the European and American markets. We also see even greater potential, of course, because this arrangement gives us better access to potential new customers in markets that we have not yet actively addressed. In the future, we will be positioned even better financially, but also in terms of financing arrangements, and this will give us an opportunity to grow quickly by quantum leaps in the short term. This is how we can tap opportunities that would not have been available to us as an independent company.

Carsten Bovenschen: I agree that BorgWarner and AKASOL are a very good fit for one another. BorgWarner has taken a very close look at our corporate culture and knows why we stand where we stand. And they have the utmost respect for what we have done and accomplished in recent years. There are lots of acquisitions of course that always involve a risk of companies being crushed following a merger. But that will not happen here: AKASOL shall and will remain as a brand. BorgWarner intends to preserve and actively promote our corporate culture in an effort to multiply – not destroy – the success we have had thus far.

AKASOL AG

2018

Successful IPO on the Frankfurt Stock Exchange - IPO with proceeds exceeding 100 million euros

2019

Major **follow-up serial contractor** for global leading on highway CV manufacturer

2020

1 Moving into **new headquarters** and launch serial production in new **Gigafactory 1**

2 Opening of new **serial production facility** in **USA** (Hazel Park, Michigan)

3 Introduction of **AKARack 48 V** solution and **AKA System Gen 2**

Next Level Gigafactory

On course for growth

After a record construction time of just 15 months, we laid the most important cornerstone for our continued dynamic growth and moved into our new headquarters in the southwest of Darmstadt in October 2020. The 20,000-square-meter site is now home to an innovative campus that includes Gigafactory 1, the new test and validation center and a state-of-the-art office complex for our employees. With sustainability as one of the most important pillars of the Company's strategy, we have built a solar system with more than 600 kWp on the roof of the Gigafactory that covers a large portion of our energy needs. The Company's car park is also being equipped with more than 60 charging points for electric vehicles – making it the largest charging-station park in the city of Darmstadt and the entire German state of Hesse.

PRODUCTION
Our battery systems are produced using highly automated processes, in a modern and fully networked Industry 4.0 environment.

TECHNOLOGY & DEVELOPMENT
With the state-of-the-art technology and development center as well as the adjoining test and validation center, AKASOL offers numerous test benches for extensive mechanical and electrotechnical tests of cells, modules and systems.

OFFICES
The new working environment in the AKASOL headquarters is characterized by spacious open-plan offices in conjunction with lots of attractive collaboration and meeting areas.

CHARGING FACILITIES FOR ELECTRIC CARS
The Company's car park is also being equipped with more than 60 charging points for electric vehicles – making it the largest charging-station park in the city of Darmstadt and the entire German state of Hesse.

Parallel to the move, Gigafactory 1 has already begun serial production of AKARack, the 48 V battery system. As a next step, beginning in mid-2021, we will ring in a new era of serial production for lithium-ion battery modules and systems with the commissioning of two fully automated production lines for our latest generation of high-energy battery systems. Already in the first expansion phase, the new machinery will give us a production capacity of 1 GWh in Darmstadt, which will be expanded to up to 2.5 GWh in 2022.

AKASOL is an internationally oriented company firmly rooted in Darmstadt, in the vicinity of numerous international high-tech groups. Today, as a global player and driver of innovation, we have set the course to make history in the rapidly growing market for electromobility.

Fully Automated Production Environment in the Gigafactory

With production of the AKARack 48 V solution already in full swing, construction of the first section of the fully automated production lines for our latest generation of battery modules and systems – the future centerpiece of our Gigafactory 1 – is in the final stages. This will provide us with 1 GWh of additional production capacity just a few months from now. From mid-2021, AKM CYC, our new ultra-high-energy battery system, will be built to the highest quality requirements in the modern manufacturing environment.

Continuously increasing the degree of automation in production is crucial to meeting growing demand for battery systems that are ready for production for the commercial vehicle market: Both the battery modules and the battery systems are manufactured using highly automated processes, in a modern and fully networked Industry 4.0 environment.

The new headquarters has enough space to install additional production lines of the same type on site. In the future, this could further expand production capacity at the location in Darmstadt to up to 5 GWh per year.

Following a successful ramp-up towards late 2021, the highly automated production lines will then generate up to 70 ultra-high-energy battery systems, each with a storage capacity of approximately 100 kWh, every day. The fully automated work steps – from the installation of individual battery cells to final assembly of the battery systems weighing approx. 500 kg each – are linked to man-machine manual workstations suitable for Industry 4.0. Thanks to the flexible system assembly, additional customer-specific variants of the same battery-system type can be produced on the same production line. If necessary, the cycle time of the existing lines can be reduced by up to 10 minutes per battery system through further expansion. This gives AKASOL the potential to increase output to up to 126 systems per day. This corresponds to a storage capacity of 12.5 MWh per day and is equivalent to the electrification of up to 30 heavy commercial vehicles per day.

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The Gigafactory 1 in Darmstadt will give AKASOL by far the largest production capacities in Europe for commercial vehicle battery systems. Thanks to the networked and digitalized production environment, we are not just creating key conditions for optimal service of the increasingly mature market for electrification of the commercial vehicle sector, but at the same time expanding our position as a technology leader over the competition. The path for the future has been set.

Klaus-Dieter Nagel
Senior Vice President Operations

Future Market USA

Commissioning serial production at our first North American location in Hazel Park, Michigan, means that we have now also created the necessary conditions in the US for the course of international expansion we have chosen. The second generation of AKASystem OEM PRC lithium-ion battery systems went into production there for a globally operating serial customer in the second half of 2020, in a facility spanning approx. 5,500 sqm and with an annual capacity of 400 MWh.

An interview with Roy Schulde: The President of AKASOL Inc. discusses the next steps for AKASOL's North American subsidiary, the Company's growth prospects in North America and opportunities for electromobility under the Biden administration.

Serial production began as planned in Hazel Park in spite of the difficulties surrounding the global COVID-19 pandemic. What will the next steps look like?

The branch operation in Hazel Park is an important part of our international path to success. We are proud to have been able to commission the production facility as planned, in spite of the difficult conditions stemming from the COVID-19 pandemic. The consistent expansion of production capacities now creates the optimal basis for further growth in that location. Further expansion of production capacities at the US location is an absolutely sensible and necessary part of the effort to deliver on existing and future orders, thus creating value locally as stipulated under trade legislation. We already have long-term supply agreements with a globally operating customer that, beginning this year, will be fitting its North American brands and vehicle types with our new high-energy battery systems. Then, beginning in late of 2021, Gigafactory 2 will finally live up to its name when the fully automated production line is commissioned with a capacity that will successively increase to up to 2 GWh p.a. by 2023. That is where we will begin manufacturing our third generation of battery systems, beginning in early 2022: the ultra-high-energy battery system AKASystem AKM CYC.

So establishing a production location in the US was a right and important step for the Company. How do you rate the growth prospects for AKASOL Inc.? In terms of the new administration of President Biden, certainly there will be an upturn for electromobility, won't there?

The market is actually moving in a positive direction in spite of the coronavirus. Due not least to our growing sales network and intensified sales capacities, we are currently seeing keen interest in the North American market for electrified commercial vehicles and buses. The demand for very high-performance battery systems that are ready to go into serial production and advance electrification of the commercial vehicle market is also increasing in the USA. Gigafactory 2 in Hazel Park gives us sufficient capacity to adequately serve what is still a young market. Of course the change of government will also contribute to the upswing of electromobility, and hence to our continued growth. Just a few weeks after Joe Biden's inauguration, the major corporate groups have announced investments of billions of dollars in the development of electric cars. Rejoining the Paris climate accords will also have an impact on the country's emissions policy, of course: Biden has presented a two-trillion-dollar plan to combat climate change. This will not only impose stricter requirements on the vehicle sector but also create incentives for the electrification of school buses and other public vehicles. So, all in all, there are good prospects for further business potential.

"North America is the most promising market for electromobility after Europe.

Roy Schulde
President of AKASOL Inc.

Our fitting solutions for On-Highway applications

BUSES – POWERFUL PERFORMANCE AND RANGE FOR ENVIRONMENTALLY FRIENDLY PUBLIC TRANSPORTATION

The electrification of local public transport has become one of the most important drivers of the mobility transformation and an emission-free transportation sector. Whether in city traffic or long-distance routes: More and more public transport operators have begun using buses with electric drives on their routes. The increasing conversion from diesel vehicles to hybrid or all-electric alternatives will lead to reductions not just in environmentally harmful CO_2 emissions but inner-city noise as well. In addition, the electrification of city buses is already economical today. As part of the rising trend toward the electrification of public transportation, AKASOL has established itself as a leading manufacturer and supplier of the battery systems that the change requires, with ever-increasing numbers of bus manufacturers opting for our reliable and serial production-ready storage technologies.

Late last year, for instance, under a framework agreement with Turkey's largest bus manufacturer, AKASOL AG not only grew its customer base by adding a strategically important partner from the Middle East but also further strengthened its market share in the field of electric buses. Because regardless of whether hybrid-electric, fully-electric or hydrogen-powered:: The AKASOL product portfolio always has the right solution for customers' different requirements, and the latest generation of battery systems permits ranges of up to 800 kilometers (500 miles).

COMMERICIAL VEHICLES – ECONOMICAL AND ROBUST SOLUTIONS FOR EVERY COMMERCIAL VEHICLE

Whether for garbage trucks, street-cleaning vehicles, short- and long-haul trucks or even in the commercial vehicle sector, the trend toward electrification is continuing; together with buses for local and long-distance public transportation, commercial vehicles offer the greatest market potential for AKASOL's leading battery systems portfolio. With our robust and safe battery systems, we not only supplied the first major European commercial vehicle manufacturer for the market entry of its serially produced electric trucks, but are also installing our storage technologies in the Hyundai XCient Fuel Cell for Europe's first truck fleet equipped with fuel-cell drives.

With the serial production start of the 48 V solution AKARack, AKASOL has also entered a new promising and innovative application area for the truck market. In recent years, energy consumption has risen higher and higher in this market, too, due to breaks and rest periods for long-distance trucks: Heating and air-conditioning consume particularly high amounts of electricity, but the transmission of truck data for analytical purposes, together with the use of mobile phones and laptops, require a lot of energy nowadays as well. With the aid of the highly efficient 48 V AKARack, today all the energy required can be generated solely through the battery system, and engine can be completely switched off during this time. This is how the AKARack not only contributes to cost efficiency, but also offers an ideal energy source – boosting AKASOL's contribution to protecting the climate, environment and health, even in non-electric commercial vehicles.

Our fitting solutions for Off-Highway applications

RAIL VEHICLES – RELIABLE BATTERY SYSTEMS FOR EMISSIONS-FREE RAIL TRANSPORT

For more than seven years, our battery systems and Turnkey Solutions have been a successful part of the continuously growing market for emissions-free rail transport. The lithium-ion batteries used in these applications offer an extremely high-power density and service life. Due to their properties, they are highly suitable for rail drives that demand an above-average number of charging and discharging cycles for up to 24 hours a day, while storing and releasing a great deal of electrical output – all in a comparatively small installation space.

We have also shown that AKASOL's battery systems can successfully be put to use in rail applications under extremely demanding conditions: For the world´s first hydrogen train from Alstom, we supply not only high-performance battery systems but also active cooling technology together with the associated mechanics, electronics and hydraulics as a ready-to-install plug-and-play solution. Following successful test operation, the Coradia iLint is now in use in Germany, France and Austria, helping reduce CO_2 emissions in regional rail traffic.

MARINE APPLICATIONS – FULL STEAM AHEAD WITH INNOVATIVE BATTERY SYSTEMS

Electric drives or hybrid solutions are already increasingly in use over short distances and on inland waterways, where they reduce the environmentally harmful CO_2 emissions in the growing field of maritime transportation. With powerful battery systems certified to the highest DNV/GL standard for maritime safety, AKASOL is also a major contributor toward emissions-free shipping, gradually helping make battery- and hybrid-electric-powered ships the standard. Some customers already have AKASOL's certified battery systems successfully in use, providing for energy-efficient fishing in the hybrid and low-noise fishing fleet of Moen Marin in the Norwegian Baltic Sea, for example. More and more, though, our safe, dependable and economical battery systems are used in yachts, working vessels and special maritime applications, shaping the transformation toward more environmentally friendly shipping.

WORKING MACHINES – THE BEST TECHNOLOGY FOR A HEAVY JOB

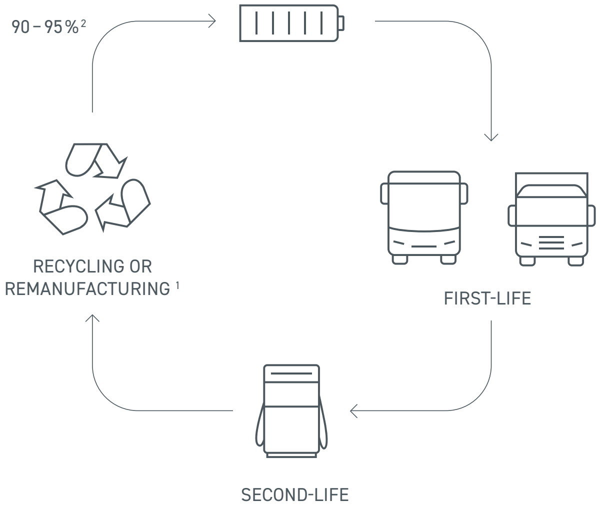
Fewer emissions, less noise: In order to achieve worldwide climate-protection targets, construction sites are subject to increasingly rigorous requirements to consistently scale back their emissions of environmentally harmful CO_2 by switching to working machines with alternative drives. This is why more and more manufacturers of construction machinery are turning to electric mobility. Whether driverless container transport vehicles (AGVs), excavators, wheel loaders or tunnel boring machines, which often have to accomplish extreme tasks under heavy conditions, AKASOL's robust battery solutions can be used in a very wide variety of vehicles – from the scalable 48-V system for small vehicles to high-performance, 1,000-V systems for heavy applications. Used in a variety of construction vehicles produced by the world's largest manufacturers, AKASOL's innovative systems are already contributing to emissions-free and low-noise construction sites.

Off-Grid Charging Infrastructure

FAST-CHARGING STATIONS – FLEXIBLE CHARGING INFRASTRUCTURE FOR EMOBILITY APPLICATIONS

The short-term setup of a flexible and off-grid fast-charging infrastructure is an important precondition to helping electromobility to a faster breakthrough. With our ChargeQube, a battery-assisted fast-charging station, we can also make an important contribution toward expanding the necessary charging infrastructure regardless of grid power levels on location, as our compactly integrated battery systems serve as dynamic buffer storage or power banks that allow for thousands of quick charges. The special feature of our system is that it can be operated flexibly on the power grid but autonomously as well, meaning no mains connection and using only the battery systems it has on board. With the battery-assisted ChargeQube, four vehicles can be charged in parallel with up to 300kW without a need to expand the grid. By storing regeneratively generated power in the charging station during high load times, the share of renewable energies can be increased as well.

With the new ChargeQube, which has been tested under real conditions, we are not only supporting the expansion of a grid-independent charging infrastructure and helping to increase the acceptance of electromobility, we have also created important conditions in our Company for the development of a new interesting and high-growth business sector in addition to battery systems.



1 Recycling partner: Umicore, GRS, REDUX

2 Completly recycled material

SECOND LIFE. HOLISTICALLY SUSTAINABLE.

The increasing electrification of the commercial vehicle market is also making "second life" use and the recycling of lithium-ion batteries increasingly important. As part of the electric powertrain, battery systems can run for around ten years in their "first life" – which is equivalent to around 4,000 charging cycles for a fully electric vehicle. The remaining 70-80% of battery capacity can have a "second life" through use in stationary applications – such as the Charge Qube fast-charging station developed by AKASOL. Only after that will the path finally lead to recycling. Because AKASOL already factors individual-component recyclability into its development of the systems, the current recycling rate of our battery systems is already around 75%. This figure is actually expected to increase to up to 95% by 2025 – delivering sustainable mobility based on a sustainable concept.

Our Technology

The Right Cell for Every Application

FLEXIBLE SOLUTIONS FOR VARYING CUSTOMER REQUIREMENTS

The development of our battery systems begins with the selection of the right battery cell. We are one of just a handful of companies on the market with access to a variety of battery-cell formats, and to a wide range of different solutions of battery chemicals. This means we can optimally meet our customers' specific requirements for a very wide variety of electromobility applications, offering the right application profiles in terms of range or performance. Our technology-agnostic product portfolio includes battery systems with all the common formats – from round cells to prismatic hardcase cells to pouch cells.

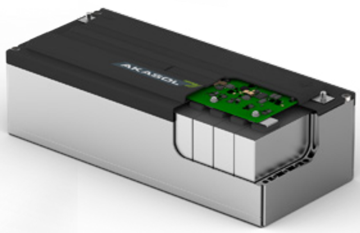
In addition to their extreme performance with a long service life and safety, our lithium-ion battery systems are characterized by passive and active thermal management realized through extremely efficient liquid cooling, not only enabling a constant temperature level under high loads, but also significantly extending the service life of the battery systems at the same time. The battery-management system (BMS) developed by AKASOL also contributes to this; it is installed as standard in all our systems and ensures precise functionality and a high level of safety in real time, while allowing long-lasting operation at maximum performance. The BMS monitors not only voltage values and charge levels but also the working-temperature window and possible power output – from the cell through to the module and the entire system. To accomplish this, the customized software is in direct dialog with the higher-level battery and vehicle control. Regardless of the battery technology used, the modular and scalable system design permits a connection to the respective drive electronics to ensure a high degree of flexibility for use in a variety of vehicle models.

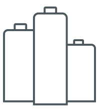
POUCH CELL / POC

› Format options
› Chemistry options

PRISMATIC CELL / PRC

› VDA format options
› BEV, PHEV chemistry





CYLINDRICAL CELL / CYC

› 21700 format options
› Chemistry options

From Cell to System

Putting Batteries through their Paces

AKASOL'S NEW TEST AND VALIDATION CENTER

With the new state-of-the-art test and validation center on our AKASOL campus in Darmstadt, we will create optimal conditions for all new and further developments in the field of high-performance lithium-ion battery systems as we significantly boost our previous testing capacities. We now have state-of-the-art testing facilities at our disposal, spanning around 2,000 square meters, covering two levels and integrated into our Gigafactory 1. We can build and test the latest battery technologies here for our customers even faster than before, further consolidating our role as an agile Tier 1 supplier of battery systems.

From endurance tests, high- and low-temperature tests in climatic chambers and tests of electromagnetic compatibility in the EMC chamber, to leakage and corrosion tests, to realistic functional, performance and aging tests: Beginning in mid-2021, we will have expanded test stands, technologies and the necessary expertise to simulate a wide variety of environmental influences in our own facility, where we can conduct tests across all phases of development. For this purpose, we have state-of-the-art system test rooms, a continuous-running room for long-term tests, workshops with diagnostics areas for cells, modules and systems, and an electronics laboratory.

At the heart of the new test center are the two shakers, weighing in at 3 and 16 metric tons and respectively delivering an excitation force of 50 kN and 200 kN for vibration and shock testing of battery modules weighing up to 1,000 kg. This testing equipment puts AKASOL in a position to simulate a wide variety of loads to which the modules and systems later installed in the vehicle will be exposed in real operation. The 50 kN shaker is also equipped with a climate hood and permits combined mechanical tests

Endurance test for battery systems: The 16 tons shaker is used to simulate loads from real-world operation

with a superimposed temperature profile in the range of -20 to 60 degrees Celsius.

With its broad portfolio of testing facilities, the new test and validation center covers nearly all major tests for our products, from the cell and module levels through to the completed battery system. Thanks to the new facility, we can take innovative new developments to market even faster – offering durable and safe battery systems for the sustainable mobility of tomorrow.

"With our new test and validation center, we can cover a broad range of state-of-the-art battery tests in-house in the areas of technology testing, concept validation and development support.

Stephen Raiser
CTO

Taking responsibility – for a sustainable future

As one of the technology leaders in the field of high-performance battery systems, our product portfolio already contributes to reducing harmful emissions of CO_2 in the transport sector and enables sustainable mobility.

Since the beginning of our serial production in 2018, 280,046 tons of CO_2 have been saved through the electrification of commercial vehicles with our systems.

280,046 t

CO_2 REDUCTION
achieved by AKASOL's battery systems over the entire lifetime of a commercial vehicle

Sustainability is an integral part of all our business strategies. After all, we can only stay on track for success in the long term if we operate sustainably.

ENVIRONMENT & SUSTAINABILITY
Our goal: CO_2-neutral by 2025

Climate protection is part of our environmental and social responsibility. Our products and technologies also represent this. We want to contribute to solving climate change by operating in an energy-efficient manner and developing products that help reduce CO_2 emissions.

By the end of 2025, we intend to have CO_2-neutral production at all our sites. For example, we have installed a solar plant with more than 600 kWp on the roof of our new Gigafactory 1 in Darmstadt, which will cover a large part of our energy requirements. In 2020, we were able to reduce our CO_2 emissions by 8% in terms of sales and our total waste volume by 12% compared to 2019, despite our dynamic growth and an increased production volume.

Our employees

We essentially owe the global success of our Company to our motivated employees, who contribute their skills and ideas to the various activities and work processes and provide impetus for further improvements and innovations. Promoting independent thinking and action is the cornerstone of sustainable business. Through a large number of internal training courses and targeted external measures, we enable our employees to develop to the best of their abilities and make optimum use of their skills. In the past two years alone, the number of training days within our workforce has more than doubled.

Equality of Opportunity & Diversity

Strong Company with

300+

EMPLOYEES

30 NATIONALITIES

AKASOL is committed to equal opportunities for all employees – regardless of age, gender, nationality, religion, skin color or sexual orientation. The decisive factors for us are people's skills and potential. Thus, people with different points of view work together at our company and find creative solutions to attract new markets and customers.

Employment structure

Management	11 %
Employees	69 %
Other	20 %

Age structure of workforce

< 35 years	47 %
35 – 55 years	47 %
> 55 years	6 %

Gender ratio in the workforce

Female	23 %
Male	77 %

Social responsibility

As a company, we also benefit from an intact society and therefore see it as our duty to give something back to it. Based on our strong and long-standing roots in Darmstadt, we therefore provide focused support to local charities and non-profit organizations, thus fulfilling our corporate and social responsibility to the people in the for the people in the region.

The AKASOL share in 2020

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

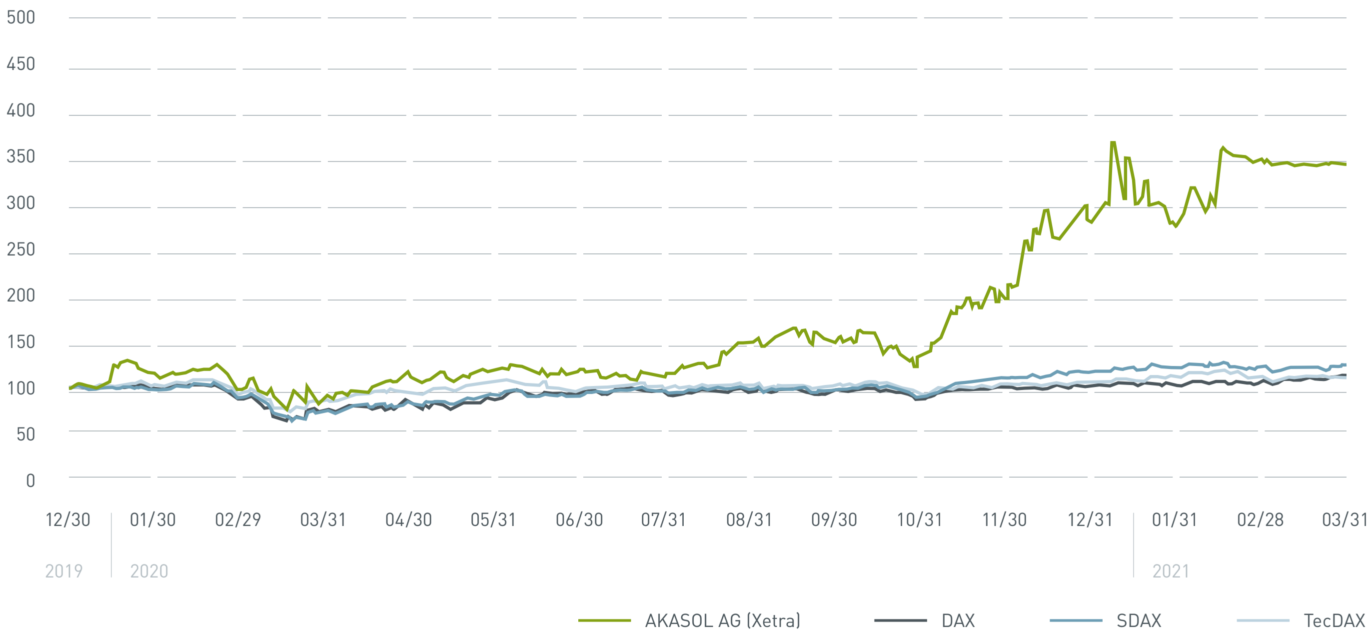
The coronavirus pandemic made 2020 a very turbulent year for stock markets. The global spread of the virus, along with the lockdowns imposed across large parts of the world, resulted in an unprecedented slump in economic performance that prompted governments and central banks to take countermeasures in the form of sweeping fiscal policies. Against this backdrop, stock markets all over the world also suffered massive losses in March 2020, only to recoup these losses in an equally steep rally later on in the year. In March 2020, for instance, the leading German index, the DAX, dropped from around 13,700 points to just under 8,500 points. This was followed by other developments that had a significant impact on stock markets, such as the progress toward a COVID-19 vaccine, the uncertainties surrounding the US presidential elections and, in the closing weeks of the year, the agreement reached between the UK and the EU in the Brexit dispute. In the aggregate, the DAX (closing at 13,719 points; +3.5% compared to the 2019 closing) and TecDAX (closing at 3,213 points; +6.6% compared to the 2019 closing) indices performed positively during the 2020 stock-market year. The SDAX (closing at 14,765 points) registered very considerable gains and closed 18.0% higher.

Despite the volatile environment, AKASOL stock performed extremely positively overall in 2020. While the stock dropped to an all-time low Xetra closing price of EUR 26.00 on March 16, 2020, it was 182.0 % higher year-over-year over the entire year compared to its price at the close of 2019 and emerged from Xetra trading at a closing price of EUR 97.15 on December 30, 2020 (December 30, 2019: EUR 34.45). With this performance, AKASOL stock clearly outperformed the DAX and TecDAX indices in 2020. With a figure of 6,061,856 shares, market capitalization at the end of 2020 totaled to around EUR 588.9 million.

In spite of the still prevailing uncertainties regarding the future course of the COVID-19 pandemic, the positive sentiment on the stock market continued in the first quarter of 2021. The German benchmark index DAX exceeded the threshold of 15,000 points for the first time in history. The DAX (closing at 15,008 points on March 31, 2021; +9.4 % compared to the 2020 closing), SDAX (closing at 15,448 points on March 31, 2021; +4.6% compared to the 2020 closing) and TecDAX (closing at 3,395 points on March 31, 2021; +5.7% compared to the 2020 closing) indices each showed significant gains at the end of the quarter compared with the end of the previous year.

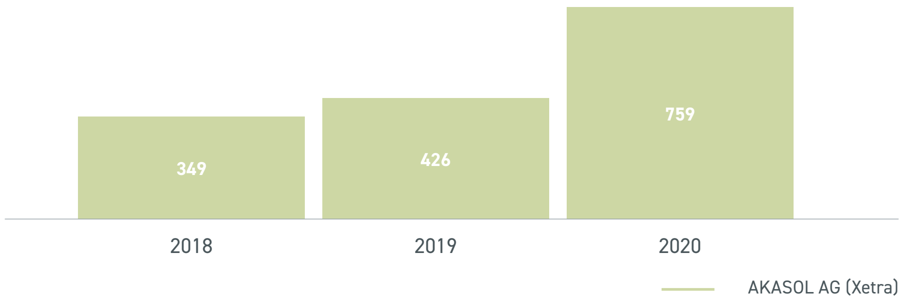
The AKASOL share showed a price increase in the first quarter of 2021 and closed on March 31, 2021 with a Xetra price of EUR 119.44 (+22.9% compared to 2020 closing). The announcement of the voluntary public takeover offer by BorgWarner on February 15, 2021 caused a jump in AKASOL's share price. Since then and until the end of the first quarter, the Xetra closing price was almost constant at the level of the offer price of EUR 120.00. Market capitalization at the end of Q1 2021 totaled to around EUR 724.0 million.

PERFORMANCE OF THE AKASOL SHARE IN % (30.12.2019 – 31.03.2021; 30.12.2019 = 100)



There was a clear upward trend in the liquidity of the AKASOL share in 2020; the average daily trading volume on the Xetra exchange increased by 78.3 % and went from KEUR 426 in 2019 to KEUR 759 in 2020.

AVERAGE DAILY TRADING VOLUME IN KEUR



Shareholder structure (as of 31.03.2021)	Shares in %
Schulz Group GmbH	47.41
Felix von Borck	6.03
Stephen Raiser	4.33
UBS	3.73
Sand Grove Opportunities Master Fund Ltd	3.62
Simon Davies	3.15
Others	31.73
	100.00

KEY MILESTONES FOR FURTHER DYNAMIC GROWTH REACHED IN 2020

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

In 2020, AKASOL continued to advance the growth strategy announced at the June 2018 IPO and reached significant milestones in implementing that strategy. Already at the beginning of the year – which was six months earlier than originally planned – AKASOL completed expansion of production capacities at its site in Langen, Germany, where it currently has an annual production capacity of 800 MWh. AKASOL also moved into its new headquarters in the southwest of Darmstadt in October 2020; the facility was completed in a record 15 months of construction. At the same time, serial production of the AKARack battery systems was launched there on the first production lines in the adjoining Gigafactory 1. From the middle of the current 2021 financial year, AKASOL will have a production capacity of 1 GWh; depending on business trends, this can be expanded to up to 5 GWh.

The Company also consistently pushed ahead with expansion of production capacity at its US site in Hazel Park, Michigan. Already in the first half of the past financial year, the subsidiary in Hazel Park, AKASOL Inc., had begun construction of the first North American production facility, spanning 5,000 sqm and with an annual capacity of up to 400 MWh. During the second half of the year, serial production of the second generation of AKASystem OEM PRC-type lithium-ion battery system began there. AKASOL will commission its Gigafactory 2 in Hazel Park beginning in late 2021; capacity there is set to expand gradually, to an annual total of around 2 GWh, by 2023. AKASOL had already commissioned the production plants with this purpose in mind in February 2020.

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

INVESTOR RELATIONS

Sustainability is the focus of investor relations activities at AKASOL AG. Great importance is placed on continuous and comprehensive communication with all capital market participants, both within Germany and internationally, in the effort to create sustainable confidence in the company. AKASOL AG was represented at several investor conferences, road shows and other capital-market events during the past financial year. Price-relevant information, mandatory disclosures, company reports, key notifications and press releases will be published immediately and made available in the “Investor Relations” area at www.akasol.com.

Coverage of AKASOL AG increased to 10 analysts last year. This is a demonstration of the great interest in our business model. AKASOL AG was covered by the following banks:

› Bankhaus Metzler (Last update: March 22, 2021; Recommendation: Hold; Target price: EUR 130.00)

› Citi Research (Last update: January 26, 2021; Recommendation: Buy; Target price: EUR 120.00)

› Commerzbank AG (Last update: February 15, 2021; Recommendation: Hold; Target price: EUR 120.00)

› Deutsche Bank AG (Last update: February 16, 2021; Recommendation: Hold; Target price: EUR 50.00)

› Frankfurt Main Research AG (Last update: December 10, 2020; Recommendation: Hold; Target price: EUR 60.00)

› Hauck & Aufhäuser Privatbankiers AG (Last update: February 16, 2021; Recommendation: Hold; Target price: EUR 120.00)

› JP Morgan (Last update: December 9, 2020; Recommendation: Overweight; Target price: EUR 109.00)

› Stifel Europe (Last update: February 15, 2021; Recommendation: Hold; Target price: EUR 113.00)

› EQUI.TS (Last update: February 16, 2021; Recommendation: Neutral; Target price: EUR 110.50)

› Pareto Securities AS (Last update: March 5, 2021; Recommendation: Buy; Target price: EUR 125.00)

VIRTUAL ANNUAL GENERAL MEETING 2020

The Annual General Meeting 2020 for AKASOL AG, the second ordinary Annual General Meeting following the IPO in 2018, was held on June 30, 2020, as a virtual Annual General Meeting. The Management Board and Supervisory Board always value opportunities for personal contact with the shareholders of AKASOL AG. Nevertheless, given the continued health risks of the COVID-19 pandemic involved around the scheduled event date in 2020, it was decided to take all available steps to ensure the best possible safety and health of AKASOL shareholders and employees, as well as other project participants.

Around 66% of share capital was represented at the 2020 virtual Annual General Meeting. Chief Executive Officer Sven Schulz and Chief Financial Officer Carsten Bovenschen reported on the dynamic course of growth for AKASOL AG in the 2019 financial year, and on business developments in the first quarter of 2021. By a large majority, the Annual General Meeting expressed its faith in the members of the Management Board and the Supervisory Board of AKASOL AG for the 2019 financial year and voted to approve all items on the agenda. BDO AG Wirtschaftsprüfungsgesellschaft of Frankfurt, Germany, was selected as auditor for AKASOL AG and the AKASOL Group for the 2020 financial year. Detailed outcomes of votes on individual agenda items are available to the public online at https://www.akasol.com/de/hauptversammlung.

The Annual General Meeting 2021 of AKASOL AG will take place on June 30, 2021. Given the continuing uncertainty surrounding the future course of the COVID-19 pandemic, AKASOL will continue to avail itself of the opportunities created by the legislature this year and will, in the interest of preventing infection, hold its 2021 Annual General Meeting in virtual form.

SHARE MASTER DATA

WKN	A2JNWZ
ISIN	DE00A2JNWZ9
Abbreviation	ASL
Type of shares	No-par shares
Stock exchange	6,061,856
Initial notice	Regulated market (Prime Standard) of the Frankfurt Stock Exchange
Issue price	EUR 48.50
Designated sponsors	Oddo Seydler Bank
Xetra closing price on 28.12.2019	EUR 34.45
Xetra closing price on 30.12.2020	EUR 97.15
Price change	+182.0%
Highest Xetra closing price for the period	EUR 103.38
Lowest Xetra closing price for the period	EUR 26.00

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Germany

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griessmann@cometis.de

To the Shareholders

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

Letter from the Management Board

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

We have an historically challenging year behind us: The coronavirus crisis has subjected AKASOL AG – like many companies in nearly all industries – to an unprecedented stress test. We, too, had to adapt as flexibly as possible to the changed framework conditions. Spatial proximity had to be replaced with solid digital structures – an undertaking that AKASOL very quickly and successfully managed to carry out. Even at the outset of the COVID-19 pandemic, one thing was clear to us: We must not abandon our path to growth! Instead, we made the most of the phases of general uncertainty and lockdown to drive further expansion in our corporate structures and thus pave the way for an even more robust comeback beginning in the second half of 2020.

The efforts paid off, and, all things considered, we can look back with pride on a satisfactory financial year. Above all, we would like to point out three successes that have played a lasting role in shaping the dynamic growth of AKASOL:

EXPANDING PRODUCTION CAPACITY IN GERMANY

At our serial production location in Langen, in the German state of Hesse, we were already able to commission the second serial production line in March 2020 – six months ahead of schedule. We also optimized the first production line, and as a result the maximum annual production capacity at this location is now 800 MWh.

SETUP OF THE PRODUCTION SITE IN HAZEL PARK

The coronavirus crisis confronted us with major challenges in the US, too. This made it considerably more difficult to set up the first North American production facility at our new US location in Hazel Park. In spite of temporary restrictions on admissions to the country, we still managed to commission the first serial production line on schedule – and launch production of the second generation of battery systems in the second half of 2020.

THE NEW HEADQUARTERS

The new headquarters marks one of the most important milestones in AKASOL's company history. After just 15 months in construction, by October 2020 we were already able to move into the new corporate headquarters on the AKASOL campus in the southwest of Darmstadt, where we launched the first part of serial production in Gigafactory 1. With a production capacity of up to 5 GWh in its final stage of expansion, and spanning an area of 20,000 square meters, Gigafactory 1 will in the future be by far Europe's largest location for the serial production of commercial vehicle battery systems – thus effectively strengthening AKASOL's market position as well as its technology leadership.

Parallel to the developments described above, by August and September 2020, we managed to boost growth massively and achieved record revenues in the second half of the year. All in all, while we did not meet the revenue target we had originally set for ourselves, in spite of the challenging conditions compared to the previous year, we recorded an increase in Group revenue of around 43 percent to EUR 68.3 million.

Considering the conditions of the coronavirus year of 2020, in our view the trend at AKASOL AG was a very positive one. The pandemic costs us a great deal of strength – no doubt about that. Yet at the same time, the crisis also shows us how unshakable the AKASOL team is, particularly in challenging times. We would like to take this opportunity to express our gratitude to our more than 300 employees for this outstanding achievement. If not for their performance and dedication, we would not be in a position to look to the future of AKASOL AG with such confidence today!

As a leading manufacturer of battery systems for commercial vehicles in the European and American markets, the Company also has very good prospects for growth in the short, medium and long term. Electrification of the commercial vehicle sector has long since become much more than a passing fad. It is now considered an irreversible, long-term trend. So, we are even more delighted that we will be able to drive this dynamic growth forward with even greater strength: With BorgWarner Inc., a globally leading automotive supplier headquartered in Auburn Hills, Michigan, as a strategic partner at its side, AKASOL can accomplish more than just directly continue the dynamic business trend of the past financial year. Partnering with a world-leading Tier 1 supplier is a seamless fit for our path to growth; it gives both firms an opportunity to benefit from one another's achievements of recent years. In this sense, we are convinced that by working with BorgWarner we are embarking on a new and promising era in AKASOL's company history.

We want to thank you, our business partners, customers and suppliers for the trust and support you have shown us in the past challenging financial year. Let us now look with confidence to the future as we safeguard the gains made in 2020 over the long term.

Your Management Board

SVEN SCHULZ
Chief Executive Officer

CARSTEN BOVENSCHEN
Chief Financial Officer

Supervisory Board Report

Dear share holders,

The employees at AKASOL AG accomplished extraordinary things during the 2020 financial year. The Company developed well in spite of the COVID-19 pandemic and achieved key business goals.

In terms of its operations, AKASOL AG attained its strategic targets for the year – introduction of the second production line in Langen, Germany; completing and moving into the new headquarters in Darmstadt with the adjoining Gigafactory; and setup of the production facility in Hazel Park, Michigan, despite the difficult framework conditions Accordingly, the Company's revenue grew by a significant 43% in the past financial year, even as customers halted their production operations temporarily during the 2020 financial year. AKASOL AG mastered all of this without having to institute shortened working hours for its own workforce.

The COVID-19 pandemic has led to heightened awareness of climate change. The reduction in travel during the lockdown phases, and the resulting improvement in air quality, were a source of important impetus, particularly for electromobility. This development also boosted interest in the activities of AKASOL AG as a long-standing company with successful operations in this sector. On February 15, 2021, this led to the announcement of a strategic partnership with the American automotive supplier BorgWarner Inc. Under the agreement, the American firm will assume the role of main shareholder in the future.

This created an excellent backdrop for the successful further development and growth of a focused AKASOL AG.

CONTINUOUS DIALOG WITH THE MANAGEMENT BOARD

In the 2020 reporting year, we again monitored and advised the Management Board on the management of the Company, based on the detailed oral and written reports submitted by the Management Board. In this capacity, we carefully executed the tasks incumbent upon us under the law, the Articles of Association and the Rules of Procedure, and we verified the legality, regularity and appropriateness of the work of the Management Board. We discussed the organization of the Company with the Management Board. The Management Board fulfilled its obligation to provide information of a reasonable scope and in a timely manner. Regular and constructive dialog, carried out in a spirit of trust, was conducted between myself and the Management Board even outside of the regularly scheduled meetings, keeping me informed at all times about the business strategy, business planning, business performance, the financial position, risk management, questions of compliance and the latest developments, including the impact of the COVID-19 pandemic. In all decisions of fundamental importance to the Company, we were directly involved at an early stage and discussed these matters with the Management Board in depth and in detail. We also convened independently, without the Management Board.

The Supervisory Board adopted decisions wherever its approval was required on decisions made or measures taken by the Management Board on the basis of law, the Articles of Association or the Rules of Procedure. In the 2020 financial year, this concerned, among other things, approvals

- on the specification of target figures pursuant to Section 111 (5) of the German Stock Corporation Act [AktG] (April 24, 2020) and
- on the target agreement for 2020 with the members of the Management Board (April 24, 2020).

KEY TOPICS FOR THE SUPERVISORY BOARD

During the past financial year, the AKASOL AG Supervisory Board devoted particular attention to measures to address the impacts of the COVID-19 pandemic, as well as to the Company's prospects and strategic development, its future long-term positioning, and significant specific measures. In the course of its work, the Supervisory Board set the following company-specific areas of focus for itself:

- **Development and business performance.** The Management Board provided the Supervisory Board with updates on business performance, the status of new and existing series customers, the order backlog and the traits that distinguish AKASOL from the competition. The Supervisory Board also worked with the Management Board to address strategic topics such as a careful analysis of the market and the competition. The Management Board reported to the Supervisory Board on current capacity-building for existing and new serial production locations in Germany and North America, the strategic further development of the product portfolio, value-centric customer communication and planned innovations. The Management and Supervisory Boards also analyzed the short-, medium- and long-term impacts of the coronavirus pandemic on the Company. In this connection, strategies were discussed to address, as quickly and efficiently as possible, the challenges posed by the pandemic. The focus was on an analysis of risk scenarios as well as possible effects on business performance in the years to come.

› **Strategic orientation of AKASOL AG.** During the reporting year, the Management Board regularly kept the Supervisory Board apprised of strategic targets and the steps taken to reach them. The Management Board and the Supervisory Board convened in November 2020 for a strategy review. Based on multi-year planning and external studies, there was discussion of a variety of growth scenarios, and of the orientation for AKASOL AG that would achieve the growth that had been forecast, which at the same time addressed the changes brought on by the COVID-19 pandemic. Specific measures were presented for dealing with COVID-19; these helped the Company manage the crisis. Opportunities and areas for development arising from the crisis were also identified against this backdrop. In the course of these considerations, the Management and Supervisory Boards addressed the implementation of specific measures to access new customers and tap into new markets, product developments and innovations, as well as regions. At the same time, the Management and Supervisory Boards discussed the kind of organizational structure AKASOL AG requires to ensure the Company's continued growth. Attention was also devoted to the Company's recycling strategy, and to its testing and certification activities.

› **Developing and expanding capacity.** Another key focus for the activities of the Supervisory Board in the 2020 financial year consisted of consultations on the expansion that had taken place into the US, the ramp-up of the second serial production line in Langen and the opening of the new headquarters in Darmstadt, as well as the review of budget adherence. The Management Board provided information on a regular basis about the latest progress of development in the respective locations, and about production utilization in line with the relevant customer orders. Another area of emphasis was on consistent staff development and on implementing, optimizing and digitalizing along the process chain.

› **Reaching financial targets.** Discussions in plenary session often revolved around the Company's revenue, earnings and financial position, which the Management Board presented in detail at each Supervisory Board meeting. The Supervisory Board was also involved in budgetary and medium-term planning. The Management Board also reported on the status of the options for corporate financing. As a result of the pandemic, analyses of liquidity and scenarios, in tandem with planning of appropriate measures, were of great importance. The challenges for the financial targets that were set in light of COVID-19, and possible solutions proposed in this regard, shaped the work of the Supervisory Board for most of the year.

› **In-house control and risk systems.** In addition, the Supervisory Board dealt with the latest status on topics within the risk-management system, observance of relevant guidelines for compliance and thirdparty transactions as well as these guidelines' efficiency, appropriateness and effectiveness. In addition to considering material risks, particular attention was devoted to consistently implementing the findings of an external compliance check, and to ensuring security of sales and supply.

› **Strategic partnership with BorgWarner Inc.** In December 2020, the Chairman of the Supervisory Board, Dr. Reimnitz, was included in specific, strategic considerations around a possible cooperation with BorgWarner. This was followed up by regular interaction between the Supervisory Board and the Management Board on the latest developments and the approach going forward. In late December 2020, it was jointly agreed that negotiations with BorgWarner would continue. In his consultations, the Chairman of the Supervisory Board acted in the interest of all shareholders and, in the context of the process, carefully weighed this against the strategic corporate objectives. As the project continued to advance in to 2021, the entire Supervisory Board was involved not only in the main deliberations around the strategic cooperation and its design, but also in the terms of the purchase bid. The Supervisory Board's consultation of financial and legal advisors who were independent of the Management Board served primarily to ensure correct corporate governance and to safeguard the interests of all shareholders.

COMPOSITION OF THE SUPERVISORY BOARD

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

MEETINGS OF THE SUPERVISORY BOARD

During the past financial year, the Supervisory Board performed its activities in the context of plenary meetings that were mainly held as video or telephone conferences from March 2020 due to the contact restrictions in place. A total of eight Supervisory Board meetings were held during the reporting year (four ordinary and four extraordinary meetings). During the 2020 financial year, these were held on March 6, April 24, June 30, August 14, September 9, September 18, October 16 and November 13. The members of the Management Board also attended six of the total of eight Supervisory Board meetings. The rate of meeting participation by the Supervisory Board stood at around 96%. During the year under review, there was no member of the Supervisory Board who attended only half or less of the Supervisory Board's meetings. All in all, the quorum requirements for the conduct of business by the Supervisory Board were consistently met.

OVERVIEW OF PARTICIPATION BY INDIVIDUAL MEMBERS OF THE SUPERVISORY BOARD OF AKASOL AG

During the 2020 financial year

Members of the Management Board	Attendance / Supervisory Board meetings	Presence *
Dr. Christoph Reimnitz (Chairman)	8/8	100%
Dr. Marie-Luise Wolff (Vice Chairwoman)	7/8	88% *
Dr. Christian Brenneke	8/8	100%

* Commercially rounded.

ESTABLISHMENT OF COMMITTEES

The Company's Supervisory Board did not constitute any committees in 2020, as this was deemed inefficient and unnecessary given the size of the three-member Supervisory Board. The Supervisory Board dealt with all issues brought before it in its capacity as the overall Board.

SELF-ASSESSMENT OF THE SUPERVISORY BOARD

The efficiency review of the work of the Supervisory Board was conducted as the overall Board in accordance with the statement above. During the 2020 financial year, a discussion took place during the Supervisory Board meeting on September 9. The core topics of the assessment were the procedures followed by the Supervisory Board and the communication and flow of information between the Supervisory Board and the Management Board. Specifically, processes for financial planning and influencing the strategic orientation of AKASOL AG were discussed and their implementation decided. The results demonstrate constructive and open collaboration in a spirit of trust within the Supervisory Board as well as effective communication with the Management Board. There was no indication of significant shortcomings. All in all, the review confirms a high level of effectiveness of the work of the Supervisory Board.

CODE OF CORPORATE GOVERNANCE

During the 2020 financial year, the Supervisory Board dealt extensively with questions of corporate governance and with the German Corporate Governance Code. On April 23, 2020, the Supervisory Board adopted a resolution on the declaration of conformity pursuant to Section 161 German Stock Corporation Act [AktG] on the German Corporate Governance Code (DCGK), as amended December 16, 2019. For more information on corporate governance reporting and the declaration of conformity, visit the AKASOL AG website at https://www.akasol.com/en/ in the “Investor Relations” section under the “Corporate Governance” heading.

CONFLICTS OF INTEREST AND THEIR TREATMENT

No conflicts of interest arose on the Supervisory Board during the 2020 financial year.

FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE 2020 FINANCIAL YEAR

By resolution of the Supervisory Board meeting of September 18, 2020, BDO AG Wirtschaftsprüfungsgesellschaft, of Frankfurt am Main, Germany, was appointed as auditor for the financial year from January 1 to December 31, 2020, and was commissioned accordingly by the Chairman of the Supervisory Board.

Prior to the appointment, the Supervisory Board obtained the auditor‘s statement of independence in accordance with Section 7.2.1 of the German Corporate Governance Code.

The auditor, BDO AG Wirtschaftsprüfungsgesellschaft, of Frankfurt am Main, Germany, has audited the annual financial statements for the 2020 financial year and the management report of AKASOL AG drawn up in accordance with the provisions of the German Commercial Code [HGB] and has provided them with an unqualified auditor’s report. The auditor also issued an unqualified auditor’s report on the consolidated financial statements prepared in accordance with the International Financial Reporting Standards (IFRS).

The auditor also noted that the information and monitoring system set up by the Management Board is suitable for meeting the legal requirements and for identifying, early on, any developments that could endanger the continued existence of the Company as a going concern.

The audit was reported and discussed at the Supervisory Board meeting of May 20, 2021. The auditors took part in deliberations of the financial statements and of the consolidated financial statements.

They reported on the main findings of the audits and were available to the Supervisory Board for additional questions and information. On May 20, 2021, the Supervisory Board approved the financial statements and consolidated financial statements for the 2020 financial year, as drawn up by the Management Board. The annual financial statements are thereby adopted.

THANKS AND ACKNOWLEDGMENT

On behalf of the Supervisory Board, I would like to thank the members of the Management Board for their constructive cooperation, and the employees of AKASOL AG for their active dedication and extraordinary commitment to dealing with the consequences of the COVID-19 pandemic. Our thanks also go to the shareholders for the trust they have placed in us.

Darmstadt, Germany, May 20, 2021

For the Supervisory Board

DR. CHRISTOPH REIMNITZ
Chairman of the Supervisory Board

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

THE SUPERVISORY BOARD OF AKASOL AG

DR. CHRISTOPH REIMNITZ
Chairman

Dr. Christoph Reimnitz was appointed Chairman of the Supervisory Board in May 2018. In addition to his work at AKASOL, until the end of October 2020 Dr. Reimnitz served as Vice President Strategic Development at APR Energy, a world-leading provider of specialized energy solutions. Since then, he has advised enterprises and developers in the energy sector; he serves as Chairman of the LPG to Power Working Committee at the World LPG Association (WLPGA).

DR. MARIE-LUISE WOLFF
Vice Chairwoman

Dr. Marie-Luise Wolff was appointed Vice Chairwoman of the Supervisory Board in June 2018. In addition to her work at AKASOL, she also serves as CEO of ENTEGA AG. Among other roles, Dr. Marie-Luise Wolff is also President of the German Federal Association of the Energy and Water Industries (BDEW).

DR. CHRISTIAN BRENNEKE

Dr. Christian Brenneke was appointed a member of the Supervisory Board in June 2018. In addition to his work at AKASOL, he is also Senior Vice President Engineering ZF Group – Commercial Vehicle Control Systems Division, a global provider of solutions for conventional and electric drives.

Group Management Report

Combined Management Report 2020 of AKASOL AG and the Group

1 PROFILE OF THE GROUP

PRELIMINARY REMARK

On February 15, 2021, AKASOL (hereinafter also referred to as the "Company") signed a Business Combination Agreement (BCA) with BorgWarner Inc. and ABBA BidCo AG, Mannheim (Germany), a subsidiary of BorgWarner Inc. Following signature of the Business Combination Agreement, BorgWarner announced its decision to make a voluntary public takeover bid for all outstanding shares of AKASOL. For further information, please refer to the Subsequent Events Report.

1.1 BUSINESS MODEL

AKASOL – A TECHNOLOGICAL PACEMAKER FOR ELECTROMOBILITY

AKASOL AG, with headquarters in Darmstadt, Germany, is one of the leading German developers and manufacturers of high-performance and high-energy lithium-ion battery systems ("lithium-ion battery systems") for buses, commercial vehicles, rail vehicles, industrial vehicles, ships and boats as well as providers of comprehensive solutions. With 30 years of experience, AKASOL plays a leading role in the development and manufacture of lithium-ion battery systems for commercial applications.

One of the most important challenges of the rapid transformation of the automobile and commercial vehicle industry is the electrification of the drive train – and hence the transition to efficient and environmentally friendly mobility. This is precisely the basis for the business model of the AKASOL Group (hereinafter also referred to as "AKASOL"): With its broad product portfolio and application-specific solutions for a variety of hybrid, electric and hydrogen-powered vehicles, the Company is actively shaping this change. With its battery systems, AKASOL has been contributing to economical and sustainable electrification of commercial, industrial and rail vehicles, as well as ships and boats, for many years.

What are the special distinguishing features of AKASOL? Along with a high degree of technology agnosticism and innovativeness, the Company's product portfolio offers a wide variety of selection for fully-electric and hybrid-electric as well as hydrogen-powered vehicles. The underlying hardware and software is continuously improved and further developed. AKASOL offers its customers both high-energy solutions for large range requirements as well as high-performance systems for extreme charging and discharging in conjunction with high cycle stability. All AKASOL battery systems have active and hydraulic thermal management to ensure system operation. The systems are also equipped with powerful battery-management electronics developed in-house at AKASOL, as well as corresponding software that is also designed to complex application- or customer-specific criteria, depending on the requirements.

AKASOL is continuously adjusting the degree of automation of serial production, thus increasing its production capacities in keeping with growing customer needs for serial production- and market-ready battery systems. In the international market, too, the Company is expanding its production volume further, improving the cost structure over the entire lifecycle of the individual product ranges. The location of the US subsidiary, AKASOL Inc., in Hazel Park (Detroit metropolitan area, Michigan) offers the Company additional interesting prospects for growth outside of Europe. Serial production of a variety of battery modules and systems with different cell formats and different cell chemistry also warrants mention as an independent field of innovation within the Company. The Company's development and production expertise is particularly evident in the new headquarters in Darmstadt and the Gigafactory 1 that has been built there, as well as the serial production location in Langen.

GROUP STRUCTURE

AKASOL AG
Darmstadt
(Germany)

100 %

AKASOL Inc.
Detroit
(USA)

AKASOL AG, a stock corporation incorporated under German law with registered office at Kleyerstraße 20, 64295 Darmstadt, Germany, is the Parent Company of the AKASOL Group. Shares of AKASOL AG began trading in the Prime Standard segment of the Frankfurt Stock Exchange in June 2018.

AKASOL Inc., the sole subsidiary located in Hazel Park (in the Detroit metropolitan area, Michigan), in which AKASOL AG holds 100% of the shares as of December 31, 2020, is part of the scope of consolidation of the Company and is hence a part of the Group. The company in the USA was founded on October 17, 2017, and will unite all of AKASOL's activities in North America. The object of the Company is the production, manufacture and distribution of lithium-ion battery systems.

The parent company, AKASOL AG, is responsible for the management and strategic orientation of the Group. It also fulfills compliance and legal functions and provides services for the subsidiary.

TREND IN COMPANY LOCATIONS

PLANNED MOVE INTO THE NEW HEADQUARTERS AND GIGAFACTORY 1 IN DARMSTADT, GERMANY

After 15 months of construction, in autumn 2020 and on schedule, AKASOL moved into its new headquarters on the AKASOL campus in the southwest of Darmstadt. Along with the new headquarters, the so-called "Gigafactory 1" was constructed there as well and, beginning in mid-2021, will have an initial installed production capacity of 2.5 GWh. This capacity is set to be expanded to up to 5 GWh by the end of 2022. Gigafactory 1 is particularly intended for serial production, but prototypes, samples and small series are to be produced there as well. With the start of production of the 48-volt AKARack battery system for use in vehicles produced by one of the world's leading construction equipment manufacturers, AKASOL managed to begin manufacturing the first serial-produced battery system on site in autumn 2020.

In the future, Gigafactory 1 will also house the production of AKASOL's ultra-high-energy battery system. Besides Gigafactory 1, the 20,000-sqm AKASOL campus also offers a new home for the Company's engineers and technicians: A state-of-the-art test and inspection center will be built on the campus, immediately adjacent to the technology and development center. The total investment for construction of the new AKASOL headquarters ranges in the mid-double-digit millions of euros. The location is designed to accommodate up to 500 employees. With the aid of a 700-kWp solar plant atop the Gigafactory roof, which has been in operation since January 2021 and currently generates an output of 611 kWp, AKASOL can not only cover a large part of its energy needs itself at full plant output: Employees and visitors will also have access to more than 60 charging stations for electric cars from mid-2021.

CAPACITY AT THE SERIAL PRODUCTION LOCATION IN LANGEN EXPANDED AS PLANNED IN 2020

The Company's further development also continues to progress at its serial production location in Langen, in the German state of Hesse. During the 2020 financial year, AKASOL managed to commission the second serial production line ("Langen II") six months ahead of schedule. The second generation of AKASystem OEM PRC lithium-ion battery systems will now be serially produced on this production line. At the same time, the Company has launched a variety of improvements on the first production line ("Langen I") in an effort to increase maximum annual production capacity at the Langen location from 300 MWh in 2019 to 800 MWh in 2020.

PRODUCTION OF PROTOTYPES AND SAMPLES AT THE LOCATION IN WEITERSTADT, GERMANY

At the AKASOL location in Weiterstadt (5 km west of Darmstadt), the Company is currently focusing on the production of prototypes and samples, the assembly of comprehensive solutions (e.g. power packs, compact steel construction consisting of several battery systems, as well as cooling units and other components and battery-based quick-charging stations), as well as production-process improvements and the testing of key processes in serial production. In addition to a pilot line installed in 2020 for the production of battery modules with cylindrical battery cells, powerpacks for the Coradia iLint hydrogen-powered train by Alstom will be produced in small series at the location in Weiterstadt, Germany. These processes are being gradually relocated to the new Gigafactory 1 in Darmstadt during the first half of 2021.

MARKETING AND BUSINESS DEVELOPMENT AT THE LOCATION IN RAVENSBURG, GERMANY

The main activities in the field of marketing and digital marketing are managed from the Ravensburg, Germany, location, which is also the home of Schulz Group GmbH, AKASOL's principal shareholder. A business development unit is located there as well.

LAUNCH OF SERIAL PRODUCTION IN HAZEL PARK (DETROIT METROPOLITAN AREA, MICHIGAN, US)

Already in the first half of 2020, as scheduled, AKASOL Inc., the subsidiary in Hazel Park, managed to begin construction on the first production line for assembly of the second-generation AKASystem OEM PRC-type lithium-ion battery systems in the North American production facility spanning a total area of 5,500 sqm. Setup and installation were completed almost without a hitch in the second quarter of 2020 – in spite of tightened entry restrictions due to the COVID-19 pandemic. With the aid of digital applications, and thanks to the successful cooperation between the American and German employees, the production line was up and running.

Now, in a second stage, additional production lines will be set up at the Hazel Park location for serial production of the third generation of AKASystem AKM CYC lithium-ion battery systems. Serial production is then set to begin in early 2022; depending on the size of the increase in customer demand, production capacity will gradually expand to up to 2 GWh by 2023. The US location will thus develop into AKASOL's "Gigafactory 2" in the foreseeable future.

The battery systems produced there are intended for use in commercial vehicles and buses manufactured in North America. AKASOL also strives to comply with the provisions of the USMCA (United States Mexico Canada Agreement) and BAA ("Buy American Act") for the share of value added locally in the manufacture of battery systems. The planned investment volume for the new site is expected to range in the low to medium double-digit million euros over a period through 2024. The AKASOL Group plans to create more than 200 jobs at the US site during this period. The state of Michigan is supporting the creation of these jobs with a grant of up to USD 2.4 million under the Michigan Business Development Program.

THE EFFORT FOR EXTENSIVE AUTOMATION OF SUITABLE MANUFACTURING STEPS

AKASOL is striving to achieve extensive automation of production steps, both in its new Gigafactory 1 and at Gigafactory 2 in the US location in Hazel Park, Michigan. To achieve this, in spring 2020, the Company awarded a contract for the fully automated production line for battery modules in Gigafactory 1 to Manz, the German high-tech firm for mechanical engineering. Over the further course of the year, identical production facilities were also ordered from this supplier for Gigafactory 2 at AKASOL's US site. Woll, another experienced German mechanical engineering firm, has been commissioned with the battery-system production lines. All production lines will be delivered, set up and commissioned during the course of 2021. AKASOL uses the automation of manufacturing steps as a key element in the effort to improve upon process reliability and process efficiency. This shortens production throughput times, contributing significantly towards reducing costs in the competitive international market.

1.2 PRODUCT PORTFOLIO AND CUSTOMER STRUCTURE

Customers put AKASOL's lithium-ion battery systems to many different uses. Across all of these areas, there is a wide range of certification and safety standards in place – standards that the Company's battery systems must meet. Given the different technical criteria involved, the corporate culture specific to the respective customers and the individual market requirements, the applications of AKASOL can generally be broken down into applications for the areas of buses and commercial vehicles, rail and industrial vehicles (e.g. construction, mining and logistics), ships and boats, as well as stationary energy-storage applications. In coordination with the respective requirements of the above-mentioned business units and vehicle types, the Company offers a correspondingly broad product portfolio with different battery-system solutions. The AKASOL product portfolio also includes comprehensive solutions (e.g. power packs, compact steelwork consisting of multiple battery systems, as well as cooling units and other components and battery-based quick charging columns).

With regard to use in buses and trucks, the Company offers the AKASystem OEM PRC (second-generation battery system): a high-performance battery system that can be used in both hybrid and fully electric vehicles in lieu of conventional solutions. It is distinguished in particular by a high cycle stability in conjunction with high electrical charging and discharging performance while providing high energy density at the same time. In addition to city buses with quick-charge infrastructure, hydrogen-powered trucks can also use the AKASystem OEM PRC. AKASOL is already supplying the second generation of the high-performance battery system with 66 kWh of storage capacity to two long-standing major customers. The next generation is nearly identical to the first generation, but it provides around 30% more energy and has high quick-charging capability. Successful fleet testing of this system has been ongoing since early 2020, in 50 Hyundai XCIENT Fuel Cell-type trucks. This second-generation battery system is produced at the serial-production location in Langen, in Germany's Hesse state.

AKASOL AG will also broaden its product portfolio in mid-2021 with addition of the ultra-high-energy battery system. Its standard design offers very high energy density, so it is intended mainly for use in vehicles with high demands in terms of electrical range. The so-called AKASystem AKM CYC (third battery-system generation) has the same dimensions as the two previous generations. But compared to the first generation, which was introduced in 2018, this system has a very high storage capacity of approx. 100 kWh per pack and can deliver nearly twice the amount of energy. This is made possible largely by the AKAModule CYC-type lithium-ion battery module recently developed by AKASOL, in which cylindrical battery cells are used. In the future, buses and trucks that use this battery-systems technology will be able to achieve up to 600 to 800 km of electrical range in real operation, depending on the amount of energy installed. The third generation will also remain quick-chargeable and can be charged with up to 900 kW of power. From 2021, the battery systems will be produced at the new headquarters in Darmstadt and then, beginning in 2022, at the new US production facility in Detroit, Michigan.

There are numerous requirements that must also be taken into account when developing battery systems for mobile work machinery. Installed in these machines, the systems can be exposed to extreme conditions and in addition, there are a variety of environmental requirements that must be observed as well. The AKARack is a modular, battery-based, power-storage system with high energy and power density and offering the flexibility that the conditions described above require. Combined with its flexible scalability, it is ideal for applications in a power range of up to 50 kW. This includes applications in industrial and construction machinery, but also in the 48V electrical system of commercial vehicles and even in small boats, where flexible solutions are required. If necessary, it is also suitable for hybrid applications on a 48V basis due to its water cooling. Its flexibility and scalability enables the development of new markets as well as the expansion of the customer base. In 2020, AKASOL launched serial production of its new AKARack 48-volt battery system – for a construction equipment manufacturer with operations worldwide – at its Gigafactory 1 at the new headquarters in Darmstadt.

The field of railway drives calls for special high-performance battery systems that, with operations lasting up to 24 hours a day, have to be able to perform an above-average number of charging and discharging cycles for continuous use. The first such rail-specific systems by AKASOL have already been in successful use for more than eight years. A special distinction of the lithium-ion batteries used is their high power density and service life. As a result, a comparatively small installation space is all it takes to meet the demanding requirements of railway applications. Along with the powerful and robust AKASystem AKM POC battery system as an important storage component, AKASOL also provides comprehensive solutions that include active cooling technology, as well as the relevant mechanics, electrical equipment and hydraulics for the hydrogen-powered train by Alstom: the Coradia iLint, which is the only train of its kind in the world. The train has undergone successful testing in passenger service in northern Germany since September 2018 and has been sold to many other customers since.

Alongside continuous further development of high-performance battery systems, AKASOL also further diversified its product portfolio in the area of comprehensive solutions (turnkey solutions) in 2020 as well. Europe's first battery-based and stand-alone quick-charging points for electric vehicles were delivered in November and December 2019. These charging points have provided highly reliable public use ever since. Parallel to this, AKASOL is currently exploring further development of the mobile high-speed charging points into a serial product and is currently involved in negotiations with potential customers and business partners. This is how, within the scope of the strategic orientation of its business, the Company strives to achieve both horizontal (supplemental products, accessories, etc.) and vertical diversification with the development of comprehensive solutions (turnkey solutions).

Across the entire technology-agnostic product portfolio in the battery-technology field, AKASOL thus has a wide variety of battery systems to offer: from round cells to prismatic hardcase cells and pouch cells. Various types of battery-chemistry solutions can be used to satisfy a large number of specific customer requirements, both technically and economically. The focus of these products is essentially on so-called lithium-ion NMC (nickel-manganese-cobalt) battery chemistry, which combines the benefits of high energy density with solid service life and power values. As a technology-agnostic manufacturer, however, the Company has also investigated LTO (lithium-titanate oxide) or LFP (lithium-iron phosphate) battery cells, particularly for use in niche applications. They are available as required in the proven AKASOL battery-system architecture.

The product portfolio is rounded off by accessory components that vehicle manufacturers need to permit optimal integration of the batteries. These include, among other things, control units together with the relevant application software, connecting and securing elements, cooling and heating units as well as coupling stations for quick charging. With all of these components available for purchase from battery-system supplier AKASOL, customers benefit from time savings during integration into new vehicles, thereby reducing the technical risk involved.

1.3 RESEARCH AND DEVELOPMENT

Continuous improvement of products, customization and expansion of the Company's product portfolio all require considerable but targeted investments in research and development. In addition to the recruitment and retention of highly qualified employees, this also includes investments in development and laboratory facilities as well as in-house development projects.

Against this backdrop, along with Gigafactory 1 at the new AKASOL location in Darmstadt, the Company has also built the state-of-the-art technology and development center as well as the immediately adjacent test and validation center. During the course of 2021, the Company will have numerous test benches available to it for extensive mechanical and electrical testing of cells, modules and systems. From mid-2021, all of the conventional testing methods for batteries in the field of lifecycle assurance and environmental and functional testing will also be performed centrally at the new headquarters.

During the reporting period, the Research and Development Department availed itself of the capacities it gained due to customers' suspension of operations as a result of the COVID-19 pandemic. This made it possible for existing development projects to be continued and new customer projects to be acquired. For instance, one of the world's leading bus manufacturers has commissioned AKASOL to develop the third generation of battery systems for its vehicles. Serial development of AKASystem AKM CYC, the ultra-high-energy battery system, also developed considerably during the 2020 financial year. Another promising new development is the modular battery system AKARack.

Patent applications were prepared in 2020 for some of the developments presented above. When it comes to protecting its own intellectual property, AKASOL pursues a clear strategy under which, in addition to filing patents, the Company also makes disclosures or protects developments under copyright law through confidentiality (e.g. software).

In 2020, expenses for in-house research and development alone amounted to EUR 4.8 million (previous year: EUR 3.3 million), or 7.1% (previous year: 6.9%) of revenue totaling EUR 68.3 million (previous year: EUR 47.6 million). Added to this were expenses in the high single-digit millions of euros for customer-financed research and development tasks. During the financial year completed, the Research and Development Department grew by 17% to 98 employees as of December 31, 2020 (December 31, 2019: 84).

1.4 EMPLOYEES

As of December 31, 2020, the AKASOL Group – excluding the Management Board – had 324 people in its employ (December 31, 2019: 284). Over the past twelve months, staff capacity has thus increased by 14% year-over-year – a particularly positive development, given stiff competition on the labor market and the shortage of skilled workers.

Viewed against the backdrop of the coronavirus pandemic, which in recent quarters severely complicated recruitment and onboarding processes for firms and their employees, the expansion of the workforce in an effort to create the structures required for AKASOL's future growth has been highly satisfactory.

Of the employees on our payroll as of December 31, 2020, 35% worked in production. A combined 34% were working in the Research and Development and Service Departments, 4% in Sales and Marketing and 27% in Administration. When recruiting employees, AKASOL places particular emphasis on very high qualifications in the relevant field, as well as social and interdisciplinary skills. This can be seen in the high proportion of employees with an academic degree. In particular, the Management Board endeavors to ensure that women are adequately represented in its composition. By partnering with universities and colleges of applied sciences, AKASOL can attract qualified and academically trained young talent. In an effort to further develop the personal qualifications of its existing workforce, the Company regularly supports its employees through internal training as well as through targeted external measures for individual positions. Management staff in Human Resources continuously assist and encourage employees with these measures, which are designed to broaden their capabilities to reflect their roles and tasks, and to encourage them to assume responsibility. This is how AKASOL ensures the long-term success of the Company while creating secure and high-quality jobs.

EMPLOYEES

	31.12.2020	31.12.2019
Headcount	324	284
FTE	290.8	251.4

EMPLOYEES BY FUNCTIONAL AREAS

	31.12.2020	31.12.2019
Administration	53	39
Research & Development	98	84
Production	112	111
Sales and Marketing	14	12
Service	13	11
Purchasing	19	17
Quality management	15	10
Total	324	284

EMPLOYEES BY LOCATIONS

	31.12.2020	31.12.2019
Darmstadt	239	213
Serial production Langen	59	54
Production of prototypes and samples at the location in Weiterstadt, Germany	6	9
Marketing and communication at the location in Ravensburg, Germany	5	5
Serial production in Hazel Park (Detroit metropolitan area, Michigan, US)	15	3
Total	324	284

1.5 CONTROL SYSTEM

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

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

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

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

2 BUSINESS PERFORMANCE AND ECONOMIC SITUATION OF THE AKASOL GROUP

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

TREND IN THE GLOBAL ECONOMY

According to the Kiel Institute for the World Economy (IfW), in 2020 the global economy reported a 3.8% decline in production worldwide (measured on the basis of parities in purchasing power). This is far and away the steepest slump of the past 70 years.[1] The main cause of what the IfW has termed an historic decline were the effects of the COVID-19 pandemic in spring of 2020.[2] By autumn 2020, a robust recovery had begun to emerge. However, after the COVID-19 infection rates rose again, especially in advanced economies in Europe, public life had to be curtailed again, and social and economic measures to contain the pandemic were passed.[3]

In the view of the IfW, however, this will only dampen the global economic recovery temporarily, and robust expansion is forecast for the coming year.[4] The further course of the pandemic and the development of the economy will depend to a large extent on the further course of the infection.[5]

THE TREND IN THE EUROZONE

According to statements by the IfW, the autumn wave of coronavirus infections had an impact on most European countries – with varying levels of intensity – and prompted governments to take sweeping measures once again to curb the spread of the virus.[6] Hence, the business climate for the entire Eurozone was heavily influenced in 2020 by the COVID-19 pandemic; according to the IfW, this could result in a downturn of around 7.2% in gross domestic product.[7]

1 Kiel Institute for the World Economy (2020), Kieler Konjunkturberichte, Weltwirtschaft im Winter 2020, p. 7.
2 Kiel Institute for the World Economy (2020), Kieler Konjunkturberichte, Weltwirtschaft im Winter 2020, p. 2.
3 Kiel Institute for the World Economy (2020), Kieler Konjunkturberichte, Weltwirtschaft im Winter 2020, p. 2 f.
4 Kiel Institute for the World Economy (2020), Kieler Konjunkturberichte, Weltwirtschaft im Winter 2020, p. 7.
5 https://www.bmwi.de/Redaktion/DE/Downloads/Monatsbericht/2020/2020-12-weltwirtschaft.pdf?__blob=publicationFile&v=6
6 Kiel Institute for the World Economy (2020), Kieler Konjunkturberichte, Weltwirtschaft im Winter 2020, p. 9.
7 Kiel Institute for the World Economy (2020), Kieler Konjunkturberichte, Weltwirtschaft im Winter 2020, p. 9.

TREND IN GERMANY

The course of the pandemic continues to shape economic activity in Germany, according to the IfW. Following the massive collapse in economic activity in March and April 2020, the interim easing of the pandemic situation and the associated loosening of restrictions in Germany and the rest of the world led to a strong recovery.[8] In November 2020, however, large segments of the hospitality sector and the contact-intensive entertainment industries were shuttered. According to the IfW, the accelerating increase in infection rates also likely led to increased private precautionary measures that have a dampening effect on economic activity. Shutdown measures were tightened again in Germany during the period from mid-December 2020.[9] Against this backdrop, the IfW forecasts a price-adjusted decline in German gross domestic product of around 5.2% in 2020.

TREND IN THE US

The IfW paints a similar picture for economic trends in the US, too. A drop of around 3.6% in US gross domestic product is forecast for the COVID-19 year of 2020. According to the Federal Ministry for Economic Affairs and Energy (BMWI), the second quarter showed a negative development of -9% in particular. The effects of the pandemic were thus felt particularly in the first half of the year, while positive developments were recorded again in the second half.[10] Likewise, the economic development there was burdened by the trade disputes with China. Furthermore, according to the German Association of the Automotive Industry (VDA), the number of registered light vehicles (cars and light trucks) fell by 14.7% compared to 2019.[11] In the area of medium and heavy trucks, a decline in sales figures of more than 22% could even be observed.[12]

SECTOR-SPECIFIC FRAMEWORK CONDITIONS

In keeping with an ever-growing international focus on developing mobility that is as emissions-free as possible, the market for vehicle batteries has developed rapidly in recent years as well. According to the German Mechanical Engineering Industry Association (VDMA), global demand for lithium-ion batteries has been growing at an annual rate of 25% in the period from 2015 to early 2020.[13] Meanwhile, demand for lithium-ion batteries has even experienced a real growth spurt. It is safe to assume that future demand will grow sharply overall due to higher total installed storage capacity and the greater range per vehicle – in spite of still-low numbers of hybrid and all-electric commercial vehicles sold to date. Given this scenario, experts also firmly expect global demand for battery systems to continue to rise dramatically in the years ahead, particularly in light of the changing international climate policy setting, countries' own energy and climate targets and the increase in support measures for an electrified transportation sector. According to the report of the Fraunhofer Institute for Systems and Innovation Research ISI, demand is expected to be between 1 and 1.5 TWh by 2025; the researchers expect between 3 and 6 TWh by the year 2030.[14] A recent assessment by Roskill, the UK-based consultancy for raw materials and the chemical sector, on the other hand, is slightly more cautious. Here, too, however, experts assume that worldwide production capacity for lithium-ion batteries will exceed the 2 TWh mark by no later than 2029.[15]

In an international comparison, China particularly has emerged as the leading market for vehicle batteries since 2018. According to a survey by the management consultancy Roland Berger in 2019, the country is a leader not only in cell production as well but also in the production of materials for cathodes and anodes, and accounts for 67% of global

8 Kiel Institute for the World Economy (2020), Kieler Konjunkturberichte, Deutsche Wirtschaft im Winter 2020, p. 2.
9 Kiel Institute for the World Economy (2020), Kieler Konjunkturberichte, Deutsche Wirtschaft im Winter 2020, p. 2.
10 https://www.bmwi.de/Redaktion/DE/Schlaglichter-der-Wirtschaftspolitik/2020/12/kapitel-2-3-weltwirtschaft.html#:~:text=In%20seiner%20aktualisierten%20Projektion%20vom,1%20%25%20im%20Jahr%202021%20aus.
11 https://www.vda.de/de/presse/Pressemeldungen/210119-Europ-ischer-Pkw-Markt-bricht-2020-um-ein-Viertel-ein.html
12 https://de.statista.com/statistik/daten/studie/247702/umfrage/absatz-von-mittleren-und-schweren-lkw-in-den-usa/
13 https://battprod.vdma.org/documents/7411591/59580810/VDMA%2520Batterieproduktion_Roadmap_2020_final_1610705214701.pdf/71d468a2-6981-41ab-b20b-b5d8c001fa9a
14 https://www.isi.fraunhofer.de/content/dam/isi/dokumente/cct/lib/Energiespeicher-Monitoring_2018.pdf
15 https://www.mining.com/li-ion-battery-demand-to-grow-tenfold-by-2029-report/

production here.[16] Germany and the US are now more or less on an equal footing with one another in terms of production and production forecasts. Accordingly, the demand for battery cells in the Federal Republic of Germany may still be more subdued to date, but the experts at Fraunhofer firmly assume that Germany will outperform not only the US in the coming years, but Japan and South Korea as well.[17] According to the VDMA, total demand for lithium-ion battery cells in Europe may already reach 150 to 300 GWh by 2025.[18]

Parallel to the dynamism of the global market for vehicle batteries, a major growth spurt can be seen in global demand for electrified vehicles as well. The eBus market in particular saw a strong upward trend in 2020 despite the COVID-19-pandemic, and was able to grow by 22%. According to the Dutch consulting firm Chatrou CME Solutions, the number of registered eBuses in Western Europe and Poland alone has increased from 1,685 in the previous year to a total of 2,062.[19] According to Chatrou CME Solutions, there were 1,047 battery-powered electric buses approved in Western Europe and Poland during the first nine months of 2020. Of these, 228 are in Germany, meaning that the total of 171 electric buses newly registered in 2019 had already been significantly exceeded in Germany in just nine months.[20]

Growth in demand is largely driven by the shifting political environment: Sustainability and climate protection, and hence the most emissions-free transportation possible, have been high on the political agenda of the European Union since 2019. Against this backdrop, public transport in particular is taking on a pioneering role in the conversion to electrified drives. Also in Germany, the demand for climate-neutral public transport gained strong momentum in the past financial year in view of the air quality in cities. According to the eBus Radar published by the management consultancy PwC, there were a total of 676 city buses with electrified drives on Germany's roads in 2020. The battery-powered bus is by far the most widespread eBus variant. The number of new buses with this type of drive has more than doubled annually since 2017.[21]

And yet: Although the demand for eBuses is growing steadily in the Federal Republic of Germany and throughout Europe, the industry still enjoys a relatively small share of the overall market. According to a study by the consulting firm SCI Verkehr, in 2019, just 0.2% of all buses in Europe were electrified. By way of comparison: The share in China stood at around 14%. The consultancy company points to these figures as a sign of this industry's high potential for growth. The consultants project 40% in the European market for eBuses by 2023.[22] Measured in terms of new bus registrations, the British market research firm Interact Analysis forecasts a 40% market share for electric buses in Europe by 2025.[23] An equally promising forecast concerns the global market for electrified trucks. Hence, Frost&Sullivan, a US-based consultancy, sees the market potential for eTrucks for the most important regions in North America, China and Europe at in excess of 2.25 million vehicles by 2025.[24]

In the rail sector, there is significant demand potential for alternative propulsion solutions through replacement of diesel engines in the coming years. By 2035, railway technology manufacturer Alstom expects a total of 5,400 diesel-powered regional locomotives in Western Europe alone to be scrapped and replaced by new vehicles. Sizable demand is projected for Germany, too, as 10,000 kilometers or approximately one-third of the 33,000 kilometers of rail lines in Germany will continue to have no electric overhead contact line, in spite of Deutsche Bahn's expansion program, so trains will continue to have to run on diesel or through alternative means.[25]

2.2 BUSINESS PERFORMANCE OF THE AKASOL GROUP

Due to the expected major upturn in business in the second half of the year, in the coronavirus-affected year of 2020, AKASOL registered growth in group revenue year-on-year up by around 43%, to EUR 68.3 million (previous year: EUR 47.6 million). Revenue was thus in the upper range of the EUR 60 to 70 million corridor forecast by the Management Board in

16 https://www.rolandberger.com/de/Point-of-View/Zukunftsmarkt-Batterie-Recycling-Verpasst-Europa-(wieder)-den-Anschluss.html
17 https://www.isi.fraunhofer.de/content/dam/isi/dokumente/cct/lib/Energiespeicher-Monitoring_2018.pdf
18 https://battprod.vdma.org/documents/7411591/59580810/VDMA%2520Batterieproduktion_Roadmap_2020_final_1610705214701.pdf/71d468a2-6981-41ab-b20b-
19 https://www.sustainable-bus.com/news/europe-electric-bus-market-2020-covid
20 https://omnibus.news/e-busse-q1-bis-q3-2020
21 https://www.pwc.de/de/branchen-und-markte/oeffentlicher-sektor/e-bus-radar-2021.pdf
22 https://ecomento.de/2019/12/17/e-bus-studie-europa-zoegert-china-zeigt-was-moeglich-ist/
23 https://www.busplaner.de/de/news/elektromobilitaet-e-mobilitaet-e-busse-europa-bis-2025-marktanteil-von-40-18808.html
24 https://www.electrive.net/studien/executive-analysis-of-electric-truck-market-forecast-to-2025/
25 https://www.handelsblatt.com/technik/forschung-innovation/brennstoffzellenantriebe-die-ersten-wasserstoffzuege-gehen-2021-in-die-serienfertigung/26738830.html?ticket=ST-7245582-h0XWeFzNcH5KRLjd5BtP-ap5

August 2020. Once the block breaks put in place by AKASOL customers, some lasting through and including July, had been lifted again and production resumed, the significant upturn in sales projected by AKASOL management was seen from the third quarter onward. AKASOL had taken steps to ensure delivery capacity for rapid realization of these catch-up effects through, among other things, adequate inventory production during the first half of the year. Production capacities on the second production line at the serial production location in Langen were also increased correspondingly. The EBIT of the AKASOL Group for the entire year 2020 stood at EUR -12.1 million (previous year: EUR -5.3 million); expressed in relation to Group revenue, this represents an EBIT margin of -17.7% (previous year: -11.1%). The downturn in EBIT owes particularly, first of all, to steps taken in support of growth relative to the establishment of structures in the short term and improvement of processes within the Group. This also takes account of one-time expenses in connection with adjustments in stock and material masters, as well as special effects in personnel affairs. Another external factor influencing the Company's extraordinary one-time expenses was the effort to keep organizational functioning intact during the pandemic. Following an operating EBIT of EUR -6.8 million during the first nine months of 2020, and with the improvement in earnings forecast by the AKASOL Management Board also materializing over the fourth quarter with a positive operating EBIT of EUR 1.5 million, the operating level was improved to an EBIT of EUR -5.3 million for the full year. With a value of 2.0%, the announced positive operating EBIT margin was achieved in the second half of 2020 (H1 2020: -34.5%) Disregarding the stress of the COVID-19 impacts placed on the markets in which the AKASOL Group is active, the cumulative total orders under framework agreements concluded with customers and call-up agreements of the AKASOL Group stood at around EUR 2 billion as of the reporting date for 2020 for the period through 2027, and thus remained at an unchanged high level.

The Company's positive long-term development outlook remains intact, according to the AKASOL Management Board. Projects for electrification of the bus and commercial vehicle sector were not jeopardized on the customer side in 2020, even under the onerous general conditions of COVID-19. Hence, for example, serial production of the AKARack 48-volt battery system for a manufacturer of construction equipment with operations worldwide began in autumn 2020 at the new AKASOL headquarters in Darmstadt. Apart from the serial production currently under way for a construction equipment manufacturer with global operations, significant demand potential for the new serial product can already be seen from other customers as well.

Serial development of the AKASystem AKM CYC ultra-high-energy battery system, which enables buses and commercial vehicles to travel 600 to 800 kilometers thanks to improved energy density, also made successful progress in 2020. Several hundred modules have already been produced at the pilot production facility at the location in Weiterstadt. In addition, internal validation and test operation at the customer's premises were performed on schedule during the reporting period. The ultra-high-energy battery systems will be produced on the fully automated production lines in Darmstadt, beginning in mid-2021.

In addition to an agreement already in effect with a longstanding major customer, AKASOL is in advanced negotiations with manufacturers in the on- and off-highway sector for additional serial orders for the AKM CYC AKASystem. This also makes delivery of third-generation battery systems part of the order communicated in the fourth quarter of 2020 and received by AKASOL from the largest Turkish commercial vehicle manufacturer. Under the framework agreement concluded, with a total volume in the mid-double-digit million-euro range, AKASOL will initially supply the second – and, later on, the third – battery system generation for an existing and a new bus type of the customer from 2021 on.

In the Off-Highway Division, small-batch production of powerpacks for Alstom's Coradia iLint hydrogen-powered train also began on schedule in the third quarter of 2020. All 82 battery systems under this order are expected to be delivered by early 2022. With this project, and within the scope of a pilot project for Hyundai Motors under which delivery of fuel-cell vehicles of the XCIENT Fuel Cell type with AKASOL battery systems began in Switzerland in late summer of 2020, the Group made good progress in tapping the market potential in the field of fuel-cell drives in the previous financial year.

Above and beyond the production launches and pilot projects mentioned above, all of the development projects that AKASOL customers had commissioned even before the first lockdown in spring 2020 were successfully advanced toward completion. In addition, AKASOL AG has been certified in accordance with the most important international automotive standard:

IATF 16949. The IATF 16949 standard combines existing general requirements for quality management systems in the automotive industry.

In addition to various internal and customer-specific development projects, AKASOL has created further structural conditions for realizing expected growth. In addition to expanding production capacity at German locations, production was also successfully launched on the first US serial production line during the 2020 financial year. At the US site in Hazel Park (MI), the first order of business is to build the second-generation serial-produced battery systems for a longstanding major customer. This gives AKASOL more than 1 GWh of production capacity across all sites, as scheduled, as of the end of the 2020 financial year.

BUSINESS PERFORMANCE BY REGION

The breakdown of revenue by region for the 2020 financial year results in the following picture: The main source of revenue was Europe, with EUR 63.2 million or 92.4% (previous year: EUR 41.5 million or 87.2%) of total revenue. This was followed by America with EUR 4.2 million or 6.1% (previous year: EUR 3.3 million or 7.0%) and Asia with EUR 1.0 million or 1.5% (previous year: EUR 2.8 million or 5.8%).

2.3 FINANCIAL AND NON-FINANCIAL PERFORMANCE INDICATORS

FINANCIAL PERFORMANCE INDICATORS

The Management Board is regularly informed about the key financial indicators as part of its effort to gauge the economic success of operational implementation of its corporate strategy and to manage the Company. In this context, AKASOL relies on risk and control management, with the support of which management identify potential risks to the Group as a going concern and its development in an effort to initiate suitable measures as soon as possible. The most important indicators are reported to the Supervisory Board on a regular basis and also factor into dialog with all stakeholders. The control system takes into account the way in which the nature and/or level of the business activity has one-off or extraordinary effects on the performance indicators. Due to these special influences, and depending on the respective planning horizon, the internal target variables are generally defined as bandwidths for the measurement and control of operational performance. On the basis of rolling, medium-term planning, the relative trend in the key figures of revenue and EBIT margin is considered, taking into account the experience-curve effects within a certain range. The EBITDA margin represents another financial performance indicator for use in evaluating the operating result of the AKASOL Group. This performance indicator provides management with an important tool, particularly in times with strong earnings impacts. Against the backdrop of the growth strategy, this serves the aims of anticipatory corporate governance in terms of both risk-oriented and opportunity-oriented management. In addition to the financial management variables presented, the AKASOL Group is managed on the basis of important non-financial performance indicators.

NON-FINANCIAL KEY PERFORMANCE INDICATORS

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

› **Customer benefits:** When it comes to AKASOL's products and services, customer satisfaction is a key factor in the Group's lasting success. Continuous research and development work increases the efficiency of AKASOL battery systems and is continuously aimed at possible cost reductions. In surveys conducted to this effect, customers regularly confirm the excellent technology found in the range of services. AKASOL's goal is to maintain and build upon its high level of customer satisfaction.

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

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

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

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

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

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

RESULTS OF OPERATIONS, FINANCIAL POSITION AND NET ASSETS AT A GLANCE

In EUR millions	2020	2019	Change
Revenue	68.3	47.6	+43.4%
EBITDA *	–8.3	–3.2	>–100%
EBIT **	-12.1	–5.3	>–100%
Net income	-12.5	–6.4	–95.3%
Earnings per share (EUR)	-2.02	–1.06	–90.6%
Total assets	164.2	149.9	+9.5%
Equity	82.8	95.1	–12.9%
Equity ratio (%)	50.4	63.4	–13.0 percentage points
Cash and cash equivalents	13.2	24.9	–47.0%
Liabilities to banks and other financial liabilities	50.4	41.6	+21.1%

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

2.3.2 TARGET/ACTUAL COMPARISON FOR THE REPORTING YEAR

Due to the uncertainty about the impact of the COVID-19 pandemic prevailing when the 2019 financial statements were drawn up, the Management Board of AKASOL AG had not drawn up a quantitative full-year forecast for the Group for the 2020 financial year. In the further course of the year, as the actual business performance came increasingly into view, the Management Board had forecast total revenue in the range of between EUR 60 and 70 million for the 2020 financial year. The EUR 68.3 million in Group revenue for the 2020 financial year was thus at the upper end of the projected corridor.

On the earnings side, in August, the Management Board had forecast a positive operating EBIT margin in the second half of 2020 and an improvement in earnings when viewed over the full course of the year. Adjusted for special effects, EBIT for the AKASOL Group in the second half of 2020 stood at EUR 1.0 million; this represents an adjusted EBIT margin of 2.0%. The operating EBIT margin in the second half of 2020 was thus positive, as projected by the Management Board, and exhibited significant improvement over the first half of the year (adjusted EBIT H1 2020: EUR -6.3 million; adjusted EBIT margin H1 2020: -34.5%).

2.3.3 RESULTS OF OPERATIONS OF THE AKASOL GROUP

The revenue of the AKASOL Group totaled to EUR 68.3 million in the 2020 financial year. This represented growth of 43.4 % in comparison to the EUR 47.6 million in revenue generated the previous year. The positive year-over-year revenue trend was driven by encouragingly high customer demand. In this connection, revenue of EUR 50.1 million in the second half of 2020 alone represented more than a doubling of the first half of 2020 (EUR 18.2 million). Due to block breaks instituted in the plants of AKASOL's customers, at first the trend in business in 2020 was heavily burdened by efforts to contain the first wave of the COVID-19 pandemic. The upturn in business forecast by the Management Board then took hold in the second half of the year.

The inventories of finished goods and work in progress was slightly higher, increasing by EUR 0.3 million (previous year: EUR 2.6 million). The significantly lower level of increases in inventory compared to the previous year is a result of effective inventory management in relation to strong demand in Q4.

Own work capitalized totaled to EUR 5.3 million in the 2020 financial year (previous year: EUR 3.5 million). This mainly includes investments in developing battery systems of the next generation.

Other operating income amounted to EUR 0.6 million (previous year: EUR 0.3 million) and includes, inter alia, income from grants for research projects and exchange-rate gains.

As a consequence of the already noticeable expansion in production connected to the upturn in revenue, the cost of materials increased from EUR 36.9 million in 2019 to EUR 53.7 million in the reporting year. The cost-of-materials ratio was higher year-over-year and stood at 78.6% (cost of materials relative to revenue; previous year: 77.4%). The moderate increase can be attributed to the commissioning of new production facilities and products with an expected higher cost of materials during the ramp up of production.

Personnel expenses increased by a slightly lesser percentage compared to the revenue trend and at EUR 19.1 million were 40.8% higher (previous year: EUR 13.5 million). Establishment of the human resources required for the Company's further growth continued as forecast in 2020. This also includes the personnel expenses of AKASOL Inc. The personnel-expense ratio decreased by 0.5 percentage points compared to 2019 and stood at 27.9% (personnel expenses relative to revenue; previous year: 28.4%).

Other operating expenses were higher in the 2020 financial year and totaled to EUR 10.0 million (previous year: EUR 6.8 million). The significant year-over-year increases contained in this figure included space costs (necessary expenses of launching and running a logistics hub), expenses from exchange-rate differences (intercompany) as well as allocations to the individual valuation adjustment of customer receivables and warranty provisions.

This resulted in earnings before interest, taxes and depreciation (EBITDA) of EUR -8.3 million for the reporting period (previous year: EUR -3.2 million). The EBITDA margin (expressed as a percentage of revenue) stood at -12.2% in 2020 (previous year: -6.6%).

Due to significant investments made during the financial year under report and in previous years, scheduled depreciation of property, plant and equipment and intangible assets increased to EUR 3.8 million in the 2020 financial year (previous year: EUR 2.1 million). This includes leasing depreciation in accordance with IFRS 16 in the amount of EUR 1.1 million (previous year: EUR 0.6 million).

Earnings before interest and taxes (EBIT) for the 2020 financial year amounted to EUR -12.1 million (previous year: EUR -5.3 million). The downturn in EBIT owes particularly, first of all, to steps taken in support of growth relative to the establishment of structures in the short term and improvement of processes within the Group. This also takes account of one-time expenses in connection with adjustments in stock, as well as special effects in personnel affairs. Adjusted for one-time expenses in connection with adjustments in stock, as well as special effects in personnel affairs, EBIT for the full year 2020 amounted to EUR -5.3 million (2019: EUR -2.4 million), representing an adjusted EBIT margin of -7.7% (2019: -5.1%).

There were financial expenses in the 2020 financial year in the amount of EUR 0.5 million (previous year: EUR 0.3 million), as well as EUR 0.2 million in financial income (previous year: EUR 0.3 million). Earnings before taxes (EBT) thus stood at EUR -12.5 million (previous year: EUR -5.3 million).

No tax expenses or earnings were included in the financial year (previous year: tax expenses of EUR 1.1 million).

The AKASOL Group thus achieved a net result for the period of 2020 in the amount of EUR -12.5 million (previous year: EUR -6.4 million). Earnings per share amounted to EUR -2.02 (previous year: EUR -1.06).

2.3.4 FINANCIAL POSITION OF THE AKASOL GROUP

The AKASOL Group held EUR 13.2 million in cash and cash equivalents as of December 31, 2020. This amount was lower than the value for the previous year's reporting date (December 31, 2019: EUR 24.9 million).

As of the reporting date of December 31, 2020, the AKASOL Group had non-current financial liabilities of EUR 43.0 million (December 31, 2019: EUR 37.0 million). The slight year-over-year increase is mainly attributable to the taking-out of new loans for investments in the Gigafactory, and for production lines.

There were current financial liabilities of EUR 7.3 million as of the reporting date (December 31, 2019: EUR 4.6 million). These liabilities are mainly liabilities to banks. Taking trade payables of EUR 16.1 million into account (December 31, 2019: EUR 10.4 million), together with other non-financial liabilities of EUR 12.1 million (December 31, 2019: EUR 2.3 million) and EUR 1.4 million in provisions (December 31, 2019: EUR 0.5 million), there are current liabilities of EUR 36.9 million (December 31, 2019: EUR 17.9 million). The year-over-year increase is due to higher levels of current liabilities to banks and a significant increase of EUR 9.7 million in other non-financial liabilities, which mainly consist of advance payments received. The increase in trade payables is mainly the result of outstanding invoices for construction work.

Non-current liabilities total to EUR 44.5 million (December 31, 2019: EUR 37.0 million). EUR 38.3 million of these non-current liabilities (December 31, 2019: EUR 32.2 million) represent liabilities to banks, and EUR 1.4 million represent trade payables for a rent-to-own arrangement.

Cash flow from investing activities for the period from January 1 to December 31, 2020, totaled to EUR -29.2 million (previous year: EUR -0.8 million) and is characterized by the acquisition of EUR 47.6 million in property, plant and equipment and the sale of EUR 24.5 million in financial assets. Investments in property, plant and equipment were made particularly in connection with the expansion of production capacity at all serial production locations and within the framework of setting up the new company headquarters in Darmstadt.

Cash flow from operating activities was positive in contrast to the previous year, and stood at EUR 9.6 million in 2020 (previous year: EUR -25.6 million). Significant factors that influenced this figure in 2020 were a lower increase in inventories, together with a decrease in other assets parallel to a simultaneous upturn in other assets and liabilities.

The Company's free cash flow (cash flow from operating activities plus cash flow from investing activities) thus improved to EUR -19.6 million for the 2020 financial year (previous year: EUR -26.4 million). Cash flow from financing activities stood at EUR 7.9 million in the reporting period (previous year: EUR 29.3 million). The decline is the result of lower levels of financial liabilities incurred.

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

2.3.5 NET ASSETS OF THE AKASOL GROUP

The total assets of the AKASOL Group increased by 9.5% in the past financial year and stood at EUR 164.2 million as of December 31, 2020 (December 31, 2019: EUR 149.9 million).

Non-current assets amounted to EUR 99.8 million as of the December 31, 2020, reporting date. They were EUR 45.6 million higher versus the previous year's balance sheet date. This is mainly due to investments in the continued expansion of the AKASOL Group, including the expansion of production capacity at all production locations and the establishment of the new corporate headquarters in Darmstadt. As a result, the balance sheet value of property, plant and equipment increased to EUR 75.5 million (December 31, 2019: EUR 31.1 million). The partial sale of securities that had been acquired in 2018 to avoid negative interest and had been reported under other financial assets led to a decline in this balance sheet item to a value of EUR 12.8 million (December 31, 2019: EUR 17.4 million). Intangible assets, which in particular include capitalization of development costs, increased by EUR 5.6 million and totaled to EUR 11.5 million (December 31, 2019: EUR 5.8 million).

Current assets as of the balance sheet date of December 31, 2020, totaled to EUR 64.3 million; this was EUR 31.3 million lower than the value as of the previous year's balance sheet date (December 31, 2019: EUR 95.6 million). This is mainly attributable to the reversal of other financial assets, which included EUR 23.0 million in current financial assets as of the previous year's reporting date, together with a EUR 11.7 million decline in cash and cash equivalents, which stood at EUR 13.2 million as of the balance sheet date (December 31, 2019: EUR 24.9 million). Other non-financial assets dropped to EUR 0.6 million as of the balance sheet date (December 31, 2019: EUR 4.6 million).

Trade receivables increased in tandem with revenue growth and stood at EUR 21.1 million as of the balance sheet date (December 31, 2019: EUR 15.2 million). Of this amount, EUR 20.3 million related to invoiced receivables, while EUR 0.8 million involved contract assets not covered by prepayments.

Equity as of December 31, 2020, amounted to EUR 82.8 million (December 31, 2019: EUR 95.1 million). Due to the higher total assets and the lower equity as a result of the negative net result for the period, the equity ratio as of the balance sheet date in 2020 thus remained solid at 50.4% (December 31, 2019: 63.4%).

Non-current liabilities increased from EUR 37.0 million in the previous year to EUR 44.5 million due to borrowing and an increase in non-current trade payables. Taking into account current liabilities of EUR 36.9 million (December 31, 2019: EUR 17.9 million), AKASOL's total liabilities amount to EUR 81.4 million (December 31, 2019: EUR 54.8 million).

2.3.6 OVERALL PRESENTATION OF THE ECONOMIC SITUATION OF THE AKASOL GROUP

With 43.4% growth in revenue, which finished the reporting year at EUR 68.3 million (previous year: EUR 47.6 million), in 2020 the AKASOL Group successfully continued to pursue its path to growth, further expanding its position as an important partner for, among others, manufacturers of buses and commercial vehicles in the field of electromobility.

The cumulative order total of the framework and delivery agreements concluded with customers – some EUR 2 billion for the period from 2020 to 2027 as of the balance sheet date of December 31, 2020 – is further demonstration of the Company's potential for continued, stable growth.

The AKASOL Management Board sees, among other things, the sales success achieved during the coronavirus crisis as confirmation of the Group's promising prospects for growth. Additional fields, such as battery-operated and autonomous charging stations as well as battery systems for hydrogen drives in the market for commercial and rail vehicles, will create attractive additional opportunities for AKASOL to expand.

The envisioned partnership with BorgWarner will significantly accelerate AKASOL's expansion, especially in the markets of Europe and North America. Within the scope of this partnership, the Management Board also sees the potential to gain better access to potential new customers in those markets in which AKASOL is not yet represented.

2.3.7 ASSESSMENT OF THE BUSINESS PERFORMANCE OF THE AKASOL GROUP

As a result of the impact of the COVID-19 pandemic, AKASOL looks back on a challenging 2020 financial year.

Nonetheless, AKASOL achieved strong revenue growth in 2020 while also setting important milestones for the Company's continued development. Among other things, these milestones included the commissioning of the serial production line at the production location in Langen before the first phase of lockdowns; annual maximum production capacity there was consequently expanded to 800 MWh. In spite of temporary restrictions on travel to the US, and thanks to virtual collaboration, AKASOL proceeded on schedule with the planned commissioning of its first serial production line at the US location in Hazel Park, Michigan, with an annual production capacity of up to 400 MWh. AKASOL launched production of the second generation of battery systems there in the second half of 2020. In October 2020, the Company moved into its new headquarters in Darmstadt following just 15 months spent in construction. With a production capacity of up to 5 GWh in its final stage of expansion, the Management Board's assessment is that in the future the AKASOL headquarters will be the largest serial production location for commercial-vehicle battery systems in Europe. Autumn 2020 also marked the launch of serial production at the new headquarters for AKARack, the 48-volt battery system for use in vehicles of a world-leading construction equipment manufacturer.

The negative EBIT of EUR -12.1 million owes particularly to steps taken in support of growth in conjunction with the short-term establishment of structures and improvement of processes within the Group. This also takes account of one-time expenses in connection with adjustments in stock and material masters, as well as special effects in personnel affairs.

The employee base was strengthened further through recruitment, primarily in the areas of research and development as well as administration.

Based on the net assets, financial position and results of operations described, the management considers the Company's overall economic situation to be positive. The envisioned partnership with BorgWarner will strengthen implementation of AKASOL's corporate strategy while significantly accelerating the Company's expansion, especially in the markets of Europe and North America.

3 FINANCIAL STATEMENTS OF AKASOL AG (HGB)

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

3.1 BUSINESS PERFORMANCE OF AKASOL AG

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

3.1.1 RESULTS OF OPERATIONS OF AKASOL AG

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

KEUR	2020	2019
Revenue	**72,859**	**48,173**
Decrease (-) / Increase (+) in inventories of finished goods and work in process	-204	2,143
Own work capitalized	5,301	3,475
Other operating income	664	412
Cost of materials	57,974	37,059
Personnel expenses	18,446	13,384
Amortization of intangible fixed assets and depreciation of property, plant and equipment	2,239	1,336
Other operating expenses	9,851	7,208
Income from other securities, other interest and similar income	234	183
Interest and similar expenses	370	195
Income taxes	0	1,597
Earnings after taxes	**-10,026**	**-6,393**
Other taxes	8	2
Net loss for the year	**-10,034**	**-6,395**

The revenue of AKASOL AG totaled to EUR 72.9 million in the 2020 financial year. It was thus EUR 24.7 million higher than the previous year's revenue (previous year: EUR 48.2 million); this represents an increase of 51.2%. Key drivers for revenue growth were the expansion of serial production of battery systems for two renowned European manufacturers of commercial vehicles, successful implementation of development projects and projects in prototyping.

Own work capitalized totaled to EUR 5.3 million in the 2020 financial year (previous year: EUR 3.5 million). This mainly comprises investments in the development of marketable products that are expected to generate corresponding revenue growth in the years ahead. There was EUR 0.7 million in other operating income (previous year: EUR 0.4 million).

The cost of materials increased by 56.4% year-over-year and went from EUR 37.1 million to EUR 58.0 million. This corresponds to a cost-of-materials ratio of 79.6%, which is higher than it was the year before (cost of materials relative to revenue; previous year: 76.9%) and is based on the increased share of series business, where experience shows that lower margins are achieved. In addition the cost of materials is impacted by the ramp up of the serial production of new products.

Personnel expenses were higher by a lesser percentage compared to the revenue trend. They were EUR 5.1 million (37.8%) higher and totaled to EUR 18.4 million. As a result, the personnel-expense ratio fell to 25.3% (personnel expenses relative to revenue; previous year: 27.8%). The increase in personnel expenses is due to the scheduled establishment of the necessary employee structures.

Depreciation of property, plant and equipment and amortization of intangible assets amounted to EUR 2.2million in the 2020 financial year (previous year: EUR 1.3 million), resulting from scheduled investments in property, plant and equipment.

Other operating expenses in the 2020 financial year totaled to EUR 9.9 million (previous year: EUR 7.2 million). Other operating expenses mainly include expenses in connection with the cost of space, specifically for the logistics area, at EUR 2.0 million (previous year: EUR 1.1 million), as well as legal and consulting costs for structural development in the amount of EUR 1.6 million (previous year: EUR 1.5 million).

There were interest expenses in the 2020 financial year in the amount of EUR 0.4 million (previous year: EUR 0.2 million) as well as income from other securities held as fixed assets and interest income of EUR 0.2 million (previous year: EUR 0.2 million).

After taking tax expenses of EUR 0.0 million into account (previous year: EUR 1.6 million in tax income) together with other taxes totaling EUR 0.0 million (previous year: EUR 0.0 million), AKASOL AG achieved a net loss for the year of EUR 10.0 million as of December 31, 2020 (previous year: EUR -6.4 million).

3.1.2 FINANCIAL POSITION OF AKASOL AG

AKASOL AG held EUR 13.1 million in cash on hand and bank balances as of December 31, 2020. This amount was lower than the value for the previous year's reporting date (December 31, 2019: EUR 44.8 million).

As of the reporting date of December 31, 2020, AKASOL AG had EUR 44.5 million in liabilities to banks. This represents an increase of EUR 8.6 million over the previous year's reporting date (December 31, 2019: EUR 35.9 million) and can largely be attributed to calls for funds under existing loans for construction financing and for plant investments.

Cash flow from investing activities for the period from January 1 December 31, 2020, stood at EUR -55.3 million (previous year: EUR -1.2 million) and results from the acquisition of intangible assets and property, plant and equipment, as well as from the sale of financial assets.

Due to the decrease in inventories and the increases in trade receivables and in trade payables, AKASOL AG generated a cash flow from operating activities in the amount of EUR 15.4 million (previous year: EUR -25.8 million).

The Company's free cash flow (cash flow from operating activities plus cash flow from investing activities) thus totals to EUR -39.9 million for the 2020 financial year (previous year: EUR -26.9 million).

Due mainly to the raising of new funds during the period under report, cash flow from financing activities amounted to EUR 8.3 million (previous year: EUR 29.8 million).

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

3.1.3 ASSETS AND LIABILITIES OF AKASOL AG

HGB balance sheet AKASOL AG

KEUR	31.12.2020	31.12.2019
ASSETS		
Fixed assets		
Intangible assets	11,316	5,483
Property, plant and equipment	66,599	25,632
Financial assets	12,737	17,256
Current assets		
Inventories	16,962	28,124
Receivables and other assets	31,341	22,585
Securities	0	0
Cash in hand and bank balances	13,101	44,753
Prepaid expenses	**403**	**35**
Deferred tax assets	**0**	**0**
Total assets	**152,458**	**143,868**
EQUITY AND LIABILITIES		
Equity	**84,738**	**94,773**
Subscribed capital and reserves	6,062	6,062
Capital reserve	98,938	98,938
Loss carryforward	-10,227	-3,833
Net loss for the year	-10,035	-6,395
Provisions	**6,763**	**2,619**
Liabilities	**60,957**	**46,477**
Total equity and liabilities	**152,458**	**143,868**

Total assets at AKASOL AG rose by 6.0% to EUR 152.5 million as of the balance sheet date of December 31, 2020 (December 31, 2019: EUR 143.9 million).

Fixed assets totaled to EUR 90.7 million as of the December 31, 2020, reporting date. It was thus EUR 42.3 million higher versus the previous year's balance sheet date (December 31, 2019: EUR 48.4 million). Intangible assets, which in particular include capitalization of development costs and the introduction of SAP S/4HANA, were EUR 5.8 million higher and totaled to EUR 11.3 million (December 31, 2019: EUR 5.5 million). Property, plant and equipment were significantly higher and stood at EUR 66.6 million (December 31, 2019: EUR 25.6 million) due to the expansion of production facilities and the construction of the new headquarters. Financial assets dropped to a volume of EUR 12.7 million (December 31, 2019: EUR 17.3 million), due to the sale of securities.

At EUR 61.4 million, current assets as of December 31, 2020, were EUR 34.1 million lower than they were as of the previous year's reporting date (December 31, 2019: EUR 95.5 million). The main reason was the decrease in inventories to EUR 17.0 million (December 31, 2019: EUR 28.1 million) due to a significant increase in advance payments received. Trade receivables totaled to EUR 19.5 million (December 31, 2019: EUR 14.1 million), caused by project invoicing at the end of the 2020 financial year.

Cash and cash equivalents (cash on hand and bank balances) developed negatively in connection with investments made and decreased from EUR 44.8 million as of the previous year's balance sheet date to EUR 13.1 million as of December 31, 2020.

Equity stood at EUR 84.7 million as of December 31, 2020; this is EUR 10.0 million below the value of the previous year's reporting date (December 31, 2019: EUR 94.8 million). Due to the increase in total assets and the net loss for the year, the equity ratio as of the 2020 balance sheet date stood at 55.6% (December 31, 2019: 65.9%).

Provisions amounted to EUR 6.8 million (balance sheet date December 31, 2019: EUR 2.6 million). The increase is due on the one hand to higher personnel-related provisions in connection with the significant increase in the number of employees, the increase in the provision for the employee stock appreciation rights and higher provisions for outstanding invoices and warranties.

Liabilities to banks increased as a result of further borrowing and stood at EUR 44.5 million (December 31, 2019: EUR 35.9 million). Trade payables were EUR 5.4 million higher at the end of the 2020 financial year and now total to EUR 15.4 million, compared to EUR 10.0 million as of the previous year's reporting date. Liabilities to affiliated companies amounted to EUR 0.5 million as of December 31, 2020, EUR 0.2 million higher than they had been on the previous year's balance sheet date (December 31, 2019: EUR 0.3 million). In addition, other liabilities increased by EUR 0.2 million and totaled to EUR 0.6 million, versus EUR 0.4 million as of December 31, 2019. As a result, total liabilities amounted to EUR 61.0 million as of the December 31, 2020, reporting date (December 31, 2019: EUR 46.5 million).

3.2 OPPORTUNITIES AND RISK REPORT FOR AKASOL AG

The main opportunities and risks of AKASOL AG as the parent company of the Group and currently the main operating company in the AKASOL Group are reflected in the "Report on opportunities and risks".

3.3 MISCELLANEOUS

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

As of December 31, 2020, AKASOL AG had 309 employees (previous year: 281).

3.4 FORECAST FOR AKASOL AG

The expectations described in the forecast for the AKASOL Group also apply to the development of AKASOL AG as the parent company of the Group. A separate forecast for AKASOL AG based on HGB figures is not prepared.

4 EVENTS AFTER THE BALANCE SHEET DATE

THE DEVELOPMENT OF THE COVID-19 PANDEMIC

For more than one year, the pandemic has deeply affected the European regions. The associated events have not only changed private life to a large extent, but have also posed major challenges to economic activity, which will continue in 2021. The further course of the pandemic will depend to a large extent on future vaccination successes. In mid-March 2021, the German Council of Economic Experts (Sachverständigenrat zur Begutachtung der gesamtwirtschaftlichen Entwicklung) revised its economic forecast downwards due to the onset of a possible third wave. A third wave currently poses the greatest risk to economic development in 2021, as rising infection figures could dampen the economic recovery.[26]

The current developments and restrictions in individual procurement and sales markets as well as the consequences of this for the course of business of the AKASOL Group are being continuously monitored. At this point in time, it cannot be ruled out that there will be a negative impact on the net assets, financial position and results of operations in this connection again in 2021. The outlook for the 2021 financial year remains tied to the high uncertainties that surround further economic development. Reference is also made to the statements in the Forecast report and in the Opportunity and risk report. At the time of completion of this Combined management report, AKASOL had maintained its serial production of battery systems, as well as prototyping and model-making, subject to enhanced hygiene and health precautions for the workforce.

EUR 20 MILLION LOAN AGREEMENT WITH COMMERZBANK TO FINANCE WORKING CAPITAL AND INVESTMENTS

Within the framework of the KfW Entrepreneur Loan Program 037, AKASOL AG has concluded a loan agreement with Commerzbank for a bullet loan. The agreement was confirmed by commitment on December 21, 2020 and signed with legally binding effect on January 26, 2021. It bears interest at 2.0% p.a. and comprises a loan amount totaling EUR 20 million. The term of the loan ends on September 30, 2022.

STRATEGIC COOPERATION WITH BORGWARNER INC.

Following the close of the 2020 financial year, on February 15, 2021, a Business Combination Agreement – and, with it, a strategic cooperation arrangement – was announced between AKASOL AG and the American company BorgWarner Inc. This partnership also entails a voluntary public takeover offer for AKASOL AG. Under the offer, the Company will retain its independence and continue to operate under the AKASOL brand. Important measures were also agreed to safeguard the interests of AKASOL customers and employees. Following the signing of the Business Combination Agreement, ABBA BidCo AG, Mannheim, Germany, a wholly-owned subsidiary of BorgWarner, published the decision to offer to the AKASOL shareholders a voluntary public takeover bid for the purchase of all outstanding bearer shares of AKASOL in exchange for payment of a cash consideration in the amount of EUR 120.00 per AKASOL share. Sven Schulz (through Schulz Group GmbH) and the other founders of AKASOL, who together hold a share of around 59.4%, have signed irrevocable tendering agreements.

Execution is contingent upon a minimum acceptance level of 50% plus one share, together with fulfillment of other customary closing conditions, including regulatory approvals. Management and the Supervisory Board welcome the offer

26 https://www.sachverstaendigenrat-wirtschaft.de/konjunkturprognose-2021.html?returnUrl=%2F&cHash=e7a0142b501031879a6bd211b109dc63

and advocate this strategic cooperation. Following the published, voluntary takeover offer (cash offer) by ABBA BidCo AG on March 26, 2021, the Management Board and the Supervisory Board of AKASOL AG issued separate, reasoned opinions in support of the takeover bid to the shareholders of AKASOL AG.

LONG-TERM FOLLOW-UP ORDER BY LEADING EUROPEAN BUS MANUFACTURER

On April 27, 2021, AKASOL AG announced that it had received a long-term follow-up order from an existing costumer. The order further extends the cooperation already in place between the two companies. From mid-2022 through at least 2024, AKASOL will supply ultra-high-energy battery systems for use in new electric buses, with a total volume ranging in the high double-digit millions. If the agreement's extension options for delivery of additional battery systems through 2027 are exercised, the order volume will increase to an amount in the low triple-digit-million euros.

This announcement of events after the balance sheet date has no effect on the annual and consolidated financial statements. Moreover, there were no events of particular relevance, or with specific effects on the Company's net assets, financial position and results of operations after the reporting date of December 31, 2020.

5 OPPORTUNITY AND RISK REPORT

The following Opportunity and risk report, and specifically the forward-looking statements made therein, describe management expectations and plans for AKASOL AG as an independent corporate group. As soon as the strategic cooperation with BorgWarner Inc. goes into effect, these assumptions may not apply or may no longer apply in full.

5.1 OPPORTUNITY AND RISK MANAGEMENT

Opportunity and risk management at the AKASOL Group seeks to identify possible opportunities and risks early on, and by creating appropriate strategies to make the best possible use of any opportunities, and/or to avert possible damage. The Company has an internal control and risk management system in place for this purpose. The control and monitoring systems are continuously developed in an effort to identify and manage potential risks. Within the framework of opportunity and risk management, members of Company management are regularly informed about the likelihood of occurrence and the possible amount of damage involved.

Risks arise for AKASOL not only through external influences but through the Company's own entrepreneurial activities as well. The effects of risks can mean that goals will go unmet, or that meeting them is subject to negative influences. In the field of tension between opportunities and risks, AKASOL takes deliberate risks if these are proportionate to the expected benefits from the entrepreneurial measure in question. Hence, while risks are essentially unavoidable, their impacts can be softened to the greatest extent possible.

5.2 INTERNAL CONTROL- AND RISK-MANAGEMENT SYSTEM RELATIVE TO THE FINANCIAL REPORTING PROCESS

The AKASOL Group takes the risks identified into account by means of an suitable risk management system. Steps are taken early on to avert any disadvantages to Group companies. These steps include:

› Involving the Controlling Department in all relevant information flows concerning the core business processes at AKASOL, so that target, actual and forecast data can be continuously compared at the company level through monthly business controlling based on this information.

- Project controlling to monitor operational projects and support project control and monitoring through target/actual analyses, identifying measures to ensure project success.

- Central monitoring of material contractual risks or risks arising out of legal disputes by Company management and counsel, and by qualified law firms if necessary.

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

5.3 INDIVIDUAL OPPORTUNITIES AND RISKS

OPPORTUNITIES

The German Mechanical Engineering Industry Association (VDMA) and AKASOL both view the electromobility market as a future market with vast growth potential.[27] In addition to the increasing electrification of vehicle drives, other components in vehicles are also being electrified. Where internal-combustion engines are still in use, the focus is on their efficiency and environmental friendliness – thus creating a competition with electric motors. These market trends present great opportunities for AKASOL.

AKASOL sees itself as well-positioned to participate in the positive development of the market, particularly in the field of electromobility for commercial vehicles. This is due not least to the proceeds of approx. EUR 100 million that accrued to AKASOL in connection with the IPO on June 29, 2018, and that is meant specifically to finance the Company's growth strategy. The third-party debt financing concluded in 2019 for general corporate financing and to finance construction of the new corporate headquarters further strengthened the financial footing for achieving the desired steps to growth.

The Company's growth opportunities within the context of its growth strategy are illustrated by the high level of cumulative total of framework agreements and call-off agreement agreed with customers in an amount of around EUR 2 billion at the beginning of the current 2021 financial year for the planning period up to and including 2027. In addition to capacity expansion, the focus of the new financial year will remain on the marketing of new technologies, especially in the areas of eMobility and stationary battery systems (stationary high-speed charging stations, for example).

Fuel-cell technology also plays an important role in the field of alternative drives – particularly in the truck sector, where the fuel cell is expected to gain in importance in the medium term. This is because, in contrast to pure battery technology, the fuel cell allows longer battery travel ranges. The AKASOL Group began concerning itself with fuel-cell technology early on. Since fuel cells work best with an adequate continuous charge, the storage of energy in the lithium-ion batteries is essential for the efficiency of the system. The battery stores whatever energy from the fuel cell is not needed for traction, but also through recuperative braking-energy generation. AKASOL has been supplying battery systems since 2018 that ensure sustainable propulsion when used in conjunction with the fuel cell. Against this backdrop, the AKASOL Group sees considerable sales potential for the years ahead.

Global trends and favorable political framework conditions – such as increasing urbanization and the challenges that this presents for urban mobility solutions, or the promotion of

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

eMobility in connection with politically and socially accelerated emissions reductions – support the increasing electrification of the individual divisions of the Company. New legislative amendments and intensified government activity to mitigate the impacts of climate change are also creating new potential for AKASOL. Investments in infrastructure and the economic programs instituted can lead to an increase in the Company's revenue. These trends are further magnified by the rising costs and limited supply of the fossil raw materials used for conventional drive systems.

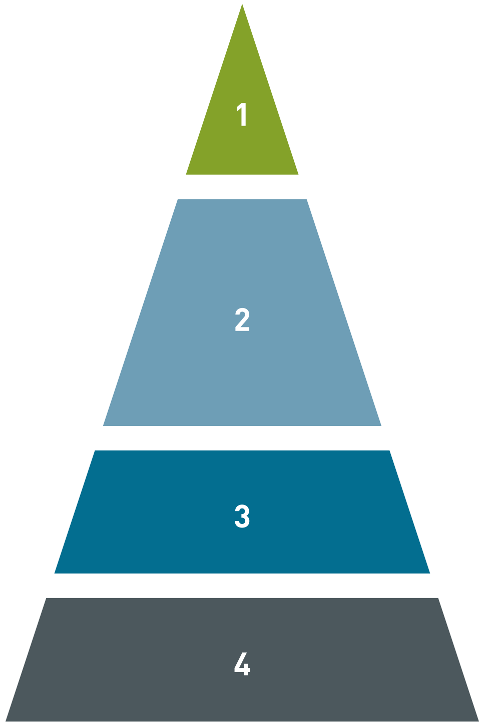
AKASOL is well positioned to benefit from the developments described. The company has a strong market position as a supplier of battery systems for manufacturers of buses and commercial vehicles. The company is thus firmly established in the market and has the necessary flexibility to take advantage of opportunities and trends in the field of eMobility in the effort to optimize its own business activities. Further opportunities arise through the development of innovative, new products and the exploitation of new technologies as well as additional regional markets, as is also the case in joint activities with BorgWarner.

RISKS

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

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

Structure of the areas of responsibility



1 OVERALL RESPONSIBILITY OF THE MANAGEMENT BOARD

- Overall responsibility for risk management and the internal control system
- Approves the risk-management framework
- Approves the risk manual and general risk acceptance
- Specifies strategies and risk-management goals
- Approval of risk classes and main risks

2 CONTROL/OVERSIGHT MANAGEMENT & MONITORING

Process manager/Risk-Management Officer (RMB) (makes recommendations to the Management Board)

- Promoting risk awareness
- Training process participants
- Updating and adapting the RMS to changing framework conditions
- Adapting the risk manual and maintaining the plants
- Implementing and embedding risk management and internal controls
- Documenting and archiving risks
- Facilitates the risk process, the generation of risk indicators and the consolidation of classes of risk

3 DIVISION MANAGER (BV)

- Documenting and archiving risks
- Promoting employees' general awareness of risk
- Monitoring the implementation and impact of measures to manage risk
- Identifying, prioritizing, assessing and monitoring risks

4 EMPLOYEES

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

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

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

Exogenic Risks

INCIDENT / EXOGENIC INTERFERENCE

Operative Risks

OPERATIVE RISKS

- F&E
- Purchasing
- PDM
- PM
- Sales
- Production Langen
- Production Darmstadt
- Logistics
- IT / SAP
- Legal
- Finance
- HR

Intrinsic Risks

STRATEGIC INHERNET RISKS

- Participation of the Management Board

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

AKASOL DISTINGUISHES BETWEEN THE FOLLOWING CATEGORIES OF RISK:

HAZARD RISK

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

- Health
- Safety
- Environment

STRATEGIC RISK

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

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

COMPLIANCE RISK

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

- Ethic
- Principles of corporate governance
- Laws and regulations

FINANCIAL RISK

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

- Fluctuations in exchange rates and interest rates
- Liquidity and financing
- Credit risk
- Taxes
- Financial management and control

OPERATIONAL RISK

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

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

HEALTH, SAFETY AND ENVIRONMENTAL RISKS

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

STRATEGIC RISKS (INCLUDING MACROECONOMIC AND INDUSTRY-SPECIFIC RISKS)

As a producer of high-performance lithium-ion battery systems, AKASOL is dependent on the economic situation of its customers, who in turn are dependent on macroeconomic developments. Reports from the automobile industry show that some companies want to build their own battery-production operations, or that they intend to do so if need be. This translates into a risk that previous customers can become competitors of the AKASOL Group. This can have a negative effect on the demand for AKASOL's products. The Company may incur risks to revenue and earnings as a result. Given its current customer portfolio, AKASOL is exposed to a high cluster risk, in particular by the Scandinavian key customer, resulting in risks to the Company's profitability and liquidity. The broadening of the customer base and the widening of the product portfolio can be expected to counteract this potential risk over the long and medium terms.

From our current vantage point, there are uncertainties in economic policy as a result, for one, of the COVID-19 pandemic. A persistent entrenchment of the pandemic situation, new lockdowns and tensions in financial markets could jeopardize any economic recovery in markets of relevance for AKASOL. In addition, there are potential risks due to continuing trade disputes between the US and China as well as the UK's exit from the EU. It should be noted, however, that AKASOL currently does not face any significant risk from the UK exit from the EU. Revenue levels there are of minor importance to the Company at this point in time. Overall, however, the further course of these conflicts is apt to affect economic trends in the markets of relevance for AKASOL.

Even though the autumn forecast by the European Commission envisions economic growth of 4.1 % in the EU for 2021,[28] a high level of untapped resources remains, which can have a negative impact on AKASOL's business performance, as customers postpone their orders in order to keep their own expenses as low as possible. Accordingly, investing activity can be expected to increase only slightly. By contrast, positive impetus can be derived from the major government economic programs. It should be pointed out, however, that the duration of the pandemic has exhausted the bulk of the options available in fiscal policy. Consequently, any economic impacts might be more significant in the future than in the 2020 financial year.

The business activities of the AKASOL Group may be negatively affected by the global extent of the pandemic to a large extent. In this regard, it is not only the direct effects of employee illness that can be mentioned here, but also indirect

28 https://ec.europa.eu/commission/presscorner/detail/de/ip_20_2021

factors such as the consequences of government-imposed protective activities and countermeasures, which can have a significant impact on business operations. In this respect, lasting effects on the earnings situation, the availability of parts in the supply chain, the maintenance of production and the financial stability of the Group can occur. To prevent possible risks and damages, AKASOL has developed various concepts to be able to act according to the circumstances. For this purpose, a task force team has been set up, which acts under the leadership of the Chairman of the Management Board. The measures developed in the team involve aspects that can safeguard the Company's ability to act, along with organizational steps to maintain business operations. With this in mind, stricter hygiene and distancing rules have been implemented on the premises of the AKASOL Group.

On the political side, economic constraints are expected to be eased in an effort to mitigate economic damage – to the extent that epidemiological developments permit and the political pressure to ease these constraints actually exists. Consequently, no concrete statements can be made at this point in time with regard to the intensity and duration of individual measures and their impact on business development. The introduction of short-term, sweeping measures can have considerable consequences for macroeconomic performance. In this context, there could also be factory closures on the part of suppliers, customers or even at our own production facilities. The organizations mentioned could also experience insolvencies. The specific risk of a pandemic lies in its duration, as further waves of infection or viral mutations may occur. Essentially, when a pandemic occurs, it gives rise to a situation with a complex risk environment that can result in negative impacts on the AKASOL Group's business situation as well as its net assets, financial position and results of operations.

Going forward, the demand for battery systems in market segments of electromobility is largely a function of further developments around trends in electrification, environmental protection and urbanization. Political and economic incentives to support dependence on fossil fuels, or to abandon policies aimed at preventing the use of fossil fuels and promoting the use of alternative forms of energy and energy efficiency as well as urbanization, could have a significant adverse impact on the business performance of the AKASOL Group. The same applies to a politically motivated scaling-back of incentives for the use of electromobility solutions. Quantity reductions by customers could have a corresponding impact on the economies of scale of productivity gains and cost savings. Depending on its extent, this impact could temporarily or permanently lead to a higher cost-of-materials ratio.

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

Strong market growth in the field of electromobility presents the AKASOL Group with increasing competition from new providers of battery-system technologies. Increased competition may pose a risk for AKASOL in terms of market share, margins and overall profitability. In the Company's judgment, competitors are making extremely ambitious promises as they try to convince potential customers of their products. All in all, the market environment is a highly competitive one, as not just the speed of new technological developments and the associated interchangeability of products, but also stiff price competition, call for permanent defense of one's own market position.

At the same time, there is a risk that cell suppliers and other established market stakeholders, which also includes vehicle manufacturers, will use the larger financial resources at their disposal to modify their business strategy and establish a direct presence in AKASOL's target markets with battery systems of their own. This is how important customers of the AKASOL Group could ultimately occupy the field of battery technology themselves. In order to counteract these risks, one of the main missions of the AKASOL Group is to continuously develop and improve upon the technology it offers in its target markets.

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

As a producer of lithium-ion battery systems, the AKASOL Group is dependent on third parties for a reasonable and sufficient supply of raw materials, semi-finished products, parts, components, production equipment and services, on time and reasonably priced. To counteract risks arising from this dependency relationship, AKASOL constantly strives to diversify the supplier pool and to address supply bottlenecks through efficient and anticipatory warehouse management. In the case of materials with very long delivery times and raw materials that are of critical importance for the production of the battery systems, such as battery cells or modules, long-term supply agreements that include annual capacity forecasts have been concluded with the respective suppliers in order to avoid supply bottlenecks. This is designed to prevent negative impacts on revenue and liquidity in the event of a default by a supplier. Due to the coronavirus pandemic and its negative impacts, as well as the risks to the anticipated economic recovery, the Management Board classifies the strategic risks involved here as medium to high risks.

OPERATIONAL RISKS

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

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

The continuing high order volume is helping to ensure that the company continues to have high inventories. Here, the AKASOL Group faces an increased risk with regard to the storage volume that is taken up and the volume still available. This makes the danger of a fire in the warehouse, for example, one of the most material risks that the Company faces. And if warehouse capacity is too low, there is a risk of underutilization of production capacity. This can jeopardize the growth and profitability targets. To offset these risks, in late 2020 the AKASOL Group moved into its new 15,000-square-meter, two-story production, assembly and logistics hall.

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

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

The cumulative total of the AKASOL Group's framework agreements and call-off agreements agreed with customers took into account framework agreements signed and in hand as of December 31, 2020; some of these agreements are non-binding. The entirety of agreements entered into by the AKASOL Group also comprises agreements with a limited number of major clients; this means that the Company faces risks due to an excessive concentration of customers. To secure its revenue, the AKASOL Group always makes an effort to further grow its customer base, and to use framework agreements that will turn successfully completed customer and development projects into longer-term, close partnerships. This is why AKASOL has entered into strategic partnerships with its most important customers, either contractually or through other arrangements, that promote continued cooperation and thus reduce risks due to lost revenue. Still, these agreements also contain clauses that grant both parties permission to terminate the business relationship in certain circumstances.

Part of AKASOL's growth strategy is to tap into new markets, especially in the US. In the context of this expansion, the Company faces the risk that the products manufactured for this market will not be sold, or that political or regulatory interference will result in a restriction of the AKASOL Group's business activities in these markets. In order to counteract this risk, the AKASOL Group carefully evaluates the circumstances of a new market before it makes a decision to expand, weighing the potential an expansion project involves. Where the legislative requirements for the North American market are concerned, production at the US site in Hazel Park, Michigan, will put AKASOL in a position to comply with the provisions of the USMCA (United States Mexico Canada Agreement) and BAA (Buy American Act) relative to the share of value added locally in the manufacture of battery systems.

In the context of product development and series production, AKASOL faces quality and operational risks relating to the materials, technology and organizational processes involved. AKASOL minimizes these risks by means of a quality management system. Developing new products and technologies calls for an enormous amount of effort in research and development, at the cost of considerable financial expense. The resulting developments are not necessarily always successful, and this can have negative effects on the Company's earnings situation. There may also be competitors that are better able to meet market requirements with their products, or AKASOL's products may not have adequate acceptance in the market. The AKASOL Group's field of activity is characterized by rapid technological change and a large number of different competitors. This situation brings forth new and innovative products, services or even product standards. With this in mind, the AKASOL Group makes an effort to keep its product portfolio updated, thus defending its market position. The company intends to offer the best and most advanced products in its segment, at competitive prices. A strategy such as this may entail risks, but this very fact also creates a key purchase argument for the products offered by AKASOL. In this respect, AKASOL always strives to optimize internal processes and systems in the context of product development.

The security and dependability of one's own information technology is of increasing importance, as the threat to information security due to cybercrime is increasing. This applies not only to the use of IT-based systems but also to internal and external communication. Reasonable precautions are deployed; nonetheless, disruption of these systems may pose a threat to the confidentiality, availability and reliability of data and systems in development, production, distribution or administration. This could result in negative impacts on reputation, competitiveness or business development. For this reason, out of an abundance of caution, the AKASOL Group instructs its employees about the correct handling of hardware, software and sensitive data. Appropriate internal organizations have also been set up, and adequate concepts developed, to safeguard the security and reliability of the information technology deployed.

In addition, the establishment and timely availability of sufficient production capacities is an integral part of AKASOL's growth strategy. No industrial standard (yet) exists for the technical design of production and assembly plants and the necessary processes for the manufacture of electric drive battery systems for commercial vehicles due to the very different designs and form factors of the systems concerned. AKASOL commissions experienced plant engineers and automation specialists for its production plants and assembly lines.

With such production plants and the completely new processes to be operated on them, there is always a risk that, among other influences, production plants cannot be completed on time due to an inadequate or incompletely described technical design. This would have the consequence – e.g. in connection with model changes in AKASOL's product range – that customers could not be supplied with these new systems in time.

Furthermore, there are risks in insufficient dimensioning of the plants, which would result in additional expenses for appropriate adaptation planning and, if necessary, additional production and/or automation systems.

In addition, the ramp-up of production facilities, which is necessary in very short innovation cycles, involves the risk that additional materials are required and additional scrap is produced during the ramp-up process, on the one hand in order to optimize the processes, and on the other hand in order to train the production staff and to increase the sustainable production quality of the output (the yield).

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

FINANCIAL AND TAX RISKS INCL. RISKS FROM THE USE OF FINANCIAL INSTRUMENTS

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

As part of the SAP migration of the AKASOL Group, the internal control system will be continuously reviewed and, if necessary, adjusted in terms of processes to the newly introduced ERP system. Due to the dynamics of the company, there are risks of a short-term failure to make necessary adjustments, which could consequently have a negative impact on the correct presentation of the company's development. Overall, the Management Board classifies this risk as temporary and is countering this latent risk factor by reviewing the overall SAP "Purchase-to-Pay" and "Order-to-Cash" process using SIPOC (Supplier, Inputs, Process, Outputs, Customer - Represents processes and procedures quickly and clearly with a rough level of detail).

The use of financial instruments is regulated as part of the Management Board's risk provision. There is no conclusion of derivative instruments for speculative purposes. The purpose of financial instruments is to minimize credit exchange-rate risks. Hedging transactions are concluded exclusively through the Company's central Finance Department and with the approval of the Management Board in an effort to hedge against fluctuations in market interest rates and/or rates of exchange. The risks arising from the use of financial instruments mainly result from liquidity risks, default risks, credit risks, interest-rate risks, fluctuations in cash flow and the risks of fluctuation in currency rates and prices. Overall, the Management Board classifies the financial risks as low to medium risks.

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

- **Purchasing risks:** Due to the current high concentration on a few customers with corresponding long-term, non-binding framework agreements, delays or defaults in call-up of products have significant medium-term impacts on net assets, financial position and results of operations. Consequently, cash and cash equivalents are appropriately tied to the AKASOL Group's inventories. AKASOL addresses this risk with an analysis of order backlogs within the scope of early risk detection, and by expanding the customer base through comprehensive sales activities in the relevant core markets.

- **Credit risks:** The majority of AKASOL customers have a high credit rating. By dividing a total receivable into various milestone-dependent partial amounts (payable, for example, before service provision, during system construction and after commissioning), a total default of a receivable is to be counteracted. The insolvency risk of multinational customers is considered to be low. Nevertheless, this risk must be monitored particularly closely. Increased acquisition of new customers and expansion of business into further countries will increase the risk of individual defaults, but reduce the relevance of any individual case. Specific risks are to be reduced through advance analyses of new customers. In addition, there are generally risks associated with the credit quality of the bond issuers and banks to whose financial instruments AKASOL has subscribed in an effort to avoid negative interest rates. However, since the Group only subscribes to securities issued by banks and firms with demonstrably excellent credit ratings, the risk must be considered as very low. The Management Board's assessments of credit ratings as described in this section are based on currently available information, also taking into account the COVID-19 framework conditions currently prevailing in AKASOL's economic environment.

- **Interest-rate risks and fluctuations in cash flow:** In managing interest-rate risks, AKASOL limits itself to the use of marketable instruments used solely to secure existing loans and not for speculative purposes. The loans taken out in the 2019 financial year were predominantly loans with fixed interest or with a fixed-interest period. In the case of variable-interest liabilities, changes in future rates of interest can lead to further fluctuations in cash flow. These can lead to further risks in the event of extreme changes in the general interest-rate level.

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

The sale and transfer of AKASOL shares as part of the voluntary, public takeover bid by BorgWarner Inc. could adversely affect the tax situation of the AKASOL Group. Specifically, existing tax loss carryforwards could be lost, and real estate transfer tax could be assessed against the real estate of the AKASOL Group. At AKASOL, total corporate tax loss carryforwards of approximately KEUR 29,463 and trade tax loss carryforwards of approximately KEUR 28,765 had been declared by December 31, 2020. At AKASOL Inc. tax loss carryforwards of KUSD 3,050 had been declared by December 31, 2020. The submission of the tax returns for the 2020 financial year and the respective determination of the loss carryforwards as of December 31, 2020, by the competent tax office are still pending. The Management Board would like to point out that, in the event of a transfer of more than 50% of the AKASOL shares to the bidder, the current tax losses incurred up to the takeover could be eliminated along with existing loss carryforwards, insofar as there are no hidden reserves taxable in Germany for the respective companies concerned. Impacts on existing tax loss carryforwards with AKASOL Inc. in the US must be reviewed on a case-by-case basis.

COMPLIANCE RISKS (LEGAL, REGULATORY AND TAX RISKS)

Within the scope of the business activities of the AKASOL Group, risks arise from possible project delays and any contractual penalties in which these might result. The Company's development projects, particularly those for serial customers, are subject to a tight schedule. At the same time, these projects contain regulatory and legal imponderables, such as product validations (crash tests, shaker tests, EMC tests, etc.), and these can delay the project in the event of a failure. In an extreme case, this may delay the date of the planned product launch, which in turn may lead to claims for damages against AKASOL. The same applies in the event of a delay in connection with the launch of series production. In addition, the company is bound by numerous environmental, health and safety laws and various directives, which are becoming increasingly stringent. Expansion into new markets is also subject to a number of business, economic, legal and political risks. Furthermore, risks arise from cases of corruption and fraud or other criminal and unauthorized conduct. AKASOL counteracts these risks with appropriate project controls.

In addition, AKASOL is subject to risks in connection with product liability and product recalls as well as with regard to lawsuits and claims filed against the Group. This also includes claims for damages, arbitration proceedings or other legal disputes. A further legal risk of AKASOL's business activities arises from the assertion of damage caused by delay and warranty claims or the associated compensation requirements on the part of customers. As the products offered by the Group are highly complex, there is a corresponding risk of quality problems. This can lead to warranty claims, for example. High quality standards and a corresponding quality management system, which extends from product development through to production, are designed to prevent such developments.

In principle, the quantification of provisions for potential losses from orders, warranty provisions, provisions for dismantling, decommissioning and similar obligations as well as provisions for legal disputes, regulatory proceedings and official investigations is largely based on estimates. If the estimated total costs exceed the approximate revenues, AKASOL recognizes provisions for potential losses. In addition, in existing projects, the Group constantly reviews the extent to which changes need to be made to the provisions by means of ongoing checks on the progress of the project and by updating the estimates. In conjunction with this, the performance requirements and the imputability of the obstacles must also be reviewed. For all potential risks from future legal or arbitration proceedings, provisions have been made in the past at an adequate level, which are partly offset by benefits from insurance policies. The AKASOL Group also makes provisions in the event that increased warranty claims have to be calculated on the basis of past experience or company and industry-specific experience. Accordingly, risk monitoring is carried out, which helps the Group to make more reliable decisions regarding provisions.

There are currently no further significant risks from warranty claims beyond the risk provisioning measures taken. Warranty provisions have also been recognized for two customer projects. In order to identify and control disproportionate factual and legal risks at an early stage and to avoid their escalation as far as possible, AKASOL has a risk management and reporting program as well as appropriate legal advice. The Management Board classifies the risks to warranty provisions as low risks.

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

5.4 OVERALL PRESENTATION OF OPPORTUNITIES AND RISKS

The AKASOL Group sees opportunities for future development particularly in the dynamically growing market for electromobility, own technology expertise, the continuous further technological development of the product portfolio, global trends toward the expansion of electromobility solutions and the price advantages of serial production. Within the scope of its growth strategy to tap new markets and new customer groups, its development of technology expertise and its boost in operating performance through efficient commitments of capital and its efficient structures, AKASOL intends to make consistent use of the opportunities for growth that exist.

Risks of future development for the AKASOL Group mainly stem from increasing competition, dependence on suppliers, rapidly evolving technological requirements, changing political and regulatory framework conditions, threats to the security and reliability of the information technology deployed, the negative impacts of major external events such as pandemics, as well as the challenges posed by robust corporate growth. There is also a cluster risk due to the current customer portfolio, as well as a risk that customers and suppliers alike could become competitors as a result of their own research and development and corresponding production.

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

Despite all the challenges that arose in 2020, the intensified transformation of the mobility sector that we have seen this year presents the Company with far-reaching opportunities. The global economic growth of 5.5 %[29] forecast by the International Monetary Fund for 2021 gives the Company confidence that, in the coming financial year as well, AKASOL will continue on the successful business path it has pursued to date.

6 FORECAST REPORT

6.1 PRELIMINARY REMARK REFERRING TO THE BUSINESS COMBINATION AGREEMENT BETWEEN AKASOL AG AND A SUBSIDIARY OF BORGWARNER INC. ANNOUNCED ON FEBRUARY 15, 2021

This forecast report, and specifically the forward-looking statements made therein, describe management expectations and plans for AKASOL as an independent corporate group. This report and these statements do not contain any assumptions that already include effects with a potential impact, for example, on future trends in revenue and earnings development at the AKASOL Group as a result of the proposed business combination with a subsidiary of BorgWarner Inc., a globally leading automotive supplier.

Nevertheless, there could be future effects with an impact on trends in revenue and earnings, among other things, at AKASOL if and when the desired strategic cooperation with BorgWarner goes into effect, for example through the sharing of expertise, corporate structures and resources as well as through economies of scale in purchasing. Accordingly, as soon as the strategic cooperation with BorgWarner Inc. goes into effect, the assumptions made in this forecast report, and applicable exclusively to an independent AKASOL Group, may not apply, or may no longer apply in their entirety.

29 https://www.imf.org/en/Publications/WEO/Issues/2021/0

6.2 ECONOMIC ENVIRONMENT

Following a strong recovery in the economy after the end of the first lockdown in spring 2020, measures to contain the pandemic were instituted in many places again in autumn 2020 in the wake of drastically increased rates of COVID-19 infection.[30] According to the Institute for the World Economy (IfW), however, the associated restrictions on economic activity will only have a temporary negative impact on the recovery that has begun. Against this backdrop, the IfW forecasts 6.1 % growth in global GDP in 2021.[31]

The economic trend in the Eurozone remained under the strong influence of the COVID-19 pandemic. The second wave of infection that hit most of the countries of Europe beginning in autumn 2020 again prompted European governments to take sweeping measures to slow the spread of the pandemic. In anticipation of a reboot in economic activity by the summer of 2021 at the latest, the IfW forecasts economic growth of 4.9 % for the Eurozone in 2021.[32]

Since November 2020, economic activity in Germany has also been gradually dialed back; hence, the business climate in Germany is also still determined by the course of the pandemic. Nonetheless, the IfW forecasts a 3.1 % increase in economic performance for Germany in 2021.[33]

The IfW predicts a robust economic recovery in the US in 2021 as well. As a consequence of generous government stimulus measures and the widespread availability of vaccines, which may involve the lifting of existing restrictions, the Institute expects the US economy to grow by 3.7 % in 2021.[34]

According to estimates by the German Mechanical Engineering Industry Association (VDMA), global demand for lithium-ion battery cells totaled to approx. 150 GWh in 2018, with the market segment for applications in the field of electromobility demonstrating the most dynamic development potential by far. Assuming continuing grounds for optimism, the market can break into the terawatt-hour range as early as between 2025 and 2030. This is mainly the result of high rates of growth of approx. 40 % in recent years. According to forecasts, these growth rates are expected to remain high over the next few years, averaging 30 to 40 %. An extremely important segment in this connection is the commercial vehicles line, which currently accounts for nearly 20 % of total demand.[35] [36]

6.3 BASIC DEVELOPMENT OUTLOOK OF THE AKASOL GROUP

In an economic and social setting that remains unaffected by extraordinary influences such as a pandemic, the management of the AKASOL Group continues to see very good prospects for development. Thanks to this outlook, further significant increases in revenue should be possible for AKASOL in the years to come; this may result in positive earnings before interest and taxes (EBIT). In its effort to realize this potential for expected economic success, the Group is focused on the following strategic thrusts: Managing expected growth, expanding technology leadership, expanding competitive position and concentrating on profitable business units.

Even in the 2021 financial year, the AKASOL strategy is focused on a continuation of dynamic growth. Organic growth will remain the main driver of further expansion for the AKASOL Group for the foreseeable future. To realize the expected revenue potential, new-product development and the effort to tap into new application areas and markets will continue to play a significant role in the Group's activities. A clear goal is and will remain that of growing as a diversified company, beyond customer industries and regions. In this, the most important strategic element is the scaling of business by selling existing products to new customers. Its current portfolio of products puts AKASOL in a position to meet many of the customers' needs for innovative battery-system solutions for hybrid and fully electric vehicles. Within the scope of diversification, AKASOL strives to achieve both horizontal diversification (supply and development of additional products, accessories, etc.) and vertical diversification (supply of comprehensive solutions such as turnkey applications, e.g. high-speed charging stations).

Where the development of new products or product generations is concerned, AKASOL is guided by a clearly defined innovation roadmap that takes necessary adaptations to relevant customer needs and the specific requirements of new markets into account. Rapid development and production of prototypes offers customers convincing product samples that can be flexibly and individually adapted as required. The recruitment and further development of qualified employees also play an important role. AKASOL wants to attract the most qualified employees for its team, particularly in the area of research and development. This is an important cornerstone

30 Kiel Institute for the World Economy (2020), Kieler Konjunkturberichte, Weltwirtschaft im Winter 2020, p. 2f.
31 Kiel Institute for the World Economy (2020), Kieler Konjunkturberichte, Weltwirtschaft im Winter 2020, p. 8.
32 Kiel Institute for the World Economy (2020), Kieler Konjunkturberichte, Weltwirtschaft im Winter 2020, p. 11.
33 Kiel Institute for the World Economy (2020), Kieler Konjunkturberichte, Deutsche Wirtschaft im Winter 2020, p. 2, p. 5.
34 https://www.imf.org/en/Publications/WEO/Issues/2021/0
35 https://battprod.vdma.org/documents/7411591/15357859/Update%202018%20Roadmap%20Batterieproduktionsmittel%202030.pdf/00d1bf54-4a57-1a0c-8b4d-ca-0531d1696a?t=686185.84
36 https://battprod.vdma.org/documents/7411591/15357859/Update%202018%20Roadmap%20Batterieproduktionsmittel%202030.pdf/00d1bf54-4a57-1a0c-8b4d-ca-0531d1696a?t=686185.84

of the Group's technological competence – and thus of its competitiveness as well.

In the future, the expansion of the portfolio of customer services, which includes after-sales services such as maintenance, will help improve the customer experience and customer loyalty, thus contributing to an upward trend in revenue. As a first step, AKASOL is focused on reinforcing its service-management staff.

Even under framework conditions that have been strained by COVID-19 since spring 2020, our customers have not called projects to electrify the commercial-vehicle sector into question. This was particularly evident during the third and fourth quarters of the past financial year, when AKASOL posted strong catch-up effects in sales. AKASOL management expects this significant upturn in business to continue in the quarters to come. Hence, management continues to project a dynamic market environment and rising demand in the years ahead. Growth will be driven by business with leading manufacturers of buses and commercial vehicles. Additional growth potential is expected from expansion in the portfolio around the third generation of AKASOL's battery systems. AKASOL also intends to make the most of the growth opportunities presented by the electrification of rail vehicles. Additional revenue potential stems from the AKARack battery system, which, with its 48 V technology, is designed for use in construction machinery, among other things. There are further growth opportunities in the field of fuel-cell-driven vehicles, where demand for high-performance battery systems is high. AKASOL also plans to continue development of its mobile quick-charging stations for electric vehicles into a serial product. Marketing for this globally unique product has been in implementation since early 2021.

AKASOL's goal is to become an established Tier-1 system supplier in Europe and North America within the next five years. In addition, the Company aims to be the leading brand for battery systems in hybrid and fully electric commercial vehicles by 2025. The continuous expansion in capacity to up to 10 GWh over the next five years, together with the innovative product portfolio, should have a correspondingly positive impact on the Company and contribute to sustainable business development.

6.4 OUTLOOK FOR 2021

In addition to the operational risks described in detail in chapter 5, such as the material shortages for semiconductors, it is still the Corona pandemic that causes the major uncertainties for the entire supply chain from suppliers to customers. However, the situation seems to be easing further. Particularly since the first vaccines became available to protect against COVID-19 infection, and given the related prospects of overcoming the COVID-19 pandemic, planning security for the AKASOL Group has fundamentally improved compared to 2020. This is also supported by potential orders totaling around EUR 2 billion as of the December 31, 2020, reporting date for the planning phase up to and including 2027, and by forecast purchases by the leading AKASOL customers. To date, purchase forecasts for the 2021 financial year have been on an order of magnitude of that already communicated expressed to AKASOL before the outbreak of the pandemic. Customers have revised their purchase volumes only slightly. AKASOL management views this as a sign that the pursuit of electrification for buses and rail and commercial vehicles will continue, even in the face of the current crisis. From this development, it can also be concluded that the transformation toward electromobility will increase significantly again in the future.

In spite of initial suggestions that the COVID-19 pandemic will be overcome in the future, it cannot be ruled out that there may be further phases in future in which the COVID-19 crisis might intensify. Such an intensification could have a significant impact on the Group's operations, among other things through a large number of illness cases among the AKASOL workforce, plant closures at AKASOL or shutdowns in production on the part of AKASOL's customers.

Against the backdrop of the global economic recovery currently forecast for 2021, the AKASOL Management Board considers the outlook for the 2021 financial year to be essentially positive.

The state-imposed restrictions on public life in the wake of the epidemic of COVID-19 still have an impact on travel by employees in Sales and Service. The duration and intensity of these impacts in relation to our core markets of Europe and North America are difficult to predict. With this in mind,the Management Board is planing based on a variety of scenarios and is updating these regularly. Viewed from today's vantage, however, the Management Board considers a significant increase in Group revenue – of up to 50% year-over-year – to be entirely within the scope of the possible. If revenue can be lifted to this level, AKASOL AG also expects a significant improvement in EBIT. AKASOL will promptly provide updates to or substantiation of this forecast as soon as the impacts of COVID-19 can be assessed with greater certainty.

For purposes of classification of this forecast for the 2021 financial year, against the backdrop of the Business Combination Agreement between AKASOL AG and a subsidiary of BorgWarner Inc. announced on February 15, 2021, reference is made to the first subsection of this forecast report.

7 CORPORATE GOVERNANCE

7.1 DECLARATION ON CORPORATE GOVERNANCE

Good corporate governance is a central part of the management approach at AKASOL AG: The Management Board and the Supervisory Board are committed to this approach – it guides all of the divisions of the Company as well. The corporate governance declaration pursuant to Section 289f and Section 315d of the German Commercial Code (HGB) is submitted jointly by the Management Board and the Supervisory Board.

ESSENTIAL PRINCIPLES AND PRACTICES OF CORPORATE GOVERNANCE

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

AKASOL AG pursues a compliance strategy that sets itself the goal of establishing a profound culture of values. With this in mind, employees are regularly trained and informed of their obligations in an effort to achieve the greatest possible transparency with regard to the regulations currently in effect. Compliance with legal requirements must always take precedence over violations of rules. Trust is also reinforced through regular reporting to the respective responsible persons and divisions. Any breaches of conduct or violations of the rules that occur are sanctioned immediately. The compliance culture at AKASOL thus has a lasting influence on the actions of the employees and their attitude toward prescribed rules. This consolidates the sense of personal responsibility for one's own actions and strengthens the Company's reputation in its dealings with customers, stakeholders and fellow employees.

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

EXECUTIVE BODIES OF AKASOL AG

MANAGEMENT BOARD

The Management Board manages AKASOL AG on its own responsibility in application of the law, the Articles of Association, the Rules of Procedure and a Schedule of Responsibilities. Key management responsibilities of the Management Board include setting the corporate objectives and charting the strategic course of the Company, management and monitoring of the Company and corporate planning. The Management Board of AKASOL AG currently consists of two members. The members of the Management Board should not be older than 65 years of age at the time of their appointment. During the reporting period, Sven Schulz and Carsten Bovenschen were members of the Management Board.

Sven Schulz (b. 1975), Dipl. Industrial Engineer (MBA), was co-founder and sole investor of AKASOL GmbH in 2008. Before he was appointed CEO of AKASOL AG in May 2018, he worked as Managing Director of AKASOL GmbH. His responsibilities include the following areas: Research & Development, Production, Project and Product Management, Sales, IT, Purchasing, Marketing and Communication. Mr. Schulz's appointment to the Management Board of AKASOL AG lasts until May 2023.

The Supervisory Board appointed Mr. Carsten Bovenschen (b. 1964), Business Graduate (Dipl.-Kaufmann), the CFO of AKASOL AG on January 15, 2019. Mr. Bovenschen is responsible for the areas of Finance, Investor Relations, Human Resources, Law and Organization. His appointment to the Management Board of AKASOL AG lasts until January 14, 2022.

The members of the Management Board regularly inform one another of the status of, and any developments in, their respective areas of responsibility. The Management Board has established systems appropriate to the demands of compliance and risk management. Material business transactions are subject to the approval of the Supervisory Board; the specific approval criteria are set out in the Management Board's Rules of Procedure. The members of the Management Board did not encounter any conflicts of interest during the 2020 financial year that would have been subject to disclosure to the Supervisory Board.

SUPERVISORY BOARD

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

The Management Board involves the Supervisory Board in its planning for the further development of AKASOL AG as well as in decisions on significant measures. The Chair of the Supervisory Board reports on that body's work in a separate report of the Supervisory Board.

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

The first appointments to the current Supervisory Board of AKASOL AG were made on May 14, 2018 (Dr. Christoph Reimnitz) and June 8, 2018 (Dr. Marie-Luise Wolff and Dr. Christian Brenneke). The Supervisory Board of AKASOL AG had three members during the reporting year: Dr. Christoph Reimnitz (Chair), Dr. Marie-Luise Wolff (Deputy Chair) and Dr. Christian Brenneke. The term of office of all three Supervisory Board members ends at the close of the Annual General Meeting that decides on the exoneration of the Supervisory Board for the financial year ending December 31, 2022. The term of office of a Supervisory Board member normally ends with the expiry of the Annual General Meeting following the Supervisory Board member's 75th birthday.

During the past financial year, the Supervisory Board performed its activities in the context of plenary meetings that, from March 2020, due to the contact restrictions in place, were mainly held as video or telephone conferences. A total of eight Supervisory Board meetings were held during the reporting year (four ordinary and four extraordinary meetings). The members of the Management Board attended most of the meetings of the Supervisory Board as well. The Supervisory Board also met without the Management Board. The rate of meeting participation was 96%. All in all, the quorum requirements for the conduct of business by the Supervisory Board were consistently met.

The Company's Supervisory Board did not constitute any committees in 2020, as this was deemed inefficient and unnecessary given the size of the three-member Supervisory Board. The Supervisory Board dealt with all issues brought before it in its capacity as the full Board.

There were no consultancy or other service or work contracts in effect between the members of the Supervisory Board and the Company during the financial year under report. There were no conflicts of interest on the part of Supervisory Board members, which would be subject to requirements of immediate disclosure to the Supervisory Board.

EFFICIENCY AUDITS OF THE SUPERVISORY BOARD

Efficiency audits of the Supervisory Board are conducted as a matter of principle. An efficiency check was performed in the 2020 financial year. The results were presented to the Supervisory Board in the 2020 financial year. The Supervisory Board discussed the recommendations for action derived from this, along with suitable proposals for their implementation. The Supervisory Board will continue exploring the proposals for implementation on an ongoing basis.

TARGET VALUE FOR THE PROPORTION OF WOMEN

Currently, there are no women employed as members of the two-person Management Board of AKASOL AG. One of the three members of the Supervisory Board of AKASOL AG is a woman. When selecting the membership, the respective candidate's professional and personal qualifications take precedence, not whether the candidate is male or female. A target was decided in the past 2020 financial year for the proportion of women of the two bodies, the Supervisory Board and the Management Board. During the 2020 financial year, the Supervisory Board set a target for the proportion of women on the Supervisory Board and the Management Board, as well as the timeline for achieving this. The Supervisory Board set a target figure of 33% for the proportion of women on the Supervisory Board and a target figure of 25% for the proportion of women on the Management Board, together with a deadline of March 31, 2025, in accordance with Section 111 (5) of the German Stock Corporation Act (AktG).

The participation level of women at both management levels below the Management Board currently stands at 25%. The Management Board set the target proportion of women at the two management levels below that of the Management Board was set at 30%, with a deadline of July 31, 2025.

COMPOSITION OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD AND DIVERSITY IN MANAGEMENT FUNCTIONS

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

DIVERSITY CONCEPT: MANAGEMENT BOARD

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

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

DIVERSITY CONCEPT: SUPERVISORY BOARD

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

Overall, the Supervisory Board should have the competencies that are considered essential in view of the activities of AKASOL AG as a Company. These skills specifically include in-depth experience and expertise involved

› in leading a large or medium-sized enterprise that operates as internationally as possible;

› in industrial business and value creation along different value chains;

› in the area of research and development;

› as well as in the field of strategy development and corporate planning;

› particularly in the realm of the technologies relevant to the Company as well as adjoining or related areas;

› in the areas of production, marketing, sales and digitalization;

› in the key markets in which AKASOL AG does business;

› in bookkeeping and accounting;

› in controlling/risk management and

› in the field of governance/compliance.

In addition, in view of the requirements of Section 100 (5) of the German Stock Corporation Act (AktG), at least one member of the Supervisory Board must have expertise in the fields of accounting or auditing, and the Supervisory Board members must be familiar with the technology sector as a whole.

The targets for composition and the desired skills profile of the Supervisory Board are also represented in the diversity concept of AKASOL AG, within the meaning of Section 289f (2) No. 6 of the German Commercial Code (HGB), which is observed with regard to the make-up of the Supervisory Board. Through diversity of expertise and views on the part of the members of the Supervisory Board, this concept aims to facilitate a solid command of the organizational and business matters of AKASOL AG. This diversity should put members in a position to constructively question decisions by the Management Board and to be open to innovative ideas. This will contribute to the provision of effective management and judicious advice to the management of the Company. The members of the Supervisory Board also have diverse backgrounds in terms of their education, experience and professional activities. Details can be found on the website www.akasol.com under the heading “Investor Relations - Company,” in the CVs available there.

DIVERSITY CONCEPT: MANAGEMENT FUNCTIONS IN THE COMPANY

The Management Board also takes considerations of diversity into account when filling management positions at AKASOL AG, in accordance with the recommendation of the DCGK, and specifically strives to ensure that women are adequately taken into account. These targets are pursued alongside and in addition to balanced professional qualifications. This also comprises a composition that is as varied and mutually complementary as possible, to ensure the strongest structure attainable. Diversity in this sense is an important selection criterion and references other aspects including a candidate’s age and professional and educational background. Where the international nature of AKASOL’s business activities is concerned, intercultural competences and international experience in general are relevant as well.

SHAREHOLDERS AND ANNUAL GENERAL MEETING

Unless otherwise provided by law, the shareholders exercise their rights in Company matters at the Annual General Meeting. Only those shareholders who have registered in good time and demonstrated their entitlement to both participate in, and exercise their voting rights at, the Annual General Meeting are entitled to participate in the Annual General Meeting and to exercise their voting rights there.

The registration and legitimation procedure for the Annual General Meeting of AKASOL AG complies with the requirements of German stock corporation law and international standards. Subject to the exceptional circumstances applicable to the Annual General Meeting in June 2021, and applying Article 2 (1) of the Act to Mitigate the Consequences of the COVID-19 Pandemic in Civil, Insolvency and Criminal Proceedings of March 27, 2020, for the Conduct of the Annual General Meeting as a Virtual General Meeting, any shareholder wishing to attend an Annual General Meeting of AKASOL AG and, where indicated, exercise his or her voting rights at that meeting, is welcome to register. He or she must furnish proof of entitlement to both participate and, where indicated, to exercise voting rights. Proof of shareholding by the last intermediary, prepared in text form and in German or English, is sufficient for this purpose. No deposit of shares is required. The proof of eligibility must refer to the beginning of the 21st day prior to the relevant Annual General Meeting and must reach AKASOL AG, together with the registration for the Annual General Meeting, at the address stated in the convocation for this meeting, within the period prescribed by law and the Articles of Association. The particulars of the conditions for registration and participation are announced in the invitation to each Annual General Meeting.

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

In the interests of shareholders, the Chair of the Supervisory Board, as head of the Annual General Meeting, ensures that the meeting is completed swiftly and efficiently. The aim is to conclude an ordinary Annual General Meeting of AKASOL AG in not longer than four to six hours.

ACCOUNTING AND ANNUAL AUDIT

By resolution of the Supervisory Board meeting of September 18, 2020, BDO AG Wirtschaftsprüfungsgesellschaft, of Frankfurt am Main, Germany, were appointed by the 2020 Annual General Meeting as auditors for the financial year from January 1 to December 31, 2020, and were commissioned accordingly by the Chair of the Supervisory Board. At no time were there any business, financial, personal or other relationships between BDO and its organizational units and audit directors, on the one hand, and AKASOL AG and its organizational units, on the other hand, that could raise doubts about the independence of the audit firm.

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

OPEN AND TRANSPARENT COMMUNICATION WITH CAPITAL MARKETS

AKASOL AG informs all market stakeholders openly, transparently, comprehensively and promptly of important processes and developments within the Company. It also participated in numerous investor conferences, road shows and other capital market events in the 2020 financial year. Investors, analysts and journalists are informed by AKASOL AG on the basis of uniform criteria. Transparent information is provided to all capital market stakeholders. AKASOL AG places great value on providing information uniformly, comprehensively and promptly. Reporting on the business situation and results of AKASOL AG takes place in the Annual Report, at press and telephone conferences, in the quarterly reports and in the semi-annual report. Information is also published via press releases or ad hoc disclosures. All disclosures, presentations and notifications can be viewed online at akasol.com, in the “Investor Relations” section.

CHANGE IN VOTING RIGHTS (PURSUANT TO SECTION 40 (1) OF THE GERMAN SECURITIES TRADING ACT (WPHG)

Information on the shareholder structure of AKASOL AG can be found in the Company’s management report. The disclosures published in the 2020 financial year regarding the change in voting rights pursuant to Section 40 (1) WpHG are published on the Company’s website at akasol.com/en/voting-rights-notification.

DIRECTORS’ DEALINGS (DISCLOSURE OF TRANSACTIONS BY MANAGERS PURSUANT TO ART. 19 MAR)

In accordance with the provisions of Art. 19 MAR (Directors’ Dealings), the Company publishes notifications of proprietary trading by persons performing management tasks as well as by (natural and legal) persons closely related to these individuals. These transactions can be viewed on the website at the times prescribed by law. The disclosures published in the 2020 financial year are published on the Company’s website at akasol.com/en/directors-dealings.

SHAREHOLDINGS OF MANAGEMENT BOARD AND SUPERVISORY BOARD MEMBERS

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

Management Board	Number of shares as of 31.12. 2020
Sven Schulz	2,874,116 *
Carsten Bovenschen	1,000

* The voting rights attributed to Mr. Schulz are held via the company Schulz Group GmbH, which is controlled by Mr. Schulz.

Supervisory Board	Number of shares as of 31.12. 2020
Dr. Christoph Reimnitz	1,300
Dr. Marie-Luise Wolff	0
Dr. Christian Brenneke	0

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

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

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

DIVERGENCE FROM CODE PRINCIPLE 8, SENTENCE 4

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

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

DIVERGENCE FROM CODE PRINCIPLE 9, SENTENCE 2, AND CODE PRINCIPLE 11

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

During the 2020 financial year completed, the Supervisory Board of AKASOL AG set targets with regard to the share of women in both bodies: the Supervisory Board and the Management Board. The Supervisory Board set a target figure of 33% for the proportion of women on the Supervisory Board and a target figure of 25% for the proportion of women on the Management Board, together with a deadline of March 31, 2025, in accordance with Section 111 (5) of the German Stock Corporation Act (AktG).

DIVERGENCE FROM CODE PRINCIPLE 9, SECTION B.2

For the time being, the recommendation in Section B.2 of the Code, proposing that the Supervisory Board, together with the Management Board, should ensure long-term succession planning, is not followed.

Until further notice, the Group does not consider any further succession planning or its public communication to be necessary, with reference to flexible personnel competence on the part of the Supervisory Board.

DIVERGENCE FROM CODE PRINCIPLE 14, SECTIONS D.2 TO D.5

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

DIVERGENCE FROM CODE PRINCIPLE 18, SECTION D.12

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

However, the members of the Supervisory Board are responsible for the training and continuing education that their tasks require and discussed these measures in connection with the September 9, 2020, meeting of the Supervisory Board. Prior to this, the Supervisory Board Chair had obtained recommendations on this topic from the Company's auditors and from the lawyers assisting with these matters. It was established that there is no need for further training at this point in time. This is also why there has been no reporting on this matter in the past. As soon as measures in training and continuing education are viewed as required, the Supervisory Board will report on this in the next publication of the report, in keeping with the recommendation of Code 2020.

DIVERGENCE FROM CODE PRINCIPLE 21

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

DIVERGENCE FROM CODE PRINCIPLE 21, SECTION F.2

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

AKASOL AG aims to comply with the timescales recommended by the Code for the annual and consolidated financial statements.

DIVERGENCE FROM CODE PRINCIPLE 23, SECTIONS G.8 AND G.10

The Code recommends a clear and understandable system for the remuneration of members of the Management Board. In 2020, the Supervisory Board does not yet have a complete remuneration system for the Management Board in place within the meaning of Section 87a of the German Stock Corporation Act (AktG).

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

› G.8 (Exclusion of subsequent change of target values or comparison parameters)

› G.10 (Disposal of long-term variable grant amounts)

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

7.3 TAKEOVER-RELEVANT DISCLOSURES

COMPOSITION OF SUBSCRIBED CAPITAL

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

RESTRICTIONS ON SHARE VOTING RIGHTS OR ON TRANSFERSN

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

CAPITAL-PARTICIPATION ARRANGEMENTS THAT EXCEED 10% OF THE VOTING RIGHTS

As of December 31, 2020, Mr. Sven Schulz (CEO of AKASOL AG) held 2,874,116 shares of the Company, both indirectly and directly, through Schulz Group GmbH, Ravensburg, Germany. This corresponds to approximately 47% of the Company's share capital.

SHARES WITH SPECIAL RIGHTS THAT CONFER POWERS OF CONTROL

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

TYPE OF CONTROL OF VOTING RIGHTS WHERE EMPLOYEES HOLD SHARES

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

APPOINTMENT AND DISMISSAL OF THE MEMBERS OF THE MANAGEMENT BOARD AND AMENDMENT OF THE ARTICLES OF ASSOCIATION

With regard to the regulations governing the appointment and dismissal of members of the Management Board, reference is made to the statutory provisions of Sections 84 and 85 of the German Stock Corporation Act (AktG). Pursuant to Section 6 (1) of the Articles of Association, the Management Board consists of at least two persons; the number of members of the Management Board is determined by the Supervisory Board.

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

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

POWERS OF THE MANAGEMENT BOARD TO ISSUE SHARES

By resolution of the Extraordinary General Meeting of June 8, 2018, the Management Board is authorized to increase the share capital of the Company, subject to the consent of the Supervisory Board, once or several times, up to and including May 13, 2023, by up to a total of EUR 2,000,000.00 in exchange for cash and/or in-kind contributions by issuing new bearer shares (no-par value shares) (authorized capital 2018). Shareholders have a basic subscription right. Pursuant to Section 186 (5) of the German Stock Corporation Act (AktG), the new shares may also be acquired by a bank or a company operating pursuant to Section 53 (1) Sentence 1 or Section 53b (1) Sentence 1 or (7) of the German Banking Act (KWG) with the obligation to offer these to shareholders for subscription (indirect subscription right). However, the Management Board is authorized, with the consent of the Supervisory Board, to exclude the subscription rights of the shareholders in the cases referred to in Item 4.5 of the Company's Articles of Association, as amended in June 2020.

CHANGE OF CONTROL AND INDEMNIFICATION AGREEMENTS

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

7.4 REMUNERATION REPORT

MANAGEMENT BOARD REMUNERATION

Determining and regularly reviewing the remuneration of the Management Board is a task of the Supervisory Board. Pursuant to the recommendations of the DCGK, the remuneration paid to members of the Management Board consists of fixed and variable components. The Management Board of AKASOL AG currently consists of two members. During the period under review, the Management Board consisted of Sven Schulz and Carsten Bovenschen.

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

Payments granted	Sven Schulz Chief Executive Officer Joined Company on: 14.05.2018		Carsten Bovenschen Chief Financial Officer Joined Company on: 15.01.2019	
KEUR	**2020**	**2019**	**2020**	**2019**
Fixed remuneration	120	120	200	173
Fringe benefits	0	0	13	15
One-year variable remuneration	3*	8	3.5*	9
Multiple-year variable remuneration	6	17	10.5	26
Total	129	145	227	223
Pension expenses	0	4	5	3
Total remuneration	129	145	232	226

* The current members of the Management Board have not yet received the corresponding earnings for members of the Management Board for the completed 2020 financial year with regard to the one-year variable remuneration (annual bonus). A disbursement will be announced during the 2021 financial year.

Mr. Sven Schulz's total remuneration includes salaries and short-term benefits in the amount of KEUR 129 (previous year: KEUR 145) and comprises fixed components in the amount of KEUR 120 (previous year: KEUR 120), variable components in the amount of KEUR 9 (previous year: KEUR 25) as well as fringe benefits and pension expenses of KEUR 0 (previous year: KEUR 0).

Mr. Carsten Bovenschen's total remuneration includes salaries and short-term benefits in the amount of KEUR 232 (previous year: KEUR 226) and comprises fixed components in the amount of KEUR 200 (previous year: KEUR 173), variable components in the amount of KEUR 14 (previous year: KEUR 35) as well as fringe benefits and pension expenses of KEUR 18 (previous year: KEUR 18).

SUPERVISORY BOARD REMUNERATION

The remuneration to be paid to the members of the Supervisory Board was decided by the Annual General Meeting and is set forth in Section 13 of the Articles of Association of Akasol AG. Under the Articles of Association, the members of the Supervisory Board receive fixed remuneration of KEUR 15. The Chair of the Supervisory Board receives KEUR 30, and the Vice-Chair of the Supervisory Board receives KEUR 20 per financial year. If a person is a member of the Supervisory Board for just a portion of the financial year, the remuneration is determined on a pro rata basis. In addition, the members of the Supervisory Board are reimbursed for reasonable and demonstrated expenses incurred in the performance of their duties, and for any VAT amounts attributable to the Supervisory Board remuneration, insofar as they are entitled to invoice the Company separately for VAT and exercise this right. The members of the Supervisory Board are covered under financial liability insurance taken out by the Company pursuant to the usual market conditions on behalf of the members of the Management and Supervisory Boards.

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

Payments granted	Dr. Christoph Reimnitz Chair of the Supervisory Board		Dr. Marie-Luise Wolff Deputy Chair of the Supervisory Board		Dr. Christian Brenneke Member of the Supervisory Board	
KEUR	2020	2019	2020	2019	2020	2019
Fixed remuneration	30.0	30.0	20.0	20.0	15.0	15.0
Total remuneration	30.0	30.0	20.0	20.0	15.0	15.0

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

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

Darmstadt, Germany, May 14, 2021

Sven Schulz
Chief Executive Officer

Carsten Bovenschen
Chief Financial Officer

Consolidated Financial Statements

CONSOLIDATED BALANCE SHEET OF AKASOL AG

KEUR	Note	31.12.2020	31.12.2019
Non-current assets			
Intangible assets	6.1.1	11,454	5,823
Tangible assets	6.1.2	75,526	31,051
Other financial assets	6.1.3	12,830	17,372
Other non-financial assets	6.5	32	32
Deferred tax assets		0	0
Total non-current assets		**99,842**	**54,278**
Current assets			
Inventories	6.2	29,426	27,815
Trade receivables	6.3	21,063	15,198
Other financial assets	6.4	0	23,000
Other non-financial assets	6.5	600	4,559
Income tax receivables	6.6	74	183
Cash and cash equivalents	6.7	13,177	24,861
Total current assets		**64,340**	**95,616**
Total assets		**164,182**	**149,896**
Equity			
Subscribed capital		6,062	6,062
Capital reserve		96,524	96,524
Result carried forward		-20,023	-7,535
Currency provisions		220	-1
Total Equity	**6.8**	**82,783**	**95,050**
Non-current liabilities			
Deferred tax liabilities		0	0
Financial liabilities			
Liabilities to banks	6.9.1	38,337	32,166
Other financial liabilities		4,686	4,825
Trade payables	6.10	1,457	0
Total non-current liabilities		**44,480**	**36,991**
Current liabilities			
Financial liabilities			
Liabilities to banks	6.9.1	6,547	3,700
Other financial liabilities		792	884
Trade payables	6.10	16,050	10,440
Other non-financial liabilities	6.11	12,081	2,332
Provisions	6.12	1,449	497
Total current liabilities		**36,919**	**17,853**
Total equity and liabilities		**164,182**	**149,894**

CONSOLIDATED INCOME STATEMENT OF AKASOL AG

KEUR	Note	01.01.–31.12.2020	01.01.–31.12.2019
Revenue	**7.1**	**68,332**	**47,648**
Increase or decrease in unfinished and finished goods and work in progress		310	2,616
Own work capitalized	7.2	5,323	3,475
Other operating income	7.3	571	280
Cost of materials	7.4	-53,731	-36,871
Personnel expenses	7.5	-19,069	-13,544
Other operating expenses	7.6	-10,044	-6,756
Depreciation and amortization	7.7	-3,811	-2,137
Operating result (EBIT)		**-12,119**	**-5,289**
Financial income		180	253
Financial expenses		-549	-266
Financial result	**7.8**	**-369**	**-13**
Earnings before taxes (EBT)		**-12,488**	**-5,302**
Taxes on income	7.9	0	-1,131
Result for the period		**-12,488**	**-6,433**
Other comprehensive income		221	-1
Net result for the period		**-12,267**	**-6,434**
Earnings per share in EUR		-2.02	-1.06
Average number of shares outstanding		6,061,856	6,061,856

CONSOLIDATED CASH FLOW STATEMENT OF AKASOL AG

KEUR		Note	01.01.– 31.12.2020	01.01.– 31.12.2019
Cash flow from operating activities				
Operating result (EBIT)			-12,119	-5,289
+	Depreciation on fixed assets		3,811	2,137
+/-	Other non-cash changes		139	33
Changes in net current assets				
+/-	Increase/decrease in inventories		-1,611	-17,350
+/-	Increase/decrease in trade receivables		-5,866	-7,592
+/-	Increase/decrease in other assets not attributable to investment or financing activities		6,980	-3,389
+/-	Increase/decrease in trade payables		7,109	6,276
+/-	Increase/decrease in accounts payable and other liabilities not attributable to investment or financing activities		10,458	-536
+/-	Increase/decrease in provisions		952	272
-/+	Gain/loss on disposal of fixed assets		36	-94
-/+	Interest paid/received		-414	-24
-/+	Taxes paid		109	-43
=	**Cash flow from operating activities**	**8**	9,584	-25,599
Cash flow from investment activities				
-	Production and purchase of intangible assets		-6,119	-3,420
-	Purchase of tangible assets		-47,618	-21,392
-	Purchase of financial assets and other securities		0	0
+	Sale of financial assets		24,519	24,000
=	**Cash flow from investment activities**	**8**	-29,218	-812
Cash flow from financing activities				
+	Capital increase through the issue of new shares		0	0
+	Proceeds from financial liabilities		13,407	32,000
-	Repayment of financial liabilities		-5,467	-2,664
=	**Cash flow from financing activities**	**8**	7,940	29,336
Funds at the end of the period				
Changes in financial resources affecting payments			-11,694	2,925
+/-	Exchange rate and valuation-related changes in cash and cash equivalents		10	0
+/-	Exchange rate and valuation-related changes in cash and cash equivalents		0	9
+/-	Funds on 1 January		24,861	21,926
=	Cash at end of period		13,177	24,861
Composition of funds				
Cash and cash equivalents		6.7	13,177	24,861

CONSOLIDATED STATEMENT OF CHANGES TO EQUITY OF AKASOL AG

KEUR	Subscribed capital	Capital reserve	Result carried forward	Currency provisions	Equity
Balance at 01.01.2019	6,062	96,747	-1,102	0	101,707
Value adjustment of deferred tax assets	0	-223	0	0	-223
Result for the period 2019	0	0	-6,433	-1	-6,434
Balance at 31.12.2019	**6,062**	**96,524**	**-7,535**	**-1**	**95,050**
Balance at 01.01.2020	6,062	96,524	-7,535	-1	95,050
Result for the period 2020	0	0	-12,488	221	-12,267
Balance at 31.12.2020	**6,062**	**96,524**	**-20,023**	**220**	**82,783**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO IFRS OF
AKASOL AG, DARMSTADT, GERMANY,
FOR THE 2020 FINANCIAL YEAR

1. General information about the reporting company

AKASOL AG (hereinafter, the “Company”) is a listed joint stock corporation under the law of the Federal Republic of Germany and has its registered office in 64295 Darmstadt, Kleyerstraße 20, Germany. It is entered in the Commercial Register of the Local Court of Darmstadt under Commercial Register No. HRB 97834.

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

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

Consolidated financial statements had been drawn up the previous year for the first time when the subsidiary newly established in 2017 in the US, in Detroit, Michigan, was included in addition to the parent company, AKASOL INC.

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

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

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

2. Accounting principles

2.1 General remarks

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

These consolidated financial statements were prepared 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 adopted by the European Union. They take into account all mandatory accounting standards and interpretations applicable in the EU. In addition, the requirements of Section 315e of the German Commercial Code are observed.

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

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

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

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

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

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

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

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

2.2 Application of IFRS

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

The following table shows the International Financial Reporting Standards and interpretations that are mandatory as of the 2020 financial year with their corresponding effects on the financial statements of the Company:

Standard/Interpretation	Title	Application obligation	Impacts
IFRS 3	Amendment to IFRS 3: Business combinations – definition of a business operation	Jan. 1, 2020	None
IAS 1 and IAS 8	Amendments to IAS 1 and IAS 8: Definition of materiality	Jan. 1, 2020	None
IFRS 9, IFRS 39, IFRS 7	Interest Rate Benchmark Reform	Jan. 1, 2020	None
	Amendment of references to the framework in IFRS standards	Jan. 1, 2020	None

Amendments to IFRS 3: Definition of a business operation

The amendments to IFRS 3, "Definition of a business operation," involve adjustments to the definition, application guidance and explanatory examples of IFRS 3, "Business Combinations," and clarify the definition of a business operation with the intention of being able to identify more clearly whether a transaction should be accounted for as a business combination or as an acquisition of assets. What is decisive for the definition of a business operation is that acquired activities and assets comprise resources (inputs) and a substantial process that, taken together, contribute significantly to the ability to generate results (outputs). The amendments are mandatory for acquisition transactions for which the acquisition date is on or after January 1, 2020. This did not affect the AKASOL consolidated financial statements.

Amendments to IAS 1 and IAS 8: Definition of materiality

The amendments to IAS 1 and IAS 8, "Definition of materiality," clarify the definition of materiality and standardize these in all IFRS as well as in the IFRS framework. The previous definition of materiality in the international accounting context only applied to the omission or incorrect presentation of information. Following clarification, the use of insignificant information that leads to concealment (omitting) of material information must be deemed similar to an omission. There was also further clarification that information is considered material if an impact is "reasonably foreseeable." The amendment also clarifies the identity of users. The amendment now addresses "primary users", a majority of whom must rely on the financial information they require as provided in the financial statements. The amendments and subsequent amendments to other standards and publications are mandatory for financial years beginning on or after January 1, 2020. This did not affect the AKASOL consolidated financial statements.

Amendments to IFRS 9, IFRS 39, IFRS 7: Interest Rate Benchmark Reform

The IASB's announcement of September 26, 2019 on the reform of interest-rate benchmarks provides for amendments to IFRS 9 "Financial Instruments," IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures." Specifically, these amendments concern certain forms of relief in hedge accounting requirements in reporting periods prior to the replacement of an existing benchmark rate by an alternative rate and are mandatory for all hedging relationships affected by the reform in interest-rate benchmarks. The amendments provide for additional disclosures as to the extent to which the amendments impact entities' hedging relationships. The amendments go into effect for reporting periods beginning on or after January 1, 2020. This did not affect the AKASOL consolidated financial statements.

Amendments to the Conceptual Framework

The IASB published its revised and supplemented Conceptual Framework on March 29, 2018. The changes contain revised definitions of assets and liabilities as well as new guidance on measurement and derecognition, presentation and disclosure. The changes to the Conceptual Framework do not automatically lead to changes in existing standards. There may be use cases, however, in the event of loopholes. Since the Conceptual Framework is not a standard or an interpretation, it is not destined for incorporation into European law. Where necessary, it includes an initial date of application for the amendments, which are uniformly set for financial years beginning on or after January 1, 2020.

The following standards and interpretations have already been adopted by the IASB and partially approved by the EU, but their application is not mandatory for the 2020 financial year. Where applicable, the Group will take them into account when the application obligation arises. No effects are currently expected from this.

Standard/ Interpretation	Title	Application obligation	Impacts
IFRS 17	Insurance contracts	Jan. 1, 2023	None
IAS 1	Presentation of Financial Statements: Classification of liabilities as current or non-current and deferment of effective date	Jan. 1, 2023	None

IFRS 9, IAS 39, IFRS 7, IFRS 4, IFRS 16	Interest Rate Benchmark Reform	Jan. 1, 2021	None
IFRS 16	Covid-19-Related Rent Concessions	June. 1, 2023	None
IFRS 3	Business Combinations: Reference to the Conceptual Framework	Jan. 1, 2022	None
IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	Jan. 1, 2022	None
IAS 37	Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Cost of Fulfilling a Contract	Jan. 1, 2022	None
IFRS 4	Insurance Contracts: Extension of the Temporary Exemption	Jan. 1, 2021	None
	Annual Improvements to IFRSs (AIP) 2018-2020 Cycle	Jan. 1, 2022	None

4. Consolidation and scope of consolidation

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

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

As of December 31, 2020, as in the previous year the consolidated group encompasses, in addition to the ultimate parent company AKASOL AG, the subsidiary AKASOL INC., Detroit, Michigan, USA, in which the AKASOL AG holds all shares, and which is included within the framework of the full consolidation. The Company in the United States had already been formed on October 17, 2017, by way of a cash contribution with the aim of producing and selling high-performance lithium-ion battery systems and providing product-related services.

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

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

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

5. Accounting and valuation principles

5.1 Intangible assets

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

5.1.1 Internally generated intangible assets

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

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

5.1.2 Software and other rights

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

5.2 Tangible assets

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

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

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

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

	Useful life in years
Buildings	25
Technical equipment, plant and machinery	3 to 20
Other equipment, fixtures, fittings and equipment	3 to 13

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

Machinery in process of construction is recorded at the acquisition or production cost. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as incidental acquisition costs.

5.3 Inventories

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

5.4 Trade receivables

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

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

5.5 Cash and cash equivalents

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

5.6 Other financial assets

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

5.7 Other non-financial assets

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

5.8 Provisions and accrued liabilities

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

5.9 Trade payables and other liabilities

Trade payables and other liabilities are measured at amortized cost.

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

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

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

5.10 Revenue recognition

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

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

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

Advance payments are invoiced in the form of invoices or down payment requests in accordance with the agreements made in the individual agreements on the basis of the milestones defined therein. As a rule, these fall due for payment within 14 days of receipt by the customer. All invoices are regularly due for payment within two weeks of receipt.

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

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

5.11 Leasing

The Group leases assets as a lessee such as real estate, office furniture and equipment and motor vehicles.

5.11.1 Definition of a lease

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

5.11.2 Leasing relationship as lessee

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

In keeping with IFRS 16, on the date of provision, the Group recognizes an asset for the right of use granted and a lease liability. The right of use is initially measured at cost, which is equal to the initial measurement of the lease liability, adjusted for payments made on or before the provision date, plus any initial direct costs less any lease incentives received.

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

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

The lease payments included in the measurement of the lease liability comprise fixed payments and indexed, variable lease payments, initially measured based on the index in effect on the provision date, as well as lease payments for an extension option if the Group is sufficiently certain that it will exercise this option.

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

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

In the balance sheet, the Group states these rights of use in property, plant and equipment and lease liabilities in the other financial liabilities.

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

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

5.12 Foreign-currency transactions/currency translation

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

5.13 Financial instruments

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

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

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

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

The outstanding trade receivables are divided into three categories, taking into account advance payments received, and the probabilities of default are set unchanged at 0.2/0.5/1.0% depending on this category of receivables. Due to the customer structure, the pandemic has not led to any material changes in the assessment of the likelihood of default. If the debtor is listed on a stock exchange, a discount of 50% is applied to the calculated amount, since a stock-exchange listing is expected to increase transparency and make it easier for the debtor to raise capital. The amount is then multiplied by the loss given default (LGD) to obtain the expected credit loss (ECL). In the model of the AKASOL Corporate Group, an LGD of 90% is assumed, corresponding to an insolvency rate of 10%.

The expected credit loss (ECL) for corporate bonds and debentures is calculated depending on the bond rating or, if this is not available, the issuer rating with probabilities of default of between 0.06% and 0.25% (previous year: between 0.03% and 0.24%) for ratings in the classes between A- and BBB- (previous year: between Aa3 and BBB-) and an LGD of 56.5% (previous year: 60.0%), corresponding to an insolvency rate of 43.5%), (previous year: 40.0%).

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

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

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

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

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

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

5.14 Borrowing costs

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

5.15 Government grants

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

5.16 Income taxes

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

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

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

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

5.17 Impairment of assets

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

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

5.18 Segments

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

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

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

The breakdown of revenues by geographical market is as follows:

	Jan. 1- Dec. 31, 2020 KEUR	Jan. 1- Dec. 31, 2019 KEUR
Domestic	11,571	19,012
Foreign	56,761	28,636
	68,332	47,648

Of the foreign revenues, KEUR 29,274 (previous year: KEUR 0) is attributable to Poland, KEUR 9,829 (previous year: KEUR 17,320) is attributable to Sweden, KEUR 8,441 (previous year: KEUR 1,097) to France, and KEUR 3,160 (previous year: KEUR 1,950) to the United States, among others.

When presenting the information based on a geographical breakdown, revenues are based on the geographic locations of the customers.

Three customers accounted for more than 5% of revenues in the respective years:

2020

	%	KEUR
Customer 1	42.8	29,274
Customer 2	10.6	7,252
Customer 3	5.2	3,556

2019

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

Non-current assets (excluding deferred taxes) of KEUR 93,084 (previous year: KEUR 51,507) are attributable to Germany and KEUR 6,759 (previous year: KEUR 2,771) to other countries.

5.19 Contingent assets

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

5.20 Cash flow statement

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

5.21 Assumptions and estimates

The preparation of the consolidated financial statements in accordance with IFRS requires estimates to be made for some items, which have an effect on recognition and measurement in the consolidated balance sheet or statement of comprehensive income. The actual amounts may differ from these estimates. Estimates are required in particular to determine the stage of completion of customer orders and their recoverability. The book value of the contract assets is KEUR 775 (previous year: KEUR 866).

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

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

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

The carrying amount of trade receivables is KEUR 21,063 (previous year: KEUR 15,198). The carrying amounts of other financial assets amount to KEUR 12,830 (previous year: KEUR 40,372).

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

Warranty provisions at AKASOL are endowed on a flat-rate basis, at 1% of the rolling 12-month total revenue. In the past, there were no warranty claims that would have indicated the need for a different approach. In a departure from the previous estimate approach, individual provisions have been established for the first time for 2020. Against the backdrop of the expected increase in revenue, it is nevertheless still assumed, based on what is currently known, that the flat-rate approach of 1% of total revenue over the past 12 months is sufficient and appropriate for the endowment of provisions. Accordingly, the procedure as outlined above will apply to preparation of the 2020 financial statements and the interim 2021 financial statements. Whether a more detailed breakdown and determination of the provision amount will make sense in the future is subject to regular review. As this is an estimate, however, it cannot be ruled out that the provision will not be sufficient to cover actual utilization for warranty claims. The estimate is subject to regular management review and adjustment as indicated.

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

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

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

The carrying amount of the development costs is KEUR 9,794 (previous year: KEUR 5,379).

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

6. Notes to the balance sheet in accordance with IFRS

6.1 Fixed assets

The development and composition of fixed assets in 2020 and 2019 is shown in the following statement of changes in fixed assets:

6.1.1 Intangible assets

2020

	Development costs KEUR	Purchased rights KEUR	Advance payments rendered KEUR	Total KEUR
Acquisition and production costs				
As of January 1, 2020	6,959	210	349	7,518
Additions	4,583	1,350	0	5,933
Disposals	0	11	0	11
Reclassifications	166	370	-349	187
As of December 31, 2020	11,708	1,919	0	13,627
Amortization/depreciation				
As of January 1, 2020	1,580	115	0	1,695
Additions	334	148	0	482
Disposals	0	4	0	4
As of December 31, 2020	1,914	259	0	2,173
Book values				
As of January 1, 2020	5,379	95	349	5,823
As of December 31, 2020	9,794	1,660	0	11,454

2019

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

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

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

- Various publicly available analyst reports were evaluated for the discount rate of 7.80% (previous year: 7.82%), and the median of these reports was used as the basis for discounting.
- The future cash flows are largely dependent on the following factors:
  - The expected sales volumes were calculated based on the planned sales volumes from the weighted sales forecast and/or the estimated sales volumes multiplied by
  - the expected revenues resulting from concrete customer offers and/or the expected market prices for the respective product.
- The related costs were estimated based on the expected EBITDA margin of the respective years. The expected EBITDA margins were estimated by management based on the future prospects of the Company, taking a risk buffer into account.
- In each case, the cash flows are calculated for the expected useful life. The useful life is generally assumed to be 3 years for battery systems and 6 years for accessory products that are expected to be usable over several battery-system generations.

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

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

Completed projects:

	Residual useful life	Dec. 31, 2020 KEUR	Dec. 31, 2019 KEUR
Project "OPTISTORE"	1.75 years	179	282
Project "PREDIKT"	0.5 years	85	256
Project "SWIVT"	1.0 years	48	93
Project "DCDC Wandler"	4.25 years	63	78
		375	708

Projects under development in 2020:

	Dec. 31, 2020 KEUR	Dec. 31, 2019 KEUR
Project "MoBat"	1,051	832
Project "ReserveBat"	1,609	658
Project "HyBat"	11	0
Project "CYC PHEV Modul"	884	654
Project "CYC UHE Modul"	2,026	615
Project "Aspice"	396	0
Project "AKA System 16 OEM"	481	481
Project "AKA System 15 OEM"	256	0
Project "CYC UHE System"	794	452
Project "AKM Standard"	571	318
Project "MSM+ Steuergerät"	298	298
	8,378	4,307

The book values of development projects include subsidies from the German Federal Ministry of Economics and Energy and other public institutions. These reduced the cost of the relevant assets by KEUR 84 in 2020 (previous year: KEUR 267).

In addition to own work capitalized, development costs of KEUR 86 were incurred in the income statement in 2020 (previous year: KEUR 68). These costs compare to subsidies in the amount of KEUR 125 (previous year: KEUR 0). Subsidies received in 2020 total to KEUR 209 (previous year: KEUR 267).

6.1.2 Tangible assets

2020

	Property and buildings KEUR	Technical systems KEUR	Fixtures, fittings and equipment KEUR	Advance payments rendered KEUR	Total KEUR
Acquisition costs					
As of January 1, 2020	8,956	6,102	4,559	15,363	34,980
Additions	23,414	6,596	3,356	14,868	48,234
Disposals	98	12	624	0	734
Reclassifications	11,312	4,207	-1,000	-14,706	-187
Net translation differences	-233	0	-4	0	-237
As of December 31, 2020	43,351	16,893	6,287	15,525	82,056
Amortization/depreciation					
As of January 1, 2020	546	1,430	1,953	0	3,929
Additions	1,415	1,151	763	0	3,329
Disposals	74	1	610	0	685
Reclassifications	432	0	-432	0	0
Net translation differences	-22	-12	-9	0	-43
As of December 31, 2020	2,297	2,568	1,665	0	6,530
Book values					
As of January 1, 2020	8,410	4,672	2,606	15,363	31,051
As of December 31, 2020	41,054	14,325	4,622	15,525	75,526

2019

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

The additions to property and buildings in the 2020 financial year include KEUR 115 in borrowing costs (previous year: KEUR 0) at an interest rate of between 0.64% and 0.68%.

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

Property, plant and equipment includes rights of use in the amount of KEUR 4,441 (previous year: KEUR 5,418). Please refer to Section 9.11 for further disclosures in connection with leased property. In the context of the purchase of land, an agreement with the seller was reached under which an extension of use beyond the previous floor-space ratio or area would require a subsequent payment on the purchase price for land and property.

6.1.3 Other non-current financial assets

Other non-current financial assets consist primarily of securities totaling to KEUR 12,830 (previous year: KEUR 17,372) in the form of domestic and foreign bonds with maturities from 2022 to 2025.

Financial assets are always recognized at amortized cost. An exception to this in the previous year involved shares in an open-ended real estate fund (KEUR 2,083) that were measured at fair value in profit and loss.

The fair value of the non-current securities carried at amortized cost is KEUR 478 (previous year: KEUR 303) higher than the acquisition cost.

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

6.2 Inventories

	Dec. 31, 2020	Dec. 31, 2019
	KEUR	KEUR
Raw materials and supplies	24,434	23,139
Work in progress	1,790	1,154
Finished goods	3,165	3,510
Advance payments received	36	12
	29,426	27,815

If the acquisition and production costs of inventories are not recoverable, they are written down to their net realizable value. The Company undertook depreciation and amortization amounting to KEUR 813 (previous year: KEUR 179) during the financial year under report.

In 2020, the consumption of raw materials and supplies in the amount of KEUR 48,774 was recorded under cost of materials (previous year: KEUR 33,707). Changes in inventories of finished goods and work in progress are shown in the income statement as income or expense from changes in inventories.

The carrying amount of the inventories transferred to banks as collateral amounts to KEUR 7,934 (previous year: KEUR 13,806).

6.3 Trade receivables

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

	Dec. 31, 2020 KEUR	Dec. 31, 2019 KEUR
Trade receivables	20,288	14,332
Contract assets pursuant to IFRS 15.116	775	866
	21,063	15,198

The total value of unfulfilled performance obligations from existing customer contracts as of the balance sheet date was KEUR 5,462 (previous year: KEUR 8,944). These revenues are essentially expected to be realized within one year.

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

	Dec. 31, 2020 KEUR	Dec. 31, 2019 KEUR
Revenue from production orders as of the balance sheet date	775	875
Less advance payments received	0	-9
Contract assets pursuant to IFRS 15.116	775	866

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

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

	Portfoliobased KEUR	On an individual basis KEUR
As of Jan. 1, 2020	22	11
Derecognition	0	0
Reversals of impairments	0	0
Change in impairments due to new receivables,	0	340
less receivables settled	1	0
As of December 31, 2020	23	351
As of Jan. 1, 2019	9	11
Derecognition	0	0
Reversals of impairments	0	0
Change in impairments due to new receivables,	13	0
less receivables settled	0	0
As of December 31, 2019	22	11

6.4 Other current financial assets

Other current financial assets in the previous year involved KEUR 23,000 in fixed-term deposits (KEUR 20,000) and a guarantee security account (KEUR 3,000). The accounts were fully settled in the past financial year.

6.5 Other non-financial assets

	Dec. 31, 2020 KEUR	Dec. 31, 2019 KEUR
Value-added tax	0	3,866
Public subsidies	183	157
Creditors with debit balances	32	0
Security deposits	61	45
Other	356	523
	632	4,591

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

6.6 Income tax receivables

	Dec. 31, 2020 KEUR	Dec. 31, 2019 KEUR
Income tax receivables	74	183
	74	183

6.7 Cash and cash equivalents

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

6.8 Shareholders' equity

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

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

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

In the 2019 financial year, KEUR 223 of deferred tax assets were written down against the capital reserve.

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

	Dec. 31, 2020 KEUR	Dec. 31, 2019 KEUR
Shareholders' equity	82,783	95,050
Total assets	164,182	149,894
Equity ratio (as a %)	50.4	63.4

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

The undiluted earnings per share is calculated as follows:	2020	2019
Result attributable to shareholders in KEUR	-12,267	-6,434
Weighted average number of shares issued	6,061,856	6,061,856
Undiluted earnings per share in EUR	-2.02	-1.06

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

6.9 Financial liabilities

6.9.1 Liabilities due to banks

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

	Maturity date	Nominal interest	Dec. 31, 2020 KEUR	Dec. 31, 2019 KEUR
Formation and growth financing KEUR 1,300	2023	2.95%	0	26
ERP Innovation Program KEUR 1,000	2023	2.45%	187	312
BW-Bank KEUR 5,500	2022	3.40%	688	2,062
Commerzbank KEUR 15,000	2029	0.68%	13,088	13,938
Commerzbank KEUR 13,000	2029	0.64%	10,892	0
Deutsche Bank KEUR 17,000	2027	0.85%	13,482	15,828
			38,337	32,166

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

Current liabilities to banks amounting to KEUR 6,547 (previous year: KEUR 3,700) are mainly due to Baden-Württembergische Bank (KEUR 1,450, previous year: KEUR 1,510), Deutsche Bank (KEUR 2,345, previous year: KEUR 1,172), Commerzbank (KEUR 2,255, previous year: KEUR 850) and Sparkasse Bodensee (KEUR 75, previous year: KEUR 135).

6.9.2 Other financial liabilities

In addition to lease liabilities of KEUR 4,545 (previous year: KEUR 5,470), other financial liabilities include liabilities for the stock appreciation rights (“SAR”) granted to selected employees of KEUR 933 (previous year: KEUR 239), cf. Note 9.5 “Stock option program.”

6.10 Trade payables

Trade payables as of December 31, 2020, have a remaining term of up to 1 year in the amount of KEUR 16,050 (previous year KEUR: 10,440) and between 1 and 5 years in the amount of KEUR 1,457 (previous year: KEUR 0).

6.11 Other non-financial liabilities

	Dec. 31, 2020 KEUR	Dec. 31, 2019 KEUR
Contract liabilities in accordance with IFRS 15.116	205	37
Advance payments received on inventories	8,445	244
Personnel affairs	2,490	1,468
Customers with credit balances	0	196
Payroll and church tax	388	185
Other	553	202
	12,081	2,332

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

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

	Dec. 31, 2020 KEUR	Dec. 31, 2019 KEUR
Revenues realized from customer orders	205	13
Less advance payments received	0	-50
Contract liabilities in accordance with IFRS 15.116	205	-37

	2020	2019
Income recognized in the reporting period which was contained in the balance of contract liabilities at the start of the period	37	844

Other liabilities are carried at their settlement or repayment amount. The trade receivables disclosed as of December 31, 2020, have a residual term of less than one year, as in the previous year.

6.12 Provisions

	As of Jan. 1, 2020 KEUR	Utili-zation KEUR	Reversal KEUR	Addition KEUR	As of Dec. 31, 2020 KEUR
Warranty	497	0	0	710	1.207
Litigation risks	0	0	0	208	208
Anticipated losses	0	0	0	34	34
Total	497	0	0	952	1.449

	As of Jan. 1, 2019 KEUR	Utili-zation KEUR	Reversal KEUR	Addition KEUR	As of Dec. 31, 2019 KEUR
Warranty	225	0	0	272	497

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

The warranty provision was also established for specific warranty claims that arose in the financial year, which are highly likely to lead to cash outflows in the coming financial year, as well as to cover fundamental risks arising out of the business model.
The provision for litigation risks reflects pending labor-law cases, as well as imminent proceedings in the context of company expansion, the occurrence of which appears probable, but the timing of the claims remains uncertain.

6.13 Maturity of liabilities

The maturity dates of liabilities are as follows:

	Dec. 31, 2020			
		Residual term of		
	Total KEUR	Up to 1 year KEUR	> 1 to 5 years KEUR	> more than 5 years KEUR
Financial liabilities	50,362	7,339	21,530	21,493
Trade payables	17,507	16,050	1,457	0
Other liabilities	12,081	12,081	0	0
Total	79,950	35,470	22,987	21,493

	Dec. 31, 2019			
		Residual term of		
	Total KEUR	Up to 1 year KEUR	> 1 to 5 years KEUR	> more than 5 years KEUR
Financial liabilities	41,575	4,584	18,162	18,829
Trade payables	10,440	10,440	0	0
Other liabilities	2,332	2,332	0	0
Total	54,347	17,356	18,162	18,829

7. Notes to the statement of comprehensive income in accordance with IFRS

7.1 Revenues

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

	Jan. 1- Dec. 31, 2020 KEUR	Jan. 1- Dec. 31, 2019 KEUR
Product sales	58,690	36,769
Services	9,641	10,879
	68,332	47,648

7.2 Own work capitalized

Own work capitalized is attributable in the amount of KEUR 4,830 (previous year: KEUR 3,257) to assisted and development projects and in the amount of KEUR 493 (previous year: KEUR 218) to own work for the production lines under construction.

7.3 Other income

	Jan. 1.- Dec. 31, 2020 KEUR	Jan. 1.- Dec. 31, 2019 KEUR
Income from the sale of securities	0	94
Income from exchange rate differences	218	38
Income from subsidies	125	0
Supplier bonuses	4	0
Other	224	148
	571	280

7.4 Cost of materials

	Jan. 1.- Dec. 31, 2020 KEUR	Jan. 1.- Dec. 31, 2019 KEUR
Costs of raw materials and supplies	48,774	33,707
Costs of purchased services	4,958	3,164
	53,731	36,871

7.5 Personnel expenses

	Jan. 1- Dec. 31, 2020 KEUR	Jan. 1- Dec. 31, 2019 KEUR
Wages and salaries	16,029	11,400
Social security contributions	3,040	2,144
Thereof, for pensions (pension insurance contributions)	*1,208*	*895*
Thereof, for pensions (direct insurance)	*81*	*65*
	19,069	13,544

7.6 Other expenses

	Jan. 1- Dec. 31, 2020 KEUR	Jan. 1- Dec. 31, 2019 KEUR
Legal and consulting costs	1,617	1,312
Costs of space	1,413	588
Costs for transport and packing	973	696
Expense from exchange rate differences	923	48
IT and communication costs	822	500
Addition to warranty provision	710	272
Individual valuation adjustment/General valuation adjustment	448	14
Third-party services	412	725
Operational needs	391	306
Insurance	371	154
Trade fairs and advertising	200	445
Repair and maintenance	195	150
Travel and entertainment costs	187	408
Continuing and advanced training	158	112
Vehicle costs	124	40
Costs for personnel procurement	94	73
Management fees	60	240
Expenses from initial consolidation	0	63
Other	947	610
	10,045	6,756

7.7 Depreciation and amortization

	Jan. 1- Dec. 31, 2020 KEUR	Jan. 1- Dec. 31, 2019 KEUR
Internally developed intangible assets	334	335
Other intangible assets	148	39
Tangible assets	3,329	1,763
	3,811	2,137

7.8 Financial result

Composition of financial income:

	Jan. 1- Dec. 31, 2020 KEUR	Jan. 1- Dec. 31, 2019 KEUR
Interest income	170	221
Other	10	32
	180	253

Composition of financial expenses:

Financial expenses mainly relate to interest expenses in an amount of KEUR 481 (previous year: KEUR 266) and other expenses in the amount of KEUR 68 (previous year: KEUR 0).

7.9 Taxes on income

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

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

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

As of December 31, 2020, the Group has domestic corporate income tax loss carryforwards of KEUR 29,462 (previous year: KEUR 15,003) and trade tax loss carryforwards of KEUR 28,765 (previous year: KEUR 14,534). The increase in loss carryforwards that can be used in the future in the past financial year is primarily due to the negative annual result, which is primarily attributable to increased expenses in connection with the creation of necessary structures for sustainable corporate growth and reduced purchase quantities from series customers through the third quarter of 2020. In addition, project-related special effects, such as the support of external consultants in organizational and process development, whose results will be of great benefit for the further development of the Company, have contributed to further burdens.

The following loss carryforwards, for which no deferred tax assets were constituted, exist in the Group as of the reporting date:

	Dec. 31, 2020 KEUR	Dec. 31, 2019 KEUR
Losses carried forward (corporate income tax)	18,938	9,233
Losses carried forward (trade tax)	18,238	8,994
Losses carried forward by foreign units	2,163	494

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

As a corporation, AKASOL AG is subject to corporate and trade tax. The trade tax rate is determined by the municipality in which the Company operates. As in the previous year, the corporate income tax rate in Germany was 15%. In addition, a solidarity surcharge of 5.5% on the corporate income tax is levied. Due to the differing assessment rates of the cities of Darmstadt (454%), Langen (380%), Weiterstadt (375%) and Ravensburg (380%), the combined tax rate of AKASOL AG is 31.19%.

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

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

	Dec. 31, 2020		Dec. 31, 2019	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
	KEUR	KEUR	KEUR	KEUR
Intangible assets	0	3,055	0	1,672
Tangible assets	0	117	0	0
Financial assets	0	30	0	37
Inventories	30	182	0	0
Receivables	0	59	0	59
Provisions	40	0	9	0
Liabilities	0	0	0	0
Losses carried forward	3,373	0	1,759	0
	3,443	3,443	1,768	1,768
Balance	-3,443	-3,443	-1,768	-1,768
Balance sheet value	0	0	0	0

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

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

The very high level of transparency and probability with regard to future results, which is necessary to use the loss carryforwards due to the growth-related loss history, is subject to uncertainties, particularly with regard to the timing, so that the review has shown that deferred tax assets should only be recognized for the loss carryforwards existing as of December 31, 2020, to the extent that deferred tax liabilities exist. The existing income tax loss carryforwards are still available and can be used in the future with a corresponding quality of earnings. In this connection, we refer to the remarks on the planned takeover by Borg Warner (Item 9.12: Events after the balance sheet date).

Due to the different circumstances that led to the recognition of deferred taxes on losses carried forward in the past, the carrying amounts recognized as of December 31, 2018, had to be recognized either directly in equity (KEUR 223) or in the income statement (KEUR 1,131). Accordingly, no further capitalization of the newly created differences was made.

As soon as future reviews find that the probability of reliable forecasting has been restored to the required extent, these deferred tax assets will be taken into account again.

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

	2020 KEUR	2019 KEUR
Earnings before tax	-12,488	-5,302
Anticipated income tax (31.19%, previous year: 31.09%)	3,895	1,648
Tax effects due to deviations from tax assessment base	-86	0
Effect from non-deductible expenses/taxable income	-197	-12
Effect from tax-rate differences of foreign tax jurisdictions	-106	-19
Tax effect from the change in the tax rate	0	-2
Execution of a value adjustment of deferred tax assets	0	-1,131
Non-recognition of deferred tax assets	-3,516	-1,613
Other effects	10	-2
Taxes on income pursuant to the statement of comprehensive income	0	-1,131

The resulting tax expenses in the previous year were attributable to deferred taxes (KEUR 1,131).

8. Notes to the consolidated cash flow statement in accordance with IFRS

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

The cash flow from operating activities is calculated using the indirect method and amounts to KEUR 9,584 (previous year: KEUR -25,599). The negative cash flow from investment activities in the amount of KEUR -29,218 (previous year: KEUR -812) relates in the amount of KEUR 24,519 (previous year: KEUR 24,000) to the sale of financial assets in the form of interest-bearing securities and bonds and in the amount of KEUR 53,737 (previous year: KEUR 24,812) to the acquisition of tangible and intangible assets.

In the 2020 financial year, there is an overall positive balance from cash flow from financing activities of KEUR 7,940 (previous year: KEUR 29,336), due to new borrowings (KEUR 13,407, previous year: KEUR 32,000) and taking into account loan repayments (KEUR 5,467, previous year: KEUR 2,664).

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

Changes in liabilities from financing activities				
	Note	Liabilities to banks	Other financial liabilities	Total
		KEUR	KEUR	KEUR
Balance sheet as of January 1, 2020		35,866	5,709	41,575
Change in cash flow from financing activities				
Proceeds from the raising of financial liabilities		13,407	0	13,407
Payments for the repayment of financial liabilities		-4,370	-1,097	-5,467
Total change in cash flow from financing activities		**9,037**	**-1,097**	**7,940**
Other changes				
Leasing liabilities IFRS 16			-67	-67
Other financial liabilities		-19	933	914
Balance sheet as of December 31, 2020		**44,884**	**5,478**	**50,362**

9. Miscellaneous information

9.1 Financial instruments

9.1.1 Interest-rate risk

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

9.1.2 Exchange-rate risk

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

AKASOL conducts its sales transactions primarily in Germany and within the EU, which is why the majority of transactions are concluded and carried out without exchange-rate risk in the EURO zone. For transactions outside the EURO zone, it is exposed to risk, especially if revenues are denominated in a different currency. There were no forward exchange contracts concluded to mitigate the effects of fluctuations in exchange rates.

Determinations of sensitivity simulate an upvaluation of 10% in the respective functional currency in comparison to the other currencies. The impact on AKASOL’s earnings before tax would have been KEUR 667 as of December 31, 2020.
As in the previous year, there were no derivative financial instruments in the form of forward exchange contracts as of December 31, 2020. Currency derivatives are always assigned to original underlying transactions, so that no currency risks arise from these instruments.

Bank accounts in the amount of KEUR 810 (previous year: KEUR 1,146) were held in USD as of the balance sheet date. This does not give rise to any significant exchange-rate risks.

9.1.3 Liquidity risks

Liquidity risks result from the risk that the Company might not be able to meet its financial obligations. Due to the financing structure of AKASOL AG after the IPO in 2018 and the new funds raised in the 2019 and 2020 financial years to finance the new building for the German company location as well as the establishment of production lines in Darmstadt and at the American subsidiary, the solvency of the Group is guaranteed at all times, and there are no discernible liquidity risks that could jeopardize the Company as a going concern.

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

9.1.4 Default risk

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

The Company has a securities portfolio in the amount of KEUR 12,830 (previous year: KEUR 17,372). This mainly comprises corporate bonds and long-term money market instruments. In the case of corporate bonds, the Company invests in companies with a rating between A- and BBB-, all of which are redeemed at the nominal value (100%) upon maturity. In this respect, the Company does not see itself exposed to any default risk in its securities portfolio. The ratings on which the corporate bonds are based are reviewed for changes at regular intervals. This information is provided by independent rating agencies.

9.1.5 Fair value

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

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

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

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

9.1.6 Additional information on financial instruments

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

2020

			Balance sheet valuation in accordance with IFRS 9		
KEUR	Assessment category	Carrying amount Dec. 31, 2020	Amortized cost	Fair value through profit or loss	Fair value
Financial assets	FAAC	12,830	12,830		13,402[1]
Financial assets	FAFVTPL	0		0	0[1]
Trade receivables and receivables from affiliated companies	FAAC	21,063	21,063		21,063[3]
Cash and cash equivalents and financial assets	FAAC	13,177	13,177		13,177[3]
Financial liabilities	FLAC	50,362	50,362		50,362[3]
Trade payables	FLAC	16,050	16,050		16,050[3]
Thereof, aggregated according to assessment categories					
Assets at amortized cost	FAAC	47,070	47,070		47,642[1][3]
Liabilities at amortized cost	FLAC	66,412	66,412		66,412[3]
Assets at fair value	FAFVTPL	0		0	0[1]

FAAC: Financial assets at amortized cost
FAFVOCI: Financial assets measured at fair value through other comprehensive income
FAFVTPL: Financial assets measured at fair value through profit and loss
FLAC: Financial liabilities measured at amortized cost
FLFVPL: Financial liabilities at fair value through profit and loss

1) Level 1 of the fair value hierarchy

2) Level 2 of the fair value hierarchy

[3] The figures stated for financial assets and financial liabilities are not measured at fair value, but at amortized cost/carrying amount, which is an appropriate approximation of fair value.

2019

KEUR	Assessment category	Carrying amount Dec. 31, 2019	Balance sheet valuation in accordance with IFRS 9: Amortized cost	Balance sheet valuation in accordance with IFRS 9: Fair value through profit or loss	Fair value
Financial assets	FAAC	35,276	35,276		35,529[1]
Financial assets	FAFVTPL	2,096		2,096	2,097[1]
Trade receivables and receivables from affiliated companies	FAAC	15,198	15,198		15,198[3]
Cash and cash equivalents and financial assets	FAAC	27,861	27,861		27,861[3]
Financial liabilities	FLAC	41,575	41,575		41,575[3]
Trade payables	FLAC	10,440	10,440		10,440[3]
Thereof, aggregated according to assessment categories					
Assets at amortized cost	FAAC	78,335	78,335		78,588[1) 3.)]
Liabilities at amortized cost	FLAC	52,015	52,015		52,015[3]
Assets at fair value	FAFVTPL	2,096		2,096	2,097[1]

FAAC: Financial assets at amortized cost
FAFVOCI: Financial assets measured at fair value through other comprehensive income
FAFVTPL: Financial assets measured at fair value through profit and loss
FLAC: Financial liabilities measured at amortized cost
FLFVPL: Financial liabilities at fair value through profit and loss

[1] Level 1 of the fair value hierarchy

[2] Level 2 of the fair value hierarchy

[3] The figures stated for financial assets and financial liabilities are not measured at fair value, but at amortized cost/carrying amount, which is an appropriate approximation of fair value.

Net results according to valuation categories

2020	Financial assets measured at amortized cost KEUR	Assets measured at fair value KEUR	Financial liabilities measured at amortized cost KEUR	Total KEUR
Interest expenses			-481	-481
Interest income	180			180
Unexpected income/derecognized liabilities	0			0
Changes in fair value recognized in profit or loss		-68		-68
Changes in ECL recognized in profit or loss	72			72
Currency effects recognized in profit or loss	660			660

The sales of securities resulted in a capital gain on securities carried at amortized cost of KEUR 6 (previous year: KEUR 94), which is included in other operating income.

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

9.2 Risk management

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

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

9.3 Relationships with related companies and persons

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

The follow companies or persons are “related parties” in accordance with IAS 24:

- The shareholder Schulz Group GmbH, Ravensburg, and its subsidiaries in the Schulz Group;
- Mr. Sven Schulz as member of the Company’s Management Board and main shareholder of Schulz Group GmbH (beneficial owner);
- Mr. Carsten Bovenschen as a member of the Management Board;
- Sven & Reinhold Schulz Immobilienverwaltungs-GbR, Ravensburg;
- The members of the Supervisory Board of the Company.

9.3.1 Transactions with Schulz Group GmbH, Ravensburg, and its subsidiaries

As of December 31, 2020, Schulz Group GmbH, Ravensburg, held a share of 47.41% (previous year: 47.41%) in the subscribed capital of AKASOL AG.

On January 1, 2009, an outsourcing agreement was concluded with Schulz Group GmbH for the provision of various services. The contractual compensation mainly relates to support services in the IT area and totaled to KEUR 60 in the 2020 financial year (previous year: KEUR 240).

In addition, administrative costs were passed on to Schulz Group GmbH (KEUR 151, previous year: KEUR 117), to Sven & Reinhold Schulz Immobilien GbR (KEUR 5, previous year: KEUR 0) and to Schulz Engineering GmbH (KEUR 1, previous year: KEUR 3).

With further subsidiaries of Schulz Group GmbH, total revenues amounting to KEUR 36 (previous year: KEUR 45) were generated. In addition, license costs of KEUR 28 (previous year: KEUR 58) were charged to Schulz Engineering GmbH.

In the fixed assets, services of Schulz Engineering GmbH were capitalized in the amount of KEUR 1,793 (previous year: KEUR 468) and of h-kon GmbH in the amount of KEUR 811 (previous year: KEUR 0). The contracts with Schulz Engineering GmbH were concluded for the planning and conceptual design of the new production facilities in Langen and Darmstadt. Contracts for the planning and creation of the end-of-line testers were concluded with h-kon GmbH; these are currently under construction. There were other expenses from service relationships totaling to KEUR 254 (previous year: KEUR 285).

As of the balance sheet date, there were recoverable receivables from Schulz Group GmbH amounting to KEUR 3 (previous year: KEUR 69) from a credit balance of the management fee charged in 2019, and from Schulz Engineering GmbH from passed-on license costs amounting to KEUR 19 (previous year: KEUR 19).

On the balance sheet date, there were liabilities from costs charged on to Schulz Engineering GmbH amounting to KEUR 313 (previous year: KEUR 275) and to Soluware GmbH in the amount of KEUR 147 (previous year: KEUR 0) and Schulz Group GmbH (KEUR 48, previous year: KEUR 0).

9.3.2 Transactions with Sven & Reinhold Schulz Immobilienverwaltungs-GbR, Ravensburg

Mr. Sven Schulz, member of the Management Board of AKASOL AG and main shareholder of Schulz Group GmbH, also holds a share in Sven & Reinhold Schulz Immobilienverwaltungs-GbR, Ravensburg. That company has been leasing business premises in Ravensburg to AKASOL AG since 2016. The volume in 2020 totaled to KEUR 19 (previous year: KEUR 45).

9.3.3 Transactions with key management personnel

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

9.4 Declaration on the corporate governance code in accordance with Section 161 of the German Stock Corporation Act

The corporate governance declaration in accordance with Section 315d of the German Commercial Code includes the declaration of compliance pursuant to Section 161 of the German Stock Corporation Act, the relevant disclosures on corporate governance practices applied beyond the statutory requirements and a description of the working methods of the Management Board as well as of the composition and working methods of the Supervisory Board. Reference is made regarding these to the disclosures in the management report.

9.5 Stock option plan

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

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

	2020		2019	
	Number of employees	Number of rights	Number of employees	Number of rights
Options outstanding at the beginning of the reporting period	48	123,832	0	0
Options granted in the reporting period	0	0	53	137,210
Options forfeited in the reporting period	1	1,928	5	13,378
Options exercised in the reporting period	0	0	0	0
Options expired in the reporting period	0	0	0	0
Options outstanding at the end of the reporting period	47	121,904	48	123,832
Options exercisable at the end of the reporting period	0	0	0	0

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

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

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

In detail, the valuation as of December 31, 2020, is based on the following assumptions:

	Value 2020	Value 2019
Anticipated volatility of the share	52.58%	46.50%
Anticipated dividend payment	0.00%	0.00%
Share price on the balance sheet date	97.15 €	34.45 €
Risk-free interest rate	-0.40%	-0.19%

On the basis of the valuation principles, the commitment and the conditions of the plan, the fair value of the rights issued in accordance with IFRS 2 as of December 31, 2020, was EUR 10.36 (previous year: EUR 4.78) using a Monte Carlo simulation.

The expense from the commitment is included in personnel expenses and liabilities in the amount of KEUR 693 (previous year: KEUR 240).

9.6 Reportable securities transactions

According to the last available notification of voting rights, the shares of AKASOL AG were held as follows as of December 31, 2020:

Shareholder structure	**in %**
Schulz Group GmbH	47.41
Felix von Borck	6.03
Lansdowne Partners International Ltd	4.99
FMR LLC	4.93
Stephen Raiser	4.33
Other	32.31
	100

The following table shows the notifications published in the financial years 2018 through 2020 regarding changes in voting rights pursuant to Section 40 (1) of the German Securities Trading Act (WpHG) and an overview of the general voting rights above the notification threshold of 3%:

Declarant	Location	Date	Reporting threshold	Share of voting rights (in%)	Amount of voting rights	Attributed to Security Trading Act
Schulz Group GmbH	Ravensburg, Germany	June 28, 2018	One-time admission of the share to trading	47.41%	2,873,926	paragraphs 21, 22
Herr Felix von Borck	Darmstadt, Germany	June 28, 2018	One-time admission of the share to trading	6.03%	365,670	paragraphs 21, 22
Herr 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	July 13, 2020	Undercutting 5 %	4.19%	253,873	paragraphs 21, 22
Fidelity Management & Research Company	Boston, USA	September 27, 2018	Change without crossing threshold value	n.a.	n.a.	-
Total zum Stichtag 31. Dezember 2020						
FMR LLC	Wilmington, Delaware, USA	June 16, 2020	Undercutting 5 %	4.93%	298,685	paragraphs 21, 22
Lansdowne Partners International Ltd	George Town, Grand Cayman, Cayman Islands	December 1, 2020	Undercutting 5 %	4.99%	302,821	paragraphs 21, 22
Morgan Stanley	Wilmington, Delaware, USA	October 8, 2020	Undercutting 3 %	0.00%	0	-

Indirectly via FMR LLC. Shareholding according to the voting rights notifications.

The following table shows the last thresholds exceeded or undershot after the reporting date of December 31, 2020, until May 14, 2021, the notices published regarding changes in voting rights pursuant to Section 40 (1) WpHG :

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
Herr Felix von Borck	Darmstadt, Germany	June 28, 2018	One-time admission of the share to trading	6.03%	365,670	paragraphs 21, 22
Herr Stephen Raiser	Wiesbaden, Germany	June 28, 2018	One-time admission of the share to trading	4.33%	262,478	paragraphs 21, 22
UBS Group AG	Zurich, Switzerland	March 10, 2021	Exceeding 3 %	3,73 %	226.188	paragraphs 21, 22
UBS Group AG	Zurich, Switzerland	May 4, 2021	Exceeding 3 %	4.96%	300,710	paragraphs 21, 22
UBS Group AG	Zurich, Switzerland	May 5, 2021	Exceeding 5 %	5.01%	303,834	paragraphs 21, 22
Lansdowne Partners International Ltd	George Town, Grand Cayman, Cayman Islands	January 20, 2021	Exceeding 5 %	5.02%	304,123	paragraphs 21, 22
Lansdowne Partners International Ltd	George Town, Grand Cayman, Cayman Islands	February 15, 2021	Undercutting 5 %	4.78%	289,474	paragraphs 21, 22
Lansdowne Partners International Ltd	George Town, Grand Cayman, Cayman Islands	March 4, 2021	Undercutting 3 %	2.42%	146,755	paragraphs 21, 22
Sand Grove Opportunities Master Fund Ltd	George Town, Cayman Islands	March 4, 2021	Exceeding 3 %	3,62 %	219.415	paragraphs 21, 22
Simon Davies	n.a.	March 3, 2021	Exceeding 3 %	3,15 %	191,249	paragraphs 21, 22
Morgan Stanley	Wilmington, Delaware, USA	January 1, 2021	Exceeding 3 %	4.33%	262,630	paragraphs 21, 22
Morgan Stanley	Wilmington, Delaware, USA	January 20, 2021	Exceeding 5 %	5.51%	334,161	paragraphs 21, 22
Morgan Stanley	Wilmington, Delaware, USA	January 22, 2021	Undercutting 5 %	4.71%	285,424	paragraphs 21, 22
Morgan Stanley	Wilmington, Delaware, USA	February 15, 2021	Exceeding 5 %	5.12%	310,135	paragraphs 21, 22
Morgan Stanley	Wilmington, Delaware, USA	February 15, 2021	Exceeding 5 %	5.36%	325,133	paragraphs 21, 22
Morgan Stanley	Wilmington, Delaware, USA	February 15, 2021	Exceeding 5 %	5.11%	310,010	paragraphs 21, 22
Morgan Stanley	Wilmington, Delaware, USA	February 15, 2021	Exceeding 5 %	5.29%	320,922	paragraphs 21, 22
Morgan Stanley	Wilmington, Delaware, USA	February 15, 2021	Exceeding 5 %	5.04%	305,399	paragraphs 21, 22
Morgan Stanley	Wilmington, Delaware, USA	February 24, 2021	Undercutting 5 %	3.91%	236,959	paragraphs 21, 22
Morgan Stanley	Wilmington, Delaware, USA	March 3, 2021	Undercutting 3 %	2.90%	175,776	paragraphs 21, 22
Morgan Stanley	Wilmington, Delaware, USA	March 4, 2021	Exceeding 3 %	3.44%	208,402	paragraphs 21, 22
Morgan Stanley	Wilmington, Delaware, USA	March 12, 2021	Undercutting 3 %	2.71%	164,509	paragraphs 21, 22
Morgan Stanley	Wilmington, Delaware, USA	April 23, 2021	Exceeding 3 %	3.85%	233,430	paragraphs 21, 22
Royal Bank of Canada	Toronto, Canada	April 2, 2021	Exceeding 3 %	3.40%	206,219	paragraphs 21, 22
Royal Bank of Canada	Toronto, Canada	April 5, 2021	Undercutting 3 %	1.69%	102,717	paragraphs 21, 22
Bank of America Corporation	Wilmington, Delaware, USA	April 1, 2021	n.a.	2.68%	173,434	paragraphs 21, 22
Bank of America Corporation	Wilmington, Delaware, USA	April 2, 2021	Exceeding 3 %	3.15%	191,249	paragraphs 21, 22
Bank of America Corporation	Wilmington, Delaware, USA	April 5, 2021	Undercutting 3 %	0.80%	48,537	paragraphs 21, 22
Bank of America Corporation	Wilmington, Delaware, USA	April 8, 2021	Exceeding 3 %	3.05%	185,049	paragraphs 21, 22
Bank of America Corporation	Wilmington, Delaware, USA	April 20, 2021	Undercutting 3 %	1.63%	98,809	paragraphs 21, 22
Bank of America Corporation	Wilmington, Delaware, USA	May 4, 2021	Exceeding 3 %	3.02%	182,961	paragraphs 21, 22
Fidelity Investment Trust*	Boston, USA	January 20, 2021	Undercutting 3 %	0.00%	0	paragraphs 21, 22
Fidelity Management & Research Company	Boston, USA	September 27, 2018	Change without crossing threshold value	n.a.	n.a.	-
FMR LLC	Wilmington, Delaware, USA	January 20, 2021	Undercutting 3 %	0.00%	0	paragraphs 21, 22
**Indirectly via FMR LLC. Shareholding according to the voting rights notifications.*						

The Company also publishes proprietary trading by persons performing managerial functions and by persons (natural persons and legal entities) closely related to them, in accordance with the provisions of Article 19 MAR (Directors' dealings). These transactions can be viewed on the website within the legally prescribed periods. The disclosures published in the 2020 financial year are published on the Company's website at akasol.com/de/directors-dealings.

Information on the shareholder structure

Management Board	Number of shares as of Dec. 31, 2020
Sven Schulz	2,874,116
Carsten Bovenschen	1,000
Supervisory Board	
Dr. Christoph Reimnitz	1,300
Dr. Marie-Luise Wolff	0
Dr. Christian Brenneke	0
Additional persons	
Björn Eberleh	158,941
Stephen Raiser	262,305

9.7 Auditor's fees

The auditor of AKASOL AG and the Group is BDO AG Wirtschaftsprüfungsgesellschaft, Berlin. The auditor's fees are comprised as follows:

	2020 KEUR	2019 KEUR
Services for statutory audit	315	209
thereof from the previous year	*(81)*	*(82)*
Other services	9	4
Total	324	213

The services for the statutory audit relate to the audits of the HGB individual and IFRS consolidated financial statements. The other services relate to services in connection with the assessment of the Compliance-Management System.

9.8 Employees

As of December 31, 2020, the AKASOL Group had 324 full-time employees, not including Management Board members (previous year: 284). This corresponds to an increase of approx. 14.1% in personnel capacity.

Broken down by functional areas, the employees as of December 31, 2020, can be allocated as follows:

	Dec. 31, 2020	Dec. 31, 2019
Administration	53	38
Development	98	84
Production	112	112
Sales	14	12
Service	13	11
Purchasing	19	17
Quality Management	15	10
Total	**324**	**284**

Of the employees as of December 31, 2020, 38.6% worked in production, service and engineering and around 30.2% in research and development (R&D). 4.3% of AKASOL employees worked in sales and marketing and 26.9% in administration, including purchasing and quality management.

304 persons were employed on average by the Group in the 2020 financial year (previous year: 236) as well as 2 Management Board members (previous year: 2) and 5 apprentices and trainees (previous year: 4).

9.9 Legal liability relations

There are no legal liability relations as of the balance sheet date.

9.10 Security assignments/mortgages

Sparkasse Bodensee and BW Bank have concluded a collateral pooling agreement for liabilities in the amount of KEUR 608 with a global assignment of customer A-Z receivables and assignment of the inventory and warehouse at the Darmstadt location on Landwehrstraße.

In addition, BW Bank has also been assigned the inventory and warehouse at the Langen site as security.

The loan from Deutsche Bank of KEUR 17,000 is secured by securities and deposits with a lending value of KEUR 10,500. As the guarantee credit line of Deutsche Bank in the amount of KEUR 5,000 is also secured by additional securities and/or deposits in the amount of KEUR 1,500, the total amount of collateral is KEUR 12,000.

Three new loan agreements were concluded with Commerzbank in the 2019 financial year. A fixed-rate loan of KEUR 15,000 and two further loans were granted for the following investment projects: construction of an office building (KEUR 5,000) and construction of a production and logistics bay (KEUR 8,000). As of the reporting date, all loans were utilized and valued at KEUR 26,235. For the loans with an original volume totaling to KEUR 28,000, a land charge in the same amount was registered on the new corporate premises of AKASOL AG in Darmstadt.

As of the balance sheet date, other financial obligations from purchase commitments for production materials (stock materials) and non-stock materials totaled to EUR 40.1 million (previous year: EUR 42.4 million).

9.11 Leases/Other financial obligations

The Group rents office space, production bays and warehouses. The terms of these leases are mainly between three and 10 years with the option to extend the leases after this period. Some lease agreements provide for additional rent payments based on changes in local price indices.

In addition, the Group leases operating and office equipment as well as motor vehicles with contractual terms of up to three years. Some of these agreements have extension options unless they are terminated accordingly before the end of the basic term of lease.

In the 2020 financial year, AKASOL AG concluded a sale and lease-back agreement to equip the new commercial building; under the criteria of IFRS 16, this agreement cannot be accounted for as a right of use.

Leases in which the Group acts as a lessee are as follows:

Rights of use:

	Property and build-ings KEUR	**Tech-nical systems** KEUR	**Fixtures, fittings and equipment** KEUR	**Advance payments rendered** KEUR	**Total** KEUR
As of January 1, 2020	5,304	0	114	0	5,418
Additions to rights of use	137	0	190	0	327
Disposals of rights of use	-88	0	-8	0	-96
Depreciation of the financial year	-982	0	-95	0	-1,077
Disposals of rights of use cumul. amortization	74	0	9	0	83
Net translation differences	-213	0	-1	0	-214
As of December 31, 2020	4,232	0	209	0	4,441

As of January 1, 2020	2,598	0	104	0	2,702
Additions to rights of use	3,252	0	82	0	3,334
Depreciation of the financial year	-546	0	-72	0	-618
As of December 31, 2020	5,304	0	114	0	5,418

Amounts recognized in the statement of comprehensive income:

	2020 KEUR	2019 KEUR
Interest expenses for leasing liabilities	105	54
Expenses for non-current leasing agreements	46	18
Expenses for low-value leasing agreements	1	0

Amounts recognized in the consolidated cash flow statement:
- Total cash outflows for leases KEUR 1,118 (previous year: KEUR 620).

The maturities of the leasing liabilities are as follows:

2020	Up to 1 year KEUR	1-5 years KEUR	Over 5 years KEUR
Leasing liabilities	792	2,254	1,499

2019	Up to 1 year KEUR	1-5 years KEUR	Over 5 years KEUR
Leasing liabilities	884	2,982	1,604

9.12 Events after the balance sheet date

Events after the balance sheet date that provide additional information on the situation of the Company on the balance sheet date (events leading to adjustments) are reported in the balance sheet or statement of comprehensive income. Events after the balance sheet date that do not lead to an adjustment are explained below.

EUR 20 million loan agreement with Commerzbank to finance operating materials and investments

As part of the KfW entrepreneurial loan program 037, AKASOL AG concluded a loan agreement with Commerzbank for a bullet loan. The agreement was confirmed by a commitment on December 21, 2020, and signed with binding legal effect on January 26, 2021. It bears interest at 2.0% p.a. and comprises a total loan amount of EUR 20 million. The term of the loan expires on September 30, 2022.

Strategic cooperation with BorgWarner Inc.

Following the close of the 2020 financial year, on February 15, 2021, a Business Combination Agreement – and, with it, a strategic cooperation arrangement – was announced between AKASOL AG and the American company BorgWarner Inc. This partnership also entails a voluntary public takeover offer for AKASOL AG. Under the offer, the Company will retain its independence and continue to operate under the AKASOL brand. Important measures were also agreed to safeguard the interests of AKASOL customers and employees. Following the signing of the Business Combination Agreement, ABBA BidCo AG, Mannheim, Germany, a wholly-owned subsidiary of BorgWarner, published the decision to present AKASOL shareholders with a voluntary public takeover bid for the purchase of all outstanding bearer shares of AKASOL in exchange for payment of a cash consideration in the amount of EUR 120.00 per AKASOL share. Sven Schulz (through Schulz Group GmbH) and the other founders of AKASOL, who together hold a share of around 59.4%, have signed irrevocable tendering agreements.

Execution is contingent upon a minimum acceptance level of 50% plus one share, together with fulfillment of other customary closing conditions, including regulatory approvals. Management and the Supervisory Board welcome the offer and advocate this strategic cooperation. Following the published, voluntary takeover offer (cash offer) by ABBA BidCo AG on March 26, 2021, the Management Board and the Supervisory Board of AKASOL AG issued separate, reasoned opinions in support of the takeover bid to the shareholders of AKASOL AG.

The Management Board would like to point out that the sale and transfer of AKASOL shares could adversely affect the tax situation of the AKASOL Group. Specifically, existing tax loss carryforwards could be lost, and real-estate transfer tax could be assessed against the real estate of the AKASOL Group.
At AKASOL, total corporate tax loss carryforwards of approximately KEUR 29,463 and trade tax loss carryforwards of approximately KEUR 28,765 had been declared by December 31, 2020; AKASOL Inc. reported tax loss carryforwards totaling KUSD 3,050. In this connection, the Management Board would also like to point out that the submission of the tax returns by AKASOL AG for the 2020 financial year and the respective determination of the loss carryforwards as of December 31, 2020, by the competent tax office are also still pending, although the reported loss carryforwards are expected to increase. The Management Board would like to point out that, in the event of a transfer of more than 50% of the AKASOL shares to the bidder (known as a “hostile takeover”), the current tax losses incurred up to the hostile takeover could be eliminated along with existing loss carryforwards, insofar as there are no hidden reserves taxable in Germany for the respective companies concerned.
Impacts on existing tax loss carryforwards of AKASOL Inc. in the United States must be reviewed on a case-by-case basis.

Long-term follow-up order from a leading European bus manufacturer

On April 27, 2021, AKASOL AG announced that it had received a long-term follow-up order from an existing customer. The order further extends the cooperation already in place between the two companies. From mid-2022 through at least 2024, AKASOL will supply ultra-high-energy battery systems for use in new electric buses, with a total volume ranging in the high double-digit millions. If the agreement’s extension options for delivery of additional battery systems through 2027 are exercised, the order volume will increase to an amount in the low triple-digit-million euros.

The agreement as concluded was released for publication by the Management Board on May 14, 2021.

9.13 Management and Supervisory Boards

(a) Management Board:

Sven Schulz
Management Board member responsible for sales and marketing, product management, production, research and development, purchasing, IT and logistics as well as quality management
Spokesman of the Management Board
No other Supervisory Board mandates

Carsten Bovenschen
Management Board member responsible for finance, legal affairs, human resources, organization and investor relations

(b) Supervisory Board:

Dr. Christoph Reimnitz, Chairman
Management consulting for the energy sector – CR Energy Ltd.
Vice President of Strategic Development – APR Energy (until October 31, 2020)

Further mandates abroad:
Chairman LPG to Power Working Group, World LPG Association

Dr. Marie-Luise Wolff, Deputy Chairwoman
Chairwoman of the Management Board of ENTEGA AG

Further mandates:
Aurora Energy Research GmbH, Member of the Advisory Board
German Federal Association of the Energy and Water Industries [Bundesverband der Energie- und Wasserwirtschaft e. V. (BDEW)], President, member of the Board
citiworks AG, Chairwoman of the Supervisory Board
German Academy for Language and Literature [Deutsche Akademie für Sprache und Dichtung], member of the Board of Trustees
Digitalstadt Darmstadt GmbH, Member of the Advisory Board
DIHK – Association of German Chambers of Industry and Commerce, Member of the Environment and Energy Committee
e-netz Südhessen AG, Member of the Supervisory Board
ENTEGA Plus GmbH, Chairwoman of the Advisory Board
ENTEGA Foundation, Chairwoman of the Management Board, Member of the Board of Trustees
House of Energy (HoE) e.V, Deputy Chairman of the Bureau, Vice Chairwoman of the Management Board
hr werbung gmbh, member of the Supervisory Board
IHK Darmstadt, Vice President, Chairwoman of the Committee for Environment and Energy
Industriekraftwerk Breuberg GmbH, Chairwoman of the Advisory Board
State Association of the Energy and Water Industry of Hesse / Rhineland-Palatinate e.V., member of the Management Board
Schader Foundation, Member of the Foundation Board
TU Darmstadt, Member and Deputy Chairwoman of the University Council
University Clinic of Cologne – A public law entity, Member of the Supervisory Board
Association of Municipal Enterprises e. V. (VKU), Member of the Management Board, Member of the Management Board of the Hesse State Group
Association of Friends and Sponsors of the German Academy for Language and Literature [Deutsche Akademie für Sprache und Dichtung e.V.], Deputy Chairwoman

Dr. Christian Brenneke
Member of the Supervisory Board
Senior Vice President Engineering, ZF Group, Bern, Switzerland

Further mandates abroad:
SmartDrive Systems, Member of the Board of Directors
WABCO TVS (India) Ltd., Member of the Board of Directors

During the past financial year, the Supervisory Board performed its activities in the context of plenary meetings that from March 2020, due to the contact restrictions in place, were mainly held as video or telephone conferences. A total of eight Supervisory Board meetings were held during the reporting year (four ordinary and four extraordinary meetings). During the 2020 financial year, these were held on March 6, April 24, June 30, August 14, September 9, September 18, October 16 and November 13. The members of the Management Board also attended six of the total of eight Supervisory Board meetings. The rate of meeting participation by the Supervisory Board stood at around 96%. During the year under review, there was no member of the Supervisory Board who attended only half or less of the Supervisory Board's meetings. All in all, the quorum requirements for the conduct of business by the Supervisory Board were consistently met.

Overview of participation by individual members of the Supervisory Board of AKASOL AG during the 2020 financial year

Members of the Management Board	Attendance/Supervisory Board meetings	Presence*
Dr. Christoph Reimnitz (Chairman)	8/8	100%
Dr. Marie-Luise Wolff (Deputy Chairwoman)	7/8	88%*
Dr. Christian Brenneke	8/8	100%

** Commercially rounded.*

The term of office of the members of the Supervisory Board ends at the end of the annual general meeting where the shareholders are to approve the actions of the Management Board members in the 2022 financial year.

(c) Board member remunerations:

The Management Board of AKASOL AG currently consists of two members. During the period under review, the Management Board consisted of Sven Schulz and Carsten Bovenschen.

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

Payments granted	Sven Schulz Chief Executive Officer Joined Company on: May 14, 2018		Carsten Bovenschen Chief Financial Officer Joined Company on: January 15, 2019	
KEUR	2020	2019	2020	2019
Fixed remuneration	120	120	200	173
Fringe benefits	0	0	13	15
One-year variable remuneration	3*	8	3.5*	9
Multiple-year variable remuneration	6	17	10.5	26
Total	129	145	227	223
Pension expenses	0	0	5	3
Total remuneration	129	145	232	226

* The current members of the Management Board have not yet received the corresponding earnings for members of the Management Board for the completed 2020 financial year with regard to the one-year variable remuneration (annual bonus). A disbursement will be announced during the 2021 financial year.

Mr. Sven Schulz's total remuneration includes salaries and short-term benefits in the amount of KEUR 129 (previous year: KEUR 145) and comprises fixed components in the amount of KEUR 120 (previous year: KEUR 120), variable components in the amount of KEUR 9 (previous year: KEUR 25) as well as fringe benefits and pension expenses of KEUR 0 (previous year: KEUR 0).

Mr. Carsten Bovenschen's total remuneration includes salaries and short-term benefits in the amount of KEUR 232 (previous year: KEUR 226) and comprises fixed components in the amount of KEUR 200 (previous year: KEUR 173), variable components in the amount of KEUR 14 (previous year: KEUR 35) as well as fringe benefits and pension expenses of KEUR 18 (previous year: KEUR 18).

Supervisory Board remuneration

The remuneration to be paid to the members of the Supervisory Board was decided by the Annual General Meeting and is set forth in Section 13 of the Articles of Association. Under the Articles of Association, the members of the Supervisory Board each receive fixed remuneration of KEUR 15. The Chair of the Supervisory Board receives KEUR 30, and the Vice-Chair of the Supervisory Board receives KEUR 20 per financial year. If a person is a member of the Supervisory Board for just a portion of the financial year, the remuneration is determined on a pro rata basis. In addition, the members of the Supervisory Board are reimbursed for reasonable and demonstrated expenses incurred in the performance of their duties, and for any VAT amounts attributable to the Supervisory Board remuneration, insofar as they are entitled to invoice the Company separately for VAT and exercise this right. The members of the Supervisory Board are covered under financial liability insurance taken out by the Company pursuant to the usual market conditions on behalf of the members of the Management and Supervisory Boards.

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

Payments granted	Dr. Christoph Reimnitz Chairman of the Supervisory Board		Dr. Marie-Luise Wolff Deputy Chairwoman of the Supervisory Board		Dr. Christian Brenneke Member of the Supervisory Board	
KEUR	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Fixed remuneration	30.0	30.0	20.0	20.0	15.0	15.0
Total remuneration	30.0	30.0	20.0	20.0	15.0	15.0

9.14 Responsibility statement by the legal representatives

"To the best of our knowledge, and in accordance with the applicable accounting principles, the consolidated financial statements convey a true and fair view of the financial, liquidity and earnings situation of the Company, and the management report portrays the course of business and business results so as to convey the actual situation, together with a description of the material risks and opportunities associated with the expected development of the Company."

Darmstadt, Germany May 14, 2021

………………………………………… ………………………………………

Sven Schulz Carsten Bovenschen

INDEPENDENT AUDITOR'S REPORT

To the AKASOL AG, Darmstadt

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE COMBINED MANAGEMENT REPORT

Audit Opinions

We have audited the consolidated financial statements of AKASOL AG and its subsidiaries (the group), which comprise the consolidated balance sheet as at 31 December 2020, the consolidated statement of profit and loss, the consolidated statement of changes in equity and the consolidated cash flow statement for the financial year from 1 January to 31 December 2020, as well as the consolidated notes to the financial statements, including a summary of significant accounting methods.

In addition, we have audited the combined management report of AKASOL AG for the financial year from 1 January to 31 December 2020.

In accordance with the German legal requirements, we have not audited the content of those parts of the combined management report listed in section "OTHER INFORMATION". In our opinion, on the basis of the knowledge obtained in the audit,

› the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the group as at 31 December 2020, and of its financial performance for the financial year from 1 January to 31 December 2020, and

› the accompanying combined management report as a whole provides an appropriate view of the group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the combined management report does not cover the content of those parts of the combined management report listed in section "other information".

Pursuant to § 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

BASIS FOR THE AUDIT OPINIONS

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements.

In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the combined management report.

KEY AUDIT MATTERS IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, we do not provide a separate audit opinion on these matters.

We identified the following matters as key audit matters:

1. Revenue realization
2. Capitalization of development costs
3. Recognition and measurement of inventories

REVENUE REALIZATION

Matter

In its consolidated financial statements as of December 31, 2020, AKASOL AG reported revenue of EUR 68,332 thousand. Of this amount, EUR 58,690 thousand relates to the delivery of goods and EUR 9,642 thousand to the rendering of services. Revenue from the supply of goods is recognized at a point of time, while revenue from the rendering of services is recognized over time.

Revenue is a key performance indicator for the Company. There is a fundamental risk that revenue may be recognized too early or in an inaccurate amount in order to meet targets. In addition, there is a high degree of judgment involved in determining revenue from the rendering of services, as the stage of completion must be estimated. Revenue recognition is therefore a key audit matter.

The disclosures of AKASOL AG on revenue recognition are included in the sections "5.10 Revenue Recognition" and "7.1 Revenue" of the notes.

AUDIT RESPONSE AND FINDINGS

For the audit of revenue from the delivery of goods, we reconciled individual revenue transactions to purchase orders, invoices, and appropriate proofs of delivery for a sample of transactions during the financial year.

With respect to the audit of revenue from the provision of services, for a sample of projects classified as not yet completed, we reconciled the recognized revenue to the respective client's calculation. We traced the determination of the progress of work based on the project budget and the costs incurred, assessed the assumptions used in estimating the costs still to be incurred, inspected the contractual bases and verified their inclusion in the client's calculations. Furthermore, we tested the costs included in the calculation of the percentage of completion on a sample basis and verified their mathematical accuracy. For a sample of projects classified as completed, we reconciled revenue to contractual basis, invoices, and appropriate performance evidence.

Based on our audit procedures, we were able to satisfy ourselves that revenue was recognized appropriately. We were able to understand the underlying assumptions and judgments made by the legal representatives in the recognition of revenue from the provision of services with regard to the determination of the stage of completion.

CAPITALIZATION OF DEVELOPMENT COSTS

Matter

AKASOL AG capitalized costs for the development of intangible assets totaling EUR 4,583 thousand under the item "Intangible assets" in the 2020 financial year. As of December 31, 2020, the carrying amount of internally generated intangible assets, net of government grants received to support these development projects, is EUR 9,794 thousand.

The recognition of internally generated intangible assets requires that the recognition criteria of IAS 38.57 are met. The assessment of whether these criteria are met is highly discretionary. Therefore, a particularly key audit matter exists.

The disclosures of AKASOL AG on the capitalization of development costs are included in the sections "5.1.1 Internally generated intangible assets" and "6.1.1 Intangible assets" of the notes.

AUDIT RESPONSE AND FINDINGS

In a first step, we obtained an overview of the capitalized development projects. In a next step, we assessed for these projects whether the necessary accounting requirements are met. For this purpose, we inspected the documentation of the projects by the client, held discussions with the project managers on the subject of the development, as well as on the technical feasibility and marketability, critically examined the assumptions on the future economic benefits of the projects, as well as traced the cost recording on cost objects and reconciled them in samples with suitable evidence.

Based on our audit procedures, we are satisfied that the capitalization of development costs is in accordance with IAS 38.

RECOGNITION AND MEASUREMENT OF INVENTORIES

Matter

In its consolidated financial statements as at 31 December 2020, AKASOL AG reported inventories in the amount of EUR 29,426 thousand.

The inventories were included by way of an extended inventory count as of the balance sheet date. They are measured at cost, taking into account any necessary write-downs.

The valuation allowances for individual assets are based on assumptions concerning the usability of the inventories on the basis of marketability or obsolescence and the selling price that can be achieved. The valuation allowances are therefore based on discretionary estimates by the Management Board.

Due to the materiality of inventories for the consolidated financial statements, a very extensive audit of the Company's inventory management and determination of inventories, and the discretionary estimates made in assessing recoverability, the accounting and valuation of inventories is a key audit matter.

The information provided by AKASOL AG on the recognition and measurement of inventories is contained in sections "5.3 Inventories" and "6.2 Inventories" of the notes to the financial statements.

AUDIT RESPONSE AND FINDINGS

We verified the existence and condition of inventories by taking part as observers in the physical inventory counts at the Darmstadt, Langen and Hazel Park, MI/USA sites and our own test counts. In addition, we performed our own counts on a sample basis for inventories stored at two external warehouses. We traced the reconciliation of inventories prepared by the client from the date of the physical inventory count to the balance sheet date and verified the existence and completeness of inventory movements on a sample basis.

With regard to the valuation of inventories and the assumptions made for this purpose, we verified the underlying assumptions on a sample basis for each type of inventory and obtained appropriate evidence with regard to their acquisition or production costs and their recoverability or the appropriateness of any valuation allowances made.

Based on our audit procedures, we are satisfied that the inventories have been accurately determined and that the valuation of the inventories is appropriate.

OTHER INFORMATION

The executive directors or the supervisory board are responsible for the other information. The other information comprises:

› the corporate governance statement contained in section 7.1 of the combined management report

› the declaration of conformity with the recommendations of the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act (AktG) contained in Section 7.2 of the combined management Report

› the other parts of the annual report, except for the audited consolidated financial statements and combined management report as well as our auditor's report

Our audit opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and thereby acknowledge whether the other information

› is materially inconsistent with the consolidated financial statements, with the combined management report or our knowledge obtained in the audit, or

› otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE COMBINED MANAGEMENT REPORT

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The supervisory board is responsible for overseeing the group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE COMBINED MANAGEMENT REPORT

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

› Identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

› Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

› Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

› Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to be able to continue as a going concern.

› Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e (1) HGB.

› Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express audit opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

› Evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with [German] law, and the view of the group's position it provides.

› Perform audit procedures on the prospective information presented by the executive directors in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

REPORT ON THE ASSURANCE IN ACCORDANCE WITH § 317 (3B) HGB ON THE ELECTRONIC REPRODUCTION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE COMBINED MANAGEMENT REPORT PREPARED FOR PUBLICATION PURPOSES

Reasonable Assurance Opinion

We have performed assurance work in accordance with § 317 (3b) HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the combined management report (hereinafter the "ESEF documents") contained in the attached electronic file [Akasol_KA20_ESEF.zip:0e1f7e7b159e42776614449aeee9 fb1beda1ce2dd1ca67b46835a3d47d4c1fa6] and prepared for publication purposes complies in all material respects with the requirements of § 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance only extends to the conversion of the information contained in the consolidated financial statements and the combined management report into the ESEF format and therefore relates neither to the information contained within this reproduction nor to any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the combined management report contained in the above-mentioned attached electronic file and prepared for publication purposes complies in all material respects with the requirements of § 328 (1) HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned file beyond this reasonable assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying combined management report for the financial year from 1 January to 31 December 2020 contained in the "AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS AND ON THE COMBINED MANAGEMENT REPORT" above.

BASIS FOR THE REASONABLE ASSURANCE OPINION

We conducted our assurance work on the reproduction of the consolidated financial statements and the combined management report contained in the above-mentioned attached electronic file in accordance with § 317 (3b) HGB and the Exposure Draft of IDW Assurance Standard: Assurance in Accordance with § 317 (3b) HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410) Accordingly, our responsibilities are further described below in the "AUDITOR'S RESPONSIBILITIES FOR THE ASSURANCE WORK ON THE ESEF DOCUMENTS" section. Our audit firm has applied the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD FOR THE ESEF DOCUMENTS

The executive directors of the company are responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the combined management report in accordance with § 328 (1) sentence 4 no. 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 (1) sentence 4 no. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have determined necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of § 328 (1) HGB for the electronic reporting format.

The executive directors of the Company are also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited consolidated financial statements and audited combined management report as well as other documents to be published to the operator of the Federal Gazette.

The supervisory board is responsible for overseeing the preparation of ESEF documents as part of the financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE ASSURANCE WORK ON THE ESEF DOCUMENTS

Our objective is to obtain reasonable assurance that the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of § 328 (1) HGB. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

› Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of § 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinions.

› Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.

• Evaluate the technical validity of the ESEF documents, i.e. whether the electronic file containing the ESEF documentation meets the require-ments of the Delegated Regulation (EU) 2019/815 on the technical specification for this electronic file applicable at the reporting date.

› Evaluate whether the ESEF documents enable a XHTML reproduction with content equivalent to the audited consolidated financial statements and to the audited combined management report.

› Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) enables an appropriate and complete machine-readable XBRL copy of the XHTML formatted information.

FURTHER INFORMATION PURSUANT TO ARTICLE 10 OF THE EU AUDIT REGULATION

We were elected as group auditor by the consolidated general meeting on 30 June 2020. We were engaged by the chairman of the supervisory board on 1 September 2020.

We have been the group auditor of AKASOL AG without interruption since the financial year 2017.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Hagen Scholz.

Frankfurt, 18 May, 2021

BDO AG
Wirtschaftsprüfungsgesellschaft

Sartori	**Scholz**
German Public Auditor	German Public Auditor

Financial Glossary

CASH AND CASH EQUIVALENTS

Indicates the cash and cash equivalents provided by the various capital flows and is the result of the cash flow accounting.

CASH FLOW FROM FINANCING ACTIVITIES

Indicates the balance of cash and cash equivalents provided to or used by a company in connection with transactions involving shareholders' equity or outside capital.

CASH FLOW FROM INVESTMENT ACTIVITIES

Indicates the balance of cash and cash equivalents that a company has invested or received in connection with the acquisition or sale of financial and tangible assets.

CASH FLOW FROM OPERATING ACTIVITIES

Indicates the change in cash and cash equivalents resulting from operative business during the period under review.

CORPORATE GOVERNANCE

The organizational structure and content of the way companies are managed and controlled.

GERMAN CORPORATE GOVERNANCE KODEX

The German Corporate Governance Kodex (German Corporate Governance Code) presents essential statutory regulations for the management and supervisions of German listed companies and contains, in the form of recommendations and suggestions, internationally and nationally acknowledged standards for good and responsible corporate governance.

EARNING BEFORE INTEREST, TAX, DEPRECIATION AND AMORTIZATION (EBITDA)

EBITDA is the amount of profit that a person or company receives before interest, taxes, depreciation, and amortization have been deducted.

FREE-FLOAT

The free-float includes all shares that are not held by major shareholders; i. e. shares that can be acquired and traded by the general public. Under Deutsche Börse's definition, shares totaling over 5 percent of total equity or over 25 percent held by investment funds are not considered to be part of the free-float.

GROSS MARGIN

Indicates the ratio between gross profit and net sales, enabling conclusions to be drawn regarding a company's production efficiency. Calculation: Gross Profit ÷ Net Sales x 100.

GROSS PROFIT

The result of net sales less cost of sales. Calculation: Net Sales – Cost of Sales. INITIAL PUBLIC OFFERING (IPO) Describes the Initial Public Offering of stocks of the AKASOL AG on the Deutsch Börse on 29th June 2018.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

IFRS are set by the International Accounting Standard Board (Board) and are used primarily by publicly accountable companies – those listed on a stock exchange and by financial institutions – such as 120 banks. Authoritative interpretations of the Standards, which provide further guidance on how to apply them, are developed by the IFRS Interpretation Committee and called IFRIC Interpretations.

KEUR

Amount stated in one thousand euros. It is used in this report for simplified presentation.

MARKET CAPITALIZATION

Indicates the current market value of a company's shareholders' equity on the stock exchange. Calculation: Number of Shares Outstanding x Trading Price.

MEASUREMENT CATEGORY UNDER IFRS 9 ACCORDING TO WHICH FINANCIAL ASSETS (FVOCI)

Describes a measurement category under IFRS 9 according to which financial assets are measured at fair value through other comprehensive income.

OPERATING PROFIT (EBIT)

Operating profit (earnings) before interest and taxes. Calculation: Net Income ± Financial Income / Expenses ± Income Taxes ± Gain / Loss from Investment.

OPERATING PROFIT MARGIN (EBIT MARGIN)

The ratio between operating profit and net sales – the higher the ratio, the higher the profitability of operating activities. Calculation: Operating Profit (EBIT) ÷ Net Sales x 100. ORDER BACKLOG Cumulative order total of the orders agreed with customers framework contracts and call-off agreements.

RETURN ON CAPITAL EMPLOYED (ROCE)

Ratio between operating profit and the total capital employed during a period. Calculation: EBIT ÷ (Net) Assets + Working Capital x 100.

RETURN ON EQUITY

Provides information about the yield on the equity provided by shareholders. Calculation: Net Income ÷ Shareholders' Equity x 100.

WORKING CAPITAL

A liquidity parameter that indicates the surplus of a company's assets that are capable of being liquidated short term (within one year) over its shortterm liabilities. Absolute calculation: Inventories + trade receivables - trade payables.

CONTACT

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LEGAL NOTES

Concept, Content, Design, Composition and Repress

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The English version is a translation of the original German version; in the event of variances, the German version shall take precedence over the English translation.

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HAZEL PARK

US-headquarters, Detroit Metropolitan Area

- Serial production site
- Area of 5,000 qm (production and administration)
- Max. capacity per year in MWh
  2020: 200 MWh
  2021: 400 MWh
  2022: >1,000 MWh

Former headquarters

- Administrative and headquarters
- Research and development center
- Prototype and sample construction
- Service center
  Area of 4,000 qm (production and administration)
- Max. capacity per year in MWh
  2020: 20 MWh

DARMSTADT

New headquarters and Gigafactory 1

- Administrative and headquarters
- Serial production (Gigafactory 1)
- New research and development center
- State-of-the-art test and validation center
- Area of 22,000 qm (production and administration)
- Max. capacity per year in MWh
  2021: 1,000 MWh
  2022: 2,500 MWh
  Final stage of construction: 5,000 MWh

WEITER-STADT

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

LANGEN

- Serial production
- Area of 3,500 qm (production and dministration)
- Max. capacity per year in MWh
  2020: 800 MWh

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