LION E-Mobility Group

Consolidated Financial Statements

December 31st 2019

Voluntary translation - In case of doubt the German version takes precedence

The unqualified audit certificate is only available in the German version

Content

Notes to the consolidated financial statement

Consolidated Balance Sheet

		December 31st		January 1st
In EUR	Notes	2019	2018	2018
Assets				
Property, plant and equipment	14	192.249	583.395	214.167
Intangible Assets	15	1.993.496	1.267.086	80.229
Using Rights	14/18	439.861	455.288	524.576
At equity investments	16	3.719.546	3.220.878	2.818.579
Financial assets accounted for using the equity method	16, 17	1.800.002	266.965	1.119.192
Deferred Taxes	11	671.696	389.531	36.621
Fixed assets		**8.816.850**	**6.183.143**	**4.793.364**
Contractual receivables	7	37.107	3.684	-
Accounts receivables and other assets	12	686.036	516.463	1.087.578
Prepayments		68.006	50.858	45.222
Cash and cash equivalents	13	1.852.987	1.291.641	4.189.069
Current Assets		**2.644.136**	**1.862.646**	**5.321.869**
Assets		**11.460.986**	**8.045.789**	**10.115.233**

Consolidated Balance sheet

		December 31st		January 1st
In EUR	Notes	2019	2018	2018
Equity				
Share Capital	19	1.067.380	870.810	870.810
Capital Reserve		12.971.681	7.977.464	7.977.464
Currency exchange rate reserve		-52.521	-7.206	-
Shared based payment program	10	426.378	-	-
Own shares		-58.800	-60.126	-
Loss carried forward		-5.207.207	-3.448.301	-1.235.822
Equity		**9.146.911**	**5.332.641**	**7.612.452**
Liabilities				
Liabilities to bank	21	-	125.000	275.000
Leasing liabilities	18	372.772	398.769	465.576
Long Term Liabilities		**372.772**	**523.769**	**740.576**
Liabilities to bank	21	125.000	150.000	150.849
Leasing liabilities	18	75.163	66.807	59.000
Accounts Liabilities	22	165.160	100.874	90.519
Other Liabilities	22	573.582	769.179	1.318.823
Contract Liabilities	7	369.233	541.812	-
Accruals	23	633.165	560.707	143.014
Short Term Liabilities		**1.941.303**	**2.189.379**	**1.762.205**
Liabilities		**2.314.075**	**2.713.148**	**2.502.781**
Total Equity and Liabilities		**11.460.986**	**8.045.789**	**10.115.233**

Consolidated profit and loss statement

		January 1st - December 31 st	
In EUR	Notes	2019	2018
Revenue	7	1.754.683	1.044.366
Other own work capitalized	15	724.912	1.188.543
Total Output		**2.479.595**	**2.232.909**
Other operating income	8	418.365	129.484
Cost of materials		-651.024	-352.913
Personnel expenses	10	-2.478.778	-2.190.703
Depreciation and impairment losses	14, 15, 17	-165.047	-1.032.620
Other operating expenses	8	-2.050.944	-1.695.891
Earnings before Interest and Tax (EBIT)		**-2.447.833**	**-2.909.734**
Financial Income		33.488	91.592
Financial Expense		-74.866	-148.892
Financial Income investment at equity	16	498.668	402.299
Consolidated loss before tax		**-1.990.543**	**-2.564.735**
Taxes on Income	11	282.187	352.256
Consolidated loss after Tax		**-1.708.357**	**-2.212.479**
Loss of the owners of the parent company		**-1.708.357**	**-2.212.479**
Earnings per shares			
Undiluted/ Diluted earnings per share (EUR)	9	**-0,2029**	**-0,2884**

Statement of Comprehensive Income

		January 1st - December 31st	
In EUR	Notes	2019	2018
Consolidated loss - profit and loss statement		**-1.708.357**	**-2.212.479**
Other result			
Items that have been reclassified into profit or loss		-	-
Currency translation differences		59.749	-7.206
Tax effect		-	-
Other comprehensive income after taxes		**59.749**	**-7.206**
Total consolidated loss		**-1.648.608**	**-2.219.685**

Equity Movements

In EUR	Notes	Issued Capital	Capital Reserve	Own shares	Reserve for currency	Share based payment program	Loss carried forward	Total
Balance as of January 1st 2019		**870.810**	**7.977.464**	**-60.126**	**-7.206**	**-**	**-3.448.301**	**5.332.641**
Consolidated loss		-	-	-	-	-	-1.708.357	-1.708.357
Other result		-	-	-	59.749	-	-	59.749
Share based payment program	10	-	-	-	-	426.378	-	426.378
Issues shares	19	181.386	4.855.114	-	-	-	-	5.036.500
Other equity movements*	19	15.184	139.103	1.326	-105.064	-	-50.549	-
Balance as of December 31st 2019		**1.067.380**	**12.971.681**	**-58.800**	**-52.521**	**426.378**	**-5.207.207**	**9.146.911**

in EUR	Notes	Issued Capital	Capital Reserve	Own Shares	Reserve for currency	Share base payment program	Loss carried forward	Total
Balance as of January 1st 2018		**870.810**	**7.977.464**	**-**	**-**	**-**	**-1.235.822**	**7.612.452**
Consolidated loss		-	-	-	-	-	-2.212.479	-2.212.479
Other result		-	-	-	-7.206	-	-	-7.206
Own shares		-	-	-60.126	-	-	-	-60.126
Balance as of December 31st 2018		**870.810**	**7.977.464**	**-60.126**	**-7.206**	**-**	**3.448.301**	**5.332.641**

* The other changes in equity include effects from the conversion of the functional currency of LION E-Mobility AG from CHF to EUR as of 1.1.2019. For further details see note 19.

Consolidated Cash flow statement

		January 1st -December 31st	
In EUR	**Notes**	**2019**	**2018**
Consolidated loss profit and loss statement		**-1.708.357**	**- 2.212.479**
Adjustments:			
Non-cash expenditure		101.815	-
Depreciation and impairment losses	14/15	165.047	171.760
Impairment of financial assets	17	-	860.860
Share of profits of companies accounted for using the equity method, after tax	16	-498.668	-402.299
Net financing costs		41.378	57.299
Loss on sale of property, plant and equipment	8	160.908	997
Equity-settled share-based payment transactions	10	426.378	-
Tax expenses/income	11	-282.187	- 352.256
		-1.593.686	**-1.877.115**
Changes in:			
Contract assets		-33.423	-3.684
Trade accounts receivable and other receivables		-169.571	571.110
Advance payments		-17.148	-5.635
Provisions		72.458	417.693
Other liabilities		-195.597	-549.644
Accounts payable for goods and services		64.286	10.355
Contract liabilities		-172.579	541.812
Interest paid		-26.187	-21.243
Income taxes paid		-325	-328
Cashflow from operating activities		**-2.071.772**	**-916.679**
Dividends received		-	-
Proceeds from the sale of property, plant and equipment	8/14	198.021	-
Purchase of property, plant and equipment		-33.838	-447.604
Purchase of intangible assets		-24.601	-21.156
Investment Loans and other financial assets	16	-1.683.038	-
Proceeds from repayment of loans and other financial assets	16	150.000	125.894
Development costs intangible assets	15	-724.912	-1.188.543
Cashflow from investment activities		**-2.118.368**	**-1.531.409**

Consolidated Cash flow statement

In EUR	Notes	January 1st - December 31st 2019	2018
Proceeds from the issue of shares	19	5.036.500	-
Repayments of bank liabilities	21	-150.000	-150.849
Payments for leasing liabilities		-66.807	-59.000
Cash flow from financing activities		**4.819.693**	**-209.849**
Net change in cash and cash equivalents		**629.553**	**-2.657.938**
Cash and cash equivalents as of January 1		1.291.641	4.189.069
Effects of exchange rate changes on cash and cash equivalents		-68.207	-239.490
Cash and cash equivalents as at 31 December		**1.852.987**	**1.291.641**

Notes to the financial statements

Section 1: Basis of preparation

1. Reporting Company

LION E-Mobility AG (hereinafter also referred to as the "Company") was founded on May 31, 2011. It is entered in the Commercial Register of the Canton of Zug, Switzerland under the company number CH-170.3.035.791.2 and has its registered office at Lindenstrasse 16, 6340 Baar, Switzerland. The company exists for an indefinite period and has the legal form of a stock corporation. The law applicable to the company's circumstances is Swiss company law.

LION E-Mobility AG acts as the ultimate parent company of the Lion E-Mobility Group and holds 100 percent of the share capital of the German LION Smart GmbH, a developer of battery packs and battery management systems, and of LION North-America Inc.

The group of companies specializes in development services for original equipment manufacturers (OEM) in the automotive industry, their suppliers and other branches of industry as well as consulting in the field of lithium-ion storage technology and the operation of test benches and test laboratories for electric storage devices.

The main business activities are carried out by the subsidiary LION Smart GmbH with the development of battery packs and battery management systems and its subsidiary TÜV SÜD Battery Testing GmbH with the testing and certification of storage systems for electrical energy.

LION Smart GmbH, founded on November 10, 2008, focuses on the operation of test benches and test laboratories for electrical storage devices other than batteries, as well as providing design and consulting services and building prototypes in the field of lithium storage technology. The company creates battery models, simulates the function of single cells up to complete battery packs, evaluates and optimizes battery packs and designs cooling concepts. In particular, the company develops battery management systems and software to improve the optimal use of batteries.

LION E-Mobility North America Inc. was founded in June 2017 and currently functions primarily as a sales company. Further details are provided in Note 25 (Subsidiaries).

The Company's reporting period begins on January 1 and ends on December 31 of each year.

2. Principals of Accounting

The consolidated financial statements were approved for publication by the Board of Directors on 8 July 2020. Under the Swiss Code of Obligations, the company is not required to prepare consolidated financial statements. They have been prepared voluntarily. To date, no consolidated financial statements have been prepared.

The consolidated financial statements have been prepared for the first time in accordance with the International Financial Reporting Standards (IASB-IFRS) and in compliance with the provisions of Swiss law. Due to the first-time preparation in accordance with IFRS, IFRS 1 First-time Adoption of International Financial Reporting Standards was applied. Further information on the first-time adoption of IFRS is provided in note 5.

The company has also applied IFRS 16 Leases early from January 1, 2018. The related significant accounting policies applied are presented in Note 18.

The consolidated financial statements have been prepared on a historical cost basis unless a standard or interpretation requires a different measurement basis for an item in the financial statements.

3. Functional and Presentation Currency

These consolidated financial statements are presented in Euros, the functional currency of the Company. All financial information presented in Euros has been rounded to the nearest Euro unless otherwise stated.

The Company has used the following exchange rates for translation purposes in the consolidated financial statements:

Local currencies	Translation	2019	2018	January 1st 2018
CHF	Balance sheet date	0.91996	0.9066	0.8721
	Average	0.89889	0.86590	
USD	Balance sheet date	0.8998	0.8735	0.82366
	Average	0.8932	0.8468	

4. Principles of Accounting and Consolidation

A. Business Combination

The Group accounts for business combinations using the purchase method if the Group has gained control. The consideration transferred on acquisition and the identifiable net assets acquired are generally measured at fair value. Any goodwill arising is tested annually for impairment. Any gain on an acquisition made at a price below fair value is recognised directly in profit or loss. Transaction costs are expensed immediately unless they are associated with the issuance of debt instruments or equity investments.

The consideration transferred does not include amounts associated with the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Each contingent consideration obligation is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not revalued, and a settlement is recognized in equity. Otherwise, other contingent consideration is measured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

B. Subsidiaries

Subsidiaries are companies controlled by the Group. The Group controls an entity if it is exposed to, or has rights to, fluctuating returns from its investment in the entity and has the ability to control those returns by means of its power of disposal over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences and until the date on which control ceases.

C. Non-controlling interest

Non-controlling interests are initially measured at the acquisition date at their proportionate share of the acquiree's identifiable net assets. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

D. Loss of control

If the Group loses control of a subsidiary, it derecognizes the assets and liabilities of the subsidiary and all related non-controlling interests and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any retained interest in the former subsidiary is measured at fair value at the date when control is lost.

E. Shares in financial assets accounted for using the equity method

The Group's shares in financial assets accounted for using the equity method include shares in an associated company.

Associates are companies over which the Group has significant influence but not control or joint control over the financial and operating policies.

Investments in associates are accounted for using the equity method. They are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the total result of investments accounted for using the equity method until the date on which significant influence or joint control ceases.

F. Transactions eliminated on consolidation

Intragroup balances and transactions and all unrealised income and expenses from intragroup transactions are eliminated in preparing the consolidated financial statements. Unrealized gains from transactions with companies accounted for using the equity method are eliminated against the investment in the amount of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only if there is no indication of impairment.

5. Significant accounting policies, judgments and estimates applied

A. Significant accounting policies

The following section explains the significant accounting policies applied in relation to the consolidated financial statements with overall effect. The basis of measurement is historical cost, unless a standard or interpretation requires a different measurement basis for an item in the financial statements. In this case, this is explicitly stated in the accounting policies. Wherever an accounting policy can be specifically attributed to a note, it is explained in the corresponding note.

These financial statements are the first IFRS consolidated financial statements of the LION E-Mobility Group. No optional exemptions under IFRS 1 were used in the preparation of the IFRS opening balance sheet, with the exception of the exemption to recognise translation differences from foreign subsidiaries in the balance sheet as at 1 January 2018 at zero, and the exemptions relating to leases listed in Note 18.

The following section also explains the effects of new IFRS and interpretations and whether they are already effective for these financial statements or will be effective at a later date. It also explains how the future changes are expected to affect the Group's financial statements and performance.

The Lion E-Mobility Group has applied all IFRS and interpretations mandatory as of January 1, 2019 for all periods presented, from January 1, 2018 to December 31, 2019. Explanations on IFRS 16 Leasing, which was applied early for the period 2018, can be found in the corresponding note 18.

Distinction between short-term and long-term items in the balance sheet

The balance sheet is classified according to the maturity of the assets and liabilities. Assets and liabilities are generally regarded as current if they are due within one year. This applies analogously if they are due or are to be sold within the normal business cycle of the company or Group - beginning with the procurement of the resources required for the production process up to the receipt of cash or cash equivalents as consideration for the sale of the products or services produced in this process.

Trade receivables and trade payables are generally reported as current items. Deferred tax assets and liabilities are generally presented as non-current.

All other assets and liabilities are presented as non-current.

Foreign currency

Transactions in foreign currency

Transactions in foreign currencies are translated into the respective functional currency of the subsidiaries at the spot rate on the date of the transaction.

Monetary assets and liabilities denominated in a foreign currency on the balance sheet date are translated into the functional currency at the closing rate. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated at the exchange rate applicable at the time the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate on the date of the transaction. Currency translation differences are generally recognized in profit or loss for the period and reported under finance costs.

Foreign business operations

Assets and liabilities from foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into euros at the closing rate on the balance sheet date. Income and expenses from foreign operations are translated at the exchange rate on the date of the respective transaction or, in a simplified form, at the average exchange rate.

Currency translation differences are recognised in other comprehensive income and reported in the currency translation reserve in equity, unless the currency translation difference is allocated to non-controlling interests.

B. Amendments to International Financial Reporting Standards and interpretations that are not yet mandatory

The following International Financial Reporting Standards and interpretations published by the end of 2019 must be applied from the 2020 financial year or later:

Standard or Interpretation	Title	Valid from
Changes of IFRS 3	Definition of a business operation	January 2020
Changes of IAS 1 and IAS 8	Definition of essential	January 2020
	Changes to references to the framework in IFRS standards	January 2020
Changes on 10 and IAS 28	Sale or contribution of assets between an investor and an associate or joint venture	open

The Lion E-Mobility Group will review its reporting in light of the new standards that will come into effect on January 1st, 2020, but does not expect any material impact on the consolidated financial statements at this time.

C. Discretionary decisions and scope for estimates

In preparing the consolidated financial statements in accordance with IFRS, management has made estimates and assumptions that affect the accounting policies to be applied and the amounts reported in assets, liabilities, income and expenses as well as their presentation. These estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The actual values may differ from these estimates. The estimates and assumptions are continually reviewed. Changes may be necessary if the circumstances on which the estimates are based have changed or new information and additional findings are available. Such changes are recognized in the reporting period in which the estimate was adjusted.

The key assumptions concerning future developments and the most important sources of uncertainty in the estimates that could necessitate significant adjustments to the assets and liabilities recognized in the balance sheet are explained in detail in the following notes:

a. Revenue recognition: See note 7

Further estimates and assumptions are explained in detail in the following notes:

b. Receivables: See notes 12 & 24

c. Property, plant and equipment: See note 14

c. Provisions: See note 23

D. Going Concern Principal

The LION E-Mobility Group does not consider the continued existence of the company to be at risk. Those responsible for the management of the company are of the opinion that the forecast calculations for the years 2020, 2021 and 2022 provide sufficient coverage of the costs of building up the Group's business. At the same time, management believes that the Group has an adequate equity and liquidity position. For this reason, the recognition and measurement of assets and liabilities are based on the assumption that the Group will continue to operate as a going concern.

Section 2: Result of the fiscal year

6. Business Segments

A. Principles of segmentation

The Group operates in an industry segment that includes the development, production and sale of batteries and related consulting services. Resources are allocated and performance is evaluated at Group level. The Group is not divided into different business units, neither in terms of management structure nor in terms of internal reporting. The responsible corporate body is the Management Board of the company.

B. Company-wide disclosures and disaggregation of sales

The Group operates in the sales markets of Germany and the rest of Europe. Both sales markets were combined as they have similar economic characteristics and similar framework conditions. Accordingly, they are not further disaggregated below.

The main non-current assets are all located in Germany.

The Group has achieved sales success with the following major customer groups:

	January 1st - December 31st	
In EUR	**2019**	**2018**
Sales and Revenues		
Industrial customers	1.231.227	475.322
Public customers (EU funded projects)	523.456	569.044
	1.754.683	**1.044.366**

7. Revenue Recognition

A. Significant Accounting Principles

Sales are measured on the basis of the consideration specified in a contract with a customer. Revenue is recognised over the period (or at the time) when control of the goods or services is transferred from the entity.

Key assumptions and scope for estimates

Revenue is recognised in accordance with the 5-phase model set out in IFRS 15. For development services that meet the criteria for revenue recognition over a period of time, the company must assess which recognition method best represents its own performance in terms of the company's performance up to the balance sheet date. In the case of development services, the progress of the project is usually determined on the basis of milestones achieved, whereby further assessments must be made at each balance sheet date with regard to the effective progress of the project and the appropriateness of the ratio determined and existing payment claims.

Development services of prototypes and battery products, as well as other consulting services are provided according to the following explanations.

B. Type of products and services

The Group generates its revenues primarily from the sale of battery development consulting services and from the development and sale of battery products, particularly in the area of prototyping.

The following table shows how the nature and timing of the Group's obligations under contracts with customers for the various revenue streams are reflected in revenue.

I. Construction and development of prototypes and battery products, and provision of consulting services

Products and services	The nature and timing of the performance obligation, including significant payment terms	Revenue recognition method
Development services (prototype developments)	The LION E-Mobility Group builds prototypes and battery products for customers according to customer specifications and requirements, whereby both hardware and software components are developed into a complete solution. Projects are sometimes started after receipt of an advance payment from a customer. The advance payments received are reported as contractual liabilities. Invoices are issued in accordance with the contractual agreements and are generally payable within 30 days. Amounts not invoiced are reported as contractual assets. The project duration depends on the complexity of the design. However, projects generally do not extend over more than 12 months. There are usually no or only insignificant costs (commissions, agent fees) in connection with contractual agreements.	Revenue is recognized over a certain period of time on an output basis based on milestones achieved. The associated costs are recognised in profit or loss as incurred.
Consulting & auditing services	The LION E-Mobility Group provides individual consulting and testing services by agreement. Invoicing is carried out after completion of the order, whereby these services usually last less than 12 months	Revenue is recognized when the consulting services have been rendered in full, in accordance with contractual agreements.

C. Disaggregation of revenues from contracts with customers

The Group's total revenues for the reporting period and the previous year were mainly generated by development projects with customers

D. Contract balances

The following table provides information on receivables, contract assets and contract liabilities

	December 31st		January1st
In EUR	**2019**	**2018**	**2018**
Receivables included in trade receivables and other receivables	267.558	159.439	472.675
Contract assets	37.107	3.684	-
Contract liabilities	369.233	541.812	-

Trade receivables relate to due claims against customers.

Contract assets relate to uncompleted projects with customers. As of the balance sheet date, the projects are valued at direct personnel costs, material costs and appropriate overheads.

The contractual obligations as of the balance sheet date mainly relate to advance payments received from customers on the basis of agreed development and service contracts.

The changes in contractual liabilities result from the total of the newly agreed development and service contracts with customers less completed projects and thus realized sales revenues.

8. Other operating income and expenses

A. Other operating income

		January 1st - December 31st	
In EUR	Notes	2019	2018
Income from the release of provisions		218.138	6.920
Refunds Expenditure Compensation Act		27.355	15.313
Other operating income		172.872	107.251
Total		**418.365**	**129.484**

B. Other operating expense

		January 1st - December 31st	
In EUR	Notes	2019	2018
Management consultancy		415.631	391.379
Legal advice		269.181	132.312
Share-based payments Board of Directors 2017,2018,2019	10	253.776	5.195
Losses from the disposal of fixed assets		160.908	997
Audit costs, tax consultancy, accounting		93.056	333.620
Repairs and maintenance		77.566	87.772
Stock exchange listing		73.074	78.585
Withholding tax		70.000	-
Advertising and travel expenses		69.755	81.801
Others		567.977	584.230
Total		**2.050.944**	**1.695.891**

9. Earnings per share

A. Essential accounting principle

The calculation of basic earnings per share is based on the profit attributable to the shareholders of LION E-Mobility AG and a weighted average number of shares outstanding, as shown below

The calculation of diluted earnings per share is based on the earnings attributable to the shareholders and a weighted average number of shares outstanding after adjustment for all dilutive effects of potential shares, as shown below:

B. Allocation of earnings (loss) per shareholder (undiluted and diluted)

	January 1st – December 31st	
	2019	**2018**
Denominator		
Loss attributable to equity holders of the Company, in TEUR	-1.708.357	-2.212.479
Counter		
Ordinary shares issued as of January 1	**7.680.207**	**7.680.207**
Effects of treasury shares	-10.500	-4.375
Effects of newly issued shares within the scope of capital increases	747.089	-
Weighted average number of shares as of December 31	8.416.796	7.675.832
Earnings per share, in EUR		
Undiluted/diluted	**-0,2029**	**-0,2884**

Section 3: Employee benefits

10. Employee benefits and share-based payments

A. Significant accounting policies

Short-term employee benefits

Obligations from short-term employee benefits are recognised as an expense as soon as the related work is performed. A liability is recognised for the expected amount to be paid if the Group currently has a legal or constructive obligation to pay this amount as a result of work performed by the employee and the obligation can be reliably estimated.

Share-based payment arrangements

The fair value at the date of granting share-based payment arrangements to employees is recognised as an expense with a corresponding increase in equity over the period in which the employees become unconditionally entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service conditions and performance conditions are expected to be fulfilled, so that the amount ultimately recognised as an expense is based on the number of awards that will satisfy the related service conditions and performance conditions at the end of the vesting period.

Defined contribution plans

Obligations for contributions to defined contribution plans are recognised as an expense as soon as the related work is performed. Prepaid contributions are recognized as an asset to the extent that a right to reimbursement or reduction of future payments arises.

Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the future benefits that employees have earned in return for service rendered in the current and prior periods. These benefits are discounted to determine their present value. Revaluations are recognised in profit or loss in the period in which they occur.

B. Share based Payment program

As of December 31, 2019, the Board of Directors of the Lion E-Mobility Group has decided on the one-time allocation of 137,099 shares of Lion E-Mobility AG to employees (55,499 shares) and members of the Board of Directors (81,600 shares) and has brought this decision to the attention of the Board. The number of individually allocated shares is determined by the length of the employment contract of the respective employee and was determined for the financial years from 2017 to 2019 by the management. After payment of the nominal value per share, eligible employees are entitled to dispose of their allocated Lion E-Mobility AG shares or to exercise their major shareholder rights to the extent of the allocated shares after the end of the blocking period. The sale of the shares is subject to a blocking period of 2 years, after which the shares can also be sold without further conditions. The share purchase plan is serviced through conditional share capital.

In the period from January 1 to December 31, 2019, a corresponding other operating expense of EUR 253,776 was recognized for board of directors' remuneration at LION E-Mobility AG and a personnel expense of EUR 172,602 at LION Smart GmbH. The corresponding allocations are included in equity for the years 2017-2019 in the loss carried forward. Following the corresponding conditional capital increase in the third quarter of 2020, the transfer from the loss carryforward to the share capital or capital reserves will be made.

C. Employee Benefits

The Group has no significant employee benefit plan.

D. Personnel obligation

Personnel obligation are as follows:

	December 31 st		January 1st
In EUR	2019	2018	2018
Social security obligations	19.083	3.021	800
Provisions for vacation and overtime	57.995	97.903	57.148
Others	268.643	126.202	-
Total personnel obligations	**345.721**	**226.526**	**57.948**

The personnel obligations as of December 31, 2019 are shown both under provisions (EUR 326,638) and under other liabilities (EUR 19,083).

E. Personnel expenses

	January 1st – December 31st	
In EUR	2019	2018
Wages and salaries	1.968.176	1.812.063
Equity-settled share-based payment transactions	172.602	-
Social security contributions	338.000	378.640
Total	**2.478.778**	**2.190.703**

The share-based compensation of the members of the Board of Directors is reported under other operating expenses. For the years 2017, 2018 and 2019 this amounted to EUR 253,776 (2018: EUR 0).

Section 4: Income Taxes

11. Income Taxes

A. Accounting Principles

The tax expense comprises current and deferred taxes. Current taxes and deferred taxes are recognised in profit or loss, except to the extent that they relate to a business combination or to an item recognised directly in equity or in other comprehensive income.

Current taxes

Current tax is the expected tax liability or receivable on the taxable income or tax loss for the financial year, based on tax rates enacted or substantively enacted at the balance sheet date, and any adjustments to tax liabilities for prior years. The amount of the expected tax liability or tax receivable reflects the amount that represents the best estimate, taking into account tax uncertainties, if any. Current tax liabilities also include all tax liabilities arising as a result of the determination of dividends.

Current tax assets and liabilities are offset only under certain conditions.

Deferred taxes

Deferred taxes are recognized for temporary differences between the carrying amounts of assets and liabilities for group accounting purposes and the amounts used for tax purposes. Deferred taxes are not recognized for

- temporary differences arising on the initial recognition of assets or liabilities in a transaction that is not a business combination and affects neither accounting profit nor taxable profit or loss

- temporary differences associated with investments in subsidiaries, associates and jointly controlled entities, provided that the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future

- taxable temporary differences on initial recognition of goodwill.

A deferred tax asset is recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which they can be utilized. Future taxable income is determined by reversing taxable temporary differences. If the amount is not sufficient to fully capitalize deferred tax assets, future taxable profits - taking into account the reversal of temporary differences - are determined on the basis of the subsidiaries' individual business plans. Deferred tax assets are reviewed on each balance sheet date and reduced to the extent that it is no longer probable that the associated tax benefit will be realized; write-ups are made if the probability of future taxable income improves.

Unrecognised deferred tax assets are reassessed at each balance sheet date and recognised to the extent that it is probable that future taxable profit will allow realisation.

Deferred taxes are measured at the tax rates that are expected to apply to temporary differences when they reverse, using tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred taxes reflect any uncertainty contained in income taxes.

The measurement of deferred taxes reflects the tax consequences that arise from the Group's expectations regarding the manner in which the carrying amounts of its assets and liabilities will be recovered or settled at the balance sheet date.

Taxes recognised in profit or loss:

B. Taxes recognised in profit or loss:

	January 1st – December 31st	
In EUR	**2019**	**2018**
Actual tax income (expense)		
Current year	-305	-328
Adjustments for previous years	-	-
	- 305	-328
Deferred tax income (expense)		
Deferred tax liabilities due to temporary differences	-217.474	-356.563
Reduction in tax rate	-	-
Deferred tax assets due to tax losses	499.966	709.147
Recognition of previously unrecognized (derecognition of previously recognized) deductible temporary differences	-	-
	282.492	352.584
Total tax income (expense)	**282.187**	**352.256**

C. Taxes recognised in other comprehensive income

Other operating expenses include EUR 70,000 in withholding tax on directors' fees for the years 2017 -2019.

D. Reconciliation of the effective tax rate

The applicable tax rate is the average tax rate of the Group companies. There are no material reconciling items to the effective tax rate in 2019 and 2018.

E. Changes in deferred taxes in the balance sheet during the year

The change in deferred taxes results exclusively from the capitalization of development expenses and the increase in tax loss carry forwards due to the net loss for the year.

F. Unrecognized deferred tax liabilities

As of December 31st,2019 there are no unrecognised deferred tax liabilities.

G. Unrecognized deferred tax assets

Deferred tax assets were not recognised with respect to the following items, as it is not probable that future taxable profit will be available against which the Group can utilise the deferred tax assets. The following loss carry forwards (in CHF and USD) of Lion E-Mobility AG and LION E-Mobility Inc. were not recognised as tax assets:

	Total	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**
Company								
Lion AG, Baar, Schweiz								
Net loss, CHF	-4.806.902	-1.169.080	-2.199.850	-778.557	-146.134	-227.953	-218.715	-66.613
Loss taxable usable, CHF	-4.806.902	-1.169.080	-2.199.850	-778.557	-146.134	-227.953	-218.715	-66.613
LION INC, North America								
Net loss, USD	-408.441	-186.967	-221.474					
Loss taxable usable, USD	-408.441	-186.967	-221.474					

Due to the tax reform that came into force on 1 January 2020 and the associated abolition of the holding company status, part of the loss carry forwards created under the holding company privilege will potentially be lost.

H. Uncertainties regarding income taxes

There are no material uncertainties regarding the reported tax positions.

Section 5: Assets

12. Trade receivables and other receivables

A. Significant accounting policies

Trade receivables and other receivables are recognised from the date on which they arise. Trade receivables and other receivables without a significant financing component are initially recognised at the transaction price and subsequently measured at amortised cost. Impairments for trade and other receivables are always measured at the amount of the expected credit loss over the term of the receivable. Further information on impairments and existing credit and market risks can be found in Note 24.

B. Composition of trade receivables and other receivables

	31. Dezember		1. Januar
In EUR	**2019**	**2018**	**2018**
Trade receivables (third parties)	267.558	159.439	472.675
Receivables from companies accounted for at equity	107.218	102.167	356.855
Other receivables	311.260	254.857	258.048
	686.036	**516.463**	**1.087.578**

Die Trade receivables relate to (partially) invoiced projects with customers. Other receivables mainly relate to input tax refund claims and receivables from projects funded by the EU.

13. Cash and cash Equivalents

Cash and cash equivalents consist exclusively of bank balances.

14. Property Plant and equipment

A. Significant accounting policies

Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The lower limit for capitalisation is EUR 800 and, if this limit is not met, the expenditure is recognised directly in the income statement. Expenditure is only capitalized if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

If parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (main components) of property, plant and equipment.

Any gain or loss on the disposal of an item of property, plant and equipment is recognised in other operating income / expense.

Depreciation

Depreciation is calculated to write down the cost of property, plant and equipment less their estimated residual values on a straight-line basis over their estimated useful lives. Depreciation is generally recorded under operating expenses. Land is not depreciated.

The estimated useful lives for the current year and comparable years of significant property, plant and equipment are as follows

- Machines :7 years
- Vehicle fleet: 4 years

- Leasehold improvements :5 years
- Computer: 3 Jahre

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date and adjusted if necessary.

With regard to accounting principles relating to rights of use under leases, we refer to the comments in Note 18.

B. Reconciliation Book value

	Rights of use	Property, plant and equipment		
in EUR	Business premises, cars	Technical equipment and machinery	Operating and business equipment	Total property, plant and equipment
Acquisition and production costs				
Balance at 1 January 2018	524.576	62.691	254.785	317.476
Access	-	2.264	447.500	449.764
Disposals	-	(1.938)	(759)	(2.697)
Balance at 31 December 2018	**524.576**	**63.017**	**701.526**	
Access	60.426	19.645	14.193	33.838
Disposals	-	-	(405.438)	(405.438)
Net conversion differences	-	-	36	36
Balance at 31 December 2019	**585.002**	**82.662**	**310.317**	**977.981**
Accumulated depreciation and impairment losses				
Balance at 1 January 2018	-	22.749	80.560	103.309
Depreciation	69.288	6.914	72.621	79.535
Impairment losses	-	-	-	-
Disposals	-	(1.046)	(650)	(1.696)
Balance at 31 December 2018	**69.288**	**28.617**	**152.531**	**181.148**
Depreciation	75.853	6.863	59.228	66.091
Impairment losses	-	-	-	-
Disposals	-	-	(46.509)	(46.509)
Balance at 31 December 2019	**145.141**	**35.480**	**165.252**	**200.730**
Book values				
At 1 January 2018	524.576	39.942	174.225	214.167
At 31 December 2018	455.288	34.400	548.995	583.395
At 31 December 2019	**439.861**	**47.182**	**145.067**	**192.249**

15. Intangible Assets

A. Significant accounting policies

Recognition and measurement, and amortization of development assets

Expenditure on research activities is recognised in profit or loss when it is incurred.

Development costs are only capitalized if the development costs can be reliably measured, the product or process is technically and commercially suitable, future economic benefits are probable and the Group both intends and has sufficient resources to complete development and to use or sell the asset. Other development expenses are recognized in profit or loss as they are incurred. Capitalized development expenditure is measured at cost less accumulated amortization and accumulated impairment losses.

The development expenditure capitalised as of 31 December 2019 is not yet operational and is therefore not yet subject to amortisation. The useful life is estimated at the time of readiness for use and is reviewed at each balance sheet date.

Intangible assets that are not yet ready for use are tested annually for impairment.

B. Reconciliation book value

in EUR	Notes	Concessions, property rights, other rights and licenses	Development costs	Total
Acquisition and production costs				
Balance at 1 January 2018		130.601	-	130.601
Additions from acquisition		21.156	-	21.156
Additions from internal development		-	1.188.543	1.188.543
Disposals		-	-	-
Balance at 31 December 2018		**151.757**	**1.188.543**	**1.340.300**
Additions from acquisition		24.602	-	24.602
Additions from internal development		-	724.912	724.912
Disposals		-	-	-
Balance at 31 December 2019		**176.359**	**1.913.455**	**2.089.814**
Accumulated depreciation and impairment losses				
Balance as at 1 January 2018		50.372	-	50.372
Amortization		22.842	-	22.842
Impairment loss		-	-	-
Disposals		-	-	-
Balance at 31 December 2018		**73.214**	**-**	**73.214**
Amortization		23.104	-	23.104
Impairment loss		-	-	-
Disposals		-	-	-
Balance at 31 December 2019		**96.318**	**-**	**96.318**
Book values				
At 1 January 2018		80.229	-	80.229
At 31 December 2018		78.543	1.188.543	1.267.086
At 31 December 2019		80.041	1.913.455	1.993.496

16. Financial assets accounted for using the equity method

A. Significant accounting policies

The main accounting and consolidation principles for investments accounted for using the equity method are set out in Note 4.

B. Reconciliation of book value

In EUR	2019	2018
Financial assets accounted for using the equity method		
Carrying amount at January 1st	**3.220.878**	**2.818.579**
- Proportionate result	498.668	402.299
- Dividend	-	-
Carrying amount at December 31st 2019	**3.719.546**	**3.220.878**

The thirty per cent stake in TÜV SÜD Battery Testing GmbH held directly by LION Smart GmbH, Garching, was accounted for using the equity method.

The following table summarizes the financial information of TÜV SÜD Battery Testing GmbH TSBT is accounted for under IFRS.

In EUR	2019	2018
Share of ownership	**30%**	**30%**
Non-current assets	13.511.833	9.578.246
Current assets	9.215.757	5.209.975
Non-current liabilities	-7.778.135	-1.371.026
Current liabilities	-2.550.971	-2.680.937
Net assets (at 100%)	**12.398.484**	**10.736.258**
Carrying amount of the investment in the associate (30%)	**3.719.546**	**3.220.878**
Revenue	10.594.762	8.851.143
profit before tax	2.305.568	1.851.112
Taxes on income and earnings	-643.343	- 510.117
Net income for the year (100%)	1.662.225	1.340.995
Group share of total earnings (30%)	**498.668**	**402.299**

In EUR	2019	2018
Loans to associated companies (in balance sheet item other financial assets)		
Carrying amount at 1 January	**266.963**	**392.856**
Repayment	-150.000	-150.000
Interest paid	-9.745	-
Accrued interest	-	24.107
Reclassification to receivables from companies, with		
in which a participating interest is held	-107.218	-
New loan granted 1	1.140.000	-
New loan granted 2	660.000	-
Carrying amount at 31 December	**1.800.000**	**266.963**

Loans of EUR 1,800,000 relate to TÜV Süd Battery Testing, in which Lion Smart GmbH holds a 30% stake. Loan 1 has a term until November 30, 2025 and bears interest at 1.75% above the 3-month EURIBOR rate. Loan 2, which has a nominal value of EUR 1,260,000, was paid out in two tranches in December 2019 and January 2020. It has a term until 30 November 2024 and bears interest at 3.00 % above the 3-month EURIBOR.

The loans from 2018 related to loans to companies in which a participating interest was held.

17. Other financial assets

The other financial assets in the amount of EUR 2 (2018: 2) relate to shares in companies over which no significant influence is exercised and which were written down in 2018 except for a pro memoria value.

18. Leasingrelationships

A. Significant accounting policies

As lessee

Accounting at first-time adoption of IFRS 16 at the date of transition to IFRS

As a first-time adopter of IFRS, the LION E-Mobility Group exercises the option in paragraph D9 in IFRS 1 and applies the new lease definition to agreements in existence at the date of transition based on the facts and circumstances at that date.

Under the transition option in paragraph D9B of IFRS 1, the Group generally measures the right of use at an amount equal to the lease liability reduced by the amount of any lease payments made or accrued in advance that were recognised in the balance sheet immediately preceding the transition to IFRS.

In applying IFRS 16, the Group has considered the following practical expedients that the standard permits for each lease:

a. Applying a single discount rate to a portfolio of leases that have characteristics reasonably similar to those of the lease;

b. Exercise the option not to apply the measurement requirements in IFRS 16 to leases where the lease term ends within 12 months of the transition date or to leases where the underlying asset is of minor value. Instead, the Group recognises the lease payments associated with these leases as an expense over the lease term;

c. Excluding initial direct costs from the measurement of the right of use; and

d. Consideration of later findings - e.g. when determining the lease term, if the agreement contains options to extend or terminate the lease.

Initial assessment

Leases are recognised as rights of use and corresponding lease liabilities from the date on which the leased asset is available for use by the Group.

Initial measurement of lease obligations

Lease liabilities are measured at the present value of the lease payments outstanding at the inception of the lease, discounted at the Group's incremental borrowing rate because the interest rates underlying the leases cannot be readily determined.

In determining its incremental borrowing rate, the Group obtains interest from various external financing sources and makes certain adjustments to reflect the terms of the lease and the nature of the asset.

Initial measurement of rights of use

On the date of provision, the Group measures the asset of the right of use at cost. These include:

- the amount of the initial measurement of the lease liability;

- all lease payments made on or before the commencement date, less any lease incentives received;

- any initial direct costs incurred; and

- an estimate of the costs of dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms of the lease, if such costs are not incurred in producing inventories.

Subsequent evaluation

I. **Right of use:** A right of use is measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any revaluation of the lease liability.

II. **Lease liability:** The lease liability is measured at amortised cost using the effective interest method. The carrying amount of the lease liability is subsequently increased to reflect interest on the lease liability and decreased to reflect lease payments made (and possibly remeasured to reflect reassessments or lease modifications or to reflect changes in the substance of the fixed lease payments).

Each lease payment is apportioned between the liability and finance charges. The finance charges are charged to the income statement over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Amortization of the right of use

The Group amortises rights of use on a straight-line basis. The amortization period is the period from the date of provision to the earlier of the end of the useful life of the asset and the end of the lease term.

Current leases and leases of low-value assets

Payments in connection with short-term leases and leases of low-value assets are expensed on a straight-line basis in the income statement. Short-term leases are those with a lease term of 12 months or less. Low-value assets include equipment and small items of office equipment whose individual asset value is less than EUR 5,000.

B. Information on the Group's leasing activities

As lessee

Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leasing agreements:

	December 31 st		January 1st
In EUR	2019	2018	2018
Rights of use	**439.861**	**455.288**	**524.576**
Building	386.000	455.288	524.576
Company vehicles	53.861	-	-

Maturities of the leasing liabilities

	For the fiscal year	
In TEUR	2019	2018
Due dates		
Between one and five years	383.257	332.786
More than five years	64.678	132.790

Amounts recognised in the income statement

The following amounts from leasing relationships are shown in the income statement:

	December 31st	
In EUR	2019	2018
Depreciation expense Rights of use	**75.853**	**69.288**
Building	69.288	69.288
Company vehicles	6.565	-

	December 31st	
In EUR	2018	2018
Interest expenses for leasing liabilities	**16.456**	**18.129**
Interest	16.456	18.129

	December 31st	
In EUR	2018	2018
Expenses for off-balance sheet leasing relationships		
Expenses for short-term leases	-	-
Expenses for low-value leases	-	-

Amounts shown in the cash flow statement

The following amounts from leasing relationships are shown in the cash flow statement:

	December 31st	
In EUR	2019	2018
Total cash outflows for leases	83.263	77.130

Section 6: Equity and Liabilities

19. Share capital and reserves

A. Share Capital and Capital reserve

The shareholders of LION E-Mobility AG are entitled to the respective approved dividend and to one vote per share at the company's general meetings. With regard to shares in the company held by group companies, all rights are suspended until such shares are reissued.

The share capital of LION E-Mobility AG amounts to EUR 1,067,380 (CHF: 1,201,199) (previous year: EUR 870,810; CHF 998,427)) as of the balance sheet date and is divided into 9,239,992 bearer shares (previous year 7,680,207) with a nominal value of EUR 0.1155 (CHF 0.13).

	Number of shares	Share Capital (EUR)	Share Capital (CHF)
Balance as of 1.1.2019	**7.680.207**	**870.810**	**998.427**
Share capital increase April 10, 2019	714.285	81.649	92.857
Share capital increase October 24, 2019	845.500	99.737	109.915
Effects of functional currency changeover*		15.184	
Balance as of 12.31.2019	**9.239.992**	**1.067.380**	**1.201.199**

*The share capital is fully paid up.

*The functional currency of LION E-Mobility AG was converted from CHF to EUR as of January 1, 2019. Accordingly, equity items that were originally converted at the historical exchange rate were adjusted to the exchange rate on the balance sheet date of January 1, 2019.

B. Conditional capital

As of December 31, 2019, LION E-Mobility AG has conditional capital of up to CHF 119.109 in the form of 916.225 fully paid-up bearer shares with a par value of CHF 0.13. Only employees of the Company and of subsidiaries are entitled to subscribe.

C. Authorized capital

The Board of Directors is authorised to increase the share capital of the Company by a maximum of CHF 280.085 by issuing new bearer shares with a nominal value of CHF 0.13 each by 29 June 2020 at the latest. At the Annual General Meeting held on 30 June 2020, the Board of Directors proposed to increase the authorised capital by a maximum of CHF 390.000 by issuing new registered shares with a nominal value of CHF 0.13 per share until 30 June 2022 at the latest. The proposal was approved by the Annual General Meeting.

D. Nature and purpose of the reserves

The capital reserve of EUR 12.971.681 (2018: EUR 7.977.464) includes grants made by shareholders in connection with capital increases. The increase results from grants made in connection with the two capital increases in the reporting year, see explanations under section A.

The exchange rate reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign companies into EUR.

Reserves for share-based SOP programme include the reserve for shares awarded under share compensation programmes but not yet created as at 31 December 2019. For further details, please refer to Note 10.B.

The reserve for the company's own shares comprises the acquisition cost of the company's shares held by the Group. As of December 31, 2019, the Group held 10.500 shares of the company (2018: 10.500 shares).

D. Dividends

No dividend was resolved or paid by the company (2018: none).

20. Capital Management

The Group considers capital to be a strategic and scarce resource that plays a critical role in achieving its strategic objectives. Capital is the basis for building trust with shareholders and other stakeholders. In order to meet its legal obligations, management periodically monitors capital adequacy.

In the interest of sustainable development, management increases the amount of share capital through contributions from strategic investors.Liabilities to banks

21. Liabilities to banks

A. Accounting principles

Liabilities to banks are carried at cost and subsequently measured at amortised cost using the effective interest method. Interest expenses and foreign currency translation differences are recognised in the income statement. Gains or losses from derecognition are also recognized in the consolidated income statement.

B. Reconciliation of book value and conditions

			December 31st		January 1st
In EUR	*Currency*	*Nominal yield*	2019	2018	2018
Bank loans 1	EUR	3,35% *	125.000	275.000	425.849
Short term			125.000	150.000	150.849
Long term			-	125.000	275.000

* 3 months EURIBOR plus 3.35 % - if the EURIBOR is 0 % or < 0 %, the 3.35 % is considered as interest

The bank loan relates to a loan to Lion Smart GmbH - it will be repaid on schedule on September 30, 2020.

Information on the extent to which the Group is exposed to interest rate, currency and liquidity risks can be found in Note 24. Trade

22. Trade accounts payable and other liabilities

A. Significant accounting principles

Trade payables and other financial liabilities are recognised and measured at nominal value.

B. Summary of book values

	December 31 st		January 1st
In EUR	2019	2018	2018
Accounts payable for goods and services			
Accounts payable for goods and services	165.160	100.874	90.519
Other liabilities			
Other liabilities	573.582	769.179	1.318.823

Trade payables relate to service relationships with suppliers and service providers, whereby the invoices are not due until the new year.

Other liabilities mainly comprise social security contributions and wage tax still to be paid for personnel expenses already paid.

23. Provisions and contingent liabilities

A. Significant accounting policies

The amount of the provisions is determined by discounting the expected future cash flows at a pre-tax interest rate that reflects current market expectations regarding the interest effect and the risks specific to the liability. The compounding is presented as a financing expense.

The provisions mainly relate to personnel obligations from unused vacation, overtime, variable income components based on target agreements. In addition, provisions are recognized for estimated outstanding purchase invoices, internal and external audit costs and follow-up costs.

B. Details on provisions

in EUR	Notes	Personnel Provision	Other Provision	Total
Balance at 1 January 2019		**223.505**	**337.202**	**560.707**
Accrued liabilities		681.485	284.412	965.897
Provisions used		(356.199)	(319.102)	(675.301)
Resolutions		(218.138)	-	(218.138)
Accrued interest		-	-	-
Balance at 31 December 2019		**330.653**	**302.512**	**633.165**
Long term		-	-	-
Short term		330.653	302.512	633.165
		330.653	**302.512**	**633.165**

Section 7: Financial Instruments

24. Financial instruments - fair values and risk management

A. Significant accounting policies

Recognition and initial measurement

Trade receivables and debt instruments issued are recognised from the time they arise. All other financial assets and liabilities are initially recognized on the trade date when the company becomes a party to the contract in accordance with the contractual provisions of the instrument.

A financial asset (except for a trade receivable without a significant financing component) or a financial liability is measured at fair value upon initial recognition. In the case of an item that is not measured at FVTPL, the transaction costs that are directly attributable to its acquisition or issue are added to this. Trade receivables without a significant financing component are initially measured at the transaction price.

Classification and subsequent assessment

Financial assets - initial recognition

On initial recognition, a financial asset is classified and measured as follows:

- at amortised cost
- FVOCI debt instruments (investments in debt instruments measured at fair value with changes in other comprehensive income)
- FVOCI equity investments (equity investments measured at fair value with changes in other comprehensive income)
- FVTPL (at fair value with changes in value in profit or loss)

Financial assets are not reclassified after initial recognition unless the Group changes its business model to manage the financial assets. In this case, all affected financial assets are reclassified on the first day of the reporting period following the change in the business model.

A financial asset is measured at amortized cost if both of the following conditions are met and it is not designated as FVTPL

- It is held as part of a business model whose objective is to hold financial assets to collect the contractual cash flows, and
- the contractual terms of the financial asset give rise to cash flows on specified dates that are solely payments of principal and interest on the principal outstanding.

A debt instrument is designated as FVOCI if both of the following conditions are met and it is not designated as FVTPL

- It is held as part of a business model whose objective is both to hold financial assets to collect the contractual cash flows and to sell financial assets, and
- its contractual terms and conditions result in cash flows at specified dates, representing exclusively principal and interest payments on the outstanding principal.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the fair value of the investment in other comprehensive income. This choice is made for each individual investment. All financial assets that are not measured at amortised cost or FVOCI are measured at FVTPL. Upon initial recognition, the Group may irrevocably elect to designate financial assets that otherwise qualify for measurement at amortized cost or FVOCI to FVTPL if this results in the elimination or significant reduction of an accounting mismatch.

Financial assets - subsequent measurement and gains and losses

Financial assets at fair value	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets not measured at fair value	These assets are subsequently measured at amortised cost using the effective interest method. Amortised cost is reduced by impairment losses. Interest income, exchange rate gains and losses

	and impairments are recognised in profit or loss. A gain or loss from derecognition is recognised in profit or loss.

The Group has no significant financial assets or financial liabilities measured at fair value whose carrying amount would not be a reasonable approximation of fair value. The assets included for the periods 2018 and 2019 are measured at amortised cost. The company did not use any hedging instruments, in particular derivatives.

Financial liabilities - classification, subsequent measurement and gains and losses

Financial liabilities are classified and measured at amortised cost or at fair value through profit or loss (FVTPL). A financial liability is classified at FVTPL if it is classified as held for trading, is a derivative or is designated as such upon initial recognition.

Financial liabilities at FVTPL are measured at fair value and net gains or losses, including interest expenses, are recognized in the income statement.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expenses and foreign currency translation differences are recognized in profit or loss. Gains or losses from derecognition are also recognized in profit or loss.

Derecognition

Financial Assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or the Group transfers the rights to receive the cash flows in a transaction in which all significant risks and rewards of ownership of the financial asset are also transferred.

Derecognition also takes place if the Group neither transfers nor retains all significant risks and rewards of ownership and does not retain control of the transferred asset. The Group enters into transactions in which it transfers recognized assets but retains either all or substantially all the risks and rewards of ownership of the transferred asset. In these cases, the transferred assets are not derecognized.

Financial liabilities

The Group derecognizes a financial liability when the contractual obligations are discharged, cancelled or expire. The Group also derecognizes a financial liability if its contractual terms are changed and the cash flows of the adjusted liability are significantly different. In this case, a new financial liability is recognized at fair value based on the modified terms. When a financial liability is derecognized, the difference between the carrying amount of the liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in the income statement.

Settlement

Financial assets and liabilities are offset and presented in the balance sheet as a net amount if the Group has a present and enforceable legal right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Impairment

Financial instruments and contractual assets

The Group recognizes valuation allowances for expected credit losses (ECL) for:

- financial assets measured at amortized cost
- Contract assets.
- other receivables.

The Group measures the allowance for credit losses at the level of expected credit losses over the life of the loan, except for the following allowances, which are measured at the level of expected 12-month credit loss:

- debt instruments that have a low risk of default at the balance sheet date, and
- other debt instruments and bank balances for which the risk of default (for example, the credit risk over the expected life of the financial instrument) has not increased significantly since initial recognition.

Valuation allowances for trade receivables and contract assets are always measured at the amount of the expected credit loss over the term of the financial instrument.

The Group considers a financial asset as defaulted if:

- it is unlikely that the debtor will be able to pay its loan obligation in full to the Group without the Group having to resort to measures such as the liquidation of collateral (if any), or
- the financial asset is more than 90 days past due.

Expected credit losses over the term are expected credit losses resulting from all possible default events during the expected term of the financial instrument.

12-month credit losses are the portion of expected credit losses resulting from default events that are expected to occur within 12 months of the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period to be considered when estimating expected credit losses is the maximum contractual period during which the Group is exposed to credit risk.

Financial assets with impaired credit ratings

The Group assesses at each balance sheet date whether financial assets at amortised cost or debt instruments at FVOCI are impaired in credit quality. A financial asset's credit rating is impaired if one or more events occur with an adverse effect on the expected future cash flows of the financial asset:

Indicators that the credit quality of a financial asset is impaired include the following observable data:

- significant financial difficulties of the debtor
- a breach of contract, such as default or overdue by more than 90 days
- Restructuring of a loan or credit by the group that it would not otherwise consider
- the likelihood that the debtor will enter bankruptcy or other reorganisation proceedings, or
- the disappearance of an active market for a security due to financial difficulties

B. Financial risk management

The Group is exposed to default and liquidity risks. Market risks (currency risks, interest rate risks and other market price risks) have only an insignificant impact and are therefore not explained below.

I. Principles of risk management

The Board of Directors of the Company is responsible for the development and control of the Group's risk management. It performs this task at least once a year and assesses the risks that are significant for the Group in terms of their probability of occurrence and financial impact.

II. Default risks

Default risk is the risk of financial loss if a customer or the contracting party to a financial instrument fails to meet its contractual obligations. The default risk generally arises from the Group's trade receivables and debt securities held as financial assets.

The carrying amounts of financial assets and contractual assets correspond to the maximum default risk.

In 2019, the Group recognised impairment losses of EUR 0 (previous year: EUR 0) on trade receivables and contract assets due to effective defaults.

Cash and cash equivalents

Cash and cash equivalents consist of bank balances with financial institutions that have a first-class rating. There were no material changes in the 2019 and 2018 financial years.

Accounts Receivables

The Group's default risk is mainly influenced by the individual characteristics of the customer. The Board also considers the characteristics of the overall customer base, including the default risk of the industry in which the customers operate. For trade receivables without a significant financing component, the Group uses the simplified approach permitted under IFRS 9. It uses an appropriate allowance matrix to measure the expected credit losses of trade receivables from individuals. The Group calculates historical default rates for the past 3 years, adjusted where necessary based on an assessment of future prospects and macroeconomic considerations.

Trade receivables and contract receivables are all allocated to Germany and Europe. The risk of default is classified as low.

In the current year, impairments on trade receivables and contract receivables were calculated and recorded in the amount of EUR 0 thousand (previous year: EUR 0 thousand).

III. Liquidity Risks

Liquidity risk is the risk that the Group may not be able to meet its financial liabilities by delivering cash or other financial assets as contractually agreed. The management of liquidity in the Group is intended to ensure that - as far as possible - sufficient liquid funds are available at all times to meet payment obligations when they fall due under both normal and stressed conditions without incurring unbearable losses or damaging the Group's reputation.

The Group regularly makes forecasts to manage changes in cash holdings and liquidity risks.

Section 8: Composition Group

25. Subsidiaries

The Company has direct or indirect control over the following subsidiaries and significant influence over the following associated companies

Name of the company	Shares	Method of consolidation
	in %	
Lion Smart GmbH, Garching	100,00	Fully consolidated
Lion E-Mobility North America Inc.	100,00	Fully consolidated
TÜV Süd Battery Testing GmbH, Garching	30,00	at equity

Section 9: Further Information

26. Related Parties

A. Parent company

The parent company of the group is Lion E-Mobility AG based in Baar, Switzerland.

B. Transactions with management and the Board of Directors

Management remuneration is based on standard external conditions. The members of the Board of Directors receive remuneration in shares of the Company as proposed by the Compensation Committee. The proposal of the Board of Directors for the respective financial year is put to a final vote at the Annual General Meeting.

The remuneration of key management personnel includes:

		January 1st – December 31st	
In EUR	Notes	2019	2018
Benefits due in the short term*		556.493	627.863
Post-employment benefits		178.069	-
Share-based payments for 2017, 2018 and 2019**.	10	426.378	-
Total		**1.160.940**	**627.863**

* The shares in connection with the share-based payment programs will not be formally issued until 2020. The balance was therefore still outstanding in full as of 31 December 2019, as were TEUR 70 in withholding taxes included in the short-term benefits.

**Further details can be found in the remuneration report, which is published on the company's website.

27. Events after Balance sheet day

On 11 March 2020, the World Health Organisation declared the outbreak of the coronavirus (Sars-CoV-2) a pandemic due to its rapid global spread. More than 150 countries are now affected by the coronavirus. Many countries are adopting more stringent measures to contain the corona virus or slow its spread. At present, economic uncertainty is increasing significantly, as reflected for example in volatile market prices and exchange rates.

For the reporting date of December 31, 2019, the coronavirus and the countermeasures taken are considered to be reportable events after the balance sheet date that have no effect on the recognition and measurement of assets and liabilities. Due to the uncertainties surrounding the further development of the current situation, we do not currently consider ourselves in a position to make a reliable estimate of the future effects on the net assets, financial position and results of operations.