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 June 30, 2026

OR

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

For the transition period from_______to_______

Commission File Number: 001-38826

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

Delaware	**83-2530757**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2929 Briarpark Drive, Suite 400 **Houston, Texas**	**77042**
(Address of principal executive offices)	(Zip Code)

(281) 491-9505
(Registrant's telephone number, including area code)

Former Address：12603 Southwest Freeway, Suite 300
Stafford, Texas 77477
(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

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	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

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 August 3, 2026, there were 384,534,486 shares of the Company's common stock, par value $0.0001, issued and outstanding.

MICROVAST HOLDINGS, INC.
FORM 10-Q
For the Quarter Ended June 30, 2026

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

The discussions in this quarterly report on Form 10-Q ("Quarterly Report") contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on assumptions with respect to the future and management's current expectations, involve certain risks and uncertainties and are not guarantees. These forward-looking statements include, but are not limited to, statements about the substantial doubt regarding our ability to continue as a going concern, our ability to implement our plans to alleviate that substantial doubt, our ability to meet our current and future capital requirements, our future results of operations and financial position, our operational performance, our anticipated growth and business strategy, our anticipated development, commercialization, and market adoption of Microvast's KAF™ ("Kids Are Future") integrated electric powertrain solution, our future capital expenditures and debt service obligations, the projected costs, prospects and plans and objectives of management for future operations, including regarding expected growth and demand for our products and introduction of new products, the adoption of such offerings by customers, our expectations relating to backlog, pipeline and contracted backlog, current expectations relating to legal proceedings as well as potential impacts from any proposed or recently enacted legislation. In some cases, you may also identify forward-looking statements by words such as "anticipate," "believe," "can," "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. 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. We do not assume any obligation to update any forward-looking statements.

In addition to factors identified elsewhere in this Quarterly 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:

- substantial doubt about our ability to continue as a going concern, which has not been alleviated, and the risk that our plans intended to alleviate that substantial doubt will not be effectively implemented within one year after the date the financial statements are issued or, when implemented, will not mitigate the conditions and events that raise substantial doubt;
- the effect of the substantial doubt about our ability to continue as a going concern on our relationship with customers, suppliers and channel partners, our ability to attract and retain qualified personnel and our ability to raise capital;
- risks regarding our ability to maintain compliance with Nasdaq listing requirements;
- risk that we may not be able to accurately project and manage our growth and effectively execute our growth strategies or achieve profitability;
- risk that we may be unable to meet our current and future capital requirements and we may require additional capital to support our business growth, and this capital might not be available on acceptable terms, or at all;
- potential difficulties in maintaining manufacturing capacity and establishing expected mass manufacturing capacity in the future;
- risks relating to issues or delays, disruptions and quality control problems in our manufacturing operations;
- risks relating to being unable to control our manufacturing costs;
- risks that we may be unable to meet our projected construction timelines, costs and production ramps, or we may experience difficulties in generating and maintaining demand for products manufactured there and related services;
- restrictions in our existing and any future credit facilities, our ability to comply with financial covenants and the risk of cross-default, the risk that waivers or amendments may not be obtained from our lenders, and the risk that our indebtedness may be accelerated or classified as current;
- risks of operations in China;
- the effects of mechanics liens filed by contractors that we do not have sufficient funds to pay;
- the effects of existing and future litigation;
- changes in general economic conditions, including increases in interest rates and associated Federal Reserve policies, a potential economic recession, and the impact of inflation on our business;

- changes in the highly competitive market in which we compete, including with respect to our competitive landscape, technology evolution or regulatory changes;
- changes in availability and price of raw materials;
- risks that our suppliers may fail to deliver components according to schedules, prices, quality and volumes that are acceptable to us, or we may be unable to manage these components effectively;
- labor relations, including the ability to attract, hire and retain key employees and contract personnel;
- 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;
- risks related to possible future reductions in pricing or order volume or loss of one or more of our significant customers;
- risks relating to our status as a relatively low-volume purchaser as well as from supplier concentration and limited supplier capacity;
- risk that our customers will adjust, cancel or suspend their orders for our products;
- risks relating to our ability to attract new customers and retain existing customers;
- risks related to our lengthy sales cycle for our products;
- risk of product liability or regulatory lawsuits or proceedings relating to our products or services;
- our ability to maintain and enhance our reputation and brand recognition;
- risks relating to facing strong competition for our products and services from a growing list of established and new competitors;
- the effectiveness of our information technology and operational technology systems and practices to detect and defend against evolving cyberattacks;
- changing laws regarding cybersecurity and data privacy, and any cybersecurity threat or event;
- the effects and associated cost of compliance with existing and future laws and governmental regulations;
- risks relating to whether renewable energy technologies are suitable for widespread adoption or if sufficient demand for our offerings does not develop or takes longer to develop than we anticipate;
- the risk that the unavailability, reduction or elimination of, or uncertainty regarding, government and economic incentives or subsidies available to us, end-users or OEMs could have a material adverse effect on our business, financial condition, operating results and prospects;
- economic, financial and other impacts such as a pandemic, including global supply chain disruptions;
- the impacts of geopolitical events, such as the ongoing conflicts in the Middle East, including hostilities with Iran, the war between Russia and Ukraine, and other current or future conflicts;
- we face risks associated with maintaining and expanding our international operations, including unfavorable and uncertain regulatory, political, economic, tax, and labor conditions; and
- the risk that tariffs imposed on products of the PRC into the United States may lead to increased costs and impact our business.

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 Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2025 and in Part II, Item 1A of this Quarterly Report.

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.

All references to the "Company," "we," "us" or "our" refer to Microvast Holdings, Inc. and its consolidated subsidiaries other than certain historical information which refers to the business of Microvast prior to the consummation of the Business Combination.

PART I. FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

MICROVAST HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except per share data, unaudited)

	June 30, 2026	December 31, 2025
Assets		
Cash and cash equivalents	$ 127,828	$ 104,963
Restricted cash	15,257	64,275
Accounts receivable (net of allowance for credit losses of $4,130 and $4,693 as of June 30, 2026 and December 31, 2025, respectively)	121,181	155,763
Notes receivable	1,334	5,590
Inventories, net	93,594	89,411
Prepaid expenses and other current assets	15,727	17,221
Assets held for sale	—	11,500
Total Current Assets	**374,921**	**448,723**
Property, plant and equipment, net	526,050	508,057
Land use rights, net	11,771	11,570
Acquired intangible assets, net	1,974	2,183
Operating lease right-of-use assets	17,399	17,336
Deferred tax assets	5,429	5,429
Other non-current assets	14,649	12,150
Total Assets	**$ 952,193**	**$ 1,005,448**
Liabilities		
Accounts payable	$ 62,639	$ 47,003
Notes payable	15,246	78,321
Accrued expenses and other current liabilities	114,817	123,429
Advance from customers	4,991	5,605
Amounts due to related parties	181	2
Convertible loan measured at fair value	—	140,929
Short-term bank borrowings	104,179	93,052
Bonds payable	41,693	—
Total Current Liabilities	**343,746**	**488,341**
Long-term bonds payable	—	41,693
Long-term bank borrowings	14,443	13,227
Operating lease liabilities	13,996	14,476
Other non-current liabilities	36,914	37,198
Total Liabilities	**$ 409,099**	**$ 594,935**
Commitments and contingencies (Note 16)		

MICROVAST HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except per share data, unaudited)

	June 30, 2026	December 31, 2025
Stockholders' Equity		
Common Stock ($0.0001 par value, 750,000 shares authorized; 386,222 and 333,474 shares issued, and 384,534 and 331,786 shares outstanding as of June 30, 2026 and December 31, 2025)	$ 39	$ 34
Preferred Stock ($0.0001 par value, 50,000 shares authorized; none issued and outstanding as of June 30, 2026 and December 31, 2025)	—	—
Additional paid-in capital	1,627,198	1,543,797
Statutory reserves	6,032	6,032
Accumulated deficit	(1,085,953)	(1,122,176)
Accumulated other comprehensive loss	(4,222)	(17,174)
Total Equity	**$ 543,094**	**$ 410,513**
Total Liabilities and Equity	**$ 952,193**	**$ 1,005,448**

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

MICROVAST HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data, unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	**2025**	**2026**	**2025**
Revenues	$ 87,262	$ 91,339	$ 147,874	$ 207,830
Cost of revenues	(61,484)	(59,616)	(102,940)	(133,091)
Gross profit	**25,778**	**31,723**	**44,934**	**74,739**
Operating expenses:				
General and administrative expenses	(13,886)	(11,184)	(26,827)	(25,304)
Research and development expenses	(8,860)	(7,719)	(17,670)	(15,967)
Selling and marketing expenses	(4,743)	(3,424)	(10,085)	(10,223)
Impairment loss of long-lived assets	(24)	(1,364)	(24)	(1,364)
Total operating expenses	(27,513)	(23,691)	(54,606)	(52,858)
Subsidy income	15	995	18	2,411
(Loss) profit from operations	**(1,720)**	**9,027**	**(9,654)**	**24,292**
Other income and expenses:				
Interest income	733	198	1,115	375
Interest expense	(1,328)	(1,252)	(2,555)	(2,440)
Changes in fair value of warrant liability and convertible loan	(5,837)	(121,521)	58,001	(78,361)
Foreign exchange (loss) gain	(4,705)	7,187	(11,605)	10,854
Other income, net	869	523	921	1,232
(Loss) profit before provision for income taxes	**(11,988)**	**(105,838)**	**36,223**	**(44,048)**
Income tax expense	—	(220)	—	(220)
Net (loss) profit	**$ (11,988)**	**$ (106,058)**	**$ 36,223**	**$ (44,268)**
Net (loss) profit per share - Basic	$ (0.03)	$ (0.33)	$ 0.11	$ (0.14)
Net loss per share - Diluted	$ (0.03)	$ (0.33)	$ (0.06)	$ (0.14)
Weighted average shares outstanding - Basic	348,949	323,643	340,726	323,538
Weighted average shares outstanding - Diluted	348,949	323,643	382,948	323,538

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

MICROVAST HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands, unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	**2025**	**2026**	**2025**
Net (loss) profit	$ (11,988)	$ (106,058)	$ 36,223	$ (44,268)
Foreign currency translation adjustment	6,578	7,107	12,952	10,954
Comprehensive (loss) income	**$ (5,410)**	**$ (98,951)**	**$ 49,175**	**$ (33,314)**

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

MICROVAST HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(In thousands, unaudited)

	Three Months Ended June 30, 2026						
	Common Stock		Additional paid-in capital	Accumulated deficit	Accumulated other Comprehensive loss	Statutory reserves	Total Equity
	Shares	Amount					
Balance as of March 31, 2026	333,157	$ 34	$ 1,544,805	$ (1,073,965)	$ (10,800)	$ 6,032	$ 466,106
Net loss	—	—	—	(11,988)	—	—	(11,988)
Conversion of outstanding convertible loan into common stock	50,000	5	79,995	—	—	—	80,000
Issuance of common stock for compensation [(1)]	275	—	311	—	—	—	311
Issuance of common stock in connection with vesting of share-based awards	226	—	—	—	—	—	—
Sales of common stock	876	—	1,350	—	—	—	1,350
Equity issuance costs	—	—	(105)	—	—	—	(105)
Share-based compensation	—	—	842	—	—	—	842
Foreign currency translation adjustments	—	—	—	—	6,578	—	6,578
Balance as of June 30, 2026	**384,534**	**$ 39**	**$ 1,627,198**	**$ (1,085,953)**	**$ (4,222)**	**$ 6,032**	**$ 543,094**

	Six Months Ended June 30, 2026						
	Common Stock		Additional paid-in capital	Accumulated deficit	Accumulated other Comprehensive loss	Statutory reserves	Total Equity
	Shares	Amount					
Balance as of December 31, 2025	331,786	$ 34	$ 1,543,797	$ (1,122,176)	$ (17,174)	$ 6,032	$ 410,513
Net profit	—	—	—	36,223	—	—	36,223
Conversion of outstanding convertible loan into common stock	50,000	5	79,995	—	—	—	80,000
Issuance of common stock for compensation [(1)]	275	—	311	—	—	—	311
Issuance of common stock in connection with vesting of share-based awards	1,597	—	—	—	—	—	—
Sales of common stock	876	—	1,350	—	—	—	1,350
Equity issuance costs	—	—	(105)	—	—	—	(105)
Share-based compensation	—	—	1,850	—	—	—	1,850
Foreign currency translation adjustments	—	—	—	—	12,952	—	12,952
Balance as of June 30, 2026	**384,534**	**$ 39**	**$ 1,627,198**	**$ (1,085,953)**	**$ (4,222)**	**$ 6,032**	**$ 543,094**

[(1)] See Note 16 – Commitments and Contingencies.

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

MICROVAST HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(In thousands, unaudited)

	Three Months Ended June 30, 2025						
	Common Stock		Additional paid-in capital	Accumulated deficit	Accumulated other Comprehensive loss	Statutory reserves	Total Equity
	Shares	Amount					
Balance as of March 31, 2025	323,529	$ 33	$ 1,513,685	$ (1,031,168)	$ (34,347)	$ 6,032	$ 454,235
Net loss	—	—	—	(106,058)	—	—	(106,058)
Issuance of common stock in connection with vesting of share-based awards	138	—	—	—	—	—	—
Share-based compensation	—	—	846	—	—	—	846
Foreign currency translation adjustments	—	—	—	—	7,107	—	7,107
Balance as of June 30, 2025	**323,667**	**$ 33**	**$ 1,514,531**	**$ (1,137,226)**	**$ (27,240)**	**$ 6,032**	**$ 356,130**

	Six Months Ended June 30, 2025						
	Common Stock		Additional paid-in capital	Accumulated deficit	Accumulated other Comprehensive loss	Statutory reserves	Total Equity
	Shares	Amount					
Balance as of December 31, 2024	323,144	$ 33	$ 1,512,982	$ (1,092,958)	$ (38,194)	$ 6,032	$ 387,895
Net loss	—	—	—	(44,268)	—	—	(44,268)
Issuance of common stock in connection with vesting of share-based awards	523	—	—	—	—	—	—
Share-based compensation	—	—	1,549	—	—	—	1,549
Foreign currency translation adjustments	—	—	—	—	10,954	—	10,954
Balance as of June 30, 2025	**323,667**	**$ 33**	**$ 1,514,531**	**$ (1,137,226)**	**$ (27,240)**	**$ 6,032**	**$ 356,130**

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

MICROVAST HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands, unaudited)

	Six Months Ended June 30,	
	2026	**2025**
Cash flows from operating activities		
Net profit (loss)	$ 36,223	$ (44,268)
Adjustments to reconcile net profit (loss) to net cash used in operating activities:		
Depreciation of property, plant and equipment	16,161	16,091
Noncash lease expenses	1,418	1,311
Share-based compensation	1,850	1,549
Changes in fair value of warrant liability and convertible loan	(58,001)	78,361
(Reversal) provision of credit losses	(873)	2,191
Impairment loss of long-lived assets	24	1,364
Product warranty	5,982	8,512
Other, net	1,470	(261)
Changes in operating assets and liabilities:		
Notes receivable	(2,934)	(13,957)
Accounts receivable	37,127	(513)
Inventories	(4,612)	7,051
Prepaid expenses and other current assets	1,324	8,830
Amounts due from/to related parties	178	(5)
Other non-current assets	2,315	312
Notes payable	(64,821)	(8,801)
Accounts payable	14,203	6,264
Advance from customers	(793)	(2,279)
Accrued expenses and other liabilities	(17,153)	(16,876)
Operating lease liabilities	(1,265)	(1,350)
Other non-current liabilities	(1,132)	797
Net cash (used in) generated from operating activities	**(33,309)**	**44,323**
Cash flows from investing activities		
Purchases of property, plant and equipment	(14,170)	(5,207)
Proceeds on disposal of property, plant and equipment	10,864	129
Net cash used in investing activities	**(3,306)**	**(5,078)**
Cash flows from financing activities		
Proceeds from bank borrowings	69,356	59,571
Repayment of bank borrowings	(60,829)	(56,184)
Repayment of bonds payable	—	(1,375)
Proceeds from sale of common stocks	1,350	—
Payment for equity issuance costs	(329)	—
Deferred payment related to purchases of property, plant and equipment	(1,368)	(8,811)
Net cash generated from (used in) financing activities	**8,180**	**(6,799)**
Effect of exchange rate changes on cash, cash equivalents and restricted cash	2,282	(3,227)
(Decrease) increase in cash, cash equivalents and restricted cash	(26,153)	29,219
Cash, cash equivalents and restricted cash at beginning of the period	**169,238**	**109,601**
Cash, cash equivalents and restricted cash at end of the period	**$ 143,085**	**$ 138,820**

MICROVAST HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands, unaudited)

	Six Months Ended June 30,	
	2026	**2025**
Reconciliation to amounts on consolidated balance sheets		
Cash and cash equivalents	$ 127,828	$ 99,721
Restricted cash	15,257	39,099
Total cash, cash equivalents and restricted cash	**$ 143,085**	**$ 138,820**
Non-cash investing and financing activities		
Payable for purchase of property, plant and equipment	$ 37,231	$ 58,241
Notes receivable in exchange for property, plant and equipment	$ 7,346	$ 17,454

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

MICROVAST HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

NOTE 1. BACKGROUND AND BASIS OF PRESENTATION

Organization

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. On July 23, 2021 , Microvast, Inc. and Tuscan Holdings Corp. ("Tuscan") consummated the merger (the "Merger" or the "Business Combination", 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.

The Company and its subsidiaries are primarily engaged in developing, manufacturing, and selling advanced battery technologies for use in commercial electric vehicles and battery energy storage systems across the globe.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and with Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and disclosures required by GAAP for complete financial statements and should be read in conjunction with the consolidated financial statements and accompanying notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2025. In the Company's opinion, all adjustments, consisting only of normal recurring items, which are considered necessary for a fair presentation of the consolidated financial statements, have been included.

The results of operations for the six months ended June 30, 2026 are not necessarily indicative of results to be expected for any future interim period or the year ending December 31, 2026.

Certain reclassifications have been made to conform prior period information to the current presentation. The reclassifications did not have a material effect on the Company's financial position, results of operations, or cash flows. In the second quarter and first half of 2026, the Company changed the presentation of foreign currency transaction gains and losses previously presented as general and administrative expenses to be presented as foreign exchange (loss) gain, which did not change net income or otherwise materially change the consolidated financial statements.

Liquidity and Going Concern

The accompanying consolidated financial statements of the Company have been prepared assuming the Company will continue as a going concern, which contemplates the continuity of operations, realization of assets, and the satisfaction of liabilities and commitments in the normal course of business.

As of June 30, 2026, the Company had stockholders' equity of $543.1 million, including an accumulated deficit of $1,086.0 million, cash and cash equivalents of $127.8 million, restricted cash of $15.3 million and other current assets of $231.8 million. Net cash used in operating activities was $33.3 million for the six months ended June 30, 2026, a decrease of $77.6 million compared to $44.3 million generated by operating activities in the same period in 2025. As of June 30, 2026, the Company had outstanding borrowings of $118.6 million, with $104.2 million due within the next 12 months, a bond payable of $41.7 million that matures in January 2027 and other current liabilities of $197.9 million. Additionally, as of June 30, 2026, the Company had $37.5 million in purchase commitments primarily related to inventory, and $13.2 million in capital commitments with $10.7 million due within the next 12 months.

Management evaluated whether conditions and events considered in the aggregate raise substantial doubt about the Company’s ability to continue as a going concern within one year after the date the consolidated financial statements are issued. Based on the Company's revised business plan, its projected cash flow may not be sufficient to fund operations and meet debt obligations over the next twelve months. Additionally, recent equity market conditions and business performance have rendered the equity funding unfavorable as a primary liquidity mechanism. These conditions and events raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that these consolidated financial statements are issued.

Management is evaluating and pursuing several initiatives intended to improve the Company’s liquidity position, including:

- Implementing operating cost reduction initiatives and reducing or deferring certain discretionary capital expenditures;

- Negotiating extensions or restructurings of debt obligations within the Company’s China operating entities;

- Pursuing refinancing of short-term bank borrowings as they mature. The Company secured $69.4 million from bank borrowing during the six months ended June 30, 2026, of which $48.2 million represented refinanced debt. The Company anticipates that it will continue to be able to refinance the maturing short-term bank borrowing for the next twelve months. As of June 30, 2026, the Company was in compliance with all material terms and covenants under its loan agreements, credit agreements, and bonds.

- Evaluating additional financing alternatives, including potential capital raising transactions and strategic opportunities.

The Company has evaluated whether the plans described above are sufficient to alleviate the substantial doubt about the Company’s ability to continue as a going concern. Under this evaluation, the Company assessed whether it is probable that (1) the plans will be effectively implemented within one year after the date the financial statements are issued, and (2) when implemented, the plans will mitigate the conditions and events that raise substantial doubt. Certain elements of the plans have not been fully implemented and are dependent upon factors outside the Company’s control, and therefore cannot be deemed probable. As a result, substantial doubt about the Company’s ability to continue as a going concern has not been alleviated. There can be no assurance that the Company will be able to reduce operating expenses or generate the level of revenue necessary to achieve profitability and generate cash, refinance or extend its maturing borrowings, obtain any needed waivers or amendments from its lenders, or source additional financing on acceptable terms, if at all. Without additional sources of financing, the Company’s ability to continue as a going concern would be materially and adversely impacted, and the Company may be required to significantly reduce, restructure, or cease operations.

The consolidated financial statements have been prepared on a going concern basis and do not include any adjustments to the amounts and classification of assets and liabilities that may be necessary in the event the Company can no longer continue as a going concern.

Recent Accounting Standards

Accounting Pronouncements Not Yet Adopted

In November 2024, the FASB issued ASU 2024-03, "Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures" (Subtopic 220-40): Disaggregation of Income Statement Expenses. The amended guidance requires disaggregation of certain expense captions into specified natural expense categories in the disclosures within the notes to the financial statements. In addition, the guidance requires disclosure of selling expenses and its definition. The new guidance is effective for fiscal years beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027, with early adoption permitted. The guidance can be applied either prospectively or retrospectively. The Company continues to evaluate the impact of this guidance on its disclosures, but plan to adopt this guidance prospectively and conform with the disclosure requirements when it becomes mandatorily effective for the Company's annual report for the year ending December 31, 2027.

In December 2025, the FASB issued ASU 2025-10, Government Grants (Topic 832): Accounting for Government Grants Received by Business Entities, which provides updated guidance on how to recognize, measure, and present government grants. The ASU will be effective for annual reporting periods beginning after December 15, 2028, including interim periods within those fiscal years with early adoption permitted. The Company continues to evaluate the impact of this guidance on its disclosures.

NOTE 2. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following (in thousands):

	June 30, 2026	December 31, 2025
Accounts receivable	$ 125,311	$ 160,456
Allowance for credit losses	(4,130)	(4,693)
Accounts receivable, net	**$ 121,181**	**$ 155,763**

Change in allowance for credit losses was as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Balance at beginning of the period	$ 4,028	$ 6,523	$ 4,693	$ 5,090
(Reversal) provision of credit loss expenses	(74)	833	(873)	2,191
Write off	—	(1,129)	—	(1,129)
Recoveries of credit losses	124	55	211	55
Exchange difference	52	124	99	199
Balance at end of the period	**$ 4,130**	**$ 6,406**	**$ 4,130**	**$ 6,406**

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NOTE 3. INVENTORIES, NET

Inventories consisted of the following (in thousands):

	June 30, 2026	December 31, 2025
Work in process	$ 56,310	$ 41,757
Raw materials	19,390	20,055
Finished goods	17,894	27,599
Total	**$ 93,594**	**$ 89,411**

The Company wrote-down inventories to net realizable value and incurred losses of $161 thousand and $1.7 million on battery inventory for the three and six months ended June 30, 2026, and nil for the three and six months ended June 30, 2025, respectively. The write-downs were primarily related to technology development or product upgrade.

NOTE 4. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consisted of the following (in thousands):

	June 30, 2026	December 31, 2025
Advance from customer [1]	$ 20,865	$ 35,865
Payables for purchase of property, plant and equipment	37,231	30,182
Other current liabilities	12,085	9,934
Product warranty, current	10,149	10,357
Accrued expenses	14,521	15,632
Accrued payroll and welfare	7,208	9,460
Tax payable	8,403	8,953
Operating lease liabilities, current	3,485	2,788
Interest payable	870	258
Total	**$ 114,817**	**$ 123,429**

[1] See Note 16 – Commitments and Contingencies.

NOTE 5. PRODUCT WARRANTY

Changes in product warranty were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Balance at beginning of the period	$ 40,218	$ 34,661	$ 38,969	$ 33,107
Provided during the period	3,565	3,687	5,982	8,512
Utilized during the period	(3,071)	(2,669)	(4,557)	(6,299)
Exchange difference	456	1,055	774	1,414
Balance at end of the period	**$ 41,168**	**$ 36,734**	**$ 41,168**	**$ 36,734**

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	June 30, 2026	December 31, 2025
Product warranty – current	$ 10,149	$ 10,357
Product warranty – non-current	31,019	28,612
Total	**$ 41,168**	**$ 38,969**

NOTE 6. BANK BORROWINGS

On September 27, 2022, Microvast Power Systems Co., Ltd. (“MPS”), one of the Company’s subsidiaries, entered into a $111.5 million (RMB800 million) loan facilities agreement with a group of lenders led by a bank in China (the “2022 Facility Agreement”). The interest rate is prime plus 115 basis points where prime is based on the Loan Prime Rate published by the National Inter-bank Funding Center of China and is payable on a quarterly basis. The loan facilities can only be used for the manufacturing capacity expansion at the Company’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.

As of June 30, 2026, MPS had outstanding borrowings of $22.1 million under the 2022 Facility Agreement with the following repayment schedule:

Repayment Date	Repayment Amount
December 10, 2026	$22.1 million (RMB149.9 million)

Capitalized interest, which was recorded in construction in progress, was $108 thousand and $246 thousand for the three months ended June 30, 2026 and 2025, respectively, and $270 thousand and $524 thousand for the six months ended June 30, 2026 and 2025, respectively.

MPS entered into two long-term working capital loan agreements with a Chinese bank in June 2025 and March 2026 and borrowed a total $29.5 million or RMB200 million (RMB100 million per each agreement). The term of these loans is two years with interest rates ranging from 2.70% to 2.80% per annum. The interest expense the three months ended June 30, 2026 and 2025 was $204 thousand and nil, respectively, and $301 thousand and nil for the six months ended June 30, 2026 and 2025, respectively. As of June 30, 2026, MPS had outstanding borrowings of $28.7 million (RMB195 million) under these agreements with the following repayment schedule:

Repayment Date	Repayment Amount
September 18, 2026	$147 thousand (RMB1.0 million)
December 19, 2026	$368 thousand (RMB2.5 million)
March 18, 2027	$147 thousand (RMB1.0 million)
June 19, 2027	$13.6 million (RMB92.5 million)
September 18, 2027	$147 thousand (RMB1.0 million)
March 18, 2028	$14.3 million (RMB97.0 million)

The Company's PRC subsidiaries have also entered into short-term loan agreements and bank facilities with certain banks in China. The original terms of these loans are with a maximum maturity of 12 months and the interest rates range from 2.40% to 4.85% per annum. The amount of interest expense was $498 thousand and $471 thousand for the three months ended June 30, 2026 and 2025, respectively, and $926 thousand and $861 thousand for the six months ended June 30, 2026 and 2025, respectively.

Changes in bank borrowings were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Beginning balance	$ 138,769	$ 127,543	$ 106,279	$ 111,728
Proceeds from bank borrowings	17,635	31,384	69,356	59,571
Repayments of principal	(40,025)	(43,122)	(60,829)	(56,184)
Exchange difference	2,243	1,542	3,816	2,232
Ending balance	**$ 118,622**	**$ 117,347**	**$ 118,622**	**$ 117,347**

Certain assets of the Company have been pledged to secure the above bank facilities granted to the Company. The aggregate carrying amount of the assets pledged by MPS as of June 30, 2026 and December 31, 2025 is as follows (in thousands):

	June 30, 2026	December 31, 2025
Buildings	$ 118,103	$ 117,855
Machinery and equipment	53,369	54,975
Land use rights	11,771	11,570
Total	**$ 183,243**	**$ 184,400**

NOTE 7. OTHER NON-CURRENT LIABILITIES

Other non-current liabilities consisted of the following (in thousands):

	June 30, 2026	December 31, 2025
Product warranty	$ 31,019	$ 28,612
Deferred subsidy income	5,797	6,190
Other payable	98	2,396
Total	**$ 36,914**	**$ 37,198**

NOTE 8. BONDS PAYABLE

Bonds payable consisted of the following (in thousands):

	June 30, 2026	December 31, 2025
Huzhou Saiyuan	$ 41,693	$ 41,693
Total	**$ 41,693**	**$ 41,693**

Huzhou Saiyuan Loan

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 $87.8 million (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 $950.0 million.

In September 2020 and 2022, MPS entered into two supplemental agreements with Huzhou Saiyuan, respectively, to change the repayment schedule as follows: (i) $14.6 million (RMB100 million) was repaid, together with interest accrued, on or before November 10, 2022, (ii) $14.6 million (RMB100 million) was repaid, together with interest accrued, on or before December 31, 2022 and (iii) the remaining $43.9 million (RMB300 million) is to be repaid, together with interest accrued, on or before January 31, 2027. The applicable interest rate will be increased to 12% if the Company is in default on the repayment of the bonds at the due date. The remaining terms and conditions of the convertible bonds were unchanged. The Company has fully complied with the amended repayment schedule to date. With $692 thousand (RMB5 million) repaid in 2023 and $1.4 million (RMB10 million) repaid in 2025, the subscription and outstanding balance of the convertible bonds was $41.7 million (RMB285 million) as of June 30, 2026.

NOTE 9. WARRANTS

The Company has 27.6 million publicly-traded warrants (“Public Warrants”) and 837 thousand private placement warrants issued to Tuscan Holdings Acquisition LLC and EarlyBirdCapital, Inc. (“Private Warrants” and together with the Public Warrants, the “Warrants”) that 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 and six months ended June 30, 2026, a gain of nil and $15 thousands, respectively, were recognized due to the changes of the fair value of the Warrants. As of June 30, 2026, the fair value of the Warrants was nil. The Warrants expired unexercised on July 23, 2026.

On May 28, 2024, the Company also issued a warrant exercisable for 5.5 million shares of common stock at an initial exercise price of $2.00 per share. The Warrant will expire on May 28, 2029. See further discussion in Note 14 – Convertible Loan measured at fair value.

NOTE 10. FAIR VALUE MEASUREMENT

Measured or Disclosed at Fair Value on a Recurring Basis

The Company measured its financial assets and liabilities, including cash and cash equivalents, restricted cash, warrant liability and Convertible Loan at fair value on a recurring basis. 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 and Convertible Loan are based on significant unobservable inputs, which represent Level 3 measurements within the fair value hierarchy.

As of June 30, 2026 and December 31, 2025, the Company's assets and liabilities that are measured at fair value on a recurring basis in periods subsequent to their initial recognition is as follows (in thousands):

	Fair Value Measurement as of June 30, 2026			
	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	$ 127,828	—	—	$ 127,828
Restricted cash	15,257	—	—	15,257
Total financial asset	**$ 143,085**	**—**	**—**	**$ 143,085**
Warrant liability	$ —	—	—	$ —
Total financial liability	**$ —**	**—**	**—**	**$ —**

	Fair Value Measurement as of December 31, 2025			
	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	$ 104,963	—	—	$ 104,963
Restricted cash	64,275	—	—	64,275
Total financial asset	**$ 169,238**	**—**	**—**	**$ 169,238**
Warrant liability	$ —	—	15	$ 15
Convertible loan measured at fair value	—	—	140,929	140,929
Total financial liability	**$ —**	**—**	**140,944**	**$ 140,944**

The following is a reconciliation of the beginning and ending balances for Level 3 warrant liability during the six months ended June 30, 2026 and 2025 (in thousands):

	Six Months Ended June 30,	
	2026	**2025**
Balance at beginning of the period	$ 15	$ 290
Changes in fair value	(15)	144
Balance at end of the period	**$ —**	**$ 434**

The following is a reconciliation of the beginning and ending balances for Level 3 Convertible Loan, which was retired during the six months ended June 30, 2026 (in thousands):

	Six Months Ended June 30,	
	2026	2025
Balance at beginning of the period	$ 140,929	$ 104,613
Conversion of outstanding convertible loan into common stock	(80,000)	—
Interest paid during the period	(2,943)	(1,355)
Changes in fair value	(57,986)	78,217
Balance at end of the period	**$ —**	**$ 181,475**

NOTE 11. LEASES

The Company is the lessee of some office spaces and warehouses. Certain leases include renewal options and/or termination options, which are factored into the Company's determination of lease payments when appropriate.

Operating lease cost for the three months ended June 30, 2026 and 2025 was $887 thousand and $844 thousand, and for the six months ended June 30, 2026 and 2025 was $1.8 million and $1.7 million, respectively, which excluded cost of short-term contracts. Short-term lease cost for the three months ended June 30, 2026 and 2025 was $13 thousand and $45 thousand, and for the six months ended June 30, 2026 and 2025 was $29 thousand and $91 thousand, respectively.

As of June 30, 2026, the Company had operating lease liabilities of $17.5 million, including current portion of $3.5 million, which is presented under accrued expenses and other current liabilities on the consolidated balance sheet. The weighted average remaining lease term was 8.0 years and weighted average discount rate was 5.0%.

Supplemental cash flow information of the leases were as follows (in thousands):

	Six Months Ended June 30, 2026
Cash payments for operating leases	$ 1,603
Right-of-use assets obtained in exchange for new operating lease liabilities	2,117

Maturity of operating lease liabilities are as follows (in thousands):

		As of June 30, 2026
Six-month period ending December 31, 2026	$	2,517
2027		3,807
2028		2,168
2029		1,778
2030		1,768
2031		1,768
Thereafter		7,221
Total future lease payments	**$**	**21,027**
Discount to present value	$	(3,546)
Present value of operating lease liabilities	**$**	**17,481**

Lessor Accounting

The Company recognized sales-type lease revenue of $314 thousand and $264 thousand respectively, for the three months ended June 30, 2026 and 2025 and $360 thousand and $4.4 million respectively, for the six months ended June 30, 2026 and 2025. The sales-type lease revenue is included in revenue in the accompanying consolidated statements of operations. As of June 30, 2026, the Company recorded net investment in sales-type leases of $5.6 million including current portion in the amount of $4.2 million, which is presented in accounts receivable on the consolidated balance sheets.

NOTE 12. REVENUE

Revenues by major geographic regions in which the Company's customers are located are as follows (in thousands, except percentages):

	Three Months Ended June 30,					
Geographic regions	2026			2025		
		Amount	%		Amount	%
China	$	33,332	38 %	$	34,843	38 %
Other Asia & Pacific countries		3,274	3 %		12,815	14 %
Asia & Pacific		**36,606**	**41 %**		**47,658**	**52 %**
Italy		39,807	46 %		16,088	18 %
France		11,817	14 %		9,339	10 %
Other European countries		765	1 %		13,458	15 %
Europe		**52,389**	**61 %**		**38,885**	**43 %**
United States (1)		**(1,733)**	**(2)%**		**4,796**	**5 %**
Total	**$**	**87,262**	**100 %**	**$**	**91,339**	**100 %**

	Six Months Ended June 30,			
Geographic regions	**2026**		**2025**	
	Amount	**%**	**Amount**	**%**
China	$ 48,209	33 %	$ 78,969	38 %
Other Asia & Pacific countries	5,539	3 %	18,740	9 %
Asia & Pacific	**53,748**	**36 %**	**97,709**	**47 %**
Italy	71,120	48 %	52,675	25 %
France	23,497	16 %	27,702	13 %
Other European countries	1,008	1 %	18,558	10 %
Europe	**95,625**	**65 %**	**98,935**	**48 %**
United States [1]	**(1,499)**	**(1)%**	**11,186**	**5 %**
Total	**$ 147,874**	**100 %**	**$ 207,830**	**100 %**

[1] The Company issued $2.7 million in tariff refunds to a customer in May 2026, which was recognized as a reduction of revenue for the three and six months ended June 30, 2026. Before the revenue reduction, a total of $931 thousand and $1.2 million revenue, respectively, was realized in the United States for the three months and six months ended June 30, 2026.

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 are unconditional. The allowance for credit losses reflects the best estimate of probable losses inherent to the accounts receivable balance (see Note 2). 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.

The following table reflects the changes in the Company's contract liabilities (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	**2025**	**2026**	**2025**
Balance at beginning of the period	$ 6,663	$ 44,204	$ 5,605	$ 43,678
Cash received	4,151	2,291	7,939	5,916
Revenue recognized	(5,924)	(5,032)	(8,732)	(8,195)
Exchange difference	101	79	179	143
Balance at end of the period	**$ 4,991**	**$ 41,542**	**$ 4,991**	**$ 41,542**

As of June 30, 2026, total transaction price allocated to performance obligations that were unsatisfied or partially unsatisfied was $5.0 million. Of this amount, the Company expects to recognize $2.3 million over the next 12 months and the remainder over the remaining performance obligation period.

NOTE 13. SHARE-BASED COMPENSATION

The Company has granted restricted stock and restricted stock units (collectively, “Restricted Stock”), as well as unrestricted stock and stock options, to employees and directors under the 2021 Equity Incentive Plan. Upon vesting of Restricted Stock, shares of common stock are released to the grantee.

As of June 30, 2026, the Company had approximately 2.1 million shares of service-based Restricted Stock and approximately 134 thousand shares of performance-based Restricted Stock outstanding. The Company also had approximately 24.9 million stock options outstanding, of which 23.4 million stock options were exercisable as of June 30, 2026.

For the three and six months ended June 30, 2026 and 2025, the Company recognized share-based compensation expense related to all share-based awards as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Cost of revenues	$ 31	$ 62	$ 72	$ 124
General and administrative expenses	703	566	1,526	1,003
Research and development expenses	78	156	184	306
Selling and marketing expenses	30	62	68	116
Total	**$ 842**	**$ 846**	**$ 1,850**	**$ 1,549**

NOTE 14. CONVERTIBLE LOAN MEASURED AT FAIR VALUE

On May 28, 2024, Microvast Holdings, Inc. entered into a $25.0 million convertible loan agreement (the “Loan Agreement”) with Mr. Yang Wu, the Company’s Chief Executive Officer and Chairman, which was subsequently amended on March 17, 2025 to extend the maturity date to May 28, 2026.

The loan includes an Initial Term Loan of $12.0 million and a Delayed Draw Term Loan of $13.0 million at an initial interest rate equal to the Secured Overnight Financing Rate (“SOFR”), plus an initial Applicable Margin of 9.75% per annum, 3.75% of which shall be paid in kind rather than in cash (collectively, the “Convertible Loan”). The maturity date may be accelerated upon the occurrence and continuance of an event of default in accordance with the terms of the Loan Agreement. The Loan Agreement also provides Mr. Wu with the right to convert the outstanding principal balance of the Convertible Loan, into shares of common stock at an initial conversion rate equal to two shares of common stock per $1.00 of principal amount to be converted.

The Initial Term Loan of $12.0 million was received in May 2024 and the Delayed Draw Term Loan of $13.0 million was received in July 2024.

The Convertible Loan is secured by a first priority security interest in substantially all of the assets of Microvast Holdings, Inc. and all other entities within the Company as guarantors.

The Company elected the fair value option to account for the Convertible Loan. The fair value was determined by using a discounted cash flow model for the bond component and a Black-Scholes-Merton model for the conversion option, which is considered a Level 3 fair value measurement. Subsequent changes in fair value are presented as gains or losses in the consolidated statements of operations. Interest expense related to the Convertible Loan is included in the changes in fair value.

On May 28, 2026, Mr. Wu elected to convert $25.0 million of the outstanding principal amount into 50.0 million shares of Common Stock at a per share price of $0.50 in accordance with the terms of the Loan Agreement. The remaining principal amount and accrued but unpaid interest, $2.2 million, thereon were settled in cash.

During the three months ended June 30, 2026 and 2025, a loss of $5.8 million and $121.2 million were recognized, respectively. During the six months ended June 30, 2026 and 2025, a gain of $58.0 million and a loss of $78.2 million were recognized, respectively.

In connection with the Convertible Loan on May 28, 2024, the Company issued to Mr. Wu a total of 5.5 million warrants exercisable for 5.5 million shares of common stock at an initial exercise price of $2.00 per share that expires on May 28, 2029. As of June 30, 2026, 5.5 million warrants remained outstanding.

NOTE 15. NET (LOSS) PROFIT PER SHARE

The following table sets forth the computation of basic and diluted net (loss) profit per share for the periods indicated (in thousands, except per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	**2025**	**2026**	**2025**
Net (loss) profit - basic	**$ (11,988)**	**$ (106,058)**	**$ 36,223**	**$ (44,268)**
Changes in fair value of convertible loan	—	—	(57,986)	—
Net (loss) profit - diluted	**$ (11,988)**	**$ (106,058)**	**$ (21,763)**	**$ (44,268)**
Weighted average common stock used in computing basic net (loss) profit per share	**348,949**	**323,643**	**340,726**	**323,538**
Weighted-average effect of dilutive securities:				
Diluted effect of shares issuable upon conversion of convertible loan	—	—	42,222	—
Weighted average common stock used in computing diluted net (loss) profit per share	**348,949**	**323,643**	**382,948**	**323,538**
Net (loss) profit per share - basic	**$ (0.03)**	**$ (0.33)**	**$ 0.11**	**$ (0.14)**
Net (loss) profit per share - diluted	**$ (0.03)**	**$ (0.33)**	**$ (0.06)**	**$ (0.14)**

Potentially dilutive securities not included in the diluted net profit (loss) per share computations because their effect would have been anti-dilutive were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	**2025**	**2026**	**2025**
Shares issuable upon exercise of stock options	16	29,113	227	30,039
Shares issuable upon vesting of non-vested shares	499	3,633	975	3,601
Shares issuable upon exercise of warrants	—	33,937	—	33,937
Shares issuable that may be subject to cancellation	—	1,688	—	1,688
Shares issuable upon conversion of convertible loan	34,615	50,000	—	50,000

NOTE 16. COMMITMENTS AND CONTINGENCIES

Litigation

Corporate Governance Actions

Stephen Vogel, Ruth Epstein, Stefan Selig, Richard Rieger, Amy Butte, Yang Wu and Yanzhuan Zheng have been named as defendants in litigation filed in the Court of Chancery captioned *Matt Jacob v. Stephen A. Vogel, et al., C.A. No. 2022-0600-PAF (*Del. Ch.) (filed July 7, 2022). The plaintiff is seeking to certify the litigation as a stockholder class action. The complaint alleges that Stephen Vogel, Ruth Epstein, Stefan Selig, Richard Rieger and Amy Butte breached their fiduciary duties in connection with Tuscan's acquisition of Microvast, Inc., including by making inadequate disclosures concerning the projected earnings of Microvast, Inc. The complaint further alleges that once the earnings of the combined company became public, the Company's stock dropped, causing losses to investors. The complaint also alleges that Yang Wu and Yanzhuan Zheng aided and abetted these purported breaches. Amy Butte, Yang Wu, and Yanzhuan Zheng filed motions to dismiss the complaint. On March 7, 2026, the Court dismissed the claims against Messrs. Wu and Zheng, without prejudice but denied Ms. Butte's motion to dismiss. On March 30, 2026, the plaintiff served initial discovery requests on the remaining defendants. Amy Butte filed an answer to the complaint on April 15, 2026. On July 22, 2026, the parties entered a Joint Stipulation of Dismissal Without Prejudice, dismissing Amy Butte from the case.

On December 13, 2023, in response to a stockholder litigation demand, the Company filed a petition in the Court of Chancery pursuant to Section 205 of the Delaware General Corporation Law seeking validation of an amendment to the Company’s Amended Certificate of Incorporation, the Business Combination and the issuance of the shares issued pursuant thereto, and the Company’s Second Amended and Restated Certificate of Incorporation adopted in connection with the Business Combination (collectively, the “Acts”) to resolve any uncertainty with respect to those matters, which action was captioned *In re Microvast Holdings Inc*., C.A. No. 2023-1245-PAF. On March 18, 2024, the Court of Chancery granted the petition, validating and declaring effective each Act as of the time and date such Act was originally taken.

The Company, the directors of the Company predecessor, Tuscan, and certain former and current Company officers and directors have also been named as defendants in litigation filed in the Court of Chancery captioned *Denish Bhavsar v. Stephen Vogel, et al.*, Case No. 2024-0137-PAF (Del. Ch.) (filed Feb. 14, 2024). The plaintiff purports to assert derivative claims on behalf of the Company. The complaint alleges that the individual defendants breached their fiduciary duties in connection with Tuscan’s acquisition of Microvast, Inc., including by making inadequate disclosures concerning Microvast, Inc.’s earnings and alleged conflicts of interest that existed between certain directors and Company stockholders. Certain defendants filed motions to dismiss, which are fully briefed.

The Company, and certain former and current Company officers and directors have also been named as defendants in a litigation filed in the Court of Chancery captioned *Henry Park v. Yang Wu, et al.*, C.A. No. 2024-0868-PAF (Del. Ch.) (filed August 19, 2024). The plaintiff purports to assert derivative claims on behalf of the Company. The complaint alleges that certain individual defendants breached their fiduciary duties in connection with Tuscan’s acquisition of Microvast, Inc., including by making inadequate disclosures concerning Microvast, Inc.’s earnings and by refusing to investigate a litigation demand. On October 14, 2024, the Company and other defendants filed a motion to dismiss. That motion has been fully briefed.

Following an April 7, 2026 telephonic status conference on the *Bhavsar* and *Park* cases, the parties agreed to stay the cases pending disposition of the *Jacob* litigation. Stipulations were filed and so-ordered by the court in *Bhavsar* on April 24, 2026 and in *Park* on April 27, 2026.

The Company has received additional demands from purported Company stockholders, requesting that the Company's Board of Directors investigate whether current and former directors and officers of the Company and its predecessors, Tuscan and Microvast Inc., breached their fiduciary duties by allegedly making material misrepresentations about *inter alia* (1) Microvast Inc.'s performance and financial health in connection with the merger between Tuscan and Microvast, Inc., and (2) the Company's loss of a conditional grant from the United States Department of Energy. The Company has responded to the demands. The Company has also received and responded to stockholder demands for books and records made pursuant to Section 220 of the Delaware General Corporation Law that purportedly seek to investigate the (i) loss of the DOE grant, and (ii) Company's bases for denying one of the referenced stockholder demands.

Securities Litigation

The Company and certain of its officers have also been named as defendants in a putative class action complaint by a stockholder of the Company in the U.S. District Court for the Southern District of Texas under the caption *Schelling v. Microvast Holdings, Inc.,* Case No. 4:23-cv-04565 (S.D. Tex.) (filed Dec. 5, 2023) (the "Schelling Action"). The complaint alleges that defendants violated certain federal securities laws by making misleading statements regarding the receipt of a conditional grant from the United States Department of Energy, the Company's profitability, the nature of Company-associated operations in China, and the status and progress of the construction of a facility owned by the Company. On August 22, 2025, the Court granted in part and denied in part Defendant's motion to dismiss. The lawsuit is currently in the discovery phase. The trial of the case is currently set to begin on November 8, 2027.

The Company and certain of its officers and directors have also been named as defendants in three derivative actions filed in the Southern District of Texas under the captions *Bhavsar v. Wu et al.*, No. 4:24-cv-00372 (S.D. Tex.) (filed Jan. 31, 2024), *Marti et al v. Wu et al*, Case No. 4:24-cv-00633 (S.D. Tex.) (filed Feb. 23, 2024), *Gidaro v. Wu et al*, Case No. 4:24-cv-00828 (S.D. Tex.) (filed Mar. 6, 2024). The complaints allege that the officer and director defendants violated the federal securities laws by making inadequate disclosures substantially similar to those alleged in the *Schelling* Action. The complaints further allege that these inadequate disclosures resulted from, and constituted, breaches of the officer and director defendants' fiduciary duties. On February 24, 2024, the court entered in an order in the first-filed case, *Bhavsar v. Wu* et al., No. 4:24-cv-00372, consolidating the *Bhavsar* case and *Marti et al v. Wu et al*, Case No. 4:24-cv-00633. The consolidated derivative litigation (the "Consolidated Derivative Action") is captioned *In re Microvast Holdings, Inc. Derivative Litigation*, Lead Case No. 4:24-cv-00372 (S.D. Tex.). The parties in the *Gidardo* action filed a stipulation to consolidate the *Gidaro* case into the Consolidated Derivative Action. The Consolidated Derivative Action is currently stayed. The allegations in the Consolidated Derivative Action are substantially similar to the allegations raised in the Securities Class Action. On March 18, 2024, the parties in the Derivative Action filed a joint motion to stay the proceedings pending a ruling in the Securities Class Action on the anticipated motion to dismiss. The Court granted the motion to stay on March 24, 2024. As of August 10, 2026, the stay remained in effect.

A fourth derivative complaint was filed on November 19, 2025 in the United States District Court (S.D. Tex) under the caption *Richard Swenson and Lori Swenson v. Yang Wu*, *et al.*, No. 4:25-cv-05561. Following entry of a stipulation to consolidate the *Swenson* action with already-pending cases, the *Swenson* case was voluntarily dismissed on January 27, 2026.

The Company and certain of its current and former officers have also been named as defendants in a putative class action complaint by a stockholder of the Company in the U.S. District Court for the Southern District of Texas under the caption *Leah Graham v. Microvast Holdings, Inc., et al.,* Case No. 4:26-cv-05804 (S.D.Tex) (filed July 21, 2026) (the "Graham Action"). In addition to the Company, the complaint names Yang Wu, the Company's Founder, Chairman and Chief Executive Officer, and Fariyal Khanbabi, Carl T. (Pat) Schultz and Rodney Worthen, each of whom served as the Company's Chief Financial Officer during all or part of the alleged class period. The complaint alleges that defendants made materially false and misleading statements and failed to disclose material adverse facts regarding the Company's business and operations. The plaintiff seeks certification of the purported class, unspecified compensatory damages, prejudgment and post-judgment interest, attorneys' fees, expert fees and other costs, and such other relief as the court may deem just and proper and has demanded a trial by jury. The Graham Action is in its preliminary stages; no lead plaintiff has been appointed, no consolidated or amended complaint has been filed, and the Company has not yet responded to the complaint. The Company intends to defend the matter vigorously.

Pursuant to the Company's governing documents and indemnification agreements entered into by the Company with certain of the named defendants, in the above-described actions, the Company has indemnified those defendants for all expenses and losses related to the litigation subject to the terms of those indemnification agreements. While the lawsuits are being vigorously defended, other reported lawsuits of this type have resulted in a broad range of outcomes, with each case being dependent on its own unique set of facts and circumstances. Litigation of this kind can lead to settlement negotiations, including negotiations prompted by pre-trial civil court procedures. The outcome of any litigation is inherently uncertain, and there is always the possibility that a court rules in a manner that is adverse to the interests of the Company and the individual defendants. However, the amount of any such loss in that scenario, which could be material, cannot be reasonably estimated at this time.

Other Matters

Deidra Milan is an ex-employee of Microvast, and is the putative representative of a class of more than 100 individual employees who were let go from their jobs at a plant in Clarksville, Tennessee. She has filed *Civil Action No. 3:24-cv-00627, Deidra Milan, Plaintiff v. Microvast, Inc. and Microvast Holdings, Inc*. in the U.S. District Court for the Middle District of Tennessee. The Company filed an answer to the suit on July 19, 2024. The class action complaint is brought under the Worker Adjustment and Notification Act, 29 U.S.C. §§2101-2109 (the “WARN Act”), which requires advance notice before certain types of plant closings and mass layoffs. Plaintiff alleges that defendants failed to give proper advance notice of a mass layoff in violation of the WARN Act. Plaintiffs sought backpay, medical expenses, attorney’s fees and statutory penalties in an unspecified amount. Class counsel and the Company agreed on the terms of a class action settlement agreement. The Court held a hearing on Plaintiff's unopposed motion for final approval for May 21, 2026, and the settlement was approved. As such, the case has been dismissed with prejudice.

Microvast, Inc. was named as a defendant in an action filed in Montgomery County Chancery Court for the State of Tennessee under the caption *Virginia Transformer Corp. v. Microvast, Inc. and the Industrial Development Board of the County of Montgomery, Tennessee,* Case No. RE-24-32 (Tenn. Ch.) (filed on July 01, 2024) brought by a prime contractor on the Microvast Facility in Tennessee for lien enforcement of $1.8 million. The parties entered into a settlement agreement, but after defendant made one settlement payment, a dispute arose when a third party hacked plaintiff’s email system and directed defendant to wire settlement payments to a fictitious bank account. Plaintiff amended its complaint to add a claim for breach of the settlement agreement, and defendant amended its answer to assert a counterclaim for plaintiff's breach of the settlement agreement. Defendant also filed a motion to compel arbitration of the entire matter based on an arbitration provision in the parties' underlying contract, which the trial court denied. Defendant has appealed the trial court’s order denying arbitration, resulting in a stay of the trial court proceedings pending the appeal. Appellate briefing is complete and oral arguments are scheduled for mid-August. The parties entered into mediation discussions on May 19, 2026.

Microvast, Inc. has initiated a lawsuit as a plaintiff in an action filed in the 11th Judicial District Court, Harris County, Texas under the caption *Microvast, Inc. v. Grupo Basan Barba Santana, S.A. De C.V., Cause No. 2025-11326 (*filed on February 19, 2025*).* Microvast claims it is entitled to the $2.6 million balance of its $3.5 million deposit. Grupo Basan has counterclaimed for $2.4 million in additional compensation for products and for expenses, which claims Microvast contends are prohibited by the contract. Microvast filed a summary judgment motion to dispose of Grupo Basan's claims. On July 27, 2026, the Court granted Microvast's motion, fully dismissing Grupo Basan's claims with prejudice. On July 31, 2026, Microvast filed a second summary judgment motion asking the Court to grant a $2.6 million judgment in Microvast's favor. Grupo Basan's attorneys have withdrawn. It is unknown at this time whether Grupo Basan will retain new counsel. Discovery has concluded, and trial is set for September 2026. Microvast has moved for a short trial continuance to allow the Court to hear and rule on its pending summary judgment motion, which would fully resolve the lawsuit's remaining claims before trial.

MICROVAST HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

On November 14, 2024, Microvast Energy, Inc. was named as a defendant in breach of contract action filed before the American Arbitration Association ("AAA") under the caption *Clenera Battery Holdco LLC v. Microvast, Inc.., Case No. 01-24-0008-7288.* Clenera asserted a claim for breach of a supply agreement between Microvast and Clenera for custom-made battery containers. Clenera alleges that Microvast must refund approximately $36 million due to Microvast's failure to deliver the containers by the contractual deadline, per the terms of the supply agreement. Clenera also seeks interest and attorneys' fees. On November 15, 2024, Clenera filed an action for the same claim against Microvast Holdings, Inc. in the Supreme Court of the State of New York, County of New York, under the caption *Clenera Battery Holdco LLC v. Microvast Holdings, Inc.*, Index No. 659103/2024. The guaranty action was consolidated into the arbitration. On December 3, 2025, the AAA issued the final award to Clenera of approximately $42.9 million, plus 9% interest for any amounts unsatisfied after December 3, 2025. This award was amended on January 6, 2026 and January 16, 2026. On February 12, 2026, the parties entered into a confidential settlement agreement. The Company made the payments under the agreement. On July 22, 2026, the NY state guaranty action was dismissed with prejudice.

Microvast Power Systems Co., Ltd. ("MPS"), the Company's operating subsidiary in Huzhou, China, initiated a lawsuit as plaintiff against Dongguan Winnerway Automobile Co., Ltd. ("Winnerway") on June 20, 2022, asserting claims for breach of a sales contract and seeking payment of outstanding amounts owed for battery products delivered to Winnerway, in the aggregate amount of approximately $3.62 million. Winnerway has filed a counterclaim against MPS seeking replacement of the battery packs at issue with new battery packs of the same standard, termination of the Battery After-Sales Service Agreement relating to discontinued vehicles operated by the Dongguan public transportation company and battery repair costs, in the aggregate amount of approximately $22.35 million. The claim and the counterclaim have been heard together and remain under trial, with judgment on both the claim and the counterclaim pending. MPS is represented by external counsel in the matter. MPS intends to pursue its claims and defend the counterclaim vigorously. The outcome of the matter is inherently uncertain, and there is always the possibility that the court rules in a manner adverse to the interests of the Company. Based on the information currently available, the Company is unable to determine the probability of an outcome favorable to MPS, and no reasonable estimate of a possible loss or range of loss can be made at this time. Accordingly, no liability has been accrued in respect of this matter as of June 30, 2026.

The Company is also involved in other litigation, claims, and proceedings. The Company 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 Company 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 June 30, 2026 and December 31, 2025, based on the information currently available, the Company believes that any loss contingencies that may arise as a result of currently pending legal proceedings cannot be accurately quantified at this time and thus cannot determine whether they will have a material adverse effect on the Company's business, results of operations, financial condition, and cash flows.

Tariffs

In February 2026, the United States Supreme Court ruled that certain tariffs imposed under the International Emergency Economic Powers Act ("IEEPA") were not authorized by statute. Following the ruling, the U.S. Court of International Trade ordered U.S. Customs and Border Protection to suspend collection of such tariffs and to establish a process to refund amounts previously collected. As a result of this ruling, the Company has sought to receive refunds of tariffs previously paid on qualifying imports. In May 2026, the Company received a $4.3 million refund, excluding interest, and issued $2.7 million in tariff refunds to a customer. The IEEPA tariff refunds received were recognized as a reduction to the cost of revenue, while the refund issued to the customer was recognized as a reduction of revenue for the three and six months ended June 30, 2026.

Capital Commitments

Capital commitments for construction of property and purchase of property, plant and equipment were $13.2 million as of June 30, 2026.

Purchase Commitments

Purchase commitments for non-cancelable contractual obligations primarily related to purchases of inventory were $37.5 million as of June 30, 2026.

Pledged Assets

Other than those disclosed in Note 6 - Bank Borrowings, the Company may pledge certain assets to banks to secure the issuance of bank acceptance notes for the Company. As of June 30, 2026, certain of the Company's machinery and equipment with a carrying value of $19.8 million has been pledged to secure the issuance of such notes.

Liens

As of June 30, 2026, the Company had $1.8 million of liens, a decrease of $21.8 million from December 31, 2025 due in part to the settlement of the DPR Litigation.

NOTE 17. SEGMENT INFORMATION

The Company's business includes the design, development, manufacturing, sales and leasing of battery components and systems primarily for electric commercial vehicles and energy storage systems. Revenue, classified by major geographic region in which the customers are located, is disclosed in Note 12. The Chief Executive Officer ("CEO"), as the chief operating decision maker ("CODM"), organizes the Company as a single operating and reportable segment. The CODM uses operating income to allocate operating and capital resources and assesses performance by comparing actual operating income results to historical results and previously forecasted financial information. The measure of operating income is reported on the consolidated statements of operations as operating income. The segment assets are reported on the consolidated balance sheets as total assets.

Long-lived assets, classified by major geographic regions, are as follows (in thousands, except percentages):

Geographic regions	**June 30, 2026**		**December 31, 2025**	
	Amount	**%**	**Amount**	**%**
China	$ 351,479	65 %	$ 345,148	66 %
Asia & Pacific	**351,479**	**65 %**	**345,148**	**66 %**
Germany	14,064	3 %	15,291	3 %
United Kingdom	14	— %	20	— %
Europe	**14,078**	**3 %**	**15,311**	**3 %**
United States	**172,264**	**32 %**	**159,168**	**31 %**
Total	**$ 537,821**	**100 %**	**$ 519,627**	**100 %**

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 interim consolidated 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. See the risk factors included in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2025 and in Part II, Item 1A of this Quarterly Report for further discussion of the risks and uncertainties that could affect our business, financial condition and results of operations.

The Business

Founded in 2006 and headquartered in Houston, Texas, Microvast Holdings, Inc. (NASDAQ: MVST) strives to be a global leader in advanced specialized battery technologies. Since our public listing in 2021, we have focused on delivering high-performance lithium-ion battery solutions for the next generation of commercial and industrial electrification. We specialize in the design, development, and manufacturing of battery components and systems primarily for electric commercial vehicles and energy storage systems (“ESS”). We have recently aligned our commercial priorities and resources to focus on selected near-term opportunities in the commercial vehicle market, while continuing to evaluate future opportunities in the ESS market. Our guiding principle is to innovate lithium-ion battery designs from the ground up without relying on legacy technologies. We believe that this approach allows us to create purpose-built solutions for new markets, rather than repurposing existing ones.

Our mission is to become a leader in U.S. domestic battery production, reducing reliance on overseas suppliers, and strengthening national energy independence. We believe that this mission, along with our engineering expertise, vertically integrated business model, and our focus on continuous investment in our research and development and operations, differentiates us from competitors and positions us for long-term revenue and income growth.

We employ a vertically integrated approach, which we believe provides a competitive advantage in optimizing performance and cost. Our proprietary technology stack spans the entire battery system, including the core cell materials (cathode, anode, electrolyte, and separator), cells, modules, packs, thermal management systems, and intelligent battery management systems. This end-to-end expertise has driven critical advancements in ultra-fast charging, high energy density, long cycle life, and safety, all critical factors for commercial transportation and ESS applications. With significant in-house capabilities in design, testing, and R&D, we continue to strive to build an industry-leading body of knowledge in battery chemistry and performance.

Our Strategy

Our objective is to drive long-term stakeholder value by scaling our proprietary battery technologies across high-growth sectors. Since 2008, our research and development efforts have been dedicated to pioneering cutting-edge battery technologies that offer ultra-fast charging, extended cycle life, high energy density, and enhanced safety. Our commitment to innovation has well positioned us in developing the next-generation of lithium-ion batteries. We are focused on designing battery technologies for use primarily on electric commercial vehicles and remain committed to advancing ESS in the future. We believe our solutions empower industries to transition to cleaner, more efficient power sources, unlocking new levels of performance, longevity, and cost efficiency. Historically, demand for electric commercial vehicle batteries was concentrated in the Asia & Pacific regions. We are now working towards a balanced global strategy throughout Europe and North America. As customer demand for our products and services has grown in Europe and the U.S., we have expanded to meet these growth opportunities. We continue to invest in our operations in Asia-Pacific to capitalize on regional growth. This provides a balanced global strategy while maintaining strong partnerships with original equipment manufacturers (“OEMs”) in high-demand markets. We have primarily supplied our battery solutions to OEMs for use in electric commercial and specialty vehicles. We are continuously advancing our battery technologies to improve performance, efficiency, and reliability in commercial applications.

We believe the energy storage industry is positioned for continued expansion. In 2025, third-party industry data shows that global power capacity grew by approximately 90 gigawatts, an estimated 23% increase from the previous year. Industry projections indicate expected further expansion, with an average CAGR in deployed gigawatts of 23% between 2025 and 2035. The U.S. and China are expected to lead this growth, with U.S. power capacity projected to increase from approximately 45 gigawatts in 2025 to approximately 125 gigawatts by 2030. By remaining positioned to refine our technology, we aim to advance our ESS solutions to meet the evolving demand of power sector and complement existing resources in meeting growing global demand for reliable and flexible power. We plan to leverage many of the component-level technologies from our commercial vehicle segment to develop our energy storage products.

Going Concern

In accordance with Accounting Standards Codification ("ASC") Topic 205-40, Going Concern, we evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about our ability to continue as a going concern within one year after the date the financial statements are issued. This evaluation initially does not consider the potential mitigating effect of management's plans that have not been fully implemented. When substantial doubt exists, management evaluates the mitigating effect of its plans to the extent it is probable that 1) the plans will be effectively implemented within one year after the date the financial statements are issued, and 2) when implemented, the plans will mitigate the relevant conditions or events that raise substantial doubt. Given the uncertainties described in Note 1 to the unaudited consolidated financial statements of this Quarterly Report and in this Management's Discussion and Analysis of Financial Condition and Results of Operations, we have concluded that substantial doubt exists about our ability to continue as a going concern within one year after the date the financial statements are issued and that management's plans to alleviate the substantial doubt cannot be deemed probable, and thus the substantial doubt about our ability to continue as a going concern has not been alleviated.

Key Factors Affecting Our Performance

Our future success depends on several critical factors, including those outlined below. While these represent opportunities for growth, they also pose challenges and risks that we must effectively manage to sustain our business momentum and improve financial performance.

Technology and Product Innovation

Our financial performance is driven by 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. 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 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.

We have launched the 290Ah lithium iron phosphate ("LFP") cell-based battery packs as high-performance, modular battery solutions designed for a wide range of commercial and heavy-duty industrial applications. These packs leverage our next generation LFP cell technology to provide scalable configurations and enhanced safety profiles for the diverse operating environments required by fleets.

Utilizing this underlying 290Ah LFP technology, we have also launched the KAF™ electric powertrain solution. Designed as an integrated vehicle-level system targeted for the U.S. school bus market, the KAF™ electric powertrain combines high-voltage battery packs with a proprietary nitrogen purging safety system and key traction drive components. This architecture is intended to simplify OEM integration, reduce total deployment cost, and address thermal propagation concerns in the segment. Commercialization of the KAF™ platform and associated 290Ah LFP products remain subject to final product validation, vehicle-level integration with OEM partners, customer qualification, and availability of domestic manufacturing capacity and capital. For specific drive train components, we plan to partner with mature and high volume suppliers to source and develop this integrated solution.

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 specialty electric vehicle markets and the 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. These incentives are subject to evolving geopolitical dynamics, including Foreign Entity of Concern restrictions and domestic content requirements. We continuously monitor these shifts, as any reduction, elimination, or disqualification from such incentives could adversely affect demand for our products and our financial performance.

Manufacturing Capacity

Our ability to scale depends on the timely expansion of our manufacturing footprint. As of June 30, 2026, our order backlog was primarily composed of long-term transit and logistics partners in Europe. To address this demand, we have utilized our capital resources to strategically expand our global production capabilities.

In 2023, we successfully completed the 2 GWh cell, module, and pack production line (Phase 3.1) for our 53.5Ah cell technology at our Huzhou, China facility. This Phase 3.1 line has been operating safely and efficiently, providing a stable manufacturing base. In addition to the 53.5Ah cell, this line also supports the production of our 48Ah and 55Ah cells.

To support our product portfolio, we are building a second 2 GWh production line (Phase 3.2) at our Huzhou, China facility. The new Phase 3.2 line has been designed with flexible tooling and process architecture to accommodate multiple cell formats, including the 48Ah, 53.5Ah, 55Ah, and 120Ah variants. Installation and commissioning of the production equipment have been completed, and we anticipate continued capacity ramp-up during the second half of 2026. We believe this investment enhances our agile manufacturing capability and reinforces our commitment to delivering high-performance solutions across diverse application scenarios. Additionally, we have pilot lines utilized for prototyping and testing. Our Germany facility produces VDA modules.

Construction and equipment installation for our U.S. facility was suspended in the second quarter of 2024 due to funding constraints. We have since pivoted the site's strategic focus from nickel manganese cobalt production to LFP batteries. Towards the end of 2025, we made a targeted investment in our Clarksville facility to establish a pack assembly line, expanding our domestic capabilities and supporting anticipated customer demand. We financed this investment through cash generated from our operating activities. Resumption of full-scale construction is contingent upon securing additional financing or strategic partnerships. Once completed, Clarksville is intended to be a vertically integrated hub for LFP cell and ESS container assembly, satisfying domestic content preferences for the U.S. market.

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

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 market in those regions. 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 application-specific performance requirements, certification, system integration, warranty expectations, and total cost of ownership, whereas in China we are faced with intense price competition from local battery manufacturers. 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

The battery industry is subject to stringent and evolving environmental regulations, particularly concerning hazardous waste management, pollution control, and sustainability requirements. Over time, these regulations have become increasingly strict, impacting both product costs and gross margins. In the U.S., newly proposed RCRA universal waste regulations for lithium batteries are expected to be finalized by the EPA as early as August 2027, which would create a new waste category specifically for lithium batteries and establish new requirements for transportation, handling, and storage.

Compliance with these standards requires continuous investment in manufacturing processes, material sourcing, and waste disposal practices to ensure adherence to environmental mandates across multiple jurisdictions.

Additionally, government policies and economic incentives play a critical role in shaping demand for the EV and ESS markets. Incentives such as EV purchase subsidies, tax credits for battery manufacturers, and renewable energy project grants have historically supported market growth. Similarly, carbon emission penalties and fleet-wide regulatory requirements for automakers further drive the adoption of zero-emission transportation and clean energy solutions. These policies expand our total addressable market, creating opportunities for increased sales and broader adoption of our battery technologies. However, changes in these incentives—such as reductions or eliminations of subsidies—could negatively affect demand for our products.

As a global company with operations and sales in China, the Asia-Pacific region, Europe, and the U.S., we are also exposed to trade policies, tariffs, and regulatory shifts that could impact our ability to meet projected sales and maintain profit margins. Any significant changes in international trade agreements, supply chain restrictions, or geopolitical tensions may influence production costs, material sourcing, and cross-border sales strategies. Changes in tariff policy in particular, whether threatened or implemented, may raise costs for consumers which could lead to softened consumer demand. For example, on July 23, 2026, the current presidential administration of the United States announced the imposition of 10% - 12.5% tariffs on imports from sixty economies under Section 301 of the Trade Act of 1974. The current situation with respect to tariff policy is dynamic, and the ultimate effect will be dependent on the magnitude and duration of the tariffs, the outcome of litigation, and the countries implicated, as well as our ability to mitigate their impact.

In addition, because our manufacturing center is located in China, ongoing trade developments between the United States and China, such as import and export controls, may complicate our ability to rely on those manufacturing centers for continued production. Navigating these regulatory complexities is essential to sustaining our competitive position and long-term growth trajectory.

Components of Results of Operations

Revenues

We derive revenue from the sales of our electric battery products and components to the commercial vehicle market. While historically concentrated in the Asia-Pacific region, our revenue mix has shifted significantly toward Europe which accounted for the largest portion of our revenue mix for the six months ended June 30, 2026 and 2025. This shift reflects our strategy to capture higher-margin opportunities in the European commercial vehicle sectors.

We issued $2.7 million tariff refunds to U.S. customers in May 2026. Before the tariff refunds were recorded as a reduction to our revenue in the current period, a total of $931 thousand and $1.2 million in revenue was realized in the United States for the three months and six months ended June 30, 2026, respectively. The following table sets forth a breakdown of our net revenue by major geographic regions, based on the locations of our customers, for the periods indicated (in thousands, except percentages):

	Three Months Ended June 30,			
	2026		2025	
	Amount	%	Amount	%
China	*$ 33,332*	*38 %*	*$ 34,843*	*38 %*
Other Asia & Pacific countries	*3,274*	*3 %*	*12,815*	*14 %*
Asia & Pacific	**36,606**	**41 %**	**47,658**	**52 %**
Italy	*39,807*	*46 %*	*16,088*	*18 %*
France	*11,817*	*14 %*	*9,339*	*10 %*
Other European countries	*765*	*1 %*	*13,458*	*15 %*
Europe	**52,389**	**61 %**	**38,885**	**43 %**
United States	**(1,733)**	**(2)%**	**4,796**	**5 %**
Total	**$ 87,262**	**100 %**	**$ 91,339**	**100 %**

	Six Months Ended June 30,			
	2026		2025	
	Amount	%	Amount	%
China	$ 48,209	33 %	$ 78,969	38 %
Other Asia & Pacific countries	5,539	3 %	18,740	9 %
Asia & Pacific	**53,748**	**36 %**	**97,709**	**47 %**
Italy	71,120	48 %	52,675	25 %
France	23,497	16 %	27,702	13 %
Other European countries	1,008	1 %	18,558	10 %
Europe	**95,625**	**65 %**	**98,935**	**48 %**
United States	**(1,499)**	**(1)%**	**11,186**	**5 %**
Total	**$ 147,874**	**100 %**	**$ 207,830**	**100 %**

Customer Concentration

We have historically received a significant 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 the three largest customers that each accounted for over 10% of our net revenues for the periods indicated:

	Three Months Ended June 30,	
	2026	2025
Customer A	46 %	18 %
Customer B	11 %	*
Customer C	10 %	*

	Six Months Ended June 30,	
	2026	2025
Customer A	48 %	25 %
Customer B	14 %	13 %

Our revenues for the three and six months ended June 30, 2026 were materially concentrated with a small number of customers. The composition of our largest customers has historically varied from period to period, and the level of revenue concentration with any individual customer has fluctuated, in some cases significantly, between reporting periods.

Our orders from customers are generally placed pursuant to non-exclusive purchase orders or framework supply agreements that are subject to adjustment, cancellation, deferral, or suspension by our customers, and our customers are generally not contractually obligated to purchase any minimum volume of products from us. A termination of these relationships could have a material adverse effect on our financial results.

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, and provision for obsolete inventories. These costs also include labor costs and personnel expenses, including share-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

Our operating expenses consist of general and administrative expenses (“G&A”), research and development expenses (“R&D”), selling and marketing expenses (“S&M”), and impairment loss of long-lived assets.

General and Administrative Expenses. G&A expenses primarily comprise personnel-related costs for our executive, legal, finance, human resources, and IT teams, along with professional service fees, depreciation, amortization, and insurance costs. As we scale operations, we anticipate additional expenditures for personnel hiring, infrastructure development, and compliance-related activities. These investments are necessary to support our anticipated growth and ensure operational efficiency.

Research and Development Expenses. R&D expenses primarily include salaries and share-based compensation for our engineers and scientists, as well as raw material costs for experimental development, utility expenses, and depreciation costs related to R&D activities. As we continue to invest in new product development, advanced battery technologies, enhanced product functionality, testing, and process improvement, we expect R&D expenditures to increase in absolute dollar terms. These R&D investments are critical to maintaining technological leadership and delivering next-generation battery solutions to the market.

Selling and Marketing Expenses. S&M expenses include personnel-related costs for our sales and marketing teams, including salaries, share-based compensation, and commission-based incentives. These expenses also cover advertising, promotional activities, and customer engagement efforts to drive product awareness and sales growth.

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 fair value changes of the warrant liability and the convertible loan described in Note 14 to the Financial Statements included herein (the "Convertible Loan"), these instruments are highly sensitive to fluctuations in our stock price. This section also includes interest expense associated with our debt financing arrangements, interest income earned on our cash balances, and foreign currency gains and losses.

Results of Operations

Comparison of the Three Months Ended June 30, 2026 to the Three Months Ended June 30, 2025

The following table sets forth our historical operating results for the periods indicated (in thousands, except percentages):

	Three Months Ended June 30, 2026	Three Months Ended June 30, 2025	$ Change	% Change
Revenues	$ 87,262	$ 91,339	$ (4,077)	(4.5)%
Cost of revenues	(61,484)	(59,616)	(1,868)	3.1 %
Gross profit	25,778	31,723	(5,945)	(18.7)%
	29.5 %	34.7 %		
Operating expenses:				
General and administrative expenses	(13,886)	(11,184)	(2,702)	24.2 %
Research and development expenses	(8,860)	(7,719)	(1,141)	14.8 %
Selling and marketing expenses	(4,743)	(3,424)	(1,319)	38.5 %
Impairment loss of long-lived assets	(24)	(1,364)	1,340	(98.2)%
Total operating expenses	(27,513)	(23,691)	(3,822)	16.1 %
Subsidy income	15	995	(980)	(98.5)%
(Loss) profit from operations	(1,720)	9,027	(10,747)	(119.1)%
Other income and expenses:				
Interest income	733	198	535	270.2 %
Interest expense	(1,328)	(1,252)	(76)	6.1 %
Changes in fair value of warrant liability and convertible loan	(5,837)	(121,521)	115,684	(95.2)%
Foreign exchange (loss) gain	(4,705)	7,187	(11,892)	(165.5)%
Other income, net	869	523	346	66.2 %
(Loss) profit before provision for income taxes	(11,988)	(105,838)	93,850	(88.7)%
Income tax expense	—	(220)	220	(100.0)%
Net (loss) profit	$ (11,988)	$ (106,058)	$ 94,070	(88.7)%

Revenues

Our revenues for the three months ended June 30, 2026 decreased by $4.1 million, or 4.5%, compared to the same period in 2025. The decrease was primarily driven by a $2.7 million tariff refund issued to a U.S. customer, which was recorded as a reduction to our revenue in the current period.

During the three months ended June 30, 2026, the Company observed a moderation in global electric vehicle demand growth, primarily driven by the expiration of government incentive programs and shifting regulatory frameworks in key regions. Our revenue and delivery schedules were also impacted by broader macroeconomic headwinds, including geopolitical instability and evolving tariff structures, which contributed to market volatility and influenced customer procurement cycles.

Cost of Revenues and Gross Profit

Our cost of revenues for the three months ended June 30, 2026 increased by $1.9 million, or 3.1%, compared to the same period in 2025, primarily driven by higher raw material prices during the first half year of 2026, partially offset by a one-time $4.3 million recognition of tariff refunds.

Our gross profit margin was 29.5% for the three months ended June 30, 2026 compared to 34.7% in 2025. The decrease in gross margin was primarily due to higher raw material prices and lower production utilization, which reduced fixed cost absorption, slightly offset by the one-time recognition of the tariff refunds.

Our gross margin profile remains subject to external pressures, including inflationary trends in raw material pricing, duties and tariffs, and elevated logistics and freight expenses resulting from ongoing global supply chain disruptions and geopolitical conflicts. While we continue to implement cost-mitigation strategies, these macroeconomic factors, combined with a phase-out of regional subsidies for electric vehicle adoption, have contributed to a challenging environment for near-term profitability across the battery manufacturing sector.

Operating Expenses

General and Administrative Expenses

General and administrative expenses for the three months ended June 30, 2026 increased by $2.7 million, or 24.2%, compared to the same period in 2025. This increase was primarily due to a $2.6 million increase in legal and other professional service fees.

Research and Development Expenses

Research and development expenses for the three months ended June 30, 2026 increased by $1.1 million, or 14.8%, compared to the same period in 2025. The increase was primarily due to an increase in labor costs as we expanded our investment in new product development.

Selling and Marketing Expenses

Selling and marketing expenses for the three months ended June 30, 2026 increased by $1.3 million, or 38.5%, compared to the same period in 2025. This increase was primarily due to a $1.5 million increase in service fees associated with customer retention initiatives, partially offset by a decrease in personnel costs.

Subsidy Income

Subsidy income decreased from $995 thousand for the three months ended June 30, 2025 to $15 thousand in the current-year period. The amounts are the one-time awards granted by the Chinese government in 2025 and 2026.

Foreign Exchange (Loss) Gain

Foreign exchange gain decreased from a gain of $7.2 million for the three months ended June 30, 2025 to a loss of $4.7 million for the three months ended June 30, 2026. The foreign exchange loss for the three months ended June 30, 2026 was primarily due to unfavorable changes in the U.S. dollar and Euro exchange rates relative to the changes in RMB exchange rates.

Changes in Fair Value of Convertible Loan

For the three months ended June 30, 2026, we recorded a loss of $5.8 million due to the change of the fair value of the Convertible Loan before it was settled on May 28, 2026, see Note 14 – Convertible Loan measured at fair value.

Provision for Income Taxes

Provision for income taxes for the three months ended June 30, 2026 was nil as compared to a provision of $220 thousand for the comparable prior year period. No provision for income taxes in the current quarter was mainly due to the absence of taxable income and changes in deferred tax balances resulted in no material income tax expense or benefit.

Comparison of the Six Months Ended June 30, 2026 to the Six Months Ended June 30, 2025

The following table sets forth our historical operating results for the periods indicated (in thousands, except percentages):

	Six Months Ended June 30,			
	2026	**2025**	**$ Change**	**% Change**
Revenues	$ 147,874	$ 207,830	$ (59,956)	(28.8)%
Cost of revenues	(102,940)	(133,091)	30,151	(22.7)%
Gross profit	44,934	74,739	(29,805)	(39.9)%
	30.4 %	36.0 %		
Operating expenses:				
General and administrative expenses	(26,827)	(25,304)	(1,523)	6.0 %
Research and development expenses	(17,670)	(15,967)	(1,703)	10.7 %
Selling and marketing expenses	(10,085)	(10,223)	138	(1.3)%
Impairment loss of long-lived assets	(24)	(1,364)	1,340	(98.2)%
Total operating expenses	(54,606)	(52,858)	(1,748)	3.3 %
Subsidy income	18	2,411	(2,393)	(99.3)%
(Loss) profit from operations	(9,654)	24,292	(33,946)	(139.7)%
Other income and expenses:				
Interest income	1,115	375	740	197.3 %
Interest expense	(2,555)	(2,440)	(115)	4.7 %
Changes in fair value of warrant liability and convertible loan	58,001	(78,361)	136,362	(174.0)%
Foreign exchange (loss) gain	(11,605)	10,854	(22,459)	(206.9)%
Other income, net	921	1,232	(311)	(25.2)%
(Loss) profit before provision for income taxes	36,223	(44,048)	80,271	(182.2)%
Income tax expense	—	(220)	220	(100.0)%
Net (loss) profit	$ 36,223	$ (44,268)	$ 80,491	(181.8)%

Revenues

Our revenues for the six months ended June 30, 2026 decreased by $60.0 million, or 28.8%, compared to the same period in 2025. The decrease was primarily driven by a 24.3% reduction in sales volume from approximately 947.2 MWh for the six months ended June 30, 2025 to approximately 717.2 MWh for the same period in 2026, and a $2.7 million tariff refund issued to a U.S. customer recorded as a reduction to our revenue in the current period.

The decrease in sales volume was primarily the result of evolving regulatory and geopolitical dynamics, including the Indian and Korean markets, demand shift towards lower cost products in India, and OEM-caused platform delays in the transportation and mining sectors in Europe and APAC, respectively. The decrease in U.S. sales versus the prior year period were primarily due to our largest customer bringing product into 2025 as a result of uncertainty around tariff outcomes.

During the six months ended June 30, 2026, the Company observed a moderation in global electric vehicle demand growth, primarily driven by the expiration of government incentive programs and shifting regulatory frameworks in key regions. Our revenue and delivery schedules were also impacted by broader macroeconomic headwinds, including geopolitical instability and evolving tariff structures, which contributed to market volatility and influenced customer procurement cycles.

Cost of Revenues and Gross Profit

Our cost of revenues for the six months ended June 30, 2026 decreased by $30.2 million, or 22.7%, compared to the same period in 2025, primarily due to the decrease in sales volumes and the one-time $4.3 million recognition of tariff refunds which is partially offset by higher raw material prices.

Our gross profit margin was 30.4% for the six months ended June 30, 2026 compared to 36.0% in 2025. The decrease in gross margin was primarily due to higher raw material prices, and lower production utilization, which reduced fixed cost absorption, slightly offset by recognition of the tariff refunds.

Our gross margin profile remains subject to external pressures, including inflationary trends in raw material pricing, duties and tariffs, and elevated logistics and freight expenses resulting from ongoing global supply chain disruptions and geopolitical conflicts. While we continue to implement cost-mitigation strategies, these macroeconomic factors, combined with a phase-out of regional subsidies for electric vehicle adoption, have contributed to a challenging environment for near-term profitability across the battery manufacturing sector.

Operating Expenses

General and Administrative Expenses

General and administrative expenses for the six months ended June 30, 2026 increased by $1.5 million, or 6.0%, compared to the same period in 2025. This increase was primarily due to a $4.0 million increase in legal and other professional service fees, partially offset by a $3.1 million decrease in allowance for credit loss due to improved credit management.

Research and Development Expenses

Research and development expenses for the six months ended June 30, 2026 increased by $1.7 million, or 10.7%, compared to the same period in 2025. The increase was primarily due to a $1.4 million increase in labor costs as we expanded our investment in new product development.

Selling and Marketing Expenses

Selling and marketing expenses for the six months ended June 30, 2026 decreased by $138 thousand, which was stable compared to the same period in 2025.

Subsidy Income

Subsidy income decreased from $2.4 million for the six months ended June 30, 2025 to $18 thousand in the current-year period. The amounts are the one-time awards granted by the Chinese government in 2025 and 2026.

Foreign Exchange (Loss) Gain

Foreign exchange gain decreased from $10.9 million for the six months ended June 30, 2025 to a loss of $11.6 million for the six months ended June 30, 2026. The foreign exchange loss for the six months ended June 30, 2026 was primarily due to unfavorable changes in the U.S. dollar and Euro exchange rates relative to the changes in RMB exchange rates.

Changes in Fair Value of Warrant and Convertible Loan

For the six months ended June 30, 2026, we recorded a gain of $58.0 million. The gain was primarily due to the change of the fair value of the Convertible Loan before it was settled on May 28, 2026, see Note 14 – Convertible Loan measured at fair value.

Provision for Income Taxes

Provision for income taxes for the six months ended June 30, 2026 was nil as compared to a provision of $220 thousand for the comparable prior year period. The Company did not general taxable income and there was no material deferred tax expenses or benefit in the first half year of 2026.

Liquidity and Capital Resources

Overview

Since inception, we have financed our operations primarily from capital contributions from equity holders, the issuance of convertible notes and bank borrowings. As of June 30, 2026, our principal sources of liquidity were our cash and cash equivalents and restricted cash totaling $143.1 million, of which $127.8 million was comprised of cash and cash equivalents.

Of the cash and cash equivalents as of June 30, 2026, $39.7 million is held by our Chinese subsidiaries and $23.5 million is held by our European subsidiaries. These funds are generally intended to support local operations. If we were to repatriate these funds to the U.S., we may be required to accrue and pay withholding taxes. We currently intend to retain available funds and any future earnings to support ongoing operation and expansion efforts in China, Europe and the U.S.

Going Concern Evaluation

We evaluated whether there are conditions or events considered in the aggregate, that raise substantial doubt about our ability to continue as a going concern within one year after the date the consolidated financial statements are issued. Based on our revised business plan, our projected cash flow may not be sufficient to fund operations and meet debt obligations over the next twelve months. Additionally, recent equity market conditions and business performance have rendered our equity funding unfavorable as a primary liquidity mechanism. These conditions and events raise substantial doubt about the Company's ability to continue as a going concern.

As of June 30, 2026 and through the issuance date of these financial statements, our forecast has been significantly impacted by developments including: (1) the 28.8% decrease in revenue and the 24.3% reduction in sales volume from approximately 947.2 MWh to approximately 717.2 MWh, driven by evolving regulatory and geopolitical dynamics including in the Indian and Korean markets, a demand shift toward lower-cost products in India, and OEM platform ramp-up delays in Europe and APAC; (2) the decline in gross margin from 36.0% to 30.4% due to higher raw material prices and lower production utilization, and a moderation in global electric vehicle demand growth driven by the expiration of government incentive programs and shifting regulatory frameworks; (3) the change from $44.3 million of cash generated by operating activities in the prior-year period to $33.3 million used in operating activities, an unfavorable change of $77.6 million; (4) the concentration of near-term maturities, with $104.2 million of our $118.6 million of borrowings due within the next 12 months; and (5) constrained access to capital, including that equity market conditions and business performance have rendered equity funding unfavorable as a primary liquidity mechanism and that cash held by our Chinese and European subsidiaries cannot currently be repatriated to fund our U.S. operations due to foreign regulatory restrictions and adverse tax consequences. As a result, we expect to continue to incur operating losses and negative operating cash flows, further reducing liquidity and increasing reliance on external sources of capital. These conditions and events, considered in the aggregate, raise substantial doubt about our ability to continue as a going concern within one year after the date that these consolidated financial statements are issued.

Management is evaluating and pursuing several initiatives intended to improve the Company’s liquidity position, including:

- Implementing operating cost reduction initiatives and reducing or deferring certain discretionary capital expenditures;
- Negotiating extensions or restructurings of debt obligations within the Company’s China operating entities;
- Pursuing refinancing of short-term bank borrowings as they mature; and
- Evaluating additional financing alternatives, including potential capital raising transactions and strategic opportunities.

We have evaluated whether the plans described above are sufficient to alleviate the substantial doubt about our ability to continue as a going concern. Under this evaluation, we assessed whether it is probable that (1) the plans will be effectively implemented within one year after the date the financial statements are issued, and (2) when implemented, the plans will mitigate the conditions and events that raise substantial doubt. We have determined that, while the plans described above are intended to improve our liquidity position, certain elements of the plans have not been fully implemented and are dependent upon factors outside our control, and therefore cannot be deemed probable. As a result, substantial doubt about our ability to continue as a going concern has not been alleviated. There can be no assurance that we will be able to reduce operating expenses or generate the level of revenue necessary to achieve profitability and generate cash, refinance or extend our maturing borrowings, obtain any needed waivers or amendments from our lenders, or source additional financing on acceptable terms, if at all. Without additional sources of financing, our ability to continue as a going concern would be materially and adversely impacted, and we may be required to significantly reduce, restructure or, cease operations.

Additional Liquidity Initiatives

We secured $69.4 million in bank loans during the six months ended June 30, 2026 (see Note 6 - Bank Borrowings), of which $48.2 million represented refinanced debt. We anticipate that we will continue to be able to refinance the maturing short-term bank borrowing for the next twelve months. However, there can be no assurances that such refinancing or extension will be available on acceptable terms, or at all, and this refinancing plan cannot be deemed to be probable. As of June 30, 2026, we were in compliance with all material terms and covenants under our loan agreements, credit agreements, and bonds.

Financings

As of June 30, 2026, our debt obligations consisted of:

- Bank borrowings of $118.6 million, the terms range from 2 to 21 months. The interest rates on our bank borrowings ranged from 2.40% to 4.85% per annum.

- Bonds payable outstanding of $41.7 million, with interest rates ranging from 3% to 4%. The convertible bonds are all due in 2027.

As of June 30, 2026, we were in compliance with all material terms and covenants of our loan agreements, credit agreements and bonds. However, as discussed in Note 1 - Background and Basis of Presentation, this compliance does not alleviate the substantial doubt about our ability to continue as a going concern. Future non-compliance with financial covenants may limit our access to existing credit facilities or result in an acceleration of debt obligations, which would further adversely impact liquidity.

Although no additional binding financing agreements have been entered into, the Company remains engaged in discussions with third parties to explore further capital-raising opportunities. Future capital requirements may change based on business developments, market conditions, and liquidity needs. The Company continues to evaluate potential options, including equity offerings and debt financing, to provide financial flexibility and long-term growth.

Capital Expenditures and Other Contractual Obligations

Our capital expenditures amounted to $15.5 million and $14.0 million for the six months ended June 30, 2026 and 2025, respectively. Our capital expenditures for the periods were primarily related to (i) the purchase of our office building in the U.S., primarily funded by the proceeds from the sale of our held for sale assets and (ii) our Huzhou facility expansion, primarily funded by localized borrowings and cash flow from our China operations.

In 2021, we started our capacity expansion plans in Huzhou, China, Berlin, Germany and Clarksville, Tennessee. The project in Germany was completed in 2021. The China Phase 3.1 capacity expansion was successfully completed in 2023. To support our expanding product portfolio and growing customer demand, we initiated our Huzhou Phase 3.2 capacity expansion in the fourth quarter of 2024 with total anticipated additional production capacity of 2 GWh annually.

Because of delays in securing additional financing, in the fourth quarter of 2023 we began experiencing slow progress in continuing construction of our Clarksville expansion, slowing down certain construction work streams due to the need for additional financing. The proceeds from the Business Combination alone were not sufficient to complete the Clarksville expansion and meet our general working capital needs. Due to foreign regulatory restrictions, adverse tax consequences and localized working capital needs, we are currently unable to repatriate cash from China to fund the U.S. operations or the Clarksville expansion. We are seeking alternative sources of capital to complete the Clarksville battery production and manufacturing plant to satisfy domestic content requirements for our U.S. customers. Towards the end of 2025, we made a targeted investment in our Clarksville facility to establish a pack assembly line, expanding our domestic capabilities and supporting anticipated customer demand. We financed this investment through cash generated from our operating activities.

Our future capital requirements will depend on many factors, including, but not limited to funding planned production capacity expansions, customer demand, and for general working capital. In addition, we may in the future enter into arrangements 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. There are no material off-balance sheet arrangements other than those described below.

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 11 – Leases, in the notes to the consolidated financial statements.

Purchase Commitments

We regularly enter into non-cancelable contractual obligations primarily related to purchases of inventory. As of June 30, 2026, such purchase commitments, which do not qualify for recognition on our consolidated balance sheets, amount to $37.5 million, most of which is short-term.

There have not been any other material changes during the three and six months ended June 30, 2026 to our contractual obligations included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2025.

Cash Flows

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

	Six Months Ended June 30,	
	2026	**2025**
Net cash (used in) generated from operating activities	$ (33,309)	$ 44,323
Net cash used in investing activities	(3,306)	(5,078)
Net cash generated from (used in) financing activities	8,180	(6,799)

Cash Flows from Operating Activities

Net cash used in our operating activities was $33.3 million for the six months ended June 30, 2026, a decrease of $77.6 million compared to $44.3 million generated by operating activities in the same period in 2025. This change was primarily due to a $60.6 million reduction in net income after adjusting for non-cash items and a $17.0 million net change in operating assets and liabilities. The changes in our operating assets and liabilities were primarily driven by the decreases in notes payable and an increase in inventory balances, partially offset by a decrease in accounts receivable due to improved credit management.

Cash Flows from Investing Activities

Net cash used in investing activities was $3.3 million for the six months ended June 30, 2026, compared to $5.1 million in the same period of 2025. This cash outflow primarily consisted of the purchase of our office building in the U.S. and capital expenditures related to the expansion of our Huzhou Phase 3.2 manufacturing facility, partially offset by the proceeds from the sale of our held for sale assets.

Cash Flows from Financing Activities

Net cash generated by financing activities was $8.2 million for the six months ended June 30, 2026, an increase of $15.0 million compared to $6.8 million used in the same period of 2025. The increase was primarily due to a $9.8 million increase in proceeds from bank borrowings, $7.4 million decrease in deferred payment related to the purchases of property, plant and equipment as majority of them were settled during the first quarter of 2026, partially offset by a $4.6 million increase in repayments of bank borrowings.

Critical Accounting Estimates

The preparation of these consolidated financial statements in conformity with U.S. GAAP requires us to make certain estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. 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 significant changes to our critical accounting estimates from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2025.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

Our cash and cash equivalents primarily consist of cash deposits and money market accounts, which are subject to interest rate fluctuations. While these interest-earning instruments carry a degree of interest rate risk, historical fluctuations in interest income have not been material.

Our bonds payable bear fixed rates and are not publicly traded, limiting exposure to interest rate volatility. However, our project finance loans in China include an interest rate spread of 115 basis points over the Loan Prime Rate in China, making them sensitive to market interest rate changes. Future movements in benchmark interest rates could materially impact our interest expense.

The primary objective of our investment activities is to preserve principal while optimizing returns, without significantly increasing risk. Due to the short maturity of our cash equivalents, our portfolio remains relatively insensitive to interest rate fluctuations. We do not anticipate that a 100-basis-point increase or decrease in interest rates would have a material effect on our operating results or financial condition. We will continue to review and adjust our investment policy as needed to ensure that aligns with our risk management strategy and financial objectives.

Foreign Currency Risk

We are exposed to foreign currency risk as a result of our significant sales and operational presence in China and our sales activities within the European region. Consequently, a substantial portion of our transactions and monetary assets are denominated in the Chinese Renminbi and the Euro. The volatility of exchange rates is influenced by macroeconomic factors and government policies, which may result in significant fluctuations in our operating results.

Our foreign exchange gains and losses primarily arise from the translation of cash balances, trade accounts receivable and payable, and intercompany balances denominated in currencies other than the U.S. Dollar.

To assess our exposure, we considered the historical trends in foreign currency exchange rates and determined that it is reasonably possible that adverse changes in foreign currency exchange rates of 10% for all currencies could be experienced in the near term. These changes were applied to our total monetary assets and liabilities denominated in currencies other than our local currencies at the balance sheet date to compute the impact these changes would have had on our net income. These changes would have resulted in a loss of $18.0 million at June 30, 2026.

At present, we do not utilize derivative financial instruments to hedge our exposure to foreign currency risk. While we may evaluate the use of hedging instruments in the future, there can be no assurance that such strategies will effectively mitigate our exposure or that the cost of such instruments will not outweigh their benefits.

Credit Risk

Our credit risk primarily relates to trade receivables, cash and restricted cash. We typically extend credit only to customers and counterparties with strong credit ratings and actively monitor overdue accounts to minimize default risk.

Our evaluation of credit risk exposure involves significant estimates and judgment. Holding other factors constant, a hypothetical 100-basis-point increase in the expected loss rate on our financing receivables portfolio would have resulted in an increase in the allowance for credit losses of approximately $636 thousand as of June 30, 2026.

To mitigate credit risk, we have a dedicated credit management team responsible for establishing credit limits, approving credit terms and implementing collection strategies. At each reporting period, we review the recoverability of outstanding balances and ensure that adequate impairment provisions are recorded for potentially uncollectible amounts. If necessary, we negotiate revised payment terms or settlement plans with customers facing financial difficulties.

Given our robust credit risk management practices, we consider our overall credit risk exposure to be significantly mitigated.

Seasonality

Historically, we have observed higher sales volumes in the third and fourth quarters, compared to the first and second quarters. However, due to our relatively limited operating history, it remains difficult to determine the exact extent or nature of seasonality in our business. We continue to monitor sales trends and market conditions to better understand the potential impact of seasonal demand fluctuations on our operations.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in reports filed under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Under supervision and with the participation of our management, including the Company’s principal executive officer and principal financial officer, the Company conducted an evaluation of the effectiveness of "its disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of the three months ended June 30, 2026. Based on this evaluation, the principal executive officer and principal financial officer concluded that, as of June 30, 2026, our disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting during the quarter ended June 30, 2026, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

For a description of our pending legal proceedings, please see Note 16. Commitments and Contingencies, to the consolidated financial statements included elsewhere in this Report. While the lawsuits are being vigorously defended, the outcome of any litigation is inherently uncertain, and there is always the possibility that a court rules in a manner that is adverse to the interests of the Company and the individual defendants. However, the amount of any such loss in that scenario cannot be reasonably estimated at this time. 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.

Item 1A. Risk Factors

In evaluating us and our common stock, we urge you to carefully consider the risks and other information set forth below and elsewhere in this Report, 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, 2025, 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.

Risks related to our liquidity and indebtedness

Our history of operating losses and negative cash flows from operations has raised substantial doubt about our ability to continue as a going concern.

We have expressed substantial doubt about our ability to continue as a going concern due to our history of operating losses and negative cash flows from operations. Our unaudited consolidated financial statements for the six months ended June 30, 2026 have been prepared assuming we will continue as a going concern, which contemplates the continuity of operations, realization of assets, and the satisfaction of liabilities and commitments in the normal course of business. As of June 30, 2026, we had an accumulated deficit of $1,086.0 million and stockholders' equity of $543.1 million. During the six months ended June 30, 2026, we used $33.3 million of cash in operating activities, an unfavorable change of $77.6 million from $44.3 million generated in the prior-year period, driven in part by a 28.8% decline in revenue and a decrease in gross margin from 36.0% to 30.4%. In addition, as of June 30, 2026, $104.2 million of our $118.6 million of borrowings were due within the next 12 months, and the $41.7 million of bonds payable issued by our Chinese subsidiary to a Chinese governmental entity is repayable on or before January 31, 2027.

Our ability to continue operating as a going concern depends on, among other things, our ability to generate sufficient revenue and cash flows from operations, the rate of revenue growth, our ability to manage operating expenses, our ability to refinance or extend maturing borrowings and our ability to obtain additional financing. Factors that could further adversely impact our future revenue and cash generation include, but are not limited to, reduced customer demand, declining sales volume, rising material costs, supply chain disruptions, increased competition, adverse macroeconomic conditions and the loss of key customer relationships. If we are not successful in maintaining demand for our products, or if operating conditions further constrain our cash generation, we may experience additional adverse impacts to revenue, profitability and liquidity. The substantial doubt about our ability to continue as a going concern may adversely affect the price of our common stock, our ability to raise capital or enter into strategic transactions and partnerships and market perception.

In particular, our financial condition may cause customers, suppliers, and other partners to reduce their purchases of our products, demand more favorable payment or contract terms, limit the inventory or orders they are willing to commit to, or cease doing business with us altogether. Any such actions could further reduce our revenue, disrupt operations and materially and adversely affect our liquidity and results of operations.

Our substantial indebtedness and debt service obligations could adversely affect our competitiveness, our liquidity, our operations and our ability to obtain additional financing.

As of June 30, 2026, our bank borrowings were $118.6 million, our bonds payable were $41.7 million and $104.2 million of our borrowings were due within the next 12 months. Our bonds payable consist of convertible bonds issued by our Chinese subsidiary to a Chinese governmental entity, and the entire outstanding $41.7 million balance is repayable, together with accrued interest, on or before January 31, 2027. We pledged our 12.39% equity holding in our Chinese subsidiary to the lender to facilitate the issuance of these bonds, and the applicable interest rate increases to 12% if we default in repaying the bonds when due. Our total current liabilities included other current liabilities of $197.9 million. We also had outstanding purchase commitments of $37.5 million and capital commitments of $13.2 million, of which $10.7 million were due within 12 months. During the six months ended June 30, 2026, we secured $69.4 million of bank borrowings, of which $48.2 million represented refinanced debt.

There can be no assurance that we will be able to repay our indebtedness when due, or that we will be able to refinance our indebtedness, in whole or in part, on acceptable terms, or at all. Our high level of indebtedness and corresponding cash debt service obligations could, among other things:

- heighten our vulnerability to downturns in our business, adverse general economic conditions, and competitive pressures in the battery technology market;
- require us to dedicate a larger portion of our cash flow from operations to interest and principal payments on near-term maturities, limiting the availability of cash for other purposes;
- expose us to the loss of a portion of our equity interest in our principal operating subsidiary in China, or to dilution of that interest, if we fail to repay the bonds at maturity and the bondholder elects to dispose of the pledged equity interests or to convert the bonds into equity interests of our Chinese subsidiary;
- limit our ability to invest in our business and future business opportunities, including the completion of the Clarksville expansion;
- limit our ability to refinance our indebtedness, particularly given our going-concern qualification and negative operating cash flows;
- limit our flexibility in planning for, or reacting to, changes in our business and industry;
- increase our cost of borrowing;
- place us at a competitive disadvantage compared to our competitors that have less debt or are less leveraged; and
- impair our ability to obtain additional financing for working capital, capital expenditures, debt repayments or general corporate purposes.

Our ability to meet our cash requirements, including our debt service obligations, is dependent upon our ability to maintain and improve our operating performance, which is subject to general economic and competitive conditions and to financial, business and other factors, many of which are beyond our control. Our existing liquidity and capital resources may not be sufficient to sustain our business and service our debt obligations, and if our operating results do not meet our expectations or if we experience adverse developments that we do not currently anticipate, we could face liquidity constraints that materially and adversely affect our business, results of operations and financial condition.

Our plans to mitigate the substantial doubt may not be effectively implemented, and cost-reduction and restructuring actions may themselves strain near-term liquidity.

In response to the substantial doubt about our ability to continue as a going concern, management has developed plans intended to improve our liquidity position, including:

- implementing operating cost reduction initiatives across all areas of the business;
- reducing or deferring certain discretionary capital expenditures;
- negotiating extensions or restructurings of debt obligations within our China operating entities;
- refinancing short-term bank borrowings as they mature; and
- evaluating additional financing alternatives, including potential capital-raising transactions and strategic opportunities.

Certain elements of these plans have not been fully implemented and depend on factors outside our control, including the willingness of lenders to agree to extensions or restructurings, the availability of financing on acceptable terms and the successful execution of cost-reduction initiatives. Management has concluded that these plans cannot be deemed probable of being effectively implemented and, accordingly, substantial doubt about our ability to continue as a going concern has not been alleviated. The cash costs associated with restructuring actions, including severance payments, facility exit costs and contract termination fees, may further strain our near-term liquidity and could accelerate the timing of a covenant breach or the need for additional financing. There can be no assurance that the initiatives described above will produce the expected benefits or will be sufficient to allow us to maintain liquidity and operations in the ordinary course.

Additional financing may not be available on acceptable terms, or at all, and we may be required to significantly reduce, restructure or cease operations or pursue alternatives including proceedings under the U.S. Bankruptcy Code.

We are evaluating additional financing alternatives, including potential capital-raising transactions through debt or equity securities. However, recent equity market conditions and our business performance have rendered equity funding unfavorable as a primary liquidity mechanism. Our current indebtedness and the restrictive covenants in our loan agreements may further limit the types and terms of additional financing available to us. We may not be able to timely secure additional financing on favorable terms, or at all, due to, among other things, our history of operating losses and negative cash flows, the substantial doubt about our ability to continue as a going concern, general macroeconomic conditions, market volatility and the terms of our existing indebtedness.

If we raise additional funds through the issuance of equity or convertible debt or other equity-linked securities, our existing stockholders could suffer significant dilution. If we are unable to obtain adequate financing when we require it, our ability to grow or support our business and to respond to business challenges could be significantly limited. Without additional sources of financing, our ability to continue as a going concern would be materially and adversely impacted, and we may be required to significantly reduce, restructure or cease our operations or to pursue other alternatives, including, but not limited to, commencing a case under the U.S. Bankruptcy Code. Any such outcome would have a material adverse effect on holders of our common stock, who would likely lose all or substantially all of their investment.

The substantial doubt about our ability to continue as a going concern may adversely affect our relationships with customers, suppliers and partners, our ability to attract and retain qualified personnel and our ability to raise capital or enter into strategic transactions.

The substantial doubt about our ability to continue as a going concern, and any public disclosure thereof, may adversely affect the willingness of customers, suppliers, and partners to do business with us. In particular, our financial condition may cause customers and partners to reduce their purchases of our products, demand more favorable payment or contract terms, seek alternative suppliers or cease doing business with us altogether. Suppliers may tighten credit terms, require prepayment or cash-on-delivery, reduce allocation of components or decline to extend trade credit.

In addition, the substantial doubt may make it more difficult for us to attract and retain qualified personnel, as current and prospective employees may seek employment with companies perceived to be more financially stable. The loss of key personnel in engineering, manufacturing, sales, or management could disrupt operations and impair our ability to execute on our business strategy. The substantial doubt may also impair our ability to raise capital, enter into strategic transactions or partnerships or negotiate with counterparties on favorable terms. Any of these effects could reduce revenue, increase costs, disrupt operations or further adversely affect our liquidity, financial condition and results of operations.

Restrictive covenants, the need for waivers or amendments, cross-default provisions, and acceleration of our indebtedness could adversely affect our liquidity.

Our loan agreements, credit agreements, and bonds payable contain restrictive covenants and customary events of default that may limit our operational and financial flexibility. As of June 30, 2026, the Company was in compliance with all material terms and covenants under its loan agreements, credit agreements, and bonds. However, such compliance does not alleviate the substantial doubt about our ability to continue as a going concern. Our projected cash flows may not be sufficient to meet our debt obligations over the next twelve months, and our ability to satisfy the $104.2 million of near-term maturities depends on the continued refinancing or extension of maturing borrowings. Such refinancing or extension depends on negotiations with lenders and other factors outside our control, and management has concluded that the refinancing plan cannot be deemed probable.

As of June 30, 2026, assets with an aggregate carrying value of $183.2 million were pledged to secure our bank facilities, and $19.8 million of machinery and equipment was separately pledged to secure bank acceptance notes. Outstanding liens totaled $1.8 million.

Our debt arrangements contain cross-default provisions whereby a default under one agreement could result in default under the agreements covering other borrowings. The occurrence of a default under any of our borrowing arrangements would permit our lenders to declare all amounts outstanding under those borrowing arrangements to be immediately due and payable. If our lenders accelerate the repayment of borrowings, we cannot assure you that we will have sufficient assets or liquidity to repay those borrowings. Future non-compliance with financial covenants may limit our access to existing facilities, require us to seek waivers or amendments that may not be available on acceptable terms or at all or result in an acceleration of debt obligations, any of which would further adversely impact liquidity.

If we are unable to meet our liquidity requirements, we could be forced to sell assets, restructure or refinance our debt, or raise additional capital on unfavorable terms.

Our ability to meet our liquidity requirements depends in part on our ability to generate cash from operations, refinance or extend maturing borrowings, and obtain additional capital. As of June 30, 2026, cash held by our Chinese subsidiaries ($39.7 million) and European subsidiaries ($23.5 million) cannot currently be repatriated to fund our U.S. operations or the Clarksville expansion due to foreign regulatory restrictions, adverse tax consequences, and localized working capital needs. As a result, the cash and cash equivalents available to fund our U.S. operations and capital commitments are substantially less than our consolidated cash balance of $127.8 million.

If we are unable to generate sufficient operating cash flow or obtain additional financing, we could be forced to sell assets, including assets previously held for sale, restructure or refinance our debt or raise additional capital through sales of equity or debt on terms that may be dilutive or otherwise unfavorable. We have previously funded U.S. investment requirements from held-for-sale asset proceeds. We may be unable to take any of these actions on satisfactory terms, in a timely manner, or at all, due to, among other things, our high level of indebtedness, our operating performance and the restrictions in our existing debt agreements. Any of these actions may not be sufficient to allow us to service our debt obligations or maintain our operations, and our failure to generate sufficient operating cash flow to pay our debt obligations could have a material adverse effect on our business, financial condition and results of operations.

We may not remain in compliance with the continued listing requirements for The Nasdaq Stock Market. If we do not maintain compliance, or regain compliance following any period of non-compliance, our common stock may be delisted, which could affect the market price and liquidity for our common stock and reduce our ability to raise additional capital.

Our common stock is listed on The Nasdaq Capital Market. In order to maintain that listing, we must satisfy Nasdaq's continued listing requirements, including the requirement to maintain a minimum bid price of $1.00 per share for continued listing on Nasdaq, as set forth in Nasdaq Listing Rule 5550(a)(2) (the "Minimum Bid Price Requirement").

Beginning on July 13, 2026, the closing bid price of our common stock has been below $1.00 per share. We anticipate that, if the closing bid price of the common stock remains below $1.00 per share for 30 consecutive business days, we will receive a noncompliance letter from the Listing Qualifications Staff of the Nasdaq notifying us that we are not in compliance with the Minimum Bid Price Requirement. As of the date of this filing, we have not received any such letter from Nasdaq.

We will continue to monitor the closing bid price of our common stock and, if we become non-compliant, will seek to regain compliance with all applicable Nasdaq requirements within the allotted compliance period. Any non-compliance may be costly, divert management's time and attention, and could have a material adverse effect on our business, reputation, financing and results of operations. A delisting could substantially decrease trading in our common stock, adversely affect the market liquidity of our common stock as a result of the loss of market efficiencies associated with Nasdaq and the loss of federal preemption of state securities laws, materially adversely affect our ability to obtain financing on acceptable terms, if at all, and may result in the potential loss of confidence by investors, suppliers, customers and employees and fewer business development opportunities. Additionally, the market price of our common stock may decline further and stockholders may lose some or all of their investment.

Declines in our market capitalization or operating performance may result in material non-cash impairment charges.

As of June 30, 2026, our long-lived assets had a carrying amount of $537.8 million. We assess our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. When a triggering event is identified, we compare the undiscounted estimated future cash flows from the operation and eventual disposition of the asset group to its carrying amount. If the carrying amount exceeds the undiscounted cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset group exceeds its fair value.

During the six months ended June 30, 2026, we recorded a $24.0 thousand impairment loss on long-lived assets. However, our long-lived asset base of $537.8 million remains substantial relative to our market capitalization and recent operating cash flows. Declines in market capitalization, revenue, operating performance or other adverse changes in circumstances, including further deterioration of the business outlook, sustained declines in sales volume or inability to execute on cost-reduction initiatives, may indicate that the carrying amount of our long-lived assets is not recoverable and could result in material non-cash impairment charges in future periods, which could have a material adverse effect on our financial condition and results of operations.

As of June 30, 2026, we had deferred tax assets of $5.4 million. The going-concern conclusion and our recent operating losses may constitute significant negative evidence regarding the recoverability of our deferred tax assets, which could require an increase in the valuation allowance and result in an additional non-cash charge to income tax expense.

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 June 30, 2026.

Item 3. Defaults upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Rule 10b5-1 under the Exchange Act provides an affirmative defense that enables prearranged transactions in securities in a manner that avoids concerns about initiating transactions at a future date while possibly in possession of material nonpublic information. Our Insider Trading Policy permits our directors and executive officers to enter into trading plans designed to comply with Rule 10b5-1.

On December 12, 2025, Yang Wu, the Company's Chief Executive Officer, adopted a 10b5-1 trading plan intended to satisfy the affirmative defense of Rule 10b5-1(c) under the Exchange Act. The 10b5-1 trading plan provides for the sale of an aggregate of up to 10,000,000 shares of the Company's common stock between April 1, 2026 and March 31, 2027.

On June 11, 2025, Yixin Pan, director and Chair of the Compensation Committee and Nominating & Governance Committee, adopted a 10b5-1 trading plan intended to satisfy the affirmative defense of Rule 10b5-1(c) under the Exchange Act. The 10b5-1 trading plan provides for the sale of an aggregate of up to 12,596 shares of the Company's common stock between December 31, 2025 and January 6, 2026.

No other director or officer of the Company (as defined in Rule 16a-1(f) under the Exchange Act) adopted or terminated any contract, instruction or written plan for the purchase or sale of our securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) under the Exchange Act or any “non-Rule 10b5-1 trading arrangement” as defined in Item 408(c) of Regulation S-K during the three months ended June 30, 2026.

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
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).
4.6	Common Stock Purchase Warrant, dated May 28, 2024, issued by the Company to Yang Wu (incorporated by reference from Exhibit 4.1 to the Company's Current Report on Form 8-K, filed with the SEC on June 4, 2024).
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.

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: August 10, 2026	**MICROVAST HOLDINGS, INC.**		
	By:	/s/ Rodney Worthen	
	Name:	Rodney Worthen	
	Title:	Chief Financial Officer	

EXHIBIT 31.1

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 June 30, 2026 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: August 10, 2026	By:	/s/ Yang Wu
	Name:	Yang Wu
	Title:	Chief Executive Officer and Director (Principal Executive Officer)

EXHIBIT 31.2

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, Rodney Worthen, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended June 30, 2026 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: August 10, 2026

By: /s/ Rodney Worthen
Name: Rodney Worthen
Title: Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 32.1

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 June 30, 2026, 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: August 10, 2026

/s/ Yang Wu

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

EXHIBIT 32.2

**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 June 30, 2026, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Rodney Worthen, 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: August 10, 2026

/s/ Rodney Worthen

Name:	Rodney Worthen
Title:	Chief Financial Officer
	(Principal Financial Officer)