

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2023

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to _____

Microvast Holdings, Inc.
(Exact name of registrant as specified in its charter)

Delaware

001-38826

83-2530757

(State or other jurisdiction
of incorporation or organization)

(Commission File Number)

(IRS Employer
Identification No.)

**12603 Southwest Freeway, Suite 300
Stafford, Texas**

77477

(Address Of Principal Executive Offices)

(Zip Code)

(281) 491-9505

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of exchange on which registered
Common stock, par value \$0.0001 per share	MVST	The Nasdaq Stock Market LLC
Redeemable warrants, exercisable for shares of common stock at an exercise price of \$11.50 per share	MVSTW	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input checked="" type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of May 5, 2023, there were 309,427,448 shares of the Company's common stock, par value \$0.0001, issued and outstanding.



MICROVAST HOLDINGS, INC.
FORM 10-Q
For the Quarter Ended March 31, 2023

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This report ("Report") contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements include, but are not limited to, statements about future financial and operating results, our objectives, expectations and intentions with respect to future operations, products and services; and other statements identified by words such as "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "might," "objective," "plan," "project," "predict," "outlook" "should," "will," "would," or the negative of these terms, or other comparable terminology intended to identify statements about the future. These forward-looking statements include, but are not limited to, statements regarding our industry and market sizes, and future opportunities for us. Such forward-looking statements are based upon the current beliefs and expectations of management and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are difficult to predict and generally beyond our control. Actual results and the timing of events may differ materially from the results anticipated in these forward-looking statements.

In addition to factors identified elsewhere in this Report, the following factors, among others, could cause actual results and the timing of events to differ materially from the anticipated results or other expectations expressed in the forward-looking statements:

- changes in the highly competitive market in which we compete, including with respect to our competitive landscape, technology evolution or regulatory changes;
- risk that we may not be able to execute our growth strategies or achieve profitability;
- risks of operations in China;
- the impact of inflation;
- changes in availability and price of raw materials;
- changes in the markets that we target;
- heightened awareness of environmental issues and concern about global warming and climate change;
- risk that we are unable to secure or protect our intellectual property;
- risk that our customers or third-party suppliers are unable to meet their obligations fully or in a timely manner;
- risk that our customers will adjust, cancel or suspend their orders for our products;
- risk that we will need to raise additional capital to execute our business plan, which may not be available on acceptable terms or at all;
- risk of product liability or regulatory lawsuits or proceedings relating to our products or services;
- economic, financial and other impacts of the coronavirus ("COVID-19") pandemic, including global supply chain disruptions; and
- the conflict between Russia and Ukraine and any restrictive actions that have been or may be taken by the U.S. and/or other countries in response thereto, such as sanctions or export controls.

The foregoing list of factors is not exhaustive and new factors may emerge from time to time that could also affect actual performance and results. For more information, please see the risk factors included in our Annual Report on Form 10-K for the year ended December 31, 2022 in Part I, Item 1A.

Actual results, performance or achievements may differ materially, and potentially adversely, from any forward-looking statements and the assumptions on which those forward-looking statements are based. There can be no assurance that the data contained herein is reflective of future performance to any degree. You are cautioned not to place undue reliance on forward-looking statements as a predictor of future performance as forward-looking statements are based on

estimates and assumptions that are inherently subject to various significant risks, uncertainties and other factors, many of which are beyond our control.

All information set forth herein speaks only as of the date hereof, and we disclaim any intention or obligation to update any forward-looking statements as a result of developments occurring after the date hereof except as may be required under applicable securities laws. Forecasts and estimates regarding our industry and end markets are based on sources we believe to be reliable, however there can be no assurance these forecasts and estimates will prove accurate in whole or in part.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

MICROVAST HOLDINGS, INC.
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands of U.S. dollars, except share and per share data, or as otherwise noted)

	December 31, 2022	March 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	\$ 231,420	\$ 200,305
Restricted cash, current	70,732	60,164
Short-term investments	25,070	25,313
Accounts receivable (net of allowance for credit losses of \$4,407 and \$3,270 as of December 31, 2022 and March 31, 2023, respectively)	119,304	88,911
Notes receivable	2,196	21,202
Inventories, net	84,252	87,669
Prepaid expenses and other current assets	12,093	13,472
Total Current Assets	545,067	497,036
Restricted cash, non-current	465	11
Property, plant and equipment, net	335,140	443,051
Land use rights, net	12,639	12,618
Acquired intangible assets, net	1,636	3,691
Operating lease right-of-use assets	16,368	18,461
Other non-current assets	73,642	29,113
Total Assets	\$ 984,957	\$ 1,003,981
Liabilities		
Current liabilities:		
Accounts payable	\$ 44,985	\$ 41,243
Notes payable	68,441	67,804
Accrued expenses and other current liabilities	66,720	93,147
Advance from customers	54,207	53,059
Short-term bank borrowings	17,398	21,842
Income tax payables	658	658
Total Current Liabilities	252,409	277,753
Long-term bonds payable	43,888	43,888
Long-term bank borrowings	28,997	29,122
Warrant liability	126	109
Share-based compensation liability	131	138
Operating lease liabilities	14,347	15,825
Other non-current liabilities	32,082	31,317
Total Liabilities	\$ 371,980	\$ 398,152
Commitments and contingencies (Note 16)		

MICROVAST HOLDINGS, INC.
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS - continued
(In thousands of U.S. dollars, except share and per share data, or as otherwise noted)

	December 31, 2022	March 31, 2023
Shareholders' Equity		
Common Stock (par value of US\$0.0001 per share, 750,000,000 and 750,000,000 shares authorized as of December 31, 2022 and March 31, 2023; 309,316,011 and 309,427,448 shares issued, and 307,628,511 and 307,739,948 shares outstanding as of December 31, 2022 and March 31, 2023)	\$ 31	\$ 31
Additional paid-in capital	1,416,160	1,434,221
Statutory reserves	6,032	6,032
Accumulated deficit	(791,165)	(820,746)
Accumulated other comprehensive loss	(18,081)	(15,861)
Total Microvast Holding, Inc. shareholders' equity	612,977	603,677
Noncontrolling interests	\$ —	\$ 2,152
Total Equity	\$ 612,977	\$ 605,829
Total Liabilities and Equity	\$ 984,957	\$ 1,003,981

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

MICROVAST HOLDINGS, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands of U.S. dollars, except share and per share data, or as otherwise noted)

	Three Months Ended March 31,	
	2022	2023
Revenues	\$ 36,668	\$ 46,973
Cost of revenues	(36,655)	(42,115)
Gross profit	13	4,858
Operating expenses:		
General and administrative expenses	(26,101)	(20,385)
Research and development expenses	(11,309)	(10,861)
Selling and marketing expenses	(5,998)	(4,988)
Total operating expenses	(43,408)	(36,234)
Subsidy income	137	77
Loss from operations	(43,258)	(31,299)
Other income and expenses:		
Interest income	314	1,381
Interest expense	(796)	(459)
Changes in fair value of warrant liability	(435)	17
Other income, net	399	789
Loss before provision for income taxes	(43,776)	(29,571)
Income tax expense	—	—
Net loss	\$ (43,776)	\$ (29,571)
Less: net income attributable to noncontrolling interests	—	10
Net loss attributable to Microvast Holdings, Inc.'s shareholders	\$ (43,776)	\$ (29,581)
Net loss per common share		
Basic and diluted	\$ (0.15)	\$ (0.10)
Weighted average shares used in calculating net loss per share of common stock		
Basic and diluted	298,843,016	307,714,841

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

MICROVAST HOLDINGS, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(In thousands of U.S. dollars, except share and per share data, or as otherwise noted)

	Three Months Ended March 31,	
	2022	2023
Net loss	\$ (43,776)	\$ (29,571)
Foreign currency translation adjustment	986	2,188
Comprehensive loss	\$ (42,790)	\$ (27,383)
Comprehensive income attributable to non-controlling interests	—	(22)
Total comprehensive loss attributable to Microvast Holding, Inc.'s shareholders	\$ (42,790)	\$ (27,361)

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

MICROVAST HOLDINGS, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(In thousands of U.S. dollars, except share and per share data, or as otherwise noted)

Three Months Ended March 31, 2022									
	Common Stock		Additional paid-in capital	Accumulated deficit	Accumulated other Comprehensive Income	Statutory reserves	Total Microvast Holdings, Inc. Shareholders' Equity		
	Shares	Amount					Shares	Amount	Shares
Balance as of December 31, 2021	298,843,016	\$ 30	\$ 1,306,034	\$ (632,099)	\$ 6,701	\$ 6,032	\$ 686,698		
Net loss	—	—	—	(43,776)	—	—	(43,776)		
Cumulative effect adjustment related to opening retained earnings for adoption of ASU2016-13, Financial instruments- Credit losses (Topic 326)	—	—	—	(866)	—	—	(866)		
Issuance of common stock in connection with vesting of restricted stock units	8,124	—	—	—	—	—	—		
Share-based compensation	—	—	14,333	—	—	—	14,333		
Foreign currency translation adjustments	—	—	—	—	986	—	986		
Balance as of March 31, 2022	298,851,140	\$ 30	\$ 1,320,367	\$ (676,741)	\$ 7,687	\$ 6,032	\$ 657,375		

Three Months Ended March 31, 2023										
	Common Stock		Additional paid-in capital	Accumulated deficit	Accumulated other Comprehensive Income (loss)	Statutory reserves	Total Microvast Holdings, Inc. Shareholders' Equity		Non- controlling Interests	Total Equity
	Shares	Amount					Shares	Amount		
Balance as of December 31, 2022	307,628,511	\$ 31	\$ 1,416,160	\$ (791,165)	\$ (18,081)	\$ 6,032	\$ 612,977	\$ —	\$ 612,977	
Net loss	—	—	—	(29,581)	—	—	(29,581)	10	(29,571)	
Capital contribution from non-controlling interests holder	—	—	—	—	—	—	—	2,174	2,174	
Issuance of common stock in connection with vesting of share-based awards	111,437	—	—	—	—	—	—	—	—	
Share-based compensation	—	—	18,061	—	—	—	18,061	—	18,061	
Foreign currency translation adjustments	—	—	—	—	2,220	—	2,220	(32)	2,188	
Balance as of March 31, 2023	307,739,948	\$ 31	\$ 1,434,221	\$ (820,746)	\$ (15,861)	\$ 6,032	\$ 603,677	\$ 2,152	\$ 605,829	

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

MICROVAST HOLDINGS, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands of U.S. dollars, except share and per share data, or as otherwise noted)

	Three Months Ended March 31,	
	2022	2023
Cash flows from operating activities		
Net loss	\$ (43,776)	\$ (29,571)
Adjustments to reconcile net loss to net cash used in operating activities:		
Loss on disposal of property, plant and equipment	12	824
Depreciation of property, plant and equipment	5,310	4,892
Amortization of land use right and intangible assets	143	205
Noncash lease expenses	557	658
Share-based compensation	28,130	17,929
Changes in fair value of warrant liability	435	(17)
Reversal of credit losses	(545)	(1,094)
Provision for obsolete inventories	471	—
Impairment loss from property, plant and equipment	6	—
Product warranty	2,685	2,530
Changes in operating assets and liabilities:		
Notes receivable	(13,468)	(21,340)
Accounts receivable	8,746	32,293
Inventories	(4,878)	(7,039)
Prepaid expenses and other current assets	(2,586)	(857)
Amounts due from/to related parties	85	—
Operating lease right-of-use assets	(18,945)	(2,493)
Other non-current assets	(51)	288
Notes payable	9,391	(936)
Accounts payable	(8,605)	(3,956)
Advance from customers	2,063	(1,179)
Accrued expenses and other liabilities	(6,165)	(3,434)
Operating lease liabilities	16,146	1,239
Other non-current liabilities	(75)	(108)
Net cash used in operating activities	(24,914)	(11,166)
Cash flows from investing activities		
Purchases of property, plant and equipment	(41,061)	(35,922)
Purchase of short-term investments	—	(243)
Proceeds on disposal of property, plant and equipment	1	340
Net cash used in investing activities	(41,060)	(35,825)
Cash flows from financing activities		
Proceeds from borrowings	—	4,384
Net cash generated from financing activities	—	4,384
Effect of exchange rate changes	598	470
Decrease in cash, cash equivalents and restricted cash	(65,376)	(42,137)
Cash, cash equivalents and restricted cash at beginning of the period	536,109	302,617
Cash, cash equivalents and restricted cash at end of the period	\$ 470,733	\$ 260,480

MICROVAST HOLDINGS, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS - continued
(In thousands of U.S. dollars, except share and per share data, or as otherwise noted)

	Three Months Ended	
	March 31,	
	2022	2023
Reconciliation to amounts on unaudited condensed consolidated balance sheets		
Cash and cash equivalents	\$ 416,165	\$ 200,305
Restricted cash	54,568	60,175
Total cash, cash equivalents and restricted cash	\$ 470,733	\$ 260,480
Non-cash investing and financing activities		
Payable for purchase of property, plant and equipment	\$ 20,313	\$ 58,121

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

MICROVAST HOLDINGS, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2023
(In thousands of U.S. dollars, except share and per share data, or as otherwise noted)

NOTE 1. DESCRIPTION OF ORGANIZATION AND BUSINESS OPERATIONS

Microvast, Inc. was incorporated under the laws of the State of Texas in the United States of America on October 12, 2006 and re-domiciled to the State of Delaware on December 31, 2015. Microvast Inc. and its subsidiaries (collectively, the “Group”) are primarily engaged in developing, manufacturing, and selling electronic power products for electric vehicles and energy storage across the globe.

On July 23, 2021 (the “Closing Date”), Microvast, Inc. and Tuscan Holdings Corp. (“Tuscan”) consummated the previously announced merger (the “Merger”), pursuant to the Agreement and Plan of Merger (the “Merger Agreement”) dated February 1, 2021, between Tuscan, Microvast, Inc. and TSCN Merger Sub Inc., a Delaware corporation (“Merger Sub”).

Pursuant to the Merger Agreement, the Merger Sub merged with and into Microvast, Inc., with Microvast, Inc. surviving the Merger. As a result of the Merger, Tuscan was renamed “Microvast Holdings, Inc.” (the “Company”). The Merger was accounted for as a reverse recapitalization as Microvast, Inc. was determined to be the accounting acquirer under Financial Accounting Standards Board’s Accounting Standards Codification Topic 805, Business Combinations (“ASC 805”).

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation and use of estimates

The accompanying unaudited condensed consolidated financial statements include the accounts of the Company and its subsidiaries. The unaudited condensed consolidated financial statements have been prepared in accordance with the rules and regulations of the Security and Exchange Commission and U.S. generally accepted accounting standards (“U.S. GAAP”) for interim financial reporting. Accordingly, certain information and disclosures normally included in the notes to the annual financial statements prepared in accordance with U.S. GAAP have been omitted from these interim financial statements.

The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the period ended December 31, 2022 included in the Company’s Annual Report on Form 10-K filed with the SEC on March 16, 2023, which provides a more complete discussion of the Company’s accounting policies and certain other information. In the opinion of the management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments (which include normal recurring adjustments) necessary for a fair statement of financial results for the interim periods presented. The Company believes that the disclosures are adequate to make the information presented not misleading.

The results of operations for the three months ended March 31, 2023 are not necessarily indicative of the results to be expected for any subsequent quarter or for the fiscal year ending December 31, 2023.

The financial information as of December 31, 2022 included on the condensed consolidated balance sheets is derived from the Group’s audited consolidated financial statements for the year ended December 31, 2022.

There have been no significant changes to the significant accounting policies disclosed in Note 2 of the audited consolidated financial statements for the years ended December 31, 2022.

Significant accounting estimates reflected in the Group’s financial statements include allowance for credit losses, provision for obsolete inventories, impairment of long-lived assets, valuation allowance for deferred tax assets, product warranty, fair value measurement of warrant liability and share based compensation.

All intercompany transactions and balances have been eliminated upon consolidation.

MICROVAST HOLDINGS, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2023

(In thousands of U.S. dollars, except share and per share data, or as otherwise noted)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES - continued

Emerging Growth Company

Pursuant to the JOBS Act, an emerging growth company (the “EGC”) may adopt new or revised accounting standards that may be issued by FASB or the SEC either (i) within the same periods as those otherwise applicable to non-EGCs or (ii) within the same time periods as private companies. The Company intends to take advantage of the exemption for complying with new or revised accounting standards within the same time periods as private companies. Accordingly, the information contained herein may be different than the information provided by other public companies.

The Company also intends to take advantage of some of the reduced regulatory and reporting requirements of EGCs pursuant to the JOBS Act so long as the Company qualifies as an EGC, including, but not limited to, an exemption from the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation, and exemptions from the requirements of holding non-binding advisory votes on executive compensation and golden parachute payments.

Revenue recognition

Nature of Goods and Services

The Group’s revenue consists primarily of sales of lithium-ion batteries. The obligation of the Group is to provide the battery products. Revenue is recognized at the point of time when control of the promised goods or services is transferred to the customer, in an amount that reflects the consideration the Group expects to be entitled to in exchange for the goods or services.

Disaggregation of revenue

For the three months ended March 31, 2022 and 2023, the Group derived revenues from geographic regions as follows:

	Three Months Ended March 31,	
	2022	2023
<i>People’s Republic of China (“PRC”)</i>	\$ 19,838	\$ 32,612
<i>Other Asia & Pacific countries</i>	13,404	3,149
Asia & Pacific	33,242	35,761
Europe	2,751	10,185
U.S.	675	1,027
Total	\$ 36,668	\$ 46,973

Contract balances

Contract balances include accounts receivable and advances from customers. Accounts receivable represent cash not received from customers and are recorded when the rights to consideration is unconditional. The allowance for credit losses reflects the best estimate of probable losses inherent to the accounts receivable balance. Contract liabilities, recorded in advance from customers in the consolidated balance sheets, represent payment received in advance or payment received related to a material right provided to a customer to acquire additional goods or services at a discount in a future period. During the three months ended March 31, 2022 and 2023, the Group recognized \$479 and \$1,788 of revenue previously included in advance from customers as of January 1, 2022 and January 1, 2023, respectively, which consist of payments received in advance related to its sales of lithium batteries.

MICROVAST HOLDINGS, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2023

(In thousands of U.S. dollars, except share and per share data, or as otherwise noted)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES - continued

Share-based compensation

Share-based payment transactions with employees are measured based on the grant date fair value of the equity instrument and recognized as compensation expense on a straight-line basis over the requisite service period, with a corresponding impact reflected in additional paid-in capital.

For share-based awards granted with a performance condition, the compensation cost is recognized when it is probable that the performance condition will be achieved. The Company reassesses the probability of achieving the performance condition at the end of each reporting date and records a cumulative catch-up adjustment for any changes to its assessment. For performance-based awards with a market condition, such as awards using total shareholder return ("TSR") as a performance metric, compensation expense is recognized on a straight-line basis over the estimated service period of the award, regardless of whether the market condition is satisfied. Liability-classified awards are remeasured at their fair-value-based measurement as of each reporting date until settlement. Forfeitures are recognized as they occur.

Operating leases

As of March 31, 2023, the Company recorded operating lease right-of-use (ROU) assets of \$18,461 and operating lease liabilities of \$18,387, including current portion in the amount of \$2,562, which was recorded under accrued expenses and other current liabilities on the balance sheet.

The Company determines if an arrangement is a lease or contains a lease at lease inception. Operating leases are required to record in the statement of financial position as right-of-use assets and lease liabilities, initially measured at the present value of the lease payments. The Company has elected the package of practical expedients, which allows the Company not to reassess (1) whether any expired or existing contracts as of the adoption date are or contain a lease, (2) lease classification for any expired or existing leases as of the adoption date and (3) initial direct costs for any expired or existing leases as of the adoption date. The Company also elected the practical expedient not to separate lease and non-lease components of contracts. Lastly, for lease assets other than real estate, such as printing machines and electronic appliances, the Company elected the short-term lease exemption as their lease terms are 12 months or less.

As the rate implicit in the lease is not readily determinable, the Company estimates its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The incremental borrowing rate is estimated in a portfolio approach to approximate the interest rate on a collateralized basis with similar terms and payments in a similar economic environment. Lease expense is recorded on a straight-line basis over the lease term.

Warrant Liability

The Company accounts for warrants in accordance with the guidance contained in ASC 815-40 under which the warrants do not meet the criteria for equity treatment and must be recorded as liabilities. As the Private Warrants (as defined in Note 11 – Warrants) meet the definition of a derivative as contemplated in ASC 815, the Company classifies the Private Warrants as liabilities. This liability is subject to re-measurement at each balance sheet date until exercised, and any change in fair value is recognized in the condensed statements of operations. The Private Warrants are valued using a Monte Carlo simulation model on the basis of the quoted market price of Public Warrants (as defined in Note 11 – Warrants).

MICROVAST HOLDINGS, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2023

(In thousands of U.S. dollars, except share and per share data, or as otherwise noted)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES - continued

Recent accounting pronouncements not yet adopted

In August 2020, the FASB issued ASU 2020-06, “Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging-Contracts in Entity’s Own Equity (Subtopic 815-40)-Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity.” The ASU simplifies accounting for convertible instruments by removing major separation models required under current GAAP. Consequently, more convertible debt instruments will be reported as a single liability instrument with no separate accounting for embedded conversion features. The ASU removes certain settlement conditions that are required for equity contracts to qualify for the derivative scope exception, which will permit more equity contracts to qualify for it. The ASU also simplifies the diluted net income per share calculation in certain areas. For SEC filers, excluding smaller reporting companies, ASU 2020-06 is effective for fiscal years beginning after December 15, 2021 including interim periods within those fiscal years. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020. For all other entities, ASU 2020-06 is effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. The Company is currently evaluating the impact that ASU 2020-06 may have on the condensed consolidated financial statements and related disclosures.

NOTE 3. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following:

	December 31, 2022	March 31, 2023
Accounts receivable	\$ 123,711	\$ 92,181
Allowance for credit losses	(4,407)	(3,270)
Accounts receivable, net	\$ 119,304	\$ 88,911

Movement of allowance for credit losses was as follows:

	Three Months Ended March 31,	
	2022	2023
Balance at beginning of the period	\$ 5,005	\$ 4,407
Cumulative-effect adjustment upon adoption of ASU2016-13, Financial instruments- Credit losses (Topic 326)	866	—
Reversal of expenses	(545)	(1,094)
Write off	—	(66)
Exchange difference	28	23
Balance at end of the period	\$ 5,354	\$ 3,270

MICROVAST HOLDINGS, INC.
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NOTE 4. INVENTORIES

Inventories consisted of the following:

	December 31, 2022	March 31, 2023
Work in process	\$ 48,747	\$ 44,020
Raw materials	29,331	31,604
Finished goods	6,174	12,045
Total	\$ 84,252	\$ 87,669

Provision for obsolete inventories at \$471 and \$0 were recognized for the three months ended March 31, 2022 and 2023, respectively.

NOTE 5. ACQUIRED INTANGIBLE ASSETS, NET

	December 31, 2022	March 31, 2023
Cost of acquired intangible assets	\$ 3,493	\$ 5,679
Less: accumulated amortization	(1,857)	(1,988)
Acquired intangible assets, net	\$ 1,636	\$ 3,691

In December, 2022, Microvast Inc. set up a new subsidiary named Microvast Precision Works Co., Ltd ("MPW") together with a third party (the "NCI"). In the first quarter of 2023, the Company invested cash of \$5,072 in MPW to hold a 70% shareholding, and the NCI injected patents with a total value of \$2,174 for the remaining 30% shareholding. Such patents received are recorded as intangible assets.

The Group recorded amortization expense of \$61 and \$129 for the three months ended March 31, 2022 and 2023, respectively. No impairment losses were recognized for the three months ended March 31, 2022 and 2023.

The annual amortization expense for each of the five succeeding fiscal years and thereafter are as follows:

Nine months period ending December 31, 2023	\$ 388
2024	512
2025	508
2026	506
2027	499
2028	400
Thereafter	878
Total	\$ 3,691

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NOTE 6. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	December 31, 2022	March 31, 2023
Product warranty, current	\$ 13,044	\$ 11,279
Payables for purchase of property, plant and equipment	29,183	58,121
Other current liabilities	8,608	7,804
Accrued payroll and welfare	4,716	4,518
Accrued expenses	2,641	2,801
Interest payable	298	395
Other tax payable	6,296	5,667
Operating lease liabilities, current	1,934	2,562
Total	\$ 66,720	\$ 93,147

NOTE 7. PRODUCT WARRANTY

Movement of product warranty was as follows:

	Three Months Ended March 31,	
	2022	2023
Balance at beginning of the period	\$ 58,458	\$ 42,060
Provided during the period	2,685	2,530
Utilized during the period	(9,712)	(5,172)
Exchange difference	—	192
Balance at end of the period	\$ 51,431	\$ 39,610

	December 31, 2022	March 31, 2023
Product warranty – current	\$ 13,044	\$ 11,279
Product warranty – non-current	29,016	28,331
Total	\$ 42,060	\$ 39,610

NOTE 8. BANK BORROWINGS

On September 27, 2022, the Group entered into a \$111 million (RMB800 million) loan facilities agreement with a group of lenders led by a PRC Bank (the "2022 Facility Agreement"). The 2022 Facility Agreement has an effective drawdown period until June 9, 2023 and the interest rate is prime plus 115 basis points where prime is based on Loan Prime Rate published by the National Inter-bank Funding Center of the PRC. The interest is payable on a quarterly basis. The loan facilities can only be used for the manufacturing capacity expansion at the Group's facility located in Huzhou, China. The 2022 Facility Agreement contains certain customary restrictive covenants, including but not limited to disposal of assets and dividend distribution without the consent of the lender, and certain customary events of default.

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NOTE 8. BANK BORROWINGS-continued

As of March 31, 2023, the Group had outstanding borrowings of \$43,683 under the 2022 Facility Agreement.

Repayment Date	Repayment Amount
June 10, 2023	\$4,368 (RMB30 million)
December 10, 2023	\$10,193 (RMB70 million)
June 10, 2024	\$14,561 (RMB100 million)
December 10, 2024	\$14,561 (RMB100 million)

The amount of capitalized interest expenses, which was recorded in construction in progress and property, plant and equipment, was \$0 and \$524 for the three months ended March 31, 2022 and 2023, respectively.

The Group has also entered into short-term loan agreements and bank facilities with certain Chinese banks. The original terms of these loans are with a maximum maturity of 12 months and the interest rates range from 4.50% to 4.75% per annum.

Changes in bank borrowings are as follows:

	Three Months Ended March 31,	
	2022	2023
Beginning balance	\$ 13,301	\$ 46,395
Proceeds from bank borrowings	—	4,384
Exchange difference	34	185
Ending balance	\$ 13,335	\$ 50,964

	December 31, 2022	March 31, 2023
Balance of bank borrowings includes:		
Current	\$ 17,398	\$ 21,842
Non-current	28,997	29,122
Total	\$ 46,395	\$ 50,964

Certain assets of the Group have been pledged to secure the above bank facilities granted to the Group. The aggregate carrying amount of the assets pledged by the Group as of December 31, 2022 and March 31, 2023 are as follows:

	December 31, 2022	March 31, 2023
Buildings	\$ 27,245	\$ 26,926
Land use rights	12,639	12,618
Total	\$ 39,884	\$ 39,544

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NOTE 9. OTHER NON-CURRENT LIABILITIES

	December 31, 2022	March 31, 2023
Product warranty - non-current	\$ 29,016	\$ 28,331
Deferred subsidy income- non-current	3,066	2,986
Total	\$ 32,082	\$ 31,317

NOTE 10. BONDS PAYABLE

	December 31, 2022	March 31, 2023
Long-term bonds payable		
Huzhou Saiyuan	\$ 43,888	\$ 43,888
Total	\$ 43,888	\$ 43,888

On December 29, 2018, MPS signed an agreement with Huzhou Saiyuan, an entity established by the local government, to issue convertible bonds to Huzhou Saiyuan for a total consideration of \$87,776 (RMB600 million). The Company pledged its 12.39% equity holding over MPS to Huzhou Saiyuan to facilitate the issuance of these convertible bonds.

If the subscribed bonds are not repaid by the maturity date, Huzhou Saiyuan has the right to dispose of the equity interests pledged by the Company in proportion to the amount of matured bonds, or convert the bonds into equity interests of MPS within 60 days after the maturity date. If Huzhou Saiyuan decides to convert the bonds into equity interests of MPS, the equity interests pledged would be released and the convertible bonds would be converted into equity interest of MPS based on an entity value of MPS of \$950,000.

In September 2020 and 2022, MPS entered into two supplement agreements with Huzhou Saiyuan, respectively, to change the repayment schedule as follows: (i) \$14,629 (RMB100 million) will be repaid, together with interest accrued, on or before November 10, 2022, (ii) \$14,630 (RMB100 million) will be repaid, together with interest accrued, on or before December 31, 2022, and (iii) the remaining \$43,888 (RMB300 million) will be repaid, together with interest accrued, on or before January 31, 2027. The applicable interest rate will be increased to 12% if the Group is in default on the repayment of the bonds at the respective due dates. The remaining terms and conditions of the convertible bonds are unchanged. The Company has complied in full with the amended repayment schedule and accordingly, as of March 31, 2023, the subscription and outstanding balance of the convertible bonds was \$43,888 (RMB300 million).

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NOTE 11. WARRANTS

The Company assumed 27,600,000 publicly-traded warrants (“Public Warrants”) and 837,000 private placement warrants issued to Tuscan Holdings Acquisition LLC (the “Sponsor”) and EarlyBirdCapital, Inc. (“EarlyBirdCapital”) (“Private Warrants” and together with the Public Warrants, the “Warrants”) upon the Business Combination, all of which were issued in connection with Tuscan’s initial public offering (other than 150,000 Private Warrants that were issued in connection with the closing of the Business Combination) and entitle the holder to purchase one share of the Company’s Common Stock at an exercise price of \$11.50 per share. During the three months ended March 31, 2023, none of the Public Warrants or the Private Warrants were exercised.

The Public Warrants became exercisable 30 days after the completion of the Business Combination. The Public Warrants are only exercisable for cash, however, if the Company were to not maintain the effectiveness of the registration statement covering the shares of Common Stock issuable upon exercise of the Public Warrants, the Public Warrants would be exercisable on a net-share settlement basis. The Public Warrants will expire five years after the completion of the Business Combination or earlier upon redemption or liquidation.

The Company may redeem the Public Warrants:

- in whole and not in part;
- at a price of \$0.01 per warrant;
- upon not less than 30 days’ prior written notice of redemption;
- if, and only if, the reported last sale price of the Company’s Common Stock equals or exceeds \$18.00 per share for any 20-trading days within a 30-trading day period ending on the third business day prior to the notice of redemption to the warrant holders; and
- if, and only if, there is a current registration statement in effect with respect to the shares of Common Stock underlying the warrants.

The Company classified the Public Warrants as equity. If the Company calls the Public Warrants for redemption, management will have the option to require all holders that wish to exercise the Public Warrants to do so on a net-share settlement basis.

The Private Warrants are identical to the Public Warrants, except that the Private Warrants will be exercisable for cash or on a net-share settlement basis, at the holder’s option, and be non-redeemable so long as they are held by the initial purchasers or their permitted transferees. If the Private Warrants are held by someone other than the initial purchasers or their permitted transferees, the Private Warrants will be redeemable by the Company and exercisable by such holders on the same basis as the Public Warrants. In addition, so long as the Private Warrants are held by EarlyBirdCapital and its designee, the Private Warrants will expire five years from the effective date of the Business Combination.

The exercise price and number of shares of Common Stock issuable upon exercise of the Warrants may be adjusted in certain circumstances including in the event of a stock dividend, or recapitalization, reorganization, merger or consolidation. However, the Warrants will not be adjusted for issuance of Common Stock at a price below its exercise price. Additionally, in no event will the Company be required to net cash settle the Warrants.

The private warrant liability was remeasured at fair value as of March 31, 2023, resulting in a gain of \$17 for the three months ended March 31, 2023, classified within changes in fair value of warrant liability in the unaudited condensed consolidated statements of operations, respectively.

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NOTE 11. WARRANTS - continued

The Private Warrants were valued using the following assumptions under the Monte Carlo Model that assumes optimal exercise of the Company's redemption option at the earliest possible date:

	March 31, 2023
Market price of public stock	\$ 1.24
Exercise price	\$ 11.50
Expected term (years)	3.32
Volatility	77.47 %
Risk-free interest rate	3.69 %
Dividend rate	0.00 %

The market price of public stock is the quoted market price of the Company's Common Stock as of the valuation date. The exercise price is extracted from the warrant agreements. The expected term is derived from the exercisable years based on the warrant agreements. The expected volatility is a blend of implied volatility from the Company's own public warrant pricing and the average volatility of peer companies. The risk-free interest rate was estimated based on the market yield of US Government Bond with maturity close to the expected term of the warrants. The dividend yield was estimated by the Company based on its expected dividend policy over the expected term of the warrants.

NOTE 12. FAIR VALUE MEASUREMENT

Measured or disclosed at fair value on a recurring basis

The Group measured its financial assets and liabilities, including cash and cash equivalents, restricted cash and warrant liability at fair value on a recurring basis as of December 31, 2022 and March 31, 2023. Cash and cash equivalents and restricted cash are classified within Level 1 of the fair value hierarchy because they are valued based on the quoted market price in an active market. The fair value of the warrant liability is based on significant unobservable inputs, which represent Level 3 measurements within the fair value hierarchy. In determining the fair value of the warrant liability, the Company used the Monte Carlo Model that assumes optimal exercise of the Company's redemption option at the earliest possible date. See Note 11 – Warrants.

As of December 31, 2022 and March 31, 2023, information about inputs for the fair value measurements of the Group's assets and liabilities that are measured at fair value on a recurring basis in periods subsequent to their initial recognition is as follows:

	Fair Value Measurement as of December 31, 2022			
	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
(In thousands)				
Cash and cash equivalents	\$ 231,420	—	—	\$ 231,420
Restricted cash	71,197	—	—	71,197
Total financial asset	\$ 302,617	—	—	\$ 302,617
Warrant liability	\$ —	—	126	\$ 126
Total financial liability	\$ —	—	126	\$ 126

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NOTE 12. FAIR VALUE MEASUREMENT - continued

Measured or disclosed at fair value on a recurring basis-continued

(In thousands)	Fair Value Measurement as of March 31, 2023			
	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash and cash equivalents	\$ 200,305	—	—	\$ 200,305
Restricted cash	\$ 60,175	—	—	\$ 60,175
Total financial asset	\$ 260,480	—	—	\$ 260,480
Warrant liability	—	—	109	\$ 109
Total financial liability	—	—	109	\$ 109

The following is a reconciliation of the beginning and ending balances for Level 3 warrant liability during the three months ended March 31, 2022 and 2023:

(In thousands)	Three Months Ended March 31,	
	2022	2023
Balance at the beginning of the period	1,105	\$ 126
Changes in fair value	435	(17)
Balance at end of the period	\$ 1,540	\$ 109

Measured or disclosed at fair value on a nonrecurring basis

The Group measured the long-lived assets using the income approach—discounted cash flow method, when events or changes in circumstances indicate that the carrying amount of an asset may no longer be recoverable.

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NOTE 13. LEASES

The Group has operating leases for office spaces and warehouses. Certain leases include renewal options and/or termination options, which are factored into the Group's determination of lease payments when appropriate.

Operating lease cost for the three months ended March 31, 2023 was \$880, which excluded cost of short-term contracts. Short-term lease cost for the three months ended March 31, 2023 was \$71.

As of March 31, 2023, the weighted average remaining lease term was 11.2 years and weighted average discount rate was 4.9% for the Group's operating leases.

Supplemental cash flow information of the leases were as follows:

		Three months ended March 31, 2023
Cash payments for operating leases	\$	887
Right-of-use assets obtained in exchange for new operating lease liabilities	\$	2,493

The following is a maturity analysis of the annual undiscounted cash flows for lease liabilities as of March 31, 2023:

		As of March 31, 2023
Nine months period ending December 31, 2023	\$	2,602
2024	\$	2,527
2025	\$	2,027
2026	\$	1,770
2027	\$	1,640
2028	\$	1,640
Thereafter	\$	11,614
Total future lease payments	\$	23,820
Less: Imputed interest	\$	(5,433)
Present value of operating lease liabilities	\$	18,387

NOTE 14. SHARE-BASED PAYMENT

On July 21, 2021, the Company adopted the Microvast Holdings, Inc. 2021 Equity Incentive Plan (the "2021 Plan"), effective upon the Closing Date. The 2021 Plan provides for the grant of incentive and non-qualified stock option, restricted stock units, restricted share awards, stock appreciation awards, and cash-based awards to employees, directors, and consultants of the Company. Options awarded under the 2021 Plan expire no more than 10 years from the date of grant. Concurrently with the closing of the Business Combination, the share awards granted under 2012 Share Incentive Plan of Microvast, Inc. (the "2012 Plan") were rolled over by removing original performance conditions and converting into options and capped non-vested share units with modified vesting schedules, using the Common Exchange Ratio of 160.3. The 2021 Plan reserved 5% of the fully-diluted shares of Common Stock outstanding immediately following the Closing Date plus the shares underlying awards rolled over from the 2012 Plan for issuance in accordance with the 2021 Plan's terms.

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NOTE 14. SHARE-BASED PAYMENT - continued

Stock options

The grant date fair value of the stock options was determined using the Black Scholes model with the following assumptions:

	Three Months Ended March 31, 2023
Exercise price	\$ 1.21
Expected terms (years)	6.00
Volatility	55.59 %
Risk-free interest rate	3.48 %
Expected dividend yields	0.00 %
Fair value of options granted	\$ 0.67

The exercise prices for each award were extracted from the option agreements. The expected terms for each award were derived using the simplified method, and is estimated to occur at the midpoint of the vesting date and the expiration date. The volatility of the underlying common stock during the lives of the options was estimated based on the historical stock price volatility of comparable listed companies over a period comparable to the expected term of the options. Risk-free interest rate was estimated based on the market yield of US Government Bonds with maturity close to the expected term of the options. The dividend yield was estimated by the Company based on its expected dividend policy over the expected term of the options.

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NOTE 14. SHARE-BASED PAYMENT - continuedStock options-continued

Stock options activity for the three months ended March 31, 2022 and 2023 was as follows:

Stock options life	Number of Shares	Weighted Average Exercise Price (US\$)	Weighted Average Grant Date Fair Value (US\$)	Weighted Average Remaining Contractual Life
Outstanding as of December 31, 2021	33,503,657	6.19	4.95	7.9
Forfeited	(72,135)	6.28	4.92	
Outstanding as of March 31, 2022	33,431,522	6.18	4.98	7.7
Expected to vest and exercisable as of March 31, 2022	33,431,522	6.18	4.98	7.7
Outstanding as of December 31, 2022	36,091,071	6.08	4.80	6.8
Grant	240,000	1.25	0.67	
Forfeited	(128,239)	6.28	4.86	
Outstanding as of March 31, 2023	36,202,832	6.05	4.77	6.6
Expected to vest and exercisable as of March 31, 2023	36,202,832	6.05	4.77	6.6
Exercisable as of March 31, 2023	11,779,651	6.19	5.00	6.7

During the three months ended March 31, 2022 and 2023, the Company recorded share-based compensation expense of \$13,630 and \$13,659 related to the option awards.

The total unrecognized equity-based compensation costs as of March 31, 2023 related to the stock options was \$75,188, which is expected to be recognized over a weighted-average period of 1.4 years. The aggregate intrinsic value of the stock options as of March 31, 2023 was \$0.

Capped Non-vested share units

The capped non-vested share units ("CRSUs") represent rights for the holder to receive cash determined by the number of shares granted multiplied by the lower of the fair market value and the capped price, which will be settled in the form of cash payments. The CRSUs were accounted for as liability classified awards.

On June 27, 2022, the Board of Directors and Compensation Committee approved a modification of the settlement terms of 20,023,699 CRSUs under the 2021 Plan from cash settlement to share settlement (the "Modification"). Pursuant to the Modification, on each vesting date, if the stock price is higher than the capped price, the number of shares to be issued will be calculated based on the following formula:

Number of shares to be issued = Capped price* Number of shares vested /Vesting date stock price

If the stock price is equal to or less than the capped price, the Company will grant a fixed number of shares on each vesting date based on the vesting schedule. All other terms of the CRSUs remain unchanged. The Modification resulted in a change of the CRSUs' classification from liability to equity, as the predominant feature of the modified CRSUs was the granting of a fixed number of shares on each vesting date instead of a fixed monetary amount. The determination of the predominant feature was based on the estimated probability of how the awards will be settled using the Monte Carlo model.

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NOTE 14. SHARE-BASED PAYMENT - continued

Capped Non-vested share units-continued

At the Modification date, the Company reclassified the amounts previously recorded as a share-based compensation liability to additional paid-in capital. The modified CRSUs were accounted for as an equity award going forward from the date of the Modification with compensation expenses recognized for each tranche at the fair value measured on the modification date.

At the Modification date, the Company used the Monte Carlo valuation model in determining the fair value of the CRSUs with assumptions as follows:

	Modification Date	
Expected term (years)	0.07 ~	2.07
Volatility	50.93 % ~	73.89 %
Risk-free interest rate	1.15 % ~	3.05 %
Expected dividend yields	0.00%	

Expected term was the time left (in years) from the Modification date to the vesting date based on the terms of the applicable award agreements. The volatility of the underlying common stock was estimated based on the historical stock price volatility of comparable listed companies over a period comparable to the expected term of the awards. Risk-free interest rate was estimated based on the market yield of US Government Bonds with maturity close to the expected term of the awards. The dividend yield was estimated by the Company based on its expected dividend policy over the expected term of the awards.

During the three months ended March 31, 2022 and 2023, the Company recorded share-based compensation expense of \$13,959 and \$3,244, related to these CRSUs awards.

Activity on the CRSUs for the three months ended March 31, 2022 and 2023 was as follows:

	Number on Non-Vested Shares	Weighted Average Grant Date Fair Value per Share (US\$)
Outstanding as of December 31, 2021	23,027,399	8.74 ¹
Outstanding as of March 31, 2022	23,027,399	8.74
Outstanding as of December 31, 2022	13,444,469	2.38
Outstanding as of March 31, 2023	13,444,469	2.38

The total unrecognized equity-based compensation costs as of March 31, 2023 related to the CRSUs was \$9,205.

¹ The amount represents the Modification date value per share as of July 25, 2021. As of the Modification date, the settled price was the capped price as described above.

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NOTE 14. SHARE-BASED PAYMENT - continued

Restricted Stock Units

Following the Business Combination, the Company granted 2,182,222 restricted stock units (“RSUs”) and 2,680,372 performance-based restricted stock unit (“PSU”) awards subject to service, performance and/or market conditions. The service condition requires the participant’s continued services or employment with the Company through the applicable vesting date, and the performance condition requires the achievement of the performance criteria defined in the award agreement. The market condition is based on the Company’s TSR relative to a comparator group during a specified performance period.

The fair value of RSUs is determined by the market closing price of Common Stock at the grant date and is amortized over the vesting period on a straight-line basis. The fair value of PSUs that include vesting based on market conditions are estimated using the Monte Carlo valuation method. For PSU awards with performance conditions, share-based compensation expense is only recognized if the performance conditions become probable to be satisfied. Compensation cost for these awards is amortized on a straight-line basis over the vesting period based on the grant date fair value, regardless of whether the market condition is satisfied. Accordingly, the Company recorded share-based compensation expense of \$447 related to these RSUs and \$719 related to these PSUs during the three months ended March 31, 2023, respectively. During the three months ended March 31, 2022, the Company recorded share-based compensation expense of \$344 related to these RSUs and \$359 related to these PSUs, respectively.

The following assumptions were used for the respective period to calculate the fair value of common stock to be issued under TSR awards on the date of grant using the Monte Carlo model:

	Three months ended March 31, 2023
Expected term (years)	2.92
Volatility	61.89 %
Risk-free interest rate	3.83 %
Expected dividend yields	0.00 %

The expected term was derived based on the remaining time from the grant date through the end of the performance period. The volatility of the underlying common stock during the lives of the awards was estimated based on the historical stock price volatility of comparable listed companies over a period comparable to the expected term of the awards. Risk-free interest rate was estimated based on the market yield of US Government Bond with maturity close to the expected term of the awards. The dividend yield was estimated by the Company based on its expected dividend policy over the expected term of the awards.

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NOTE 14. SHARE-BASED PAYMENT - continued
Restricted Stock Units-continued

The non-vested shares activity for the three months ended March 31, 2022 and 2023 was as follows:

	Number of Non-Vested Shares	Weighted Average Grant Date Fair Value Per Share (US\$)
Outstanding as of December 31, 2021	671,441	9.08
Grant	38,566	6.78
Vested	(8,124)	8.52
Forfeited	(13,196)	8.87
Outstanding as of March 31, 2022	688,687	8.96
Outstanding as of December 31, 2022	1,222,837	6.92
Grant	2,895,140	1.86
Vested	(111,437)	6.76
Forfeited	(14,904)	5.43
Outstanding as of March 31, 2023	3,991,636	3.26

The total unrecognized equity-based compensation costs as of March 31, 2023 related to the non-vested shares was \$9,252.

The following summarizes the classification of share-based compensation:

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2023
Cost of revenues	\$ 1,934	\$ 1,504
General and administrative expenses	18,136	12,168
Research and development expenses	5,139	3,014
Selling and marketing expenses	2,921	1,243
Construction in process	162	140
Total	\$ 28,292	\$ 18,069

NOTE 15. NET LOSS PER SHARE

The following table sets forth the computation of basic and diluted net loss per share for the periods indicated:

	Three Months Ended March 31,	
	2022	2023
Numerator:		
Net loss attributable to common stock shareholders	\$ (43,776)	\$ (29,581)
Denominator:		
Weighted average common stock used in computing basic and diluted net loss per share	298,843,016	307,714,841
Basic and diluted net loss per share	\$ (0.15)	\$ (0.10)

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NOTE 15. NET LOSS PER SHARE - continued

For the three months ended March 31, 2022 and 2023, the following Common Stock outstanding were excluded from the calculation of diluted net loss per share, as their inclusion would have been anti-dilutive for the periods prescribed.

	Three Months Ended March 31,	
	2022	2023
Shares issuable upon exercise of stock options	33,482,818	36,054,182
Shares issuable upon vesting of non-vested shares	673,534	3,070,520
Shares issuable upon vesting of Capped non-vested shares	—	13,349,144
Shares issuable upon exercise of warrants	28,437,000	28,437,000
Shares issuable upon vesting of Earn-out shares	19,999,988	19,999,988
Shares issuable that may be subject to cancellation	1,687,500	1,687,500

NOTE 16. COMMITMENTS AND CONTINGENCIESLitigation

From time to time, the Group may become involved in litigation, claims, and proceedings. The Group evaluates the status of each legal matter and assesses the potential financial exposure. If the potential loss from any legal proceedings or litigation is considered probable and the amount can be reasonably estimated, the Group accrues a liability for the estimated loss. Significant judgment is required to determine the probability of a loss and whether the amount of the loss is reasonably estimated. As of December 31, 2022 and March 31, 2023, based on the information currently available, the Group believes that the loss contingencies that may arise as a result of currently pending legal proceedings are not reasonably likely to have a material adverse effect on the Group's business, results of operations, financial condition, and cash flows.

Capital commitments

Capital commitments for construction of property and purchase of property, plant and equipment were \$173,905 as of March 31, 2023, which is mainly for the construction of lithium battery production lines.

Purchase Commitments

Purchase commitments for non-cancelable contractual obligations primarily related to purchases of inventory were \$47,093 as of March 31, 2023.

Letters of credit

The Company may be required to provide letter of credit as guarantees to customers upon contract signing. The letter of credit generally has an expiration date within one year. As of March 31, 2023, the Company obtained a standby letter of credit from a bank with \$25,313 of short-term investment as collateral.

Pledged assets

The Group may pledge certain assets to banks to secure the issuance of bank acceptance notes for the Group. As of March 31, 2023, notes receivable from customers in the amount of \$9,900, together with certain of our machinery and equipment with a carrying value of \$32,199 has been pledged to secure the issuance of such notes.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

References in this Report to the "Company," "Microvast Holdings, Inc.," "Microvast," "our," "us" or "we" refer to Microvast Holdings, Inc. The following discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with the unaudited interim condensed financial statements and the notes thereto contained elsewhere in this report. Certain information contained in the discussion and analysis set forth below includes forward-looking statements that involve risks and uncertainties.

Business

Microvast Holdings, Inc. is an advanced battery technology company headquartered in Stafford, Texas, and is publicly traded on the NASDAQ stock exchange (the "NASDAQ"). We design, develop and manufacture battery components and systems primarily for electric commercial vehicles and utility-scale energy storage systems ("ESS").

When we founded Microvast in 2006, our guiding principle, which remains at the heart of everything we do today, was to adopt an innovative and creative approach to the design of lithium-ion batteries without relying on past technologies. We call this true innovation. Our design approach began without preconceptions on how to make a lithium-ion battery, which contrasts to many other battery companies which took legacy battery technologies used in consumer electronics and adopted those for use in new market opportunities, such as electric vehicles, which we believe is product development, not innovation. To understand this difference, is to understand what we have set out to achieve.

Our mission is to use our innovative approach to create the battery technologies and solutions to accelerate the adoption of electric vehicles and the integration of renewable energy sources in order to power the transition to a sustainable economy. In particular, we seek to lead the charge in establishing and securing U.S. domestic battery production, which will strengthen the U.S. battery manufacturing base and reduce reliance on foreign battery manufacturing, in what is becoming a sector with significant strategic importance. We believe continuous investment in our technology and operations will deliver long-term targeted revenue and income growth.

We have developed proprietary technologies covering the entire battery system through our vertically integrated approach: from basic cell materials like the cathode, anode, electrolyte and separator, to cooling systems and software controls for the battery pack. Since our inception, we have primarily focused on developing new battery solutions for the transportation industry which requires batteries that are ultra-fast charging, high energy density, long lasting and safe.

In the future, in addition to expanding our production of battery systems and battery components, we expect to increase our focus on producing ESS solutions to support the shift to electrification, with the goal of becoming a leading global ESS solution provider to the energy market. This is a necessity because electric vehicles can only be considered as a green technology if the energy used to power them is also green. Addressing this symbiotic relationship is at the heart of our research activities and we expect it will shape our strategies for the foreseeable future.

Our most recent innovation is our high-energy nickel manganese cobalt ("NMC") 53.5 ampere-hour battery cell (the "53.5Ah"), whose performance characteristics make it an attractive solution for commercial vehicle and ESS applications. To bring this product to market we have made significant investments in capacity expansions in Huzhou, China and Clarksville, Tennessee. Both facilities are using the same fully-automated production equipment for the 53.5Ah cell which will give us considerable operating efficiencies. We expect the 53.5Ah cell to be our dominant revenue driver for this next phase of our growth.

Since 2009, when we launched our first ultra-fast battery system, we have sold and delivered approximately 3,480.5 megawatt hours ("MWh") of battery systems. Our revenue for the period ended March 31, 2023, increased \$10.3 million to \$47.0 million, a 28% increase compared to the period ended March 31, 2022. As of March 31, 2023, we had an order backlog of approximately \$486.7 million for our battery systems (the equivalent of approximately 2,086.6 MWh), over 90% of which is attributable to the U.S. and Europe. We expect to fulfill a majority of our backlog within 2023 and 2024.

On October 3, 2022, we launched our new energy division ("Microvast Energy"). The new division will design, develop and manufacture ESS containers that are co-located with solar solutions or operate as stand-alone energy assets

using our battery technology. The engineering, sales, after-sales and marketing and customer care departments for Microvast Energy are headquartered in northern Colorado.

In October 2022, we were notified by the U.S. Department of Energy (“DOE”) that we had been selected, in collaboration with General Motors, to receive \$200 million in grant funding as part of the DOE’s Battery Materials Processing and Battery Manufacturing initiative pursuant to the recently enacted infrastructure law, subject to negotiation of specific terms and conditions. Once finalized, the grant funding will remain subject to certain conditions precedent and other terms and conditions to be agreed between us and the DOE. The grant funding is expected to support the construction of a new polyaramid separator manufacturing facility in Hopkinsville, Kentucky. To complete this project, we will need to obtain additional financing. We cannot assure you that such financing will be available on acceptable terms. See “*Risks Related to Our Business and Industry— We may be unable to meet our future capital requirements and we may require additional capital to support business growth, and this capital might not be available on acceptable terms, or at all*” and “*Risks Related to Our Business and Industry—Our \$200 million grant from the DOE remains subject to negotiation of specific terms, and completion of the project the grant supports will require us to obtain additional financing which may not be available at all or on acceptable terms; continued availability of grant funding is uncertain and contingent on our compliance with the requirements of the grants we have or may receive in the future.*”

Completion of the Business Combination

On July 23, 2021, Microvast Holdings, Inc. (formerly known as Tuscan Holdings Corp.) consummated the previously announced acquisition of Microvast, Inc., a Delaware corporation, pursuant to the Agreement and Plan of Merger dated February 1, 2021, between Tuscan, Microvast and TSCN Merger Sub Inc., a Delaware corporation, pursuant to which Merger Sub merged with and into Microvast, with Microvast surviving the merger.

Key Factors Affecting Our Performance

We believe that our future success will be dependent on several factors, including the factors discussed below. While these areas represent opportunities for us, they also represent challenges and risks that we must successfully address in order to continue the growth of our business and improve our results of operations.

Technology and Product Innovation

Our financial performance is driven by the development and sales of new products with innovative technology. Our ability to develop innovative technology has been and will continue to be dependent on our dedicated research team. , In October 2021, as part of our efforts to develop innovative technology, we expanded our R&D footprint in Orlando by purchasing a 75,000 square foot facility dedicated to R&D. We plan to continue expanding our R&D presence in the U.S. We also plan to continue leveraging our knowledge base in our overseas locations, including Europe and China and to continue expanding our R&D efforts on a global basis. We expect our results of operations will continue to be impacted by our ability to develop new products with improved performance and reduced ownership cost, as well as the cost of our R&D efforts.

Market Demand

Our revenue and profitability depend substantially on the demand for battery systems and battery components, which is driven by the growth of the commercial and passenger electric vehicle and energy storage markets. Many factors contribute to the development of the electric vehicle and battery energy storage sector, including product innovation, general economic and political conditions, environmental concerns, energy demand, government support and economic incentives(e.g., the IRA in the U.S. and the E.U. Green Deal, E.U. Fit for 55). While governmental economic incentives and mandates can drive market demand for the markets in which we operate and, as a result, battery systems and components, governmental economic incentives can always be gradually reduced or eliminated. Any reduction or elimination of governmental economic incentives may result in reduced demand for our products and adversely affect our financial performance.

Manufacturing Capacity

Our growth depends on being able to meet anticipated demand for our products. In order to do this, we will need to increase our manufacturing capacity. As of March 31, 2023, we had a backlog of approximately \$486.7 million for our battery systems, equivalent to approximately 2,086.6 MWh. So far, we have used \$274.7 million of the proceeds from the Business Combination that was completed in July 2021 to expand our manufacturing facilities and for the purchase of property and equipment associated with our existing manufacturing and R&D facilities. This investment program allows us to increase our manufacturing output, enabling us to address our backlog and to capture growing market opportunities. We expect the total capital expenditures related to these capacity expansions in Huzhou, China and Clarksville, Tennessee, which will give us an additional 4 GWh of capacity, to be in the range of \$460.0 million to \$490.0 million.

Future capacity expansions will be carried out in a measured manner based on our ongoing assessment of medium- and long-term demand for our solutions. Any such capacity expansions will require significant additional capital expenditures and will require corresponding expansion of our supporting infrastructure, further development of our sales and marketing team, expansion of our customer base and strengthened quality control.

Sales Geographic Mix

After initially being focused on the Asia & Pacific regions, we have expanded and continue to expand our presence and product promotion to Europe and the U.S. to capitalize on the rapidly growing electric vehicle and battery energy storage markets in those geographies. As we continue to expand our geographic focus to Europe and the U.S., we believe sales of our products in Europe and the U.S. will have the potential to generate higher gross margins because average sales prices for customers in the U.S. and Europe are typically significantly higher than the average sales prices in China. It has been our experience that buyers in Europe and the U.S. are more motivated by the technologies and quality of our products than are buyers in China, making them less sensitive to the price of our products than are similarly situated buyers in China where we are also faced with intense competition from local Chinese battery manufacturers, some of which have state support. Therefore, the geographic sources of our revenue will have an impact on our revenue and gross margins.

Manufacturing Costs

Our profitability may also be affected by our ability to effectively manage our manufacturing costs. Our manufacturing costs are affected by fluctuations in the price of raw materials. If raw material prices increase, we will have to offset these higher costs either through price increases to our customers or through productivity improvements. Our ability to control our raw materials costs is also dependent on our ability to negotiate with our suppliers for a better price and our ability to source raw materials from reliable suppliers in a cost-efficient manner. In addition, we expect that an increase in our sales volume will enable us to lower our manufacturing costs through economies of scale.

Regulatory Landscape

We operate in an industry that is subject to many established environmental regulations, which have generally become more stringent over time, particularly with respect to hazardous waste generation and disposal and pollution control. These regulations affect the cost of our products and our gross margins. We are also affected by regulations in our target markets such as economic incentives to purchasers of electric vehicles, tax credits for electric vehicle manufacturers, and economic penalties that may apply to vehicle manufacturers based on its fleet-wide emissions. Each of these regulations may expand the market size of electric vehicles, which would, in turn, benefit us. We have operations and sales in the Asia & Pacific region, Europe and the U.S. and, as a result, changes in trade restrictions and tariffs could impact our ability to meet projected sales or margins.

Basis of Presentation

We currently conduct our business through one operating segment. Our historical results are reported in accordance with U.S. GAAP and in U.S. dollars.

Components of Results of Operations

Revenues

We derive revenue from the sales of our electric battery products, including LpTO, LpCO, MpCO, HpCO and HnCo battery power systems. While we have historically marketed and sold our products primarily in China and the wider Asia-Pacific region, we are also expanding our sales presence internationally. The following table sets forth a breakdown of our revenue by major geographic regions in which our customers are located, for the periods indicated:

(In thousands)	Three Months Ended March 31,			
	2022		2023	
	Amt	%	Amt	%
People's Republic of China ("PRC")	\$ 19,838	54 %	\$ 32,612	69 %
Other Asia & Pacific countries	13,404	37 %	3,149	7 %
Asia & Pacific	33,242	91 %	35,761	76 %
Europe	2,751	7 %	10,185	22 %
U.S.	675	2 %	1,027	2 %
Total	\$ 36,668	100 %	\$ 46,973	100 %

We have historically derived a portion of our revenue in a given reporting period from a limited number of key customers, which vary from period to period. The following table summarizes net revenues from customers that accounted for over 10% of our net revenues for the periods indicated:

	Three Months Ended March 31,	
	2022	2023
A	14 %	*%
B	13 %	*%
C	*%	26 %
D	*%	18 %
E	*%	12 %

*Revenue from such customers represented less than 10% of our revenue during the respective periods.

Cost of Revenues and Gross Profit

Cost of revenues includes direct and indirect materials, manufacturing overhead (including depreciation, freight and logistics), warranty reserves and expenses, provision for obsolete inventories, and labor costs and related personnel expenses, including stock-based compensation and other related expenses that are directly attributable to the manufacturing of products.

Gross profit is equal to revenues less cost of revenues. Gross profit margin is equal to gross profit divided by revenues.

Operating Expenses

Operating expenses consist of selling and marketing, general and administrative and research and development expenses.

Selling and marketing expenses. Selling and marketing expenses consist primarily of personnel-related costs associated with our sales and marketing functions, including share-based compensation, and other expenses related to advertising and promotions of our products. We intend to hire additional sales personnel, initiate additional marketing programs and build additional relationships with our customers. Accordingly, we expect that our selling and marketing expenses will continue to increase in absolute dollars in the long term as we expand our business.

General and administrative expenses. General and administrative expenses consist primarily of personnel-related expenses associated with our executive team members, including share-based compensation, legal, finance, human resource and information technology functions, as well as fees for professional services, depreciation and amortization and insurance expenses. We expect to incur additional costs as we hire personnel and enhance our infrastructure to support the anticipated growth of our business.

Research and development expenses. Research and development expenses consist primarily of personnel-related expenses, including share-based compensation, raw material expenses relating to materials used for experiments, utility expenses and depreciation expenses attributable to research and development activities. Over time, we expect our research and development expense to increase in absolute dollars as we continue to make significant investments in developing new products, applications, functionality and other offerings.

Subsidy Income

Government subsidies represent government grants received from local government authorities. The amounts of and conditions attached to each subsidy were determined at the sole discretion of the relevant governmental authorities. Our subsidy income is non-recurring in nature.

Other Income and Expenses

Other income and expenses consist primarily of interest expense associated with our debt financing arrangements, interest income earned on our cash balances, gains and losses from foreign exchange conversion, and gains and losses on disposal of assets.

Income Tax Expense

We are subject to income taxes in the U.S. and foreign jurisdictions in which we do business, namely the PRC, Germany and the UK. These foreign jurisdictions have statutory tax rates different from those in the U.S. Accordingly, our effective tax rates will vary depending on the relative proportion of foreign to U.S. income, the absorption of foreign tax credits, changes in the valuation of our deferred tax assets and liabilities and changes in tax laws. We regularly assess the likelihood of adverse outcomes resulting from the examination of our tax returns by the U.S. Internal Revenue Service (the "IRS"), and other tax authorities to determine the adequacy of our income tax reserves and expense. Should actual events or results differ from our current expectations, charges or credits to our income tax expense may become necessary. Any such adjustments could have a significant impact on our results of operations.

Income tax in the PRC is generally calculated at 25% of the estimated assessable profit of our subsidiaries in the PRC, except that two of our PRC subsidiaries were qualified as "High and New Tech Enterprises" and thus enjoyed a preferential income tax rate of 15%. Federal corporate income tax rate of 21% is applied for our U.S. entity. Income tax in the UK is calculated at an average tax rate of 19% of the estimated assessable profit of our subsidiary in the UK. German enterprise income tax, which is a combination of corporate income tax and trade tax, is calculated at 27.9% of the estimated assessable profit of our subsidiary in Germany.

Results of Operations

Comparison of the Three Months Ended March 31, 2023 to the Three Months Ended March 31, 2022

The following table sets forth our historical operating results for the periods indicated:

	Three Months Ended March 31,		\$ Change	% Change
	2022	2023		
<i>Amount in thousands</i>				
Revenues	\$ 36,668	\$ 46,973	\$ 10,305	28.1 %
Cost of revenues	(36,655)	(42,115)	(5,460)	14.9 %
Gross profit	13	4,858	4,845	37,269.2 %
	— %	10.3 %		
Operating expenses:				
General and administrative expenses	(26,101)	(20,385)	5,716	(21.9)%
Research and development expenses	(11,309)	(10,861)	448	(4.0)%
Selling and marketing expenses	(5,998)	(4,988)	1,010	(16.8)%
Total operating expenses	(43,408)	(36,234)	7,174	(16.5)%
Subsidy income	137	77	(60)	(43.8)%
Operating loss	(43,258)	(31,299)	11,959	(27.6)%
Other income and expenses:				
Interest income	314	1,381	1,067	339.8 %
Interest expense	(796)	(459)	337	(42.3)%
Changes in fair value of warrant liability	(435)	17	452	(103.9)%
Other income, net	399	789	390	97.7 %
Loss before income tax	(43,776)	(29,571)	14,205	(32.4)%
Income tax expense	—	—	—	— %
Net loss	\$ (43,776)	\$ (29,571)	\$ 14,205	(32.4)%
Less: net income attributable to noncontrolling interests	—	10	\$ 10	100.0 %
Net loss attributable to Microvast Holdings, Inc.'s shareholders	\$ (43,776)	\$ (29,581)	\$ 14,195	(32.4)%

Revenues

Our revenues increased from approximately \$36.7 million for the three months ended March 31, 2022 to approximately \$47.0 million for the same period in 2023, primarily driven by an increase in sales volume from approximately 113.9 MWh for three months ended March 31, 2022 to approximately 132.6 MWh for the same period in 2023.

Cost of Revenues and Gross Profit

Our cost of revenues for the three months ended March 31, 2023 increased by \$5.5 million, or 14.9%, compared to the same period in 2022. The increase in the cost of revenues was primarily in line with the increased sales, partially offset by \$0.4 million of decreased share-based compensation expenses.

Our gross margin increased from 0.0% for the three months ended March 31, 2022 to 10.3% for the same period in 2023. The increase in gross margin was primarily due to better economies of scale resulting from increasing sales volume.

Operating Expenses

Selling and Marketing

Selling and Marketing expenses for the three months ended March 31, 2023 decreased by \$1.0 million, or 16.8%, compared to the same period in 2022. The decrease in Selling and Marketing expenses was primarily due to \$1.7 million of decreased share-based compensation expenses, offset by the increases related to business expansion.

General and Administrative

General and Administrative expenses for the three months ended March 31, 2023 decreased by \$5.7 million, or 21.9%, compared to the same period in 2022. The decrease in General and Administrative expenses was primarily due to \$6.0 million of decreased share-based compensation expenses, offset by other increases related to business expansion.

Research and Development

R&D expenses for the three months ended March 31, 2023 decreased by \$0.4 million, or 4.0%, compared to the same period in 2022. The decrease in R&D expenses was primarily due to \$2.1 million of decreased share-based compensation expenses, offset by (i) \$0.8 million of increased personnel-related expenses as we increased headcount of our research team as a result of our efforts to further develop and enhance our products and other increases related to business expansion; (ii) \$0.5 million of increased costs of materials used for experiments due to more testing activities and (iii) other increases related to business expansion.

Liquidity and Capital Resources

Since inception, we have financed our operations primarily from capital contributions from equity holders, the issuance of convertible notes and bank borrowings. We expect existing cash, cash equivalents, short-term marketable securities, and cash flows from operations and financing activities to continue to be sufficient to fund our operating and investing activities for at least the next 12 months and thereafter for the foreseeable future.

As of March 31, 2023, our principal sources of liquidity were our cash and cash equivalents, restricted cash and short-term investments in the amount of \$285.8 million. We also have \$67.8 million (RMB500 million) available for drawdown under our project finance facility for the construction of our Huzhou 3.1 capacity expansion and \$9.5 million available under a working capital credit line.

The consolidated net cash position as of March 31, 2023 included cash and cash equivalents of \$26.5 million, \$5.3 million and \$0.6 million held by our PRC, German and UK subsidiaries, respectively, that is not available to fund our U.S. operations unless funds are repatriated. Should we need to repatriate to the U.S. part or all of the funds held by our international subsidiaries in the form of a dividend, we would need to accrue and pay withholding taxes. We do not intend to pay any cash dividends on our common stock in the foreseeable future and intend to retain all of the available funds and any future earnings for use in the operation and expansion of our business in the PRC, Europe and the U.S.

We continue to assess the effect of the COVID-19 pandemic and the Russia/Ukraine crisis on our operations. The extent to which the COVID-19 pandemic will impact our business and operations will depend on future developments that are highly uncertain and cannot be predicted with confidence, such as the continuing spread of the infection, new and emerging variants of the virus, the duration of the pandemic, and the effectiveness of actions taken in the U.S. and other countries to contain and treat the disease. The extent to which the Russia/Ukraine crisis will impact our business and operations will also depend on future developments that are highly uncertain and cannot be predicted with confidence, including restrictive actions that may be taken by the U.S. and/or other countries, such as sanctions or export controls, and the duration of the conflict.

Financings

As of March 31, 2023, we had bank borrowings of \$51.0 million, the terms of which range from 0.5 to 21 months. The interest rates on our bank borrowings ranged from 4.5% to 4.8% per annum. As of March 31, 2023, we had convertible bonds outstanding of \$43.9 million, with interest rates ranging from 3% to 4%. The convertible bonds are all due in 2027. As of March 31, 2023, we were in compliance with all material terms and covenants of our loan agreements, credit agreements and bonds.

On July 23, 2021, we received \$708.4 million from the completion of the Business Combination, \$705.1 million net of transaction costs paid by Microvast, Inc. We have used \$274.7 million of the net proceeds from the Business

Combination to expand our manufacturing facilities and for the purchase of property and equipment associated with our existing manufacturing and R&D facilities. In addition, \$61.8 million of the net proceeds were used for working capital as of March 31, 2023. We expect the total capital expenditures related to our capacity expansions in Huzhou, China and Clarksville, Tennessee, which will give us an additional 4 GWh of capacity, to be in the range of \$460.0 million to \$490.0 million.

We believe we will be able to meet our working capital requirements for at least the next 12 months and fund our expansion plans with proceeds from the Business Combination and bank borrowings.

To reduce share dilution, we may from time to time repurchase our warrants, including in the open market, by way of tender offers or privately negotiated purchases.

Capital expenditures and other contractual obligations

Our future capital requirements will depend on many factors, including, but not limited to, funding our planned production capacity expansions and general working capital. We believe the proceeds from the Business Combination and bank borrowings will be sufficient to cover our planned expansions totaling 4GWh and our general working capital needs. In addition, we may in the future enter into arrangements to further increase our production capacity or seek to acquire or invest in complementary businesses or technologies. We may need to seek additional equity or debt financing in order to meet these future capital requirements. If we are unable to raise additional capital when desired, or on terms that are acceptable to us, our business, financial condition and results of operations could be adversely affected.

Lease Commitments

We lease certain facilities and equipment under non-cancellable lease agreements that expire at various dates through 2036. For additional information, see Note 13 – Leases, in the notes to the unaudited condensed consolidated financial statements in Part I, Item 1 of this Report on Form 10-Q.

Capital Expenditures

In 2021, we started our capacity expansion plans in Huzhou, China, Berlin, Germany and Clarksville, Tennessee. The project in Germany was completed in 2021, and the Huzhou, China 2GWh cell, module and pack expansion dedicated to our 53.5Ah cell technology was completed and trial production began in Q1 2023. The 2GWh expansion project in Clarksville, Tennessee which is also dedicated to our new 53.5Ah cell technology is expected to be completed in Q4 2023. The completion of these projects is expected to increase our existing production capacity by 4 GWh once operational. We expect the total capital expenditures related to these capacity expansions in Huzhou, China and Clarksville, Tennessee to be in the range of \$460.0 million to \$490.0 million, which we plan to finance primarily through the proceeds from the Business Combination and bank borrowings, which we believe will be sufficient to cover all of the disclosed and estimated costs.

Our planned capital expenditures are based on management's current estimates and may be subject to change. There can be no assurance that we will execute our capital expenditure plans as contemplated at or below-estimated costs, and we may also from time-to-time determine to undertake additional capital projects and incur additional capital expenditures. As a result, actual capital expenditures in future years may be more or less than the amounts shown.

There have not been any other material changes during the three months ended March 31, 2023 to our contractual obligations included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

Cash Flows

The following table provides a summary of our cash flow data for the periods indicated:

	Three Months Ended March 31,	
	2022	2023
<i>Amount in thousands</i>		
Net cash used in operating activities	(24,914)	(11,166)
Net cash used in investing activities	(41,060)	(35,825)
Net cash generated from financing activities	—	4,384

Cash Flows from Operating Activities

During the three months ended March 31, 2023, our operating activities used \$11.2 million in cash. This decrease in cash consisted of (1) a net loss of \$29.6 million and non-cash charges of \$25.9 million, of which \$4.9 million is depreciation of property, plant and equipment and \$17.9 million is non-cash share-based compensation expense; and (2) a \$7.5 million decrease in cash flows from operating assets and liabilities including \$7.0 million increase in inventories, \$4.9 million decrease in accounts payable and notes payable, \$4.3 million decrease in accrued and other liabilities and prepaid expense and other current asset, and \$2.3 million cash outflow from other operating assets and liabilities, offset by \$11.0 million cash inflow due to the net decrease of accounts receivable and notes receivable.

Cash Flows from Investing Activities

During the three months ended March 31, 2023, cash used in investing activities totaled \$35.8 million. This cash outflow primarily consisted of capital expenditures related to the expansion of our manufacturing facilities and to the purchase of property and equipment associated with our existing manufacturing and R&D facilities.

Cash Flows from Financing Activities

During the three months ended March 31, 2023, cash generated from financing activities totaled \$4.4 million. This cash inflow was a result of \$4.4 million proceeds from bank borrowings.

Critical Accounting Policies and Estimates

Our unaudited condensed consolidated financial statements are prepared in accordance with U.S. GAAP. The preparation of these unaudited condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and related disclosures. We evaluate our estimates and assumptions on an ongoing basis. Our estimates are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Our actual results could differ from these estimates.

There have been no substantial changes to these estimates, or the policies related to them during the three months ended March 31, 2023. For a full discussion of these estimates and policies, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies and Estimates” in Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2022.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Exposure Risk

Our cash and cash equivalents consist of cash and money market accounts. Such interest-earning instruments carry a degree of interest rate risk. To date, fluctuations in interest income have not been significant. In addition, our bonds payable bear interest at fixed rates and are not publicly traded. Our project finance loans in China contain a spread of 115 basis points over the Loan Prime Rate in China and accordingly are exposed to movements in that reference rate. Therefore, interest expense going forward could be materially affected by changes in the market interest rates.

The primary objective of our investment activities is to preserve principal while maximizing income without significantly increasing risk. Because our cash equivalents have a short maturity, our portfolio’s fair value is relatively insensitive to interest rate changes. We do not believe that an increase or decrease in interest rates of 100 basis points would have a material effect on our operating results or financial condition. In future periods, we will continue to evaluate our investment policy in order to ensure that we continue to meet our overall objectives.

Foreign Currency Exchange Risk

Our major operational activities are carried out in the PRC and a majority of the transactions are denominated in Renminbi. The volatility of exchange rates depends on many factors that we cannot forecast with reliable accuracy. We have experienced and will continue to experience fluctuations in our operating results as a result of transaction gains and losses related to translating certain cash balances, trade accounts receivable and payable balances, and intercompany balances that are denominated in currencies other than the U.S. Dollar, principally Renminbi. The effect of an immediate 10% adverse change in foreign exchange rates on Renminbi-denominated accounts as of March 31, 2023, including

intercompany balances, would result in a foreign currency loss of \$2.0 million. In the event our foreign sales and expenses increase, our operating results may be more affected by fluctuations in the exchange rates of the currencies in which we do business. At this time, we do not, but we may in the future, enter into derivatives or other financial instruments in an attempt to hedge our foreign currency exchange risk. It is difficult to predict the impact hedging activities would have on our results of operations.

Credit Risk

Our credit risk primarily relates to our trade and other receivables, restricted cash, cash equivalents and amounts due from related parties. We generally grant credit only to clients and related parties with good credit ratings and also closely monitor overdue debts. In this regard, we consider that the credit risk arising from our balances with counterparties is significantly reduced.

The assumptions used in evaluating our exposure to credit losses associated with our financing receivables portfolio involve estimates and significant judgment. Holding other estimates constant, a hypothetical 100 basis points increase in the expected loss rate on the financing receivables portfolio would have resulted in an increase in the allowance for credit losses of approximately \$0.8 million as of March 31, 2023.

In order to minimize the credit risk, we have delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, we review the recoverable amount of each individual debtor at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. We will negotiate with the counterparties of the debts for settlement plans or changes in credit terms, should the need arise. In this regard, we consider that our credit risk is significantly reduced.

Seasonality

We have historically experienced higher sales during our third and fourth fiscal quarters as compared to our first and second fiscal quarters. However, our limited operating history makes it difficult for us to judge the exact nature or extent of the seasonality of our business.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of March 31, 2023. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of March 31, 2023 and believed that the unaudited condensed consolidated financial statements included in this Report fairly represent in all material respects our financial condition, results of operations and cash flows at and for the periods presented in accordance with U.S. GAAP.

Changes in Internal Control Over Financial Reporting

There have been no change in our internal controls over financial reporting that occurred during the quarter ended March 31, 2023, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

From time to time we may be involved in various legal proceedings and subject to claims that arise in the ordinary course of business. Although the results of litigation and claims are inherently unpredictable and uncertain, we are not currently a party to any legal proceedings the outcome of which, if determined adversely to us, are believed to, either individually or taken together, have a material adverse effect on our business, operating results, cash flows or financial condition. However, the results of litigation and claims are inherently unpredictable. Regardless of the outcome, litigation has the potential to have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors. See Note 16 – Commitments and Contingencies, in the notes to the unaudited condensed consolidated financial statements, which is incorporated in Part I, Item 1 of this Report on Form 10-Q, which is incorporated by reference.

Item 1A. Risk Factors

In evaluating us and our common stock, we urge you to carefully consider the risks and other information in this Report on Form 10-Q, as well as the risk factors disclosed in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2022, and other reports that we have filed with the SEC. Any of these factors could result in a significant or material adverse effect on our results of operations or financial condition. Additional risk factors not presently known to us or that we currently deem immaterial may also impair our business or results of operations. We may disclose changes to such factors or disclose additional factors from time to time in our future filings with the SEC.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

There were no unregistered sales of our equity securities during the three months ended March 31, 2023.

Item 3. Defaults upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits.

The following exhibits are furnished as part of, or incorporated by reference into, this Report on Form 10-Q.

Exhibit Number	Exhibit Title
2.1+	Agreement and Plan of Merger, dated as of February 1, 2021, by and among Tuscan Holdings Corp., TSCN Merger Sub Inc., and Microvast, Inc. (incorporated by reference to the Company's definitive proxy statement on Schedule 14A, filed with the SEC on July 2, 2021).
3.1	Second Amended and Restated Certificate of Incorporation of Microvast Holdings, Inc. (incorporated by reference from Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the SEC on July 28, 2021).
3.2	Amended and Restated Bylaws of Microvast Holdings, Inc. (incorporated by reference from Exhibit 3.2 to the Company's Current Report on Form 8-K, filed with the SEC on July 28, 2021).
4.1	Specimen Common Stock Certificate (incorporated by reference from Exhibit 4.4 to the Company's Current Report on Form 8-K, filed with the SEC on July 28, 2021).
4.2	Specimen Warrant Certificate (incorporated by reference from Exhibit 4.5 to the Company's Current Report on Form 8-K, filed with the SEC on July 28, 2021).
4.3	Warrant Agreement (incorporated by reference from Exhibit 4.4 to the Company's Registration Statement on Form S-1, filed with the Company on February 26, 2019).
4.4	Registration Rights and Lock-Up Agreement, dated as of July 26, 2021, by and among (a) Microvast Holdings, Inc., (b) the Microvast Equity Holders, (c) the CL Holders, (d) Tuscan Holdings Acquisition LLC, Stefan M. Selig, Richard O. Rieger and Amy Butte, and (e) EarlyBirdCapital, Inc. (incorporated by reference from Exhibit 4.1 to the Company's Current Report on Form 8-K, filed with the SEC on July 28, 2021).
4.5	Stockholders Agreement, dated July 26, 2021, by and among (a) Microvast Holdings, Inc., (b) Yang Wu and (c) Tuscan Holdings Acquisition LLC. (incorporated by reference from Exhibit 4.2 to the Company's Current Report on Form 8-K, filed with the SEC on July 28, 2021).
31.1*	Certification of Principal Executive Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15(d)-14(a), as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15(d)-14(a), as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Filed herewith.

** Furnished.

+ Certain schedules to this Exhibit have been omitted in accordance with Item 601(b)(2) of Regulation S-K. The Company hereby agrees to hereby furnish supplementally a copy of all omitted schedules to the SEC upon request.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: May 9, 2023

MICROVAST HOLDINGS, INC.

By: /s/ Craig Webster

Name: Craig Webster

Title: Chief Financial Officer

CERTIFICATION
PURSUANT TO RULES 13a-14(a) AND 15d-14(a)
UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Yang Wu, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended March 31, 2023 of Microvast Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: May 9, 2023

By: /s/ Yang Wu

Name: Yang Wu

Title: Chief Executive Officer and Director
(Principal Executive Officer)

CERTIFICATION
PURSUANT TO RULES 13a-14(a) AND 15d-14(a)
UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Craig Webster, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended March 31, 2023 of Microvast Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: May 9, 2023

By: /s/ Craig Webster

Name: Craig Webster

Title: Chief Financial Officer

(Principal Financial and Accounting Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Microvast Holdings, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Yang Wu, Chief Executive Officer and Director, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 9, 2023

/s/ Yang Wu

Name: Yang Wu
Title: Chief Executive Officer and Director
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Microvast Holdings, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Craig Webster, Chief Financial Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 9, 2023

/s/ Craig Webster

Name: Craig Webster
Title: Chief Financial Officer
(Principal Financial and Accounting Officer)