LION E-Mobility Group

Consolidated Financial Statement

(Voluntarily translation*)

31 December 2020

* In case of questions of interpretation, the original German version shall prevail.

Content

Notes to the consolidated financial statements

Consolidated balance sheet

In EUR	Notes	December 31st 2020	December 31st 2019
Assets			
Fixed Assets	14	514,197	192,249
Intangible Assets	15	2,167,393	1,993,496
Right of use	14/18	343,867	439,861
Financial assets accounted for using the equity method	16	4,241,075	3,719,546
Loans and other financial assets	17	1,740,002	1,800,002
Deferred Taxes		1,093,098	671,696
Fixed assets		**10,099,632**	**8,816,850**
Inventories		130,795	-
Contract assets	7	2,128,366	37,107
Trade receivables and other receivables	12	2,109,630	686,036
Loans and other financial assets	17	510,000	-
Prepayments		83,705	68,006
Cash and cash equivalents	13	1,238,558	1,852,987
Current assets		**6,201,054**	**2,644,136**
Total assets		**16,300,686**	**11,460,986**

In EUR	Notes	December 31st 2020	December 31st 2019
Equity			
Issued Capital	19	1,162,236	1,067,380
Capital reserve	19	14,901,470	12,971,681
Reserves exchange rates		-60,287	-52,521
Share based AOP program	10	533,889	426,378
Own shares held		-58,800	-58,800
Loss carried forward		-6,132,445	-5,207,207
Equity		**10,346,062**	**9,146,911**
Liabilities			
Leasing liabilities		279,209	372,772
Non-current liabilities		**279,209**	**372,772**
Leasing liabilities			
Liabilities to banks	21	-	125,000
Leasing liabilities	18	87,572	75,163
Trade payables	22	3,223,847	165,160
Other liabilities	22	359,624	573,582
Contractual liabilities	7	99,693	369,233
Provisions	23	1,904,679	633,165
Current Liabilities		**5,675,415**	**1,941,303**
Liabilities, total		**5,954,624**	**2,314,075**
Equity and liabilities		**16,300,686**	**11,460,986**

Group income statement

		January 1st to December 31st	
In EUR	Notes	2020	2019
Revenues	7	18,427,365	1,754,683
Other own work capitalised	15	13,911	724,912
Financial performance		**18,441,276**	**2,479,595**
Other operating income	8	65,186	418,365
Cost of sales		-14,027,471	-651,024
Personell expense	10	-2,339,868	-2,478,778
Depreciation and amortization	14, 15, 17	-302,052	-165,047
Other operating expense	8	-3,721,048	-2,050,944
Earnings before interest and taxes (EBIT)		**-1,883,977**	**-2,447,833**
Financial income		65,638	33,488
Financial expense		-49,502	-74,866
Share of result of associated subsidiaries	16	521,530	498,668
Net loss before taxes		**-1,346,312**	**-1,990,543**
Income Taxes	11	421,074	282,187
Consolidated Net loss		**-925,238**	**-1,708,357**
Loss of the owners of the parent company		**-925,238**	**-1,708,357**
Earnings per share			
Basic earnings per shares (EUR)	9	-0.092	-0.203

Group comprehensive income statement

		January 1st to December 31st	
In EUR	Notes	2020	2019
Loss of the year		**-925,238**	**-1,708,357**
Other results			
Items that have been, or may be subsequently, reclassified to profit or loss may be reclassified		-	-
Currency translation differences		-7,766	59,749
Tax effect		-	-
Other results after tax		**-7,766**	**59,749**
Comprehensive income		**-933,004**	**-1,648,608**

Consolidated Statement of Changes in Equity

in EUR	Notes	Issued Capital	Capital reserves	Own shares	Reserve Exchange rate	Share based SOP program	Loss carried forward	Total
Balance as of January 1st, 2020		**1,067,380**	**12,971,681**	**-58,800**	**-52,521**	**426,378**	**-5,207,207**	**9,146,911**
Consolidated loss		-	-	-	-	-	-925,238	-925,238
Other result		-	-	-	-7,766	-	-	-7,766
Share-based SOP program	10	-	-	-	-	107,511	-	107,511
Issuance of shares	19	94,856	1,929,790	-	-	-	-	2,024,646
Status as of December 31st, 2020		**1,162,236**	**14,901,470**	**-58,800**	**-60,287**	**533,889**	**-6,132,445**	**10,346,062**

in EUR	Notes	Issued Capital	Capital reserves	Own shares	Reserve Exchange rate	Share based SOP 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 SOP program		-	-	-	-	426,378	-	426,378
Issuance of shares		181,386	4,855,114	-	-	-	-	5,036,500
Other Equity shifts *		15,184	139,103	1,326	-105,064	-	-50,549	-
Status as of December 31st, 2019		**1,067,380**	**12,971,681**	**-58,800**	**-52,521**	**426,378**	**-5,207,207**	**9,146,911**

* The other changes in equity include effects from the change in the functional currency of LION E-Mobility AG from CHF to EUR as at 1 January 2019.

Consolidated cash flow statement

In EUR	Notes	January 1st to December 31st 2020	2019
Consolidated loss		-925,238	-1,708,357
Adjustments:			
– Non-cash expenses		-	101,815
– Depreciation, amortization and impairment	14/15	302,052	165,047
– Share of profit of companies accounted for using the equity method, net of tax	16	-521,529	-498,668
– Net finance costs		16,136	41,378
– Loss on sale of property, plant and equipment	8	-	160,908
– Equity-settled share-based payment transactions	10	107,511	426,378
– Tax expenses/income	11	-429,354	-282,187
		-1,450,423	**-1,593,686**
Changes in:			
– Contract assets		-4,196,462	-33,423
– Other inventories		-130,795	-
– Trade accounts receivable and other receivables		-1,209,997	-169,571
– Other assets		-213,597	-
– Advance payments		-15,699	-17,148
– Provisions		1,271,514	72,458
– Other liabilities		-230,094	-195,597
– Trade accounts payable		3,058,687	64,286
– Contractual liabilities		1,835,663	-172,579
Interest paid		-7,238	-26,187
Income taxes paid		7,952	-325
Cash flow from operating activities		**-1,280,490**	**-2,071,772**
Proceeds from the sale of property, plant and equipment	8/14	23,550	198,021
Acquisition of property, plant and equipment	14	-517,495	-33,838
Acquisition of intangible assets		-35,269	-24,601
Investment Loans and other financial assets	16	-600,000	-1,683,038
Inflows from repayments of loans and other financial assets	16	150,000	150,000
Development costs intangible assets	15	-172,689	-724,912
Cash flow from investing activities		**-1,151,903**	**-2,118,368**

Consolidated cash flow statement (cont.)

In EUR	Notes	January 1st to December 31st 2020	2019
Proceeds from the issue of shares	19	94,856	5,036,500
Repayments of liabilities to banks	21	-125,000	-150,000
Payments for lease liabilities		-73,915	-66,807
Inflow of cash and cash equivalents due to capital increase		1,929,789	-
Cash flow from financing activities		**1,825,730**	**4,819,693**
Net change in cash and cash equivalents		**-606,663**	**629,553**
Cash and cash equivalents as of January 1st		1,852,987	1,291,641
Effects of exchange rate changes on cash and cash equivalents		-7,766	-68,207
Cash and cash equivalents as of December 31st		**1,238,558**	**1,852,987**

Appendix

Section 1: Basis of Preparation

1. Reporting company

LION E-Mobility AG (hereinafter also referred to as the "Company") was founded on 31 May 2011. It is registered in the commercial register of the Canton of Zug, Switzerland, under company number CH-170.3.035.791.2 and has its registered office at Lindenstrasse 16, 6340 Baar. 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 per cent of the share capital of the German company LION Smart GmbH, a developer of battery packs and battery management systems, and of LION North-America Inc. of New York.

The group specialises in development services for original equipment manufacturers (OEMs) in the automotive industry, their suppliers and other industries, as well as consulting in the field of lithium-ion storage technology and the operation of test rigs and test laboratories for electrical storage.

The main business activities are carried out in 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 10 November 2008, focuses on the operation of test rigs and testing laboratories for electrical storage systems other than batteries, and also performs design and consulting services and builds 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 optimises battery packs and designs cooling concepts. In particular, the company develops battery management systems and software to improve the optimal use of batteries.

In addition, the company develops individual electrification concepts for commercial vehicles (buses and trucks) in which ready-made battery storage systems are used.

LION E-Mobility North America Inc. was founded in June 2017 and currently functions mainly as a sales company.

Further details can be found in Note 25 (Group structure)

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

2. Accounting principles

The consolidated financial statements were authorised for issue by the Board of Directors on 12 August 2021. According to the Swiss Code of Obligations, the company is not obliged to prepare consolidated financial statements. It has prepared them voluntarily. Voluntary consolidated financial statements were prepared for the first time in the 2019 financial year.

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 company's functional currency. All financial information presented in Euro has been rounded to the nearest thousand, except where otherwise indicated.

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

Local currencies	Conversion rate	2020	2019
CHF	Deadline	0.92456	0.91996
	Average	0.93414	0.89889
USD	Deadline	0.81417	0.89980
	Average	0.87634	0.89320

4. Consolidation principles

(a) Business combinations

The Group accounts for business combinations using the purchase method when the Group has obtained control. The consideration transferred in the acquisition and the identifiable net assets acquired are generally measured at fair value. Any goodwill arising is tested annually for impairment. Any gain arising on an acquisition at a price below fair value is recognised immediately in profit or loss. Transaction costs are expensed immediately unless they are associated with the issue of debt instruments or equity investments. The consideration transferred does not include any amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration obligation is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and a settlement is accounted for 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 recognised in profit or loss.

(b) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(c) Non-controlling interests

Non-controlling interests are initially measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. 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

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

(e) Investments in financial assets accounted for using the equity method

The Group's investments in equity-accounted investees include investments in an associate.

Associates are entities in 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 recognised at cost, which includes transaction costs. After initial recognition, the consolidated financial statements include the Group's share of the comprehensive income of the investments accounted for using the equity method until the date that significant influence or joint control ceases.

(f) Transactions eliminated on consolidation

Intra-group balances and transactions and all unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised gains on transactions with companies accounted for using the equity method are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same manner as unrealised 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 to the consolidated financial statements with overall effect. The valuation basis is the historical acquisition and production costs, unless a standard or an interpretation prescribes a different valuation basis for a financial statement item. In this case, it is explicitly mentioned in the accounting principles. Wherever an accounting policy can be specifically assigned to a note, it is explained in the corresponding note.

These financial statements are the IFRS consolidated financial statements of the LION E-Mobility Group.

The following section also explains the impact of new IFRSs 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 consolidated financial statements and the Group's performance.

The LION E-Mobility Group applies all mandatory IFRSs and Interpretations effective 1 January 2020 for all periods presented, from 1 January 2020 to 31 December 2020.

Distinction between current and non-current items in the balance sheet

The balance sheet is classified according to the maturity of the assets and liabilities. Assets and liabilities are generally considered to be 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 necessary for the service production process and ending with the receipt of cash or cash equivalents as consideration for the sale of the products or services produced in this process.

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

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

Foreign currency

Transaction 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 at the reporting date are translated into the functional currency at the closing rate. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated at the exchange rate prevailing at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Currency translation differences are generally recognised in profit or loss for the period and reported within finance costs.

Foreign business operations

Assets and liabilities from foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into euro at the closing rate on the reporting date. Income and expenses from foreign operations are translated using the exchange rate at the date of the respective transaction.

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 und Interpretation, that are not yet mandatory

The International Financial Reporting Standards and Interpretations published in 2019 were applied from the beginning of the 2020 financial year:

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

New standards or interpretations as well as revision and amendment of standards and interpretations that were not yet mandatory as at 31.12.2020:

New Standards and Interpretations	Effective date (IASB)
IFRS 17 Insurance Contracts including Amendments to IFRS 17*	January 1st, 2023

Revision and amendment of standards and interpretations	Effective date (IASB)
Covid-19-related rental concessions (amendment to IFRS 16)	June 1st, 2020
Reform of reference interest rates- Phase 2 (amendments to IFRS 9, IAS 39, IFRS 16)	January 1st, 2021
Annual improvement to IFRS 2018-2020 - various standards	January 1st, 2022
Property, Plant and Equipment: Revenue from Intended Use (Amendment to IAS 16)	January 1st, 2022
Reference to the Framework (amendment to IFRS 3)	January 1st, 2022
Onerous contracts- Costs of fulfilling a contract (Amendments to IAS 37)	January 1st, 2022
Classification of liabilities as non-current or current (amendments to IAS 1)	January 1st, 2023

(c) Discretionary decisions and scope for estimation

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 the assets, liabilities, income and expenses and their presentation. These estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual values may differ from these estimates. The estimates and assumptions are reviewed on an ongoing basis. Changes may be necessary if the circumstances on which the estimates are based have changed or if new information and additional findings become available. Such changes are recognised in the period in which the estimate is revised.

The most important assumptions about future developments as well as the most important sources of uncertainty in the estimates that could require significant adjustments to the assets and liabilities recognised in the balance sheet are explained in further detail in the following notes:

a. Revenue recognition: see Annex 7

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

b. Receivables: see Annex 12

c. Provisions see Annex 23

d. Deferred Taxes see Annex 11

(d) Assumption of ability to continue as a going concern

The LION E-Mobility Group does not consider its ability to continue as a going concern to be at risk. Those responsible for the management of the Company are of the opinion that the forecast calculations for the years 2021, 2022 and 2023 show sufficient coverage of the costs of building up the Group's business. At the same time, the management believes that the Group has sufficient equity and liquidity. For this reason, a continuation of the Group's business activities was assumed in the recognition and measurement of assets and liabilities.

Section 2: Result of the year

6. Business segments

A. Fundamentals of segmentation

The Group operates in an industry segment that includes the development, production and sale of batteries and related consulting services. Allocation of resources and performance assessment is done at Group level. The Group is not organisationally divided into different business units, neither in terms of management structure nor in terms of internal reporting. The CODM is the Executive Board of the company.

B. Company -wide disclosures and disaggregation of revenues

The group operates in the sales markets of Germany, Europe and North America. All sales markets were grouped together as they have similar economic characteristics and similar framework conditions. Accordingly, they are not further disaggregated below. Revenues in the Integration Business were realised in Canada (Euro 13.599 million). In addition, there were sales in Germany (Euro 0.215 million) and Europe (Euro 4.613 million). No sales were realised in the company's country of domicile (Switzerland).

The main non-current assets are located in Germany.

The group achieved sales successes with the following major customer groups:

	January 1st to December 31st	
In EUR	2020	2019
Sales and revenues		
Industrial customers	18,171,416	1,231,227
Public customers (EU funded projects)	255,949	523,456
Total	**18,427,365**	**1,754,683**

7. Revenue recognition

A. Significant Accounting principals

Revenue is measured based on the consideration specified in a contract with a customer. It is recognised over the period (or at the time) of transfer of control of goods or services from entities.

Significant assumptions and estimation

Revenue is recognised using the five-phase model set out in IFRS 15. In the case of development services that meet the criteria for recognising revenue over a period of time, the company must assess which method of recognition best represents its own performance in terms of the company's performance up to the balance sheet date. For development services, progress is usually determined using the cost-to-cost method, with further judgement required at each reporting date regarding the effective progress of the project and the appropriateness of the ratio determined and existing payment entitlements.

Revenue from development services for prototypes and battery products, as well as other consulting services, is recognised as described below.

B. Type of products and services

The Group generates its revenues mainly through the sale of battery development consulting services and the sale of battery products, especially in the field of prototyping. See also note 6.

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

I. Construction and development of prototypes and battery products, as well as individual electrification solutions and provision of consulting

Products and services	Type and time of fulfillment of the performance obligation, including essential payment terms	Revenue recognition method
Development services (prototype developments)	The LION E-Mobility Group builds prototypes and battery products for customers according to customer-specific specifications and requirements, developing both hardware and software components into a holistic solution. Projects are partly started after receipt of an advance payment by a customer. These are recognized as contract liabilities. Invoices are issued in accordance with contractual agreements and are generally payable within 30 days. Amounts not invoiced are recognized as contract assets. Project duration depends on the complexity of the design. However, projects generally do not extend beyond 12 months. There are usually no or insignificant costs (commissions, agent fees) associated with contract arrangements.	Revenue is recognized over a period of time using the cost-to-cost method. The associated costs are recognized in profit or loss as incurred. If it is not possible to recognize revenue over a specific period (IFRS 15.35), revenue is recognized on a time basis. A development project started in the 2020 financial year was completed in June 2021.
Electrification solution and integration services (Integration Business)	LION Smart GmbH provides individual electrification solutions in which ready-made battery storage systems are used. Depending on the customer, 400 volt or 800 volt applications result. The payment terms for these individual electrification solutions are depending on the customer 30 days or by advance payments.	The individual development services provided in connection with the customer are accrued on a time-period basis.
Consulting & Testing Services	The LION E-Mobility Group provides individual consulting and testing services by agreement. Invoicing takes place after each completed order, whereby these usually extend over less than 12 months.	Revenue is recognized when the consulting services have been rendered in full in accordance with contractual agreements.

C. Disaggregation of revenue from contracts with customers

The Group's total turnover for the year under review came mainly from the integration business. In the previous year, the turnover came mainly from development projects.

D. Contract balances

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

	December 31st	
In EUR	**2020**	**2019**
Receivables included in trade and other receivables	1,477,554	267,558
Contract assets	2,128,366	37,107
Contract liabilities	99,693	369,233

Trade receivables relate to claims due from customers.

The contract assets relate to the projects with customers that have not yet been completed. As at the balance sheet date, the projects are valued at direct personnel costs, material costs and appropriate overheads.

The contract liabilities as at the balance sheet date mainly relate to advance payments received from customers on the basis of agreed development and service contracts. In the 2020 financial year, the contract liabilities of Euro 369,233 recognised as of 31 December 2019 have been fully recognised as revenue, with the exception of one project of Euro 20,296 which will be completed in the next financial year.

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

8. Other operating income and Expense

A. Other operating income

	January 1st – December 31st	
In EUR	**2020**	**2019**
Income from the reversal of provisions	43,052	218,138
Other operating income	22,134	200,227
Total	**65,186**	**418,365**

B. Other operating expense

In EUR	Notes	January 1st – December 31st 2020	2019
Management Consulting		1,191,520	415,631
Legal advice		213,927	269,181
Share-based payments Board of Directors	10	107,511	253,776
Losses from the disposal of fixed assets		41,438	160,908
Audit fees, tax consulting, accounting		212,174	93,056
Repairs and maintenance		116,093	77,566
Stock exchange listing		55,023	73,074
Withholding tax		14,500	70,000
Advertising and travel expenses		26,973	69,755
Other		1,741,888	567,977
Total		**3,721,048**	**2,050,944**

The remaining other operating expenses mainly concern costs for the delivery of goods, insurances and duties, costs for premises, vehicle costs as well as the addition to other provisions in the area of follow-up costs. The increase in other operating expenses is mainly due to the expansion of business operations (North America) and the corresponding expenses.

9. Earnings per share

A. Significant Accounting principles

The calculation of basic earnings per share is based on the profit attributable to ordinary 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 profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding after adjusting for the dilutive effect of potential ordinary shares, as shown below.

B. Attribution of profit (loss) per shareholder (basic and diluted)

	January 1st – December 31st 2020	2019
Denominator		
Loss attributable to the holders of the shares, in EUR thousand	-925,238	*-1,708,357*
Counter		
Ordinary shares issued as of January 1st	***9,239,992***	**7,680,207**
Effects treasury shares	-10,500	-10,500
Effects of newly issued shares in the context of capital increases	792,641	747,089
Weighted average number of ordinary shares at December 31st	10,032,633	*8,416,796*
Earnings per share, in EUR Undiluted / diluted	**-0.092**	**-0.203**

Section 3: Employee Benefits

10. Employee benefits and share-based payments

A. Significant accounting policies

Short-term employee benefits

Obligations for short-term employee benefits are recognized as an expense when the related service is rendered. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay that amount as a result of employee service rendered and the obligation can be estimated reliably.

Share-based payment arrangements

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

Defined contribution plans

Obligations for contributions to defined contribution plans are recognized as an expense when the related service is rendered. Prepaid contributions are recognized as an asset to the extent that a right to a refund or a reduction in future payments arises.

Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the future benefit that employees have earned in exchange for work performed in the current and prior periods. These benefits are discounted to determine their present value. Remeasurements are recognized in profit or loss in the period in which they occur.

B. Share-based compensation

The compensation of the Board of Directors is made by issuing shares with cash payment of the nominal value by the beneficiaries on the basis of a proposal by the Compensation Committee, and approval by the Annual General Meeting. The valuation of the allocated shares at the balance sheet date was based on the last available stock market price, taking into account the number of shares allocated to the members of the Board of Directors. The value of 107,511 euros is included in other operating expenses.

For the Group, this results in a resulting expense in the amount of the withholding tax incurred (EUR 14,500), which is included in other operating expenses. At the end of the fiscal year, these withholding taxes are included in other current liabilities. Further details can be found in the remuneration report of LION E-Mobility AG.

C. Employee benefits

The Group does not have a significant employee benefit plan.

D. Personnel obligations

Personnel obligations are as follows:

In EUR	December 31st 2020	December 31st 2019
Accruals for vacation and overtime	169,332	57,995
Other	37,841	268,643
Total personnel obligations	**207,173**	**326,638**

The personnel obligations as at 31 December 2020 are shown under provisions (EUR 169,332) as well as under other liabilities (EUR 37,841).

E. Personnel expense

In EUR	January 1st – December 31st 2020	January 1st – December 31st 2019
Wages and salaries	1,963,310	1,968,176
Equity-settled share-based payment transactions	-	172,602
Social security contributions	376,558	338,000
Total	**2,339,868**	**2,478,778**

The share-based remuneration of the Board members is reported under other operating expenses. For 2020, this amounted to a total of EUR 107,511. (2019: EUR: 253,776).

Section 4: Income Taxes

11. Income Taxes

A. Significant accounting policies

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or to an item recognised directly in equity or in other comprehensive income.

Actual Taxes

Current tax is the expected tax payable or receivable on the taxable income or tax loss for the year, based on tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of the expected tax liability or tax receivable reflects the best estimate, taking into account tax uncertainties, if any. Current tax liabilities also include any tax liabilities that arise as a result of the assessment of dividends.

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

Deferred Taxes

Deferred tax is recognised in respect of 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 initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit nor taxable profit.
- 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 they will not reverse in the foreseeable future.
- taxable temporary differences on initial recognition of goodwill

A deferred tax asset is recognised 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 utilised. Future taxable profits are determined on the basis of the reversal of taxable temporary differences. If the amount is not sufficient to fully capitalise deferred tax assets, the 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 at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised; reversals of impairment losses are recognised when the probability of future taxable profits improves.

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

Deferred tax is measured at the tax rates that are expected to apply to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. Deferred taxes reflect any uncertainty in income taxes.

The measurement of deferred tax reflects the tax consequences that would follow from the Group's expectations about the manner in which the carrying amounts of its assets will be recovered or its liabilities settled at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if certain conditions are met.

B. Taxes recognized in profit or loss:

	January 1st – December 31st	
In EUR	2020	2019
Actual tax income (expense)		
Current year	-7,952	-305
Adjustments for previous years	-	-
	-7,952	-305
Deferred tax income (expense)		
Deferred tax liabilities due to temporary differences	-46,768	-217,474
Reduction tax rate	-	-
Deferred tax assets due to tax losses	475,794	499,966
Recognition of previously unrecognized (derecognition of previously recognized) deductible temporary differences		
	429,026	282,492
Total tax income (expense)	**421,074**	**282,187**

The capitalization of deferred taxes is based on the positive business expectations for the coming years. In addition, loss carryforwards at the operating company in Germany (LION Smart) can be carried forward indefinitely. This applies to corporate income tax, trade tax and the solidarity surcharge. The tax rate was set at 30%.

C. Taxes recognized in other comprehensive income

Other operating expenses include withholding taxes of EUR 14,500 (previous year: EUR 70,000).

D. Reconciliation of the effective tax rate

The applicable tax rate corresponds to the average tax rate of the Group companies. There are no material reconciliation items to the effective tax rate in 2020 and 2019. The average tax rate of the only operating company, LION Smart GmbH, is approximately 30% (corporate income tax, trade tax, solidarity surcharge).

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 carryforwards due to the net losses generated.

F. Unrecognized deferred tax liabilities

As of December 31, 2020, there are no unrecognized deferred tax liabilities.

G. Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items because it is not probable that future taxable profit will be available against which the Group can utilize the deferred tax assets. The following loss carryforwards of LION E-Mobility AG were not recognized as tax assets:

	Total	2020	2019	2018	2017	2016	2015	2014
Society								
LION AG, Baar, Switzerland								
Result for the year, CHF	-5,294,772	-487,870	-1,169,080	-2,199,850	-778,557	-146,134	-227,953	-218,715
Losses, usable, CHF	-5,294,772	-487,870	-1,169,080	-2,199,850	-778,557	-146,134	-227,953	-218,715
LION INC, North America								
Result for the year, USD	-28,604	379,837	-186,967	-221,474				
Losses usable, USD	-28,604	379,837	-186,967	-221,474				

H. Uncertainties about income taxes

There are no material uncertainties regarding the reported tax positions.

Section 5: Assets

12. Trade and other receivables

A. Significant accounting policies

Trade and other receivables are recognized from the date on which they are incurred. Trade and other receivables without a significant financing component are initially recognized at transaction price and subsequently measured at amortized cost. Impairment losses on trade and other receivables are always measured at the amount of the expected credit loss over the term of the receivable. Further information on impairment losses and existing credit and market risks can be found in Note 24.

B. Composition of trade and other receivables

	December 31st	
In EUR	**2020**	**2019**
Accounts receivables (third parties)	1,477,554	267,558
Receivables to at equity companies	510,000	107,218
Other receivables	122,076	311,260
Total	**2,109,630**	**686,036**

Trade receivables relate to (partially) invoiced projects with customers.

Other receivables mainly relate to refund claims from input tax and receivables from funding projects with 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

Recording and evaluation

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The lower limit for capitalization is EUR 800, below which the expenditure is recognized directly in the income statement. Expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Group.

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

Any gain or loss arising on the disposal of an item of property, plant and equipment is recognized in profit or loss.

Depreciation

Depreciation is calculated to write off the cost of property, plant and equipment less their estimated residual values on a straight-line basis over the period of their estimated useful lives. Depreciation is generally recognized in profit or loss. Land is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

- Machines 7 Years
- Fleet 4 Years
- Tenant fixtures 5 Years
- Computer 3 Years

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

B. Reconciliation of the carrying amount

	Rights of use	Property, plant and equipment		
in EUR	Business premises, car	Technical equipment and machinery	Operating and business equipment	Total property, plant and equipment
Acquisition and production costs				
Status as of January 1st, 2019	524,576	63,017	701,526	764,543
Additions	60,427	19,645	14,193	33,838
Disposals	-		(405,402)	(405,402)
Status as of December 31st, 2019	**585,003**	**82,662**	**310,317**	**392,979**
Additions		38,272	479,223	517,495
Disposals	(7,689)	-	(39,187)	(39,187)
Net translation differences	-	-		-
Status as of December 31st, 2020	**577,314**	**120,934**	**750,353**	**871,287**
Accumulated depreciation and impairment losses				
Status as of January 1st, 2019	69,288	28,617	152,531	181,148
Depreciation	75,853	6,863	59,228	66,091
Impairment losses	-	-	-	-
Disposals			(46,509)	(46,509)
Status as of December 31st, 2019	**145,141**	**35,480**	**165,250**	**200,730**
Depreciation	89,928	11,125	166,937	178,062
Impairment losses	-	-	-	-
Disposals	(1,622)	-	(21,700)	(21,700)
Status as of December 31st, 2020	**233,447**	**46,605**	**310,487**	**357,092**
Carrying amounts				
As of January 1st, 2019	455,288	34,400	548,995	583,995
As of December 31st, 2019	439,861	47,183	145,066	192,248
At December 31st, 2020	**343,867**	**74,331**	**439,866**	**514,197**

15. Intangible Assets

A. Significant accounting policies

Recognition and measurement, and amortization of development assets

Expenditure on research activities is recognized in profit or loss as incurred.

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

Development expenditure capitalized as of December 31st, 2020 is not yet ready for use and is therefore not yet subject to amortization. The useful life is estimated when the asset is ready for use and is reviewed at each balance sheet date.

Intangible assets not yet ready for use are reviewed annually for impairment.

B. Reconciliation of the carrying amount

in EUR	Notes	Concessions, industrial property rights, other rights and licenses	Development Costs	Total
Acquisition and production costs				
Status as of January 1st, 2019		151,757	1,188,543	1,340,300
Additions from acquisition		24,602	-	24,602
Additions from internal development		-	724,912	724,912
Disposals		-	-	-
Status as of December 31st, 2019		**176,359**	**1,913,455**	**2,089,814**
Additions from acquisition		35,269	-	35,269
Additions from internal development		-	172,689	172,689
Disposals		-	-	-
Balance as of December 31st, 2020		**211,628**	**2,086,144**	**2,297,772**
Accumulated depreciation and impairment losses				
Status as of January 1st, 2019		73,214	-	73,214
Amortizations		23,104	-	23,104
Impairment loss		-	-	-
Disposals		-	-	-
Balance as of December 31st, 2019		**96,318**	**-**	**96,318**
Amortizations		34,062	-	34,062
Impairment loss		-	-	-
Disposals		-	-	-
Status as of December 31st, 2020		**130,380**	**-**	**130,380**
Carrying amounts				
As of January 1st, 2019		78,543	1,188,543	1,267,086
As of December 31st, 2019		80,041	1,913,455	1,993,496
As of December 31st, 2020		**81,248**	**2,086,144**	**2,167,392**

16. Financial assets accounted for using the equity method

A. Significant accounting policies

The significant accounting and consolidation policies for investments accounted for using the equity method are disclosed in note 4.

B. Reconciliation of the carrying amount

In EUR	2020	2019
Financial assets accounted for using the equity method		
Carrying amount at January 1st	**3,719,545**	**3,220,877**
- Proportionate result	521,530	498,669
- Dividend	-	-
Carrying amount at December 31st, 2020	**4,241,075**	**3,719,546**

The shares in TÜV SÜD Battery Testing GmbH, of thirty percent, which are held directly by LION Smart GmbH, Garching, were measured using the equity method.

The table below summarizes the financial information of TÜV SÜD Battery Testing GmbH. TSBT is accounted for in accordance with IFRS.

In EUR	2020	2019
Property share	**30%**	**30%**
Fixed Assets	20,764,684	13,511,833
Current assets	9,400,153	9,215,757
Non-current liabilities	-13,088,550	-7,778,135
Current liabilities	-2,939,371	-2,550,971
Net assets (at 100%)	**14,136,916**	**12,398,484**
Carrying amount of the share in the associated company (30%)	**4,241,075**	**3,719,546**
Sales	12,080,912	10,594,762
Profit before taxes	2,436,141	2,305,568
Taxes on income and earnings	-697,708	-643,343
Net income of the year	1,738,433	1,662,225
Group share of total comprehensive income (30%)	**521,530**	**498,668**

17. Loans and other financial assets

Other financial assets amounting to EUR 2 (2019: EUR 2) relate to shares in companies in which no significant influence exists and which were already impaired in 2018 down to a pro memoria value.

In EUR	2020	2019
Loans to associated companies (in balance sheet item, loans and other financial assets)		
Carrying amount at January 1st	**1,800,000**	**-266,963**
Repayment	-150,000	-150,000
Interest paid		-9,745
Deferred interest		-
Reclassification to receivables from companies in which participations are held		-107,218
New loan extended 1		1,140,000
New loan extended 2	600,000	660,000
Carrying amount at December 31st	**2,250,000**	**1,800,000**

The loans amounting to EUR 2,250,000 relate to Tüv Süd Battery Testing, in which LION Smart GmbH holds 30% of the shares. Loan 1, with a nominal value of EUR 1,140,000, matures on November 30, 2025 and bears interest at 1.75% above the 3-month EURIBOR. Loan 2, comprising a nominal value of Euro 1,260,000, was disbursed in two tranches in December 2019 and January 2020. It matures on November 30, 2024 and bears interest at 3.00% above the 3-month EURIBOR. In fiscal year 2020, EUR 150,000 was repaid as scheduled.

The loans from 2019 and 2020 related to loans to companies with which there was an investment relationship.

The non-current loans of EUR 1,740,000 are reported under non-current assets, the remainder of EUR 510,000 is current and accordingly reported under current assets. The total carrying amount of EUR 2,250,000 corresponds to the estimated fair value as of the balance sheet date.

18. Leases

A. Significant accounting policies

As lessee

Initial evaluation

Leases are recognized as right-of-use assets and corresponding lease liabilities from the date on which the leased asset is available for use by the Group.

Initial measurement of lease liabilities

Lease liabilities are recognized at the present value of lease payments receivable at the origination date, discounted at the Group's incremental borrowing rate because the interest rates implicit in the leases are not readily determinable.

To determine its incremental borrowing rate, the Group obtains interest rates from various external financial sources and makes certain adjustments to reflect the lease terms and the nature of the asset.

Initial valuation of the rights of use

At the provision date, the Group measures the right-of-use asset 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;

- all initial direct costs incurred, and
- an estimate of the costs incurred to dismantle and remove the underlying asset, restore the site on which it is located, or restore the underlying asset to the condition required by the lease terms, if such costs are not incurred to produce inventory.

Subsequent measurement

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

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

    Each lease payment is apportioned between the liability and finance charges. Finance charges are recognized in profit or loss over the lease term 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 amortizes rights of use on a straight-line basis. The amortization period covers the period from the provision date to the earlier of the end of the asset's useful life and the end of the lease term.

Current leases and leases of low-value assets

Payments related to short-term leases and leases of low-value assets are recognized as an expense in the income statement on a straight-line basis. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise 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 recognized in the balance sheet

The balance sheet shows the following amounts in respect of leases:

	As of December 31st	
In EUR	**2020**	**2019**
Rights of use	**343,867**	**439,861**
Building	310,148	386,000
Business vehicles	33,719	53,861

Maturities of lease liabilities

	Fiscal year	
In TEUR	**2020**	**2019**
Due dates		
Between one and five years	365,308	383,257
More than five years	0	64,678

Amounts recognized in the income statement

The following amounts from leases are recognized in the income statement:

	December 31st	
In EUR	2020	2019
Amortization of rights of use	**89,430**	**75,853**
Building	69,288	69,288
Business vehicles	20,142	6,565

	December 31st	
In EUR	2020	2019
Interest expenses for lease liabilities	**14,836**	**16,456**
Interest	14,836	16,456

	December 31st	
In EUR	2020	2019
Expenses for off-balance sheet leases		
Expenses for short-term leases	-	-
Expenses for low-value leases	-	-

Amounts recognized in the cash flow statement

The following amounts from leases are reported in the cash flow statement:

	December 31st	
In EUR	2020	2019
Total cash outflows for leases	88,751	83,263

Section 6: Equity and Liabilities

19. Share capital and reserves

A. Subscribed capital and capital reserve

The shareholders of LION E-Mobility AG are entitled to the dividend declared in each case and to one vote per share at the Company's Annual General Meetings. With regard to the shares in the Company held by group companies, all rights are suspended until these shares are reissued.

As of the balance sheet date, the share capital of LION E-Mobility AG amounted to EUR 1,162,236 (CHF: 1,304,242) (previous year: EUR 1,067,380; CHF 1,201,199)) and is divided into 10,032,633 bearer shares (previous year: 9,239,992) with a par value of EUR 0.1196 (CHF 0.13).

	Number Shares	Share capital (EUR)	Share capital (CHF)
Balance as of 1/1/2020	**9,239,992**	**1,067,380**	**1,201,199**
Share capital increase October 14th, 2020	122,641	14,646	15,943
Share capital increase October 29th, 2020*	670,000	80,210	87,100
Balance as of 12/31/2020	**10,032,633**	**1,162,236**	**1,304,242**

*According to commercial register: 13.11.2020

The share capital is fully paid in.

B. Conditional Capital

On 31 December 2020, LION E-Mobility AG has conditional capital of a maximum of CHF 793,584 bearer shares with a par value of CHF 0.13. Only employees of the Company and of subsidiaries are entitled to subscribe.

C. Authorised Capital

At the Annual General Meeting held on 30 June 2020, the Board of Directors was authorised to increase the authorised capital by a maximum of CHF 302,900 by issuing 2,330,000 new registered shares at a nominal value of CHF 0.13 per share until 30 June 2023 at the latest.

D. Nature and purpose of the reserves

The capital reserve of EUR 14,901,470 (2019: EUR 12,971,681) includes contributions made by shareholders in the context of capital increases. The increase results from grants in the context of the two capital increases carried out in the reporting year, cf. explanations under section A. The reserve for exchange rates includes all foreign currency differences resulting from the translation of financial statements of foreign companies into EUR. The reserve for the company's own shares comprises the acquisition costs of the company's shares held by the Group. At 31 December 2020, the Group held 10,500 shares in the company (2019: 10,500 shares).

The reserves for the SOP programme reported under capital reserves relate to the shares issued for employees of LION Smart GmbH and the Board of Directors of LION E-Mobility AG. The addition of the 2020 financial year relates solely to the proposal of the Remuneration Committee for the Board of Directors for the 2020 financial year based on the share price as at 31 December 2020. The final remuneration of the Board of Directors is the responsibility of the Annual General Meeting. In this respect, there may be deviations between the proposal and the final determination. The resulting balance sheet adjustment is made accordingly in the year of the resolution by the general meeting (here 2021 for 2020).

E. Dividends

No dividend was declared or paid by the company (2019: none).

20. Capital Management

The Group views capital as 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.

Management increases the amount of share capital through contributions from strategic investors in the interest of sustainable development.

21. Liabilities to banks

A. Accounting principles

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

B. Reconciliation book value and assumptions

			December 31st	
In EUR	*Currency*	*Nominal-interest rate*	2020	2019
Bank loan 1	EUR	3.35% *	-	125,000
			-	-
Short- term			-	125,000
Long-term			-	-

* 3 month 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 was repaid as scheduled on 30 September 2020.

Information on the Group's exposure to interest rate, currency and liquidity risks can be found in Note 24.

22. Trade liabilities and other liabilities

A. Accounting principles

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

B. Summary book value

In EUR	December 31st 2020	2019
Trade accounts payable		
Trade accounts payable	3,223,847	165,160
Other liabilities		
Other liabilities	359,624	573,582

Trade accounts payable 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 still to be paid and payroll tax for personnel expenses already paid.

23. Provisions and contingent liabilities

A. Significant accounting policies

The amount of the provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is presented as a finance cost.

Other accruals mainly relate to personnel obligations from vacation not yet taken, overtime and variable income components. In addition, provisions are recognized for outstanding purchase invoices, internal and external audit costs, and subsequent costs.

For reasons of prudence, provisions of EUR 1,175,585 have been taken into account for the development project not completed in the 2020 financial year. With regard to the expected outflow of benefits, we assume that the majority will be utilized in fiscal 2021. Possible uncertainties have been taken into account as far as possible in the valuation of the provisions.

B. Details of provisions

in EUR	Notes	Personnel expenses Accruals	Other accrued liabilities	Total
Balance as of January 1st, 2020		**330,653**	**302,512**	**633,165**
Provisions formed		262,970	1,555,248	1,818,218
Provisions used		(300,212)	(203,440)	(503,652)
Resolutions		(30,441)	(12,611)	(43,052)
Accumulated interest		-	-	-
Status as of December 31st, 2020		**262,970**	**1,641,709**	**1,904,679**
Long-term		-	-	-
Short-term		262,970	1,641,709	1,904,679
		262,970	**1,641,709**	**1,904,679**

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 recognized from the date on which they arise. All other financial assets and liabilities are initially recognized on the trade date when the entity becomes a party to the contractual provisions of the instrument.

A financial asset (other than a trade receivable without a significant financing component) or financial liability is measured initially at fair value. For an item that is not measured at FVTPL, 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 transaction price.

Classification and subsequent measurement

Financial assets - initial recognition

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

- at amortized 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 fair value recognized in profit or loss)

Financial assets are not reclassified after initial recognition unless the Group changes its business model for managing the financial assets. In this case, all affected financial assets are reclassified on the first day of the reporting period following the change in 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 within 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 at specified times that are solely payments of principal and interest on the principal outstanding.

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

- It is held within 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 result in cash flows at specified times that represent solely principal and interest payments on the principal outstanding.

Upon initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to recognize subsequent changes in the fair value of the investment in other comprehensive income. This election is made on a case-by-case basis for each investment.

All financial assets that are not measured at amortized 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 as FVTPL if doing so would eliminate or significantly reduce an accounting mismatch that would otherwise arise.

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 through profit or loss	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment losses are recognized in profit or loss. A gain or loss on derecognition is recognized in profit or loss.

The Group does not have any 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 2019 and 2020 periods are measured at amortized 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 amortized 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 expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expenses and foreign currency translation differences are recognized in profit or loss. Gains or 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 it transfers the rights to receive the cash flows in a transaction that also transfers substantially all the risks and rewards of ownership of the financial asset.

Derecognition also occurs when the Group neither transfers nor retains substantially all the 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 of 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 when its contractual terms are modified and the cash flows of the modified liability are significantly different. In this case, a new financial liability is recognized at fair value based on the adjusted terms. On derecognition of a financial liability, 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 profit or loss.

Offsetting

Financial assets and liabilities are offset and presented in the balance sheet as a net amount when the Group has a present enforceable legal right to set off the recognized amounts and it is intended either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Impairment

Financial instruments and contract assets

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

- financial assets measured at amortized cost

- Contract Assets.
- other receivables.

The Group measures the allowance for loan losses at the amount of expected credit losses over the life of the loan, except for the following allowances, which are measured at the amount of the 12-month expected credit loss: debt instruments that have a low risk of default as of the balance sheet date, and

- other debt instruments and bank balances for which the risk of default (e.g. credit risk over the expected life of the financial instrument) has not increased significantly since initial recognition.

Allowances for trade receivables (including lease receivables) and contract assets are always measured at the amount of the expected credit loss over the term of the asset.

The Group considers a financial asset to be in default when: it is unlikely that the debtor will be able to pay its credit 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 life of the financial instrument.

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

The maximum period to be considered in 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 reporting date whether financial assets at amortized cost or debt instruments at FVOCI are credit impaired. A financial asset is credit-impaired if one or more events occur that have an adverse effect on the expected future cash flows of the financial asset:

Indicators that a financial asset is credit-impaired include the following observable inputs:

- 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
- likelihood that the debtor will enter bankruptcy or other reorganization proceedings; or
- 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 establishing and controlling Group risk management. It performs this task at least once a year and assesses the risks material to 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 counterparty to a financial instrument fails to meet its contractual obligations. Default risk arises principally from the Group's trade receivables and debt securities held as financial assets.

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

The Group recognized impairment losses due to effective defaults on trade receivables and contract assets of EUR 0 (prior year: EUR 0) in fiscal year 2020.

Cash and cash equivalents

Cash and cash equivalents consist of bank balances with financial institutions that have a first-class rating. There were no significant changes in fiscal 2020 and 2019.

Trade 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 allowed under IFRS 9. It uses an appropriate allowance matrix to measure the expected credit losses of trade receivables from individuals. The Group calculates the historical default rates of the last 3 years, adjusting the default rates based on an assessment of the future outlook and macroeconomic considerations if necessary.

Trade receivables and contract receivables are all allocated to the geographical area Germany and Europe. The default risk is considered to be low.

In the current year, impairment losses on trade and contract receivables amounting to EUR 0 thousand were calculated and recognized (previous year: EUR 0 thousand).

III. Liquidity risk

Liquidity risk is the risk that the Group may not be able to meet its financial obligations as contractually agreed by delivering cash or another financial asset. The Group's liquidity management is designed to ensure that, as far as possible, sufficient cash and cash equivalents are available at all times to meet payment obligations as they fall due under both normal and stressed conditions without incurring unacceptable losses or damage to the Group's reputation.

The Group performs regular forecasting to manage the change in cash balances 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 associates:

Company name	Shares*	Consolidation method
in TEUR	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

*There were no changes in the shares and consolidation methods compared with the previous year.

Section 9: More Information

26. Related Parties

A. Parent Company

The parent company of the Group is LION E-Mobility AG, headquartered in Baar, Switzerland.

B. Transactions with management and the Board of Directors

The compensation of the management is based on arm's length conditions. The members of the Board of Directors receive compensation in the form of shares in 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 following Annual General Meeting. Further details can be found in the Compensation Report, which is published on the Company's website.

		January 1st – December 31st	
In EUR	Notes	2020	2019
Services due at short notice*		-	556,493
Benefits after termination of employment		-	178,069
Share-based payment		107,511	-
Share-based payments for 2017, 2018 and 2019*	10	-	426,378
Total		**107,511**	**1,160,940**

*The shares related to the share-based payment programs will not be formally issued until 2020. The balance was therefore still fully outstanding as of December 31, 2019, as well as EUR 70 thousand in withholding taxes included in short-term benefits. In 2020, the compensation of the Board of Directors will be based on a proposal of the Compensation Committee. The valuation as of December 31, 2020 was based on the last available stock exchange price and was converted using the average CHF/ EUR exchange rate. The final compensation of the Board of Directors will be decided by the Annual General Meeting. Possible deviations from the proposal of the Compensation Committee will be accounted for in the following year.

Further details can be found in the Compensation Report, which is published on the Company's website.

27. Events after the balance sheet date

At the Extraordinary Virtual General Meeting on February 4, 2021, the shareholders of LION E-Mobility AG approved an amendment to the Articles of Association that was necessary to convert the issued bearer shares into registered shares. As of 2/24/2021, the shares will be traded as registered shares under ISIN CH0560888270.

Report of the independent auditor on the audit of the consolidated financial statements

To the Board of Directors of LION E-Mobility AG, Baar

Limited audit opinion

We have audited the consolidated financial statements of LION E-Mobility AG and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section, the consolidated financial statements give a true and fair view of the financial position of the Group as of December 31, 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for the qualified audit opinion

In the income statement of the current fiscal year, the Group reports revenues from the sale of batteries to end customers in the amount of EUR 13,044 thousand. Correspondingly, the goods are recognized in cost of materials in the amount of EUR 11,785 thousand. However, since the Company does not acquire economic ownership of the goods and transfer this to the end customer, but acts as an intermediary between the supplier and the end customer, only the commission income (net presentation) is recognized as revenue in the income statement. Sales and the cost of materials are both overstated by EUR 11,785 thousand. This does not have any effect on the annual result.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Group in accordance with Swiss law and the requirements of the profession and the International Code of Ethics for Professional Accountants (including International Independence Standard) issued by the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Particularly important audit matters

REVENUE RECOGNITION

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were considered in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion section, we are required to report on the following key audit matters:

<u>Audit Subject</u>

The consolidated financial statements of the LION E-Mobility Group show revenue of EUR 18.45 million for the financial year 2020, which mainly results from development services for customers, including related sales of battery products in the area of prototyping.

Revenue from development services is measured based on the consideration specified in a contract with a customer. It is recognized over the period in which control of the development services is transferred from the entity.

When recognizing revenue over a period of time, an appropriate method of recognition should be chosen that best represents the progress of the project. For the Group's development activities, progress is usually measured by reference to the achievement of performance targets. At each balance sheet date, further judgments are made regarding the effective progress of the project and the reasonableness of the progress calculated on the basis of achieved performance targets and existing payment entitlements, which are subject to a certain degree of discretion.

There is a risk that sales may be overstated due to fraudulent acts, as the management of the Group and local units may feel under pressure to meet sales targets. In addition, sales are an important component for measuring the Group's performance.

Our approach

We have assessed the appropriateness of the Group's accounting policies with respect to revenue recognition by analyzing contractual arrangements.

We validated on a sample basis the existence and accrual of revenue using:

- Reconciliation of the recorded sales with the contractually defined remunerations per performance target
- Verification of the determination of the project progress and validation of the achieved performance targets and existing payment claims by means of inspection of customer confirmations or delivery documents
- Verification of incoming payments

Furthermore, we analyzed manual booking entries in the revenue item as part of the consolidation work with regard to their contractual justification.

We also reviewed the disclosures on revenue recognition in the consolidated financial statements for appropriateness.

Further information on revenue recognition is provided in the following sections of the notes to the consolidated financial statements:
— Appendix 7 "Revenue recognition

Other information in the annual report

The Board of Directors is responsible for the other information in the Annual Report. The other information comprises all information presented in the annual report, with the exception of the consolidated financial statements, the annual financial statements, the compensation report and our related reports.

The other information in the annual report is not the subject of our audit opinion on the consolidated financial statements and we do not express an audit opinion on this information.

As part of our audit of the consolidated financial statements, our responsibility is to read the other information and assess whether it is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there has been a material misstatement of the other information, we are required to report on it. We do not have any comments to make in this regard.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRS, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement, if any. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain a critical mindset throughout the audit. In addition:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures.
- conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the notes to the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. We draw our conclusions based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures in the notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence about the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for directing, supervising and performing the audit of the consolidated financial statements. We are solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with the relevant professional conduct requirements relating to independence and communicate with them any relationships or other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to address any threats or safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure of the matter or, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.