Exasol
The analytics database

CONSOLIDATED FINANCIAL REPORT
OF EXASOL AG 2019

Exasol

TABLE OF CONTENT

* The present consolidated financial statements are condensed and do not yet contain a Group management report. The interim report on the first six months of 2020, which is due in September, will contain such a management report and, hence, considerably more information on the company’s operations.

A MESSAGE FROM THE MANAGEMENT BOARD

Dear Readers, Dear Shareholders,

2019 was an extremely successful fiscal year for Exasol in many respects. The pre-IPO placement in October laid the foundation for the IPO and significantly expanded the financial scope for the continued growth of our company. The previous obstacles in terms of external financing have been overcome and we now have every opportunity to further accelerate our dynamic growth, which is reflected in annual revenue growth rate of more than 20% over the last five years.

In 2019, Exasol generated sales revenues of around EUR 22 million. Recurring revenues accelerated at an ever faster rate to EUR 17.6 million (annualised) in December 2019, up 50% on the December 2018 level. Our scalable infrastructure and platform allow us to yield a stable and high gross profit margin. The operating gross profit margin reached 90% and has continuously exceeded 80% since 2016. Our attractive financial profile is supported by strong visibility of revenues and low annual customer churn rates (CCR). Recurring revenue as a percentage of total revenue, including subscriptions and support contracts, increased from 66% in fiscal year 2018 to 70% in 2019 following the ongoing transition from a license to a subscription-based model. The annual CCR stood at a low 4.0%.

We benefit from very high customer satisfaction, as evidenced by the internationally renowned Dresner Advisory study, and from top ratings in the independent TPC-H benchmark study, according to which our analytics database is the market leader in terms of performance and scalability. Other factors that had a positive impact on our business last year are increasing brand awareness and the rapidly growing importance of data analytics in the market.

Data are at the heart of the ongoing global digital transformation. This increasing dependence on data will continuously expand the global data sphere in the long term. This trend is further accelerated by the current coronavirus pandemic. This is attributable to four main drivers, namely the increasingly dynamic digital transformation of companies in the current crisis, an expected increase in spending on data analytics, growing demand for remote services and for real-time information for better corporate management.

Irrespective of the accelerated digital transformation caused by the crisis, we have also noticed a temporary reluctance to invest on the part of existing customers and potential new customers, which we have countered by implementing cost-cutting measures to offset potential negative effects. With a view to the coming months, however, the positive impulses in the market clearly outweigh the negative ones, which means that we can push ahead with our growth strategy after the IPO with full vigour.

The successful IPO at the Frankfurt Stock Exchange in May, in the midst of the economic crisis affecting the financial markets, marks an absolute highlight in the history of our company and the beginning of a new chapter in our growth story. The proceeds from the capital increase will give us the opportunity and the resources to sustainably strengthen our commitment to our target customers and support them in setting new standards in the use of their data.

Expanding our international presence is one of our key strategic goals. In the past, the Exasol sales team focused on the DACH region. We now want to strengthen our sales and marketing activities in other growth markets, particularly in the USA and in the UK, where teams have already been set up, at a much faster pace.

Another strategic focus is the expansion of the partner ecosystem, i.e. large system integrators, business intelligence and analytics consultants and value-added resellers. In addition, we plan to increase the scalability of revenue from our existing customer base by offering an even more flexible product range and expanding our customer relationship team.

We are facing a very exciting phase for the company and look forward to intensifying the dialogue with you, our shareholders, in the coming months and to informing you regularly about the progress made in implementing our growth strategy.

We thank you for your trust.

Kind regards,

Aaron Auld CEO

Michael Konrad CFO & COO

Mathias Golombek CTO

SUPERVISORY BOARD REPORT

for the financial year from 1 January to 31 December 2019

Supervisory Board activity

In the reporting year, the Supervisory Board performed the duties incumbent on it by law, the Articles of Association and rules of procedure with due diligence. The Supervisory Board afforded intensive support to the Executive Board in management matters, provided regular consultation and supervised Executive Board activity. The benchmarks for supervision were the legitimacy, correctness, appropriateness and efficiency of the Executive Board's actions and this collaboration was characterised by trust and openness. The Supervisory Board was involved directly and early on in fundamental and important company decisions. During regular Supervisory Board meetings and via written, telephone and personal exchanges, the Executive Board kept the Supervisory Board continually informed about business developments, essential planning aspects, Exasol Group's up-to-date situation, the funding strategy, key business processes and other strategic developments. Regular discussions were held about the company's financial situation. Deviations in the course of business from the Group plan were explained to the Supervisory Board in detail and discussed by the Supervisory Board in depth.

Focal points of the Supervisory Board consultations

Six meetings took place in the reporting year. Topics including the provisional key figures for the consolidated financial statements for the 2018 financial year were discussed on 11 January 2019. The projected figures and the agreement of objectives for the Executive Board for the 2019 financial year were also reviewed during this meeting along with an in depth discussion about the financial strategy and plans.. Executive Board bonuses for the 2018 financial year were the subject of the meeting on 7 February 2019. The Supervisory Board meeting agenda on 29 May 2019 included the examination, discussion and approval of the 2018 annual financial statements and the Executive Board's proposal regarding the appropriation of profits. In addition, the status and next steps of a financing project which had already been launched in the previous year were examined in detail. At the meeting on 11 September 2019, the Supervisory Board again reviewed the financing project mentioned above as well as other financing options put forward by the Executive Board (including an IPO). The status, ongoing schedule and details of the planned IPO for the 2020 financial year and the upcoming Annual General Meeting were discussed at the meeting on 4 December 2019. The agenda for the meeting on 6 December 2019 included the following points: The appointment of Executive Board members and Executive Board contracts.

The passing of resolutions by written circulation procedure too, alongside resolutions passed at meetings.

Composition of the Executive and Supervisory Boards

There were no personnel changes for either the Executive Board or the Supervisory Board in the reporting period. As the Supervisory Board is only made up of four members, there were no committees formed in the financial year.

Annual and consolidated financial statements

The Annual General Meeting on 29 August 2019 appointed KPMG AG Wirtschaftsprüfungsgesellschaft, Nuremberg, as the auditor for the 2019 financial year. KPMG AG Wirtschaftsprüfungsgesellschaft audited the company's annual financial statements for the 2019 financial year, as prepared by the Executive Board, and the 2019 consolidated financial statements, which were provided voluntarily, and issued an unqualified audit opinion in each case. In addition, KPMG AG Wirtschaftsprüfungsgesellschaft audited the consolidated financial statements for the 2018 financial year, which were provided voluntarily and required for the IPO, and issued an unqualified audit opinion for these too.

The Supervisory Board received the audited and certified annual financial statements for 2019 and the consolidated financial statements for 2018 and 2019 in good time and subjected them to its own review. On 4 June 2020, the documentation associated with the annual financial statements was discussed in detail with the auditors involved (Dr Schroff and Mr Medick) during the accounts meeting hosted by the Supervisory Board via video conference.

There were no objections raised after the audits were completed. The Supervisory Board agrees with the results of the audit of the 2019 annual financial statements and the 2018 and 2019 consolidated financial statements by the auditor following its own review. The annual financial statements for 2019 are therefore approved and the consolidated financial statements for 2019 and 2018 are duly approved.

Thank you

The entire Supervisory Board would like to sincerely thank the Executive Board and all Exasol AG employees for their work during a successful 2019.

Nuremberg, June 2020

For the Supervisory Board

Jochen Tschunke
(Chairman of the Supervisory Board)

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2019

ASSETS

		31.Dec.2019	31.Dec.2019	31.Dec.2018	31.Dec.2018
A.	**Fixed assets**	EUR	EUR	EUR	EUR
	I. Intangible Assets				
	1. Internally generated industrial property rights and similar rights and assets	4,805,765.48		3,787,743.87	
	2. Concessions, industrial property rights and similar rights and assets as well as licences to such rights and assets acquired for consideration	1,929,227.00		1,979,587.00	
	3. Goodwill	486,172.00	7,221,164.48	972,345.00	6,739,675.87
	II. Property, plant and equipment				
	Other equipment, operating and office equipment	648,598.00		649,109.00	
		7,869,762.48		**7,388,784.87**	
B.	**Current assets**				
	I. Receivables and other assets				
	1. Trade receivables	1,844,884.69		4,939,743.48	
	2. Other assets	249,700.92	2,094,585.61	109,000.63	5,048,744.11
	II. Cash and cash equivalents		616,653.21		1.111,965.03
			2,711,238.82		**6,160,709.14**
C.	**Prepaid expenses**		**480,695.14**		**611,300.14**
D.	**Deficit not covered by equity**		**20,501,741.50**		**6,493,917.48**
			31,563,437.94		**20,654,711.63**

Consolidated Financial Statements of Exasol Group prepared in accordance with HGB for the financial year ended 31 December 2019 (audited)

EQUITY AND LIABILITIES

		31.Dec.2019	31.Dec.2019	31.Dec.2018	31.Dec.2018
A.	**Equity**	EUR	EUR	EUR	EUR
	I. Issued Capital				
	1. Subscribed capital	15,654,000.00		15,654,000.00	
	2. Nominal value of own shares	-502,127.00	15,151,873.00	0.00	15,654,000.00
	II. Capital reserve		13,457,859.97		12,955,732.97
	III. Difference in equity due to currency translation		181,713.08		210,493.64
	IV. Accumulated deficit brought forward		-35,314,144.09		-34,682,064.62
	V. Consolidated profit/loss for the year		-13,979,043.46		-632,079.47
	VI. Deficit not covered by equity		20,501,741.50		6,493,917.48
			0.00		**0.00**
B.	**Contributions made to implement the resolved capital increase**				
	Capital Contribution		**8,490,449.51**		**0.00**
C.	**Provisions**				
	1. Tax provisions		80,000.00		0.00
	2. Other provisions		11,403,925.19		1,443,058.33
			11,483,925.19		**1,443,058.33**
D.	**Liabilities**				
	1. Liabilities to banks		2,192,517.56		1,384,242.63
	2. Trade payables		1,502,009.78		965,610.43
	3. Other liabilities		3,742,560.03		12,808,974.34
	- thereof for taxes: EUR 194,306.43 (PY: EUR 600,300.56) -				
	- thereof for social security: EUR 159,554.67 (PY: EUR 109,757.71)				
			7,437,087.37		**15,158,827.40**
E.	**Deferred income**		**4,151,975.87**		**4,052,825.90**
			31,563,437.94		**20,654,711.63**

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2019

		2019	2019	2018	2018
		EUR	EUR	EUR	EUR
1.	Revenue		21,612,091.42		17,714,504.45
2.	Other own work capitalised		1,826,088.85		1.394.626.93
3.	Other operating income		335,690.77		262,580.14
	- thereof from currency translation: EUR 31,705.94 (PY: EUR 50,744.09) –				
4.	Cost of materials				
	a) Cost of raw materials, supplies and purchased goods	-2,287,797.34		-1,460,909.79	
	b) Cost of purchased services	-126,775.74	-2,414,573.08	-172,397.67	-1,633,307.46
5.	Personnel expenses				
	a) Wages and salaries	-22,740,545.95		-9,479,827.42	
	b) Social security, pension and other benefits	-1,582,178.87	-24,322,724.82	-1,173,418.80	-10,653,246.22
	- thereof for pensions: EUR 16,507.77 (PY: EUR 13,986.63) -				
6.	Amortisation of intangible assets and depreciation of property, plant and Equipment		-2,198,271.73		-1,867,815.09
7.	Other operating expenses		-7,989,000.10		-5,315,944.46
	- thereof from currency translation: EUR -96,629.65 (PY: EUR 31,536.68) -				
8.	Other interest and similar income		865.75		0.00
9.	Interest and similar expenses		-699,665.17		-526,533.84
	- thereof to shareholders: EUR 440,761.93 (PY: EUR 465,956.33) -				
10.	Income taxes		-124,800.35		-2,832.75
11.	**Earnings after taxes**		**-13,974,298.46**		**-627,968.30**
12.	Other taxes		-4,745.00		-4,111.17
13.	**Consolidated profit/loss for the year**		**-13,979,043.46**		**-632,079.47**

CONSOLIDATED STATEMENT OF CASH FLOWS

	2019	2018
	KEUR	KEUR
Loss/profit for the period	-13,979	-632
Amortisation, depreciation and write-downs on fixed assets	2,198	1,868
Increase/decrease in provisions	9,770	-210
Other non-cash expenses/income	-3,488	-3,254
Increase in inventories, trade receivables and other assets not attributable to investing or financing activities	2,505	-1,043
Increase in trade payables and other liabilities not attributable to investing or financing activities	4,465	4,042
Interest expense/income	699	527
Income tax expense	125	3
Other operating income from grants	-24	-70
Income taxes paid	-45	-3
Cash flows from operating activities	**2,226**	**1,228**
Acquisition of intangible assets	-2,262	-1,421
Acquisition of property, plant and equipment	-417	-647
Interest received	1	0
Cash flows from investing activities	**-2,678**	**-2,068**
Proceeds from issue of bonds and from loans and borrowings	0	924
Repayments of bonds and borrowings	-851	-73
Proceeds from grants received	24	70
Interest paid	-77	-57
Cash flows from financing activities	**-904**	**864**
Net change in cash and cash equivalents	-1,356	24
Effect of movements in exchange rates and remeasurements on cash held	-14	-1
Cash and cash equivalents at the beginning of the period	-95	-118
Cash and cash equivalents at the end of the period	**-1,465**	**-95**

CONSOLIDATED STATEMENT OF CASH FLOWS

Cash and cash equivalents consist of the following:

	31.12.2019	31.12.2019
	KEUR	KEUR
Cash and cash equivalents	617	1,112
Current account liabilities	-2,082	-1,207
	-1,465	**-95**

Other non-cash expenses and income mainly include the reversal of items of prepaid expenses and deferred income.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Parent company's equity			**Issued capital**
	Share capital	Own shares	Sum of share capital	Capital reserve
	EUR	EUR	EUR	EUR
As at 1 December 2018	15,654,000.00	0.00	15,654,000.00	12,955,732.97
Currency translation	0.00	0.00	0.00	0.00
Other changes	0.00	0.00	0.00	0.00
Consolidated net income for the year	0.00	0.00	0.00	0.00
As at 31 December 2018	**15,654,000.00**	**0.00**	**15,654,000.00**	**12,955,732.97**
Purchase of own shares	0.00	0.00	0.00	0.00
Currency translation	0.00	-502,127.00	-502,127.00	502,127.00
Other changes	0.00	0.00	0.00	0.00
Consolidated net loss for the year	0.00	0.00	0.00	0.00
As at 31 December 2019	**15,654,000.00**	**-502,127.00**	**15,151,873.00**	**13,457,859.97**

Exasol

	Equity of the parent company			
	Foreign currency translation differences	Accumulated deficit brought forward	Consolidated net income/ loss for the year	Consolidated equity
	EUR	EUR	EUR	EUR
	271,479.96	-35,999,810.14	1,317,744.52	-5,800,852.69
	-60,986.32	0.00	0.00	-60,986.32
	0.00	1,317,745.52	-1,317,744.52	1.00
	0.00	0.00	-632,079.47	-632,079.47
	210,493,64	**-34,682,064,62**	**-632,079,47**	**-6,493,917,48**
	-28,780.56	0.00	0.00	-28,780.56
	0.00	0.00	0.00	0.00
	0.00	-632,079.47	632,079.47	0.00
	0.00	0.00	-13,979,043.46	-13,979,043.46
	181,713.08	**-35,314,144.09**	**-13,979,043.46**	**-20,501,741.50**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR FINANCIAL YEAR 2019

A. General information and explanatory notes

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

(2) The consolidated financial statements were prepared in accordance with the provisions of Sections 290 et seqq. of the German Commercial Code [HGB] and the supplementary provisions of the German Stock Corporation Act [AktG].

The functional currency is the euro.

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

B. Consolidated group

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

Disclosures pursuant to Section 313 (2) HGB

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

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

C. Accounting policies

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

(2) The assets and liabilities were measured under the assumption that the Company is able to continue as a going concern. The Exasol Group may be exposed to liquidity risks resulting from seasonal fluctuations in Exasol's business activities. Exasol's business activities are subject to seasonal fluctuations. In general, incoming orders are declining in the third calendar quarter, as many decision-makers are on vacation during the summer months. Although order volumes generally increase in the fourth calendar quarter as many companies have to spend their IT budgets, payments for these orders are usually not received until the beginning of the next year. In addition, income from regular subscriptions is usually generated at the beginning of a calendar year. As a result, the Exasol Group may have limited liquidity at the end of a calendar year and is exposed to the risk of not being able to meet its financial obligations in full and/or on the due dates. This could have material adverse effects on the business and the results of operations as well as earnings and financial position.

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

(4) Internally generated intangible fixed assets are recognised and valued in accordance with Section 248 (2) and Section 255 (2a) HGB. The manufacturing costs in this regard include all direct and indirect costs directly attributable to the production process. Exercising the capitalisation option shows financial performance in a better light and reflects better the potential of the developments in the financial position. These assets are amortised on a straight-line basis over two to five years.

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

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

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

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

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

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

(10) Liabilities are stated at their settlement amounts.

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

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

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

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

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

For differences between values reported in the financial statements and for tax purposes, which are likely to be offset in future financial years, deferred tax assets and liabilities are recognised and measured pursuant to Section 306 HGB.

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

D. Currency translation

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

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

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

The following exchange rates provided the basis for foreign currency translation:

EUR 1 is equivalent to	Closing rate on 31 Dec. 2019	Average rate in 2019
US-dollar (USD)	1.12 (PY: 1.14)	1.12 (PY: 1.18)
British pound (GBP)	0.85 (PY: 0.90)	0.88 (PY: 0.88)

E. Consolidation policies

The reporting date of the consolidated financial statements is 31 December 2019 and corresponds to the Parent Company's balance sheet date and that of the subsidiaries.

Capital consolidation

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

Consolidation of liabilities

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

Elimination of intercompany profit or loss

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

The elimination of intercompany profits and losses led to a KEUR -444 change in the Group's earnings as at 31 December 2019 (PY: KEUR -141).

Consolidation measures in the consolidated income statement

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

F. Disclosures and explanatory notes on the consolidated balance sheet

1. Fixed assets

The movements in fixed assets during the financial year between 1 January 2019 and 31 December 2019 as well as the breakdown of the individual items are presented in the statement of movements in fixed assets (appendix to the notes).

Intangible assets include purchased property rights and IT software as well as internally generated intangible assets (capitalised development services for software) and goodwill. KEUR 2,262 in internally developed intangible fixed assets were capitalised in the year under review. (PY: KEUR 1,395). Overall, R&D expenses were incurred in the amount of KEUR 2,262 (PY: KEUR 1,395) in the form of personnel expenses and directly allocable overheads for rent, the IT infrastructure and administration.

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

Additions in 2019 to fixed assets mainly included investments in internally generated intangible assets, IT software and IT infrastructure.

Deferred taxes

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

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

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

Consolidation measures pursuant to Section 306 HGB triggered deferred taxes. This is not reported due to lacking evidence of its usage.

The company-specific tax rates of the EXASOL single entities are used to calculate deferred taxes. In this regard, the German companies used a tax rate of 32.17%, EXASOL UK Ltd. 19%, EXASOL USA Inc. 21% and EXASOL France S.A.S. 31%.

2. Current assets

Receivables and other assets are as follows:

KEUR	Financial year	thereof due after more than one year	Prior year	thereof due after more than one year
Trade receivables	1,845	0	4,940	0
Other assets	250	61	109	38
	2,095	61	5,049	38

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

3. EQUITY

(1) Subscribed capital

	01.Jan.2019	Increase	Decrease	31.Dec.2019
	EUR	EUR	EUR	EUR
Original capital	86,950	-	-	86,950
Capital increase	15,567,050	-	-	15,567,050
Share capital	15,654,000	-	-	15,654,000

On 5 December 2019, an extraordinary general meeting resolved to increase the share capital against contribution in kind. The share capital will be increased by EUR 1,463,870 from EUR 15,654,000 to EUR 17,117,870 by issuing 1,463,870 new registered no-par value shares with a nominal value of EUR 1.00 per share. This was registered with the Nuremberg Local Court on February 6, 2020.

(2) Capital reserve

	01.Jan.2019	Increase	Decrease	31.Dec.2019
	EUR	EUR	EUR	EUR
Offering premium arising from capital increase	12,955,733	-	-	12,955,733
Other additional payments	-	502,127	-	502,127
	12,955,733	502,127	-	13,457,860

(3) Treasury stock

As of the balance sheet date, the Company held a total of 502,127 treasury shares, which were contributed by the shareholders free of charge in December 2019 and represent EUR 502,127 (3.21%) of the share capital. The company is obliged to return the no-par value shares if no IPO is carried out by December 31, 2020.

(4) Authorized capital

On 5 December 2019, an extraordinary general shareholder meeting resolved authorized capital. The Management Board is authorized, subject to the approval of the Supervisory Board, to increase the share capital on one or more occasions on or before 4 December 2024 by up to EUR 8,558,935.00 against cash and/or contributions in-kind by issuing up to 8,558,935 new no-par value registered shares („Authorized Capital 2019/I"). The Authorized Capital 2019/I was registered with the commercial register of the Company on 6 February 2020.

(5) Conditional Capital

By resolution of the Company's extraordinary general shareholders' meeting held on 5 December 2019, the registered share capital of the Company was conditionally increased by up to EUR 6,200,000.00 by issuing up to 6,200,000 new registered shares with no-par value (Conditional Capital 2019/I). The conditional capital is limited until the end of 4 December 2024. The Conditional Capital 2019/I was registered with the commercial register of the Company on 6 February 2020.

4. Other provisions

The other provisions mainly include provisions for bonuses,commissions and stock appreciation rights (SAR) (KEUR 9,428; PY: KEUR 426), personnel expenses (KEUR 559; PY: KEUR 407), external year-end closing expenses (KEUR 262, PY: KEUR 201) and litigation (KEUR 162; PY: KEUR 181). Furthermore, provisions were recognised for archiving expenses and outstanding invoices.

5. Liabilities

The remaining terms of liabilities are as follows:

KEUR	Aggregate amount in financial year	thereof due up to one year	between one and five years	more than 5 years
to banks	2,192 (PY: 1,384)	2,121 (PY: 1,256)	71 (PY: 128	0 (PY: 0)
Trade payables	1,502 (PY:, 966)	1,339 (PY: 680)	163 (PY: 286)	0 (PY: 0)
Other liabilities	3,743 (PY: 12,809)	3,743 (PY: 1,613)	0 (PY: 11,196)	0 (PY: 0)
	7,437 (PY: 15,159)	7,203 (PY: 3,549)	234 (PY: 11,610)	0 (PY: 0)

Other liabilities include liabilities to shareholders of KEUR 3,140 (PY: KEUR 11,983).

None of the liabilities are securitised.

G. Disclosures and explanatory notes on the consolidated income statement

1. Revenue

Revenue is broken down as follows:

	2019	2019	2018	2018
By activity:	**KEUR**	**%**	**KEUR**	**%**
Licenses	14,796	68	12,679	72
Services	6,737	31	4,802	27
Other income	79	1	233	1
Total	**21,612**	**100**	**17,714**	**100**

	2019	2019	2018	2018
By region	**KEUR**	**%**	**KEUR**	**%**
Germany, Austria, Switzerland	14,319	66	12,583	71
Rest of Europe (excluding the UK) and Rest of World	2,731	13	2,222	13
United Kingdom	1,280	6	1,255	7
Region America	3,282	15	1,654	9
Total	**21,612**	**100**	**17,714**	**100**

2. Other operating income

There are no items of exceptional incidence or amount.

Income relating to other periods in the amount of KEUR 81 (PY: KEUR 2) mainly relates to reversals of provisions.

3. Personnel expenses

Personnel expenses amounted to KEUR 24,323 (PY: KEUR 10,653).

In addition to the expansion of the personnel base in the fiscal year, the increase is driven by the first-time recognition of a provision for the SAR program in the amount of KEUR 7,883 (PY: KEUR 0).

4. Other operating expenses

There are no items of exceptional incidence or amount.

Expenses relating to other periods in the amount of KEUR 172 (PY: KEUR 0) mainly relates to accrual accounting.

5. Income taxes

Taxes on income include the current income tax expense of KEUR 44 (PY: KEUR 3)
and for previous years of KEUR 81 (PY: KEUR 0).

H. Contingencies and other financial obligations

1. Contingent liabilities pursuant to Section 251 HGB

There were no contingent liabilities in accordance with Section 251 HGB.

2. Off-balance sheet transactions

Material off-balance sheet transactions exist in terms of real estate rental agreements for business office space as well as leases for server capacity. This approach helps to reduce capital tie-up and means that the investment risk is borne by the lessor. Refer to the information on other financial obligations for more information.

3. Other financial obligations

	Payable within 1 year	Total
Type of obligation	**KEUR**	**KEUR**
Rent for offices	618	1,808
Rents and leases for office equipment	686	1,174
Gesamt	**1,304**	**2,982**

The underlying agreements for the business premises have terms of up to five years. The remaining terms for the leased office equipment are between one and three years. Other financial obligations amounted to KEUR 2,982 as at the reporting date.

I. Other disclosures

1. Number of employees

	2019	2018
Administration/Sales/Marketing	89	52
R&D/Cloud/Services	60	56
Total	**149**	**109**
Thereof Executive Board:	3	3

2. Executive Board

Members of the Executive Board in financial year 2019:

Aaron Auld, CEO, Munich

Mathias Golombek, CTO, Ottensoos

Michael Konrad, CFO, Karlsruhe

The above Executive Board members continued to be appointed on the date the consolidated financial statements were prepared. The total remuneration paid to the Executive Board is not disclosed as provided for under Section 314 (3) sentence 2 in conjunction with Section 286 (4) HGB (exemption clause).

3. Supervisory Board

Members of the Supervisory Board in financial year 2019:

Prof. h.c. Jochen Tschunke, corporate consultant, Munich

Gerhard Rumpff, corporate consultant, Munich

Dr Knud Klingler, corporate consultant, Engerwitzdorf, Austria
Karl Hopfner, corporate consultant, Oberhaching

The total remuneration paid to the Supervisory Board amounted to KEUR 110 in the financial year.

4. Auditor's fee

The total fee of KEUR 216 charged by the auditor of the consolidated financial statements for the financial year under review is comprised as follows:

Activity	KEUR
Audit services	148
Other assurance services	68
Tax advisory services	0
Other services	**0**
	216

5. Proposal on the appropriation of profit

The Executive Board proposes that EXASOL AG's net income for the year of EUR 6,436,086.15 be carried forward to the following year.

J. Information on the cash flow statement

The cash flow statement was prepared in accordance with GAS 21.

Cash and cash equivalents consist of „cash at bank", „cash on hand" and overdraft bank facilities within „liabilities to banks".

Material non-cash expense and income largely included the reversal of prior year's amounts for prepaid expenses (KEUR 481; PY: KEUR 611) and deferred income (KEUR 4,152; PY: KEUR 4,053) as well as retained interest (under interest expenses/income: KEUR 622; PY: KEUR 465).

K. Subsequent events

The coronavirus has been spreading worldwide since January 2020 and has also had extensive effects in Germany since March 2020. The preliminary business climate index of the ifo Institute has fallen from 96.0 % in February 2020 to 86.1 % in March 2020. The German government is also currently assuming recessionary economic development for 2020.

For Exasol AG (Group/Company), we therefore assume that the willingness of customers and potential new customers to invest will be temporarily restrained, especially in the first half of 2020. In order to counteract the potential effects, the company has now taken a package of cost-cutting measures (short-time working, hiring freeze, reduction of material costs, etc.) to offset the potential negative financial impact.

On 20 April 2020, a further shareholder loan of KEUR 1,200 to EXASOL AG was approved. The loan has a term until 27 April 2021 and bears interest at 8% p.a.

There were no other reportable events after the balance sheet date.

Nuremberg, 13 May 2020

EXASOL AG Executive Board

Aaron Auld

Mathias Golombek

Michael Konrad

MOVEMENTS IN THE GROUP'S FIXED ASSETS

during financial year 2019

		Cost			
		1.Jan.2019	Additions	Disposals	31.Dec.2019
I.	**Intangible assets**				
	1. Internally generated industrial property rights and similar rights and assets	10,186,312.25	2,261,833.13	0.00	12,448,145.38
	2. Concessions, industrial property rights and similar rights and assets acquired for a consideration	8,913,143.36	0.00	0.00	8,913,143.36
	3. Goodwill	7,294,411.04	0.00	0.00	7,294,411.04
		26,393,866.65	**2,261,833.13**	**0.00**	**28,655,699.78**
II.	**Property, plant and equipment**				
	Other equipment, operating and office equipment	**2,107,448.52**	417,416.21	**65,591.48**	**2,459,273.25**
		28,501,315.17	**2,679,249.34**	**65,591.48**	**31,114,973.03**

Accumulated amortisation, depreciation and write-downs				Book value	
1.Jan.2019	Amortisation, depreciation and write-downs during the financial year	Disposals	31.Dec.2019	31.Dec.2019	31.Dec.2018
6,398,568.38	1,243,811.52	0.00	7,642,379.90	4,805,765.48	3,787,743.87
6,933,556.36	50,360.00	0.00	6,983,916.36	1,929,227.00	1,979,587.00
6,322,066.04	486,173.00	0.00	6,808,239.04	486,172.00	972,345.00
19,654,190.78	**1,780,344.52**	**0.00**	**21,434,535.30**	**7,221,164.48**	**6,739,675.87**
1,458,339.52	**417,927.21**	**65,591.48**	**1,810,675.25**	**648,598.00**	**649,109.00**
21,112,530.30	**2,198,271.73**	**65,591.48**	**23,245,210.55**	**7,869,762.48**	**7,388,784.87**

INDEPENDENT AUDITOR'S REPORT

The below auditor's report and consolidated financial statements referred to are both translations of the respective German-language documents.

To EXASOL AG, Nuremberg

Audit Opinion

We have audited the consolidated financial statements of EXASOL AG, Nuremberg, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2019, and the consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2019, and notes to the consolidated financial statements, including the accounting policies presented therein.

In our opinion, based on the findings of our audit, the accompanying consolidated financial statements comply, in all material respects, with the requirements of German commercial law and give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2019 and of its financial performance for the financial year from 1 January to 31 December 2019, in compliance with German Legally Required Accounting Principles.

Pursuant to Section 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.

Basis for Opinion

We conducted our audit of the consolidated financial statements in accordance with Section 317 HGB and the German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the „Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our auditor's report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements.

Responsibilities of Management and the Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation of consolidated financial statements that comply, in all material respects, with the requirements of German commercial law and 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 German Legally Required Accounting Principles. In addition, management is responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, 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, management is 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, provided no actual or legal circumstances conflict therewith.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for preparing the consolidated financial statements.

Konzernabschluss beinhaltet.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and in compliance with the German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misrepresentations 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.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, 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 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 controls.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of management's 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 our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. 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 German Legally Required Accounting Principles.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

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.

Nuremberg, 13 May 2020

KPMG AG Wirtschaftsprüfungsgesellschaft

signed Dr Schroff

Wirtschaftsprüfer
[German Public Auditor]

signed Medick

Wirtschaftsprüfer
[German Public Auditor]

Exasol AG
Neumeyerstr. 22 – 26
90411 Nuremberg
Germany

T: +49 911 23991-0
F: +49 911 239 91 24
E: info@exasol.com

Exasol