

**CONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF**  
**DECEMBER 31, 2020 AND 2019 AND FOR EACH OF THE**  
**YEARS THEN ENDED**

**IN ACCORDANCE WITH**  
**INTERNATIONAL FINANCIAL REPORTING STANDARDS**  
**(IFRS, AS ISSUED BY IASB)**

**SONO GROUP N.V.**

## CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Note	2020	2019 (as restated)
		kEUR	kEUR
Revenue		-	-
Cost of sales		-	-
<b>Gross profit</b>		-	-
Cost of research and development	7.2	-30,469	-4,937
Selling and distribution expenses	7.3	-9,100	-2,135
General and administrative expenses	7.4	-14,404	-2,417
Other operating income/expenses	7.5	-15	220
Impairment losses on financial assets	7.6	-6	-
<b>Operating loss</b>		<b>-53,994</b>	<b>-9,269</b>
Other interest and similar income	7.7	2	-
Interest and other expenses	7.8	-2,040	-702
<b>Loss before tax</b>		<b>-56,032</b>	<b>-9,971</b>
Taxes on income	7.9	0	-
<b>Loss for the period</b>		<b>-56,032</b>	<b>-9,971</b>
Other comprehensive loss		-21	-
<b>Total comprehensive loss for the period</b>		<b>-56,053</b>	<b>-9,971</b>
<b>Loss per share in EUR</b>	10.4		
Basic/diluted		-1.66/-1.66	-0.30/-0.30
<b>Weighted average number of shares for calculation of earnings per share</b>			
Basic/diluted		33,733,462	33,251,883

## CONSOLIDATED BALANCE SHEETS

	Note	Dec. 31, 2020	Dec. 31, 2019 (as restated)	Jan. 1, 2019 (as restated)
		kEUR	kEUR	kEUR
<b>ASSETS</b>				
<b>Noncurrent assets</b>				
Intangible assets	8.1	16	27	38
Property, plant and equipment	8.2	2,102	2,469	1,458
Right-of-use assets	8.3	1,937	2,235	-
Other financial assets	8.4	41	28	11
		<b>4,096</b>	<b>4,759</b>	<b>1,507</b>
<b>Current assets</b>				
Other financial assets	8.5	5,404	342	82
Other non-financial assets	8.6	579	193	620
Cash and cash equivalents	8.7	43,264	407	1,515
		<b>49,247</b>	<b>942</b>	<b>2,217</b>
<b>Total assets</b>		<b>53,343</b>	<b>5,701</b>	<b>3,724</b>

## Consolidated Balance Sheets

	Note	Dec. 31, 2020	Dec. 31, 2019 (as restated)	Jan. 1, 2019 (as restated)
		kEUR	kEUR	kEUR
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
	8.8			
Subscribed capital		6,468	34	32
Capital and other reserves		71,629	8,489	3,302
Accumulated deficit		-83,123	-27,091	-17,120
		<b>-5,026</b>	<b>-18,568</b>	<b>-13,786</b>
<b>Noncurrent liabilities</b>				
Advance payments received from customers	8.9	38,972	11,164	9,949
Financial liabilities	8.10	5,335	6,182	2,035
		<b>44,307</b>	<b>17,346</b>	<b>11,984</b>
<b>Current liabilities</b>				
Financial liabilities	8.10	9,388	2,296	32
Trade and other payables	8.11	2,874	3,703	5,097
Other liabilities	8.12	1,689	288	179
Provisions	8.13	111	636	218
		<b>14,062</b>	<b>6,923</b>	<b>5,526</b>
<b>Total equity and liabilities</b>		<b>53,343</b>	<b>5,701</b>	<b>3,724</b>

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Number of shares	Share capital	Capital reserve	Other re-serves	Accumulated deficit (as re-stated)	Total equity
		kEUR	kEUR	kEUR	kEUR	kEUR
<b>German GAAP equity on</b>						
<b>January 1, 2019</b>	<b>32,045</b>	<b>32</b>	<b>3,332</b>	<b>-</b>	<b>-16,975</b>	<b>-13,611</b>
IFRS 1 adjustments	-	-	-30	-	-145	-175
<b>IFRS equity on</b>						
<b>January 1, 2019</b>	<b>32,045</b>	<b>32</b>	<b>3,302</b>	<b>-</b>	<b>-17,120</b>	<b>-13,786</b>
Result for the period	-	-	-	-	-9,971	-9,971
Contributions to equity*	1,543	2	5,187	-	-	5,189
<b>Balance on</b>						
<b>December 31, 2019</b>	<b>33,588</b>	<b>34</b>	<b>8,489</b>	<b>-</b>	<b>-27,091</b>	<b>-18,568</b>
<b>IFRS equity on</b>						
<b>January 1, 2020</b>	<b>33,588</b>	<b>34</b>	<b>8,489</b>	<b>-</b>	<b>-27,091</b>	<b>-18,568</b>
Capital contribution of the GmbH shares into the N.V.	-33,588	-34	34	-	-	0
Share split	30,588,000	1,835	-1,835	-	-	0
Conversion high voting shares	3,000,000	4,500	-4,500	-	-	0
Capital increase**	1,735,197	104	35,904	-	-	36,008
Conversion of debt to equity	480,000	29	1,398	-	-	1,427
Share-based compensation (IFRS 2)	-	-	-	32,160	-	32,160
Fair Value Measurement Convertible Bond (OCI)	-	-	-	-21	-	-21
Result for the period	-	-	-	-	-56,032	-56,032
<b>Balance on</b>						
<b>December 31, 2020</b>	<b>35,803,197</b>	<b>6,468</b>	<b>39,490</b>	<b>32,139</b>	<b>-83,123</b>	<b>-5,026</b>

\* transaction costs of kEUR 109 were deducted from capital reserve

\*\* transaction costs of kEUR 2,192 were deducted from capital reserve

## CONSOLIDATED CASH FLOW STATEMENTS

	2020	2019 (as restated)
	kEUR	kEUR
<b>Operating activities</b>		
Loss for the period	-56,032	-9,971
Depreciation of property, plant and equipment	61	50
Depreciation of right-of-use assets	313	163
Amortization of intangible assets	11	11
Expenses(+) for share-based payment transactions	32,160	-
Other non-cash expenses(+)	346	-
Other interest and similar income	-2	-
Interest and other expenses	2,040	702
Movements in provisions	-526	418
Decrease(+)/increase(-) in other assets	-5,766	456
Increase(+)/decrease(-) in trade and other payables	322	-1,284
Increase(+)/decrease(-) in advance payments received from customers	26,448	800
Interest paid	-561	-120
<b>Net cash flows from operating activities</b>	<b>-1,186</b>	<b>-8,775</b>
<b>Investing activities</b>		
Purchase of property, plant and equipment	-42	-1,139
<b>Net cash flows from investing activities</b>	<b>-42</b>	<b>-1,139</b>
<b>Financing activities</b>		
Transaction costs on issue of shares	-2,192	-109
Proceeds from issues of shares	38,229	5,297
Proceeds from borrowings	10,657	3,710
Repayments of borrowings	-2,327	-
Payment of principal portion of lease liabilities	-282	-92
<b>Net cash flow from financing activities</b>	<b>44,085</b>	<b>8,806</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>42,857</b>	<b>-1,108</b>
Cash and cash equivalents at the beginning of the financial year	407	1,515
Cash and cash equivalents at end of year	43,264	407

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. General information

Sono Group N.V. ("Sono N.V.") is registered in the business register (Netherlands Chamber of Commerce) and its corporate seat is in Amsterdam. The Company has its business exclusively in Germany as the management is located there and the business address is Waldmeisterstraße 76, 80935 Munich, Germany (trade register number: 80683568). Sono N.V.'s sole (and wholly-owned) subsidiary, Sono Motors GmbH ("Sono Motors"), is registered in the commercial register (*Handelsregister*) at the local court (*Amtsgericht*) of Munich/Germany under HRB 224131. Sono Motors' registered headquarters is Waldmeisterstraße 76, 80935 Munich, Germany. Hereinafter, Sono N.V. and its consolidated subsidiary is referred to as the "Sono Group." Sono Group develops and plans to sell mainly electric vehicles with integrated solar panels, started business in January 2016, expects to complete prototype testing in 2021 and start serial production in the first half of 2023.

In 2020, in preparation for a potential initial public offering ("IPO"), Sono Group undertook a reorganization pursuant to which (i) Sono Motors founded Sono Motors Finance B.V. (a Dutch corporation), (ii) the shareholders of Sono Motors transferred their shares in Sono Motors as non-cash contribution to Sono Motors Finance B.V. in exchange for newly-issued shares of Sono Motors Finance B.V. and (iii) Sono Motors Finance B.V. was converted into a "naamloze vennootschap" (N.V.) and changed its legal name from Sono Motors Finance B.V. to Sono Group N.V. (collectively, the "Reorganization").

## 2. Basis of preparation

The consolidated financial statements of Sono Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and are prepared in euro, which is also the Group's functional currency. Unless otherwise stated, all amounts are given in thousands of euros ("kEUR").

## Notes to the Consolidated Financial Statements

The consolidated financial statements as of December 31, 2020 have been authorized by the management board for presentation to the shareholders on March 19, 2021.

In 2020 Sono Group performed a legal reorganization. The reorganization was applied fully retrospectively, so that the accounts reflect the respective carrying values. The earnings per share calculation has been adjusted as well for 2019. The Equity statement has not been adjusted but represents the legal status as of every balance sheet date.

These consolidated financial statements are prepared on a historical cost basis under the going concern assumption which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. The consolidated financial statements do not reflect any adjustments relating to the recoverability and classification of assets or the amounts and classification of liabilities that might be necessary if the Group is unable to continue as a going concern. In accordance with IAS 1.25, management identified material uncertainties related to events or conditions regarding Sono Group's financing that raise substantial doubt upon its ability to continue as a going concern. For further details, we refer to note 5.11.1 Going concern.

The significant accounting policies adopted in the preparation of these consolidated financial statements are described below. These accounting policies have been consistently applied to all years presented. For the change in accounting policies with respect to advance payments received from customers please refer to note 4 Change in accounting policies and errors (IAS 8).

The preparation of consolidated financial statements requires the use of certain accounting estimates. The areas that require a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed below.

All figures shown are rounded, so minor discrepancies may arise from addition of these amounts.

The income statement was prepared using the cost of sales method.



### 3. Basis of consolidation

The consolidated financial statements reflect the assets, liabilities and results of operations of Sono N.V. and its sole (and wholly-owned) subsidiary Sono Motors, over which Sono N.V. has control. Control over an entity exists when Sono Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Controlled subsidiaries are fully consolidated from the date on which control is transferred to Sono Group.

The fiscal year of both Group entities corresponds to the calendar year ending December 31.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Sono Group are eliminated upon consolidation.

The assets and liabilities of both companies included in the consolidated financial statements are recognized in accordance with the uniform accounting policies used within the Sono Group.

The consolidation process involves adjusting the items in the separate financial statements of the parent and its subsidiary and presenting them as if they were those of a single economic entity. Intercompany profits or losses are eliminated in Group noncurrent assets. Deferred taxes, if any, are recognized for consolidation adjustments, and deferred tax assets and liabilities are offset where taxes are levied by the same tax authority and have the same maturity.

### 4. Change in accounting policies and errors (IAS 8)

#### Correction of an error

Through December 31, 2019, Sono Group accounted for advance payments from customers as financial liabilities in accordance with IFRS 9. During 2020, prompted by the prevalence of these transactions in 2020, Sono Group re-evaluated and determined that these advance payments should have been accounted for as contract liabilities in accordance with IFRS 15 given the commitment to deliver a car to customers (if they so choose) in exchange for the advance payment. In accordance with *IAS 8, Accounting policies, changes in accounting estimates and errors*, the error has been corrected retrospectively as summarized below:

## Notes to the Consolidated Financial Statements

	As of and for the Year Ended December 31, 2019			As of January 1, 2019		
	As Previ- ously Reported	Adjust- ment	As Re- stated	As Previ- ously Reported	Adjust- ment	As Re- stated
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
<b>Balance sheet data:</b>						
Advance payments received from customers (noncurrent)	-	11,164	11,164	-	9,949	9,949
Financial liabilities (noncurrent)	6,790	-608	6,182	2,035	-	2,035
Total noncurrent liabilities	6,790	10,556	17,346	2,035	9,949	11,984
Financial liabilities (current)	12,069	-9,773	2,296	9,725	-9,693	32
Other liabilities	400	-112	288	179	-	179
Total current liabilities	16,808	-9,885	6,923	15,219	-9,693	5,526
<b>Total equity and liabilities</b>	<b>5,701</b>	<b>-</b>	<b>5,701</b>	<b>3,724</b>	<b>-</b>	<b>3,724</b>
<b>Statement of income (loss) and statement of comprehensive income (loss) data:</b>						
Other interest and similar income	38	-38	-			
Interest and other expenses	-325	-377	-702			
Loss before tax	-9,556	-415	-9,971			
Loss for the period	-9,556	-415	-9,971			
Total comprehensive loss for the period	-9,556	-415	-9,971			
Earnings (loss) per share in EUR, basic and diluted	-0.29	-0.01	-0.30			
<b>Cash flow statement data:</b>						
Net cash flows from operating activities	-9,463	688	-8,775			
Net cash flows from financing activities	9,494	-688	8,806			
Net increase (decrease) in cash and cash equivalents	-1,108	-	-1,108			

The respective disclosures in the notes to these consolidated financial statements have been corrected accordingly.

#### **Standards issued but not yet effective**

Certain new accounting standards and interpretations have been published that are not mandatory for the consolidated financial statements as of December 31, 2020 and have not been early adopted by Sono N.V. These standards are not expected to have a material impact on Sono N.V.'s consolidated financial statements in the current or future reporting periods and on foreseeable future transactions.

## **5. Significant accounting policies**

### **5.1. Grants from government agencies and similar bodies**

Sono N.V. receives grants from government agencies and similar bodies like the European Union for the participation in specific research and development projects. The grants are recognized when there is reasonable assurance that the grant will be received, and all grant conditions will be met. If grant funds are received prior to qualifying expenses being incurred or assets purchased, they are deferred and recognized in other liabilities. If the funds reimburse expenses, the liability is amortized into other operating income on a systematic basis over the period in which the corresponding expenses are incurred. If the funds reimburse purchased assets, the liability is reduced with a corresponding amount deducted from the asset's carrying amount upon recording of the qualified asset.

### **5.2. Financial instruments**

#### **Initial recognition**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Sono Group initially recognizes financial instruments when it becomes party to the instrument. Regular way purchases and sales of financial assets are recognized on trade date, i.e., the date on which the Group commits to purchase or sell the asset.

### **Offsetting of financial assets and financial liabilities**

Financial assets and liabilities are only offset if offsetting the amounts is legally enforceable at the current time and if there is an actual intention to offset. In general, the Group does not offset financial assets and liabilities and no material offsetting potential exists.

#### **5.2.1. Financial assets**

##### **Initial measurement**

Sono Group's financial assets include cash and cash equivalents, deposits and other financial receivables. In the reporting year, Sono Group has not incurred any revenues and thus has not recognized any trade receivables. At initial recognition, Sono Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

After the initial measurement, financial assets are subsequently classified as either measured at amortized cost (AC), fair value through other comprehensive income (FVOCI), or fair value through profit or loss (FVPL). The classification depends on the financial asset's contractual cash flow characteristics and the business model ('hold to collect', 'hold to collect and sell' and 'other') for managing them. Assets that are held for collection of contractual cash flows (business model 'hold to collect'), where those cash flows represent solely payments of principal and interest (SPPI), are measured at amortized cost. The SPPI-test is performed at an instrument level, whereby the business model is assessed on portfolio level.

##### **Subsequent measurement**

Management has determined that all financial assets are to be measured at amortized cost as they are held within the business model 'hold to collect' and have passed the SPPI-test.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in the statement of profit or loss when the asset is derecognized, modified or impaired.

### **Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when Sono Group no longer has the contractual rights to the asset or the rights to receive cash flows from the asset have expired.

### **Impairment**

The expected credit loss (ECL) model under IFRS 9 takes in loss allowances for financial assets for which there are no objective indications of impairment and loss allowances for financial assets that are credit impaired. An allowance for ECLs is to be recognized for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that Sono Group expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For the calculation of impairment losses, IFRS 9 distinguishes between the general approach and the simplified approach.

Under the general approach, financial assets are allocated to one of three stages. For financial assets not yet credit-impaired at initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (12-month ECL, Stage 1). For credit exposures for which there has not been a significant increase in credit risk since initial recognition, 12-month ECL are provided. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (lifetime ECL, Stage 2). Financial assets with objective indications of default are allocated to Stage 3, for which also lifetime expected credit losses are calculated. Under the simplified approach, the ECLs are consistently determined for the entire life of the assets.

Sono Group applies the general approach unless the simplified approach is required. The simplified approach is required for trade receivables or contract assets resulting from transactions within the scope of IFRS 15 that do not contain a significant financing component. As of the reporting date, such trade receivables and contract assets are not recognized on the balance sheet of Sono Group as the Group has not incurred any revenues.

Sono Group generally presumes all financial assets that are 30 days past due to have a significant increase in credit risk and accounts for expected losses over the remaining lifetime of those financial assets. Sono Group presumes a default, based on experience and the business conduct within Sono Group's line of business, to occur when financial assets are 90 days past due (Stage 3). However, due to the manageable number and respective gross carrying amount of financial assets in Sono Group's statements of financial position, Sono Group decided to test all financial assets, regardless of their maturity, individually for expected credit loss, using reasonable and supportable historic and forward-looking information.

### 5.2.2. Financial liabilities

#### Initial measurement

Sono Group's financial liabilities include lease liabilities, loans from shareholders and private investors, participation rights, and trade and other payables. Regarding lease liabilities, please refer to note 5.5.2 Lease liabilities.

All financial liabilities in the scope of IFRS 9 are initially measured at their fair value minus, in the case of financial liabilities not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the issue of the financial liabilities. In case of financial liabilities at FVPL, transaction costs are directly recognized through profit or loss. After initial measurement, the financial liabilities are subsequently classified as measured either at amortized cost or fair value through profit or loss.

Sono Group analyzes all contracts to determine whether the underlying contracts are debt or equity.

An embedded derivative in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Reassessment of bifurcation requirement only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required. Separately accounted for embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss.

### Subsequent measurement

The measurement of financial liabilities of Sono Group depends on their classification as follows:

1. Financial liabilities at fair value through profit or loss (FVPL): This category solely consists of mandatory convertible loans that contain one or more embedded derivatives and are designated as at fair value through profit or loss in accordance with IFRS 9.4.3.5. by Sono Group. Gains and losses are recognized in the income statement.
2. Financial liabilities measured at amortized cost (FLAC): After initial recognition, these are measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as in case of amortization using EIR method. Amortization according to the EIR method is included in interest expenses in the profit and loss account. Amortized cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

### Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

## 5.3. Intangible assets

### 5.3.1. Internally generated intangible assets

In accordance with IAS 38, research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding are expensed as incurred.

Development costs for future series products (Sion, Sono Digital and Sono Solar) and other internally generated intangible assets may be capitalized at cost if they are directly attributable to the design and testing of identifiable and unique products controlled by Sono Group and the criteria of IAS 38.57 are met. Capitalized development costs then must include all direct costs that are attributable to the development process.

If the criteria for recognition of assets are not met, the expenses are recognized in the income statement in the year in which they are incurred.

As of the end of the reporting period as well as in prior years, Management has determined that the criteria for capitalization of development costs have not been met, given the fact that financing to finalize the development activities is not yet readily available. Consequently, all development costs were recognized in profit or loss as incurred.

### **5.3.2. Acquired intangible assets**

Acquired intangible assets are initially measured at cost and amortized over their useful life using the straight-line method.

### **5.3.3. Subsequent measurement**

Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. There were no triggering events identified in 2020 and in prior periods that would require an impairment test.

Intangible assets with finite useful lives are amortized over their useful life, generally using the straight-line method. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least annually at each fiscal year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits are accounted for prospectively. Amortization of an intangible asset is reported in the statement of profit or loss and other comprehensive income in accordance with the function of the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss in the period in which the asset is derecognized.

The estimated useful live for the website is 1 to 4 years.



#### 5.4. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairments. These costs also comprise the costs for replacement parts, which are recognized at the time they are incurred, providing they meet the recognition criteria. All other repair and maintenance costs are expensed as incurred. Depreciation begins with the start of use.

Property, plant and equipment are depreciated using the straight line-method over the useful life as displayed in the below table:

	Equipment / Hardware	Advance payments to technical equipment and machinery
Useful life (years)	3 - 13	-

Impairment losses on property, plant and equipment are recognized in accordance with IAS 36 where the recoverable amount of the respective asset has fallen below the carrying amount. Recoverable amount is the higher of value in use and fair value less costs to sell. If the reasons for impairments recognized in previous years no longer apply, the impairment losses are reversed up to a maximum of the amount that would have been determined if no impairment loss had been recognized.

There were no triggering events identified in 2020 and prior periods that would require an impairment test. There were also no reversals of impairments in the fiscal year 2020 and prior periods.

Property, plant and equipment are derecognized upon disposal or when no further economic benefits are expected from their continued use or sale. The gain or loss on derecognition is determined as the difference between the net disposal proceeds and the carrying amount and recognized in profit or loss in the period in which the item is derecognized.

The residual values of the assets, useful lives and depreciation methods are reviewed at the end of each fiscal year and any changes are accounted for prospectively.

The residual values of the assets are generally considered to be zero.

## 5.5. Leases

Applying IFRS 16, at inception of a contract, Sono Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration.

### 5.5.1. Right-of-use assets

Sono Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received as well as any estimated costs to be incurred by the lessee for dismantling and removing the underlying asset. Unless Sono Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life, and the lease term. Right-of-use assets are subject to impairment according to IAS 36.

### 5.5.2. Lease liabilities

At the commencement date of the lease, Sono Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by Sono Group and payments of penalties for terminating a lease, if the lease term reflects Sono Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expenses in the period on which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, Sono Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount for the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

### 5.5.3. Short-term leases and leases of low-value assets

Sono Group applies the short-term lease recognition exemption to its short-term leases of buildings and cars (i.e., leases that have a lease term of twelve months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases (contracts with a term of twelve months or less) and leases of low-value assets (Sono Group threshold of fair value of leased asset < kEUR 5) are recognized as expense on a straight-line basis over the lease term.

### 5.6. Cash and cash equivalents

Cash and cash equivalents include PayPal accounts to the extent that these can be disposed of at short notice (regular rolling reserve), bank balances on demand and money in transit with an original maturity of three months or less.

### 5.7. Advance payments received from customers

Advance payments received from customers are recognized at the time the cash is collected by Sono Group. As the expected delivery of the car is in 2023, all advance payments are shown as longterm, even though some of the customers might be able to cancel their contract (depending on the general terms in some cases cancellation is possible in less than 12 months) and demand the money back. Due to an original term of the advance payments which is more than 12 months, the advance payments include a significant financing component according to IFRS 15.60. The compounding effect is recognized in interest expense and increases the advance payments received from customers. Sales revenues from advance payments received from customers will be recognized at the point of delivery of the car.

## 5.8. Provisions

Provisions for bonus and settlement payments or any other obligations are recognized when the group has a present legal or constructive obligation as a result of past events, if it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognized for future operations.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. As of December 31, 2020, and 2019, there were no provisions to be discounted.

## 5.9. Taxes

### 5.9.1. Current tax assets and liabilities

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities based on the tax rates and tax laws that are enacted or substantively enacted at the end of the reporting period.

### 5.9.2. Deferred taxes

Deferred tax is recognized using the liability method on temporary differences as of the end of the reporting period between the carrying amounts of assets and liabilities and their tax bases.

Deferred tax liabilities are recognized for all taxable temporary differences. The only exception is if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination which, at the time of the transaction, affects neither accounting profit nor loss nor taxable profit or loss.

Deferred tax assets are recognized for deductible temporary differences and to the extent that it is probable that future taxable income will allow the deferred tax asset to be realized. Deferred tax liabilities are recognized for all taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future. However, only up to 60% of the taxable income, to the extent such taxable income exceeds an amount of kEUR 1,000, may be offset against carry forward tax losses. The remaining 40% of the taxable income are subject to corporate income and trade tax under the so-called minimum taxation rules. Taxable income for corporate income tax and trade tax purposes of up to an amount of kEUR 1,000 could fully be offset against tax loss carry forwards.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized, or the liability is settled based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

If transactions and other events are recognized directly in equity, any related taxes on income are also recognized directly in equity. Although transaction costs are recognized in the capital reserve, no corresponding (deferred) tax effects are recognized due to the loss situation of Sono Group and the fact that deferred taxes for losses carryforwards were not recognized.

Deferred tax assets and deferred tax liabilities are offset if there is a legally enforceable right to offset current tax assets and current tax liabilities and these relate to income taxes levied by the same tax jurisdiction.

### 5.9.3. Tax losses carried forward

Based on Management's estimation, a deferred tax asset is recognized for the tax losses carried forward to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized. Only up to 60% of our annual taxable income, to the extent such taxable income exceeds kEUR 1,000, may be offset against tax loss carry forwards. The remaining 40% of the taxable income are subject to corporate income and trade tax under the so-called minimum taxation rules. Annual taxable income for corporate income tax and trade tax purposes of up to kEUR 1,000 could fully be offset against tax loss carry forwards. For further information regarding the tax losses carried forward see note 5.11.5 Recoverability of deferred tax assets in relation to loss carryforwards.

### 5.10. Share-based payment

Share-based payment transaction include:

- a) equity-settled share-based payment transactions,
- b) cash-settled share-based payment transactions, and
- c) transactions in which the entity receives or acquires goods or services and the terms of the arrangement provide either the entity or the supplier of those goods or services with a choice of whether the entity settles the transaction in cash (or other assets) or by issuing equity instrument and are accounted for in accordance with IFRS 2.

For equity-settled share-based payment transactions, on grant date, Sono Group initially measures the fair value of the received services by reference to the fair value of the equity instruments granted. Sono Group recognizes the fair value of the goods or services as expenses and a corresponding increase in equity when the services are received.

Vesting conditions, other than market conditions, are not considered when estimating the fair value of the equity instruments at the measurement date. Instead, vesting conditions, other than market conditions, are considered by adjusting the number of equity instruments included in the measurement of the transaction amount. Non-vesting conditions are considered when estimating the fair value of the equity instruments granted.

If Sono Group and the supplier of services did not agree on service conditions and the supplier of services is unconditionally entitled to the equity instruments, Sono Group presumes, that the services have been received on grant date and recognizes the services received in full, with a corresponding increase in equity. If Sono Group and the supplier of services did agree on service conditions, the Group accounts for the services as they are rendered by the participant during the vesting period., with a corresponding increase in equity.

For further details, please refer to note 10.3. Remuneration based on shares (share-based payment).

## 5.11. Significant accounting judgments, estimates and assumptions

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgments and estimates in relation to assets, liabilities, contingent liabilities and expenses. Management bases its judgments and estimates on historical experience and on other various factors, it believes to be reasonable under the circumstances, the result of which forms the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions and may materially affect the financial results or the financial position reported in future periods.

In the process of applying the accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements.

### 5.11.1. Going concern

Management assessed Sono Group's ability to continue as a going concern and evaluated whether there are conditions and events, considered in the aggregate, that raise substantial doubt about the Group's ability to continue as a going concern using all information available about the future, focusing on the twelve-month period after the issuance date of the consolidated financial statements.

Historically, Sono Group has funded its operations primarily through capital raises and with loans from shareholders and private investors as well as through advance payments received from customers. Since its inception Sono Group has incurred recurring losses and negative cash flows from operations including net losses of kEUR 56,032 for the year 2020 (previous year: kEUR 9,971).

As of December 31, 2020, Sono Group had an accumulated deficit according to IFRS of kEUR 83,123 (previous year: kEUR 27,091), of which kEUR 5,026 is not covered by equity (previous year: kEUR 18,568 not covered by equity). The Group expects to continue to generate operating losses for the foreseeable future.

As of December 31, 2020, Sono Group shows cash and cash equivalents in the amount of kEUR 43,264 (previous year kEUR 407). During the year ended December 31, 2020 further net financing has been received from advance payments from customers in the amount of kEUR 26,448, cash proceeds from borrowings in the amount of kEUR 8,330, and kEUR 36,037 proceeds from issue of shares to private investors. Additionally, management has approached its German-speaking customers that have provided advance payments after December 1, 2019 to accept a change in the terms and conditions to waive the right to reclaim any advance payments until December 31, 2022. The maturity of the Group's total liabilities as of December 31, 2020 is < 1-year 14,062 kEUR, and between 1 to 5 years kEUR 44,307).

Securing the financing of development activities and operations represents an ongoing challenge for Sono Group. Structural changes in the German and international automotive industry in the recent past have made it difficult to attract large, strategic investors. Additionally, the ongoing corona-pandemic may negatively affect the Group's business, liquidity and financial position going forward (see note 5.11.3 Corona pandemic).

According to the business plan developed by the Sono Group an amount of approximately mEUR 276.4 is needed from January 2021 until end of the first half year of 2023 for additional development activities and the start of serial production and an amount of mEUR 96.7 is needed for overhead costs during the same period. Of which, liquidity in the amount of mEUR 43.3 was available as of December 31, 2020. Sono Group will also need sufficient funds to pay back any due advance payments reclaimed by customers as well as other financing proceeds received. However, the Group cannot predict with certainty the actual amount of financing that will be received, the total cost of the production of the car and potential cancellations.

Management plans to finance the above investments and costs with an Initial Public Offering (IPO) in the first half of 2021. The timely realization of the IPO is crucial for the Group's ability to achieve start of serial production within the first half of 2023 and to continue as a going concern. A delay or insufficient volume of the IPO funding can lead to a delay or suspension of the development and start of serial production due to insufficient financing and subsequently to cancellations and demands for repayment of advance payments received from customers and other financing received. In case the planned IPO does not reach the required level of financing, Sono Group would need to seek additional funding through new investors or shareholders or other means.



There is no certainty that Sono Group will be successful in obtaining sufficient funding on terms acceptable to the Group or even obtain additional funding at all. If the Group is unable to obtain additional funding, Sono Motors will be forced to delay, reduce or eliminate some or all of its development activities and production efforts, which could adversely affect its business prospects, or Sono Motors may be unable to continue operations.

Based on its recurring losses from operations since inception, expectation of continuing operating losses for the foreseeable future, the net capital deficiency, the need to raise additional capital to finance its future operations and in order to be able to potentially repay advance payments received from customers and other financing received, as of March 19, 2021, the issuance date of the consolidated financial statements for the year ended December 31, 2020, Sono Group has concluded that there is substantial doubt about its ability to continue as a going concern within one year after the date of the original issuance date of these consolidated financial statements. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Accordingly, the consolidated financial statements have been prepared on a basis that assumes that Sono Group will continue as a going concern and which contemplates the realization of assets and satisfaction of liabilities and commitments in the ordinary course of business.

#### **5.11.2. Remuneration based on shares (share-based payment)**

For equity-settled share-based payment transactions (see note 5.10 Share-based payment), on grant date, Sono Group initially measures the fair value of the received services by reference to the fair value of the equity instruments granted. The fair value measurement of the share options for the equity-settled share-based transactions requires assumptions about the input data for using Black-Scholes Model. The expected life of the share options is based on current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility was based on an evaluation of historical volatilities of comparable listed peer group companies. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome. For further details about the input factors used see note 10.3 Remuneration based on shares (share-based payment).

### 5.11.3. Corona pandemic

In 2020, COVID-19 caused a global pandemic. In response to this pandemic, governments as well as private organizations implemented numerous measures seeking to contain the virus. These measures disrupted the manufacturing, delivery and overall supply chain of vehicle manufacturers and suppliers and led to a global decrease in vehicle sales. These measures may also lead to a trend to work-from-home, which could result in lower demand for cars and could negatively impact our sales and marketing activities. The pandemic may also affect the interest of Sono Motors' customers in their car-sharing and ride-pooling networks. Sono Motors cannot yet foresee the full extent of COVID-19's impact on its business and operations and such impact will depend on future developments of the outbreak, including new information concerning the global severity of and actions taken to contain the outbreak, which are highly uncertain and unpredictable. The effects could have a material impact on Sono Motors' results of operations, liquidity and capital management. Sono Motors will continue to monitor the situation and the effect of this development on its liquidity and capital management. At the same time, Sono Motors has taken actions to maintain operations and protect employees from infection. In 2020, COVID-19 had a slightly negative impact on orders and advance payments received from customers. Based on the most available information, COVID-19 might continue to have a negative effect on orders and advance payments received from customers in 2021.

### 5.11.4. Sono Points

Sono Motors has carried out several crowdfunding campaigns in which the Sion could be reserved against an advance payment received from customers of various amounts. With the reservation, the customer is entitled to the right to conclude a contract for the purchase of the Sion. The customer can withdraw from the reservation if he or she decides not to conclude the purchase contract or Sono Motors has not offered a purchase contract by the respective date defined by the underlying terms and conditions. In December 2019, a crowdfunding campaign with the aim of raising a predefined target amount was launched. In connection with the campaign, so-called Sono Points were introduced and communicated on December 15, 2019. The three founders, Laurin Hahn, Navina Persteiner and Jona Christians, announced that they would be giving a majority of their profit participation rights (for clarification: The voting rights remain with the founders), in numbers 64.07 % of all profit participation rights at the moment of time (as of December 31, 2019) to a "community pool", from which the so-called Sono Points would be awarded. The number of Sono Points, through which the participants in the crowdfunding and pre-orders should participate in the community pool is significantly influenced by the time and amount of the individual deposit. The maximum number of possible Sono Points in total is not limited. In case a Sono Point

holder should revoke or withdraw from the reservation or should revoke or withdraw from the purchase contract concluded based on the reservation, the Sono Points will expire.

According to the current assessment of the management (based on legal assessments), Management concludes that Sono Points do not impact Sono Group as the obligation relates only to the founders.

#### **5.11.5. Recoverability of deferred tax assets in relation to loss carryforwards**

Management has determined that these tax losses represent start-up losses as a result of establishing Sono Motors' business. The tax losses can be carried forward indefinitely and have no expiry date. Management does not expect a (proportional) reduction of deductible tax loss carryforwards due to any future corporate restructuring or due to the corporate reorganization of Sono Group in November 2020, particularly about the swap of shares ("harmful acquisition", for further details, please refer to note 1 General information). Management expects that the "hidden reserves clause" can be asserted and that the tax losses can still be carried forward.

## **6. Segment information**

An operating segment is defined as a component of an entity for which discrete financial information is available and whose operating results are regularly reviewed by the Management (chief operating decision maker within the meaning of IFRS 8). Sono Motors is a start-up company that has not yet started production. As all Group's activities relate to the development of the electrical car Sion and Management makes decisions about allocating resources and assessing performance based on the entity as a whole. Management has determined that Sono Group operates in one operating and reportable business segment. Furthermore, Sono Group is currently solely active in Germany and therefore all noncurrent assets are located in Germany. Thus, Sono Group does not report any additional segment information.

## 7. Income statement disclosures

### 7.1. Additional information

The below table displays the depreciation and amortization expenses as well as personnel expenses included in cost of research and development, selling and distribution costs and general and administrative expenses:

	2020	2019
	kEUR	kEUR
Personnel expenses	39,291	5,151
Depreciation and amortization	384	224
	39,675	5,375

The increase of personnel expenses mainly concerns the new equity-settled employee participation program (Conversion Stock Option Program or CSOP, 2020: kEUR 32,160, 2019: kEUR 0), which has been offered all participants of the previous employee participation program and new participants, who have not been part of the previous employee participation program, on December 14, 2020 (see note 10.3 Remuneration based on shares (share-based payment)).

### 7.2. Cost of research and development

The table below presents details on the cost of research and development:

	2020	2019
	kEUR	kEUR
Personnel expenses	21,652	2,243
thereof related to the CSOP (IFRS 2)	17,723	-
Development cost of prototypes	7,338	1,637
Professional services	267	284
Other development	895	464
Depreciation and amortization	171	78
Other	145	230
	30,469	4,937

There are no research expenses included in the profit and loss of Sono Group in financial year 2020 and prior periods, as the Group does not perform research. As the recognition criteria for development cost have not been met, all development expenses have been recognized in profit or loss as incurred in 2020 and prior periods. The personnel expenses concern employees responsible for development activities and the share of the employee participation program (Conversion Stock Option Program or CSOP) attributable to them (see note 10.3 Remuneration based on shares (share-based payment)).

### 7.3. Selling and distribution expenses

The below table displays details included in selling and distribution expenses:

	2020	2019
	kEUR	kEUR
Personnel expenses	8,490	1,582
thereof related to the CSOP (IFRS 2)	6,949	-
Professional services	171	103
Advertising	84	113
Other	355	336
	9,100	2,135

The personnel expenses concern mainly employees responsible for marketing activities like road-shows, test rides and social media and the share of the employee participation program (Conversion Stock Option Program or CSOP) attributable to them (see note 10.3 Remuneration based on shares (share-based payment)).

#### 7.4. General and administrative expenses

The below table displays details included in general and administrative expenses:

	2020	2019
	kEUR	kEUR
Personnel expenses	9,148	1,325
thereof related to the CSOP (IFRS 2)	7,488	-
Professional services	4,830	670
Expenses without sufficient supporting documentation	21	70
Other	405	352
	14,404	2,417

The personnel expenses concern mainly employees responsible for Finance, Human Resources, Business Development, Administration etc. and the share of the employee participation program (Conversion Stock Option Program or CSOP) attributable to them (see note 10.3 Remuneration based on shares (share-based payment)). The professional services include accounting, tax and legal services as well as other external services. The increase of expenses for professional services mainly concerns professional services related to the initial preparation of consolidated financial statements in accordance with IFRS and their audit under consideration of PCAOB requirements as well as legal and tax opinions prepared in this context.

While preparing the consolidated financial statements 2019, due to material weaknesses in its internal controls over financial reporting, Sono Group identified disbursements amounting to kEUR 21 (previous year: kEUR 70), for which Sono Motors did not retain sufficient supporting documentation, including underlying invoices. These amounts were recorded under expenses without sufficient supporting documentation.

### 7.5. Other operating income/expenses

Other operating income (kEUR 334, previous year: kEUR 220) mainly includes agency fees from the Renault ZOE conversion (kEUR 240, previous year: kEUR 0), donations, statutory reimbursements for personnel expenses and government grants.

On February 3, 2020, Sono Motors entered into a framework agreement with Renault Deutschland AG (Renault) for electric vehicles (Renault ZOE). According to the agreement, customers, who have made advance payments for the Sion, can enter into a lease agreement with Renault for a Renault ZOE and use their advance payments to partly offset their lease payments. Customers can use advance payments made up to EUR 4,000. According to the framework agreement with Renault, Sono Motors receives a fixed agency fee per lease contract and transfers the advance payment to Renault. Sono Motors recognizes the respective agency fee as operating income and derecognizes the advance payment received in the moment the customer enters into the lease contract with Renault.

Other operating expenses (kEUR 349, previous year: kEUR 0) include solely expenses that relate to a project termination with a supplier. For further information see also note 8.2 Property, plant and equipment.

### 7.6. Impairment losses on financial assets

Impairment losses on financial assets (kEUR 6, previous year: kEUR 0) primarily relate to bank balances (see note 8.7 Cash and cash equivalents).

### 7.7. Other interest and similar income

Other interest and similar income (kEUR 2, previous year: -kEUR 0) relates to interest income from VAT taxes.

## 7.8. Interest and other expenses

Interest and other expenses (kEUR 2,040, previous year: kEUR 702) largely consist of interest expenses related to the compounding effect for advance payments received from customers (kEUR 1,360, previous year kEUR 415, see note 5.7 Advance payments received from customers) and financial liabilities (kEUR 614, previous year: kEUR 287).

## 7.9. Tax on income and earnings

The below tables display the development of deferred tax assets and liabilities:

	Dec. 31, 2020	Dec. 31, 2019	Jan. 1, 2019
	kEUR	kEUR	kEUR
Deferred tax assets			
due to tax loss carryforwards	-	-	-
due to lease liabilities	646	735	-
due to advance payments received from customers	670	221	84
due to other financial assets	1	-	-
due to cash & cash deposits	1	-	-
due to prepaid expenses	134	-	-
Deferred tax assets	1,451	956	84
Deferred tax liabilities			
due to leases	639	737	-
due to property, plant and equipment	10	8	18
due to current/noncurrent financial liabilities	112	12	8
Deferred tax liabilities	761	757	26
Non-recognition of deferred tax assets	-690	-199	-59
Recognition of deferred tax assets	761	757	26
Deferred tax assets/liabilities, net	0	0	0

Given the loss history of Sono Motors, deferred tax assets are not recognized on the balance sheet. The amount of deferred tax assets / liabilities as of January 1, 2019, December 31, 2019 and December 31, 2020 is zero.

Of the gross deferred tax assets, kEUR 806 as of December 31, 2020 (December 31, 2019: kEUR 221; January 1, 2019: kEUR 84) are current and of the gross deferred tax liabilities, kEUR 73 as of December 31, 2020 (December 31, 2019: kEUR 0; January 1, 2019: kEUR 0) are current. Current deferred taxes are reported under non-current assets and non-current liabilities.



## Notes to the Consolidated Financial Statements

There are no deferred taxes with regard to Outside Basis Differences as those are permanent differences.

The amount of temporary differences on balance sheet positions for which no deferred tax asset has been recognized is displayed in the table below:

	<b>Dec. 31, 2020</b>	<b>Dec. 31, 2019</b>	<b>Jan. 1, 2019</b>
	kEUR	kEUR	kEUR
Lease liabilities	931	464	-
Advance payments received from customers	966	140	175
Other financial assets	2	-	-
Cash & cash deposits	1	-	-
Prepaid expenses	193	-	-
	2,093	604	175
Potential tax benefit at a total tax rate of 32.98 %	690	199	58

The amount of unused tax losses for which no deferred tax asset has been recognized is displayed in the table below:

	<b>Dec. 31, 2020</b>	<b>Dec. 31, 2019</b>	<b>Jan. 1, 2019</b>
	kEUR	kEUR	kEUR
Unused tax losses for which no deferred tax asset has been recognized (corporate tax)	51,316	26,288	16,694
Unused tax losses for which no deferred tax asset has been recognized (trade tax)	51,083	26,202	16,689
Potential tax benefit at a total tax rate of 32.98 %	16,885	8,656	5,505

Thereof, as of December 31, 2020, kEUR 723 (December 31, 2019: kEUR 36, January 1, 2019: kEUR 10) deferred tax assets on transactions costs would have been recognized directly in equity if deferred tax assets would have been recognized on losses carryforwards.

Notes to the Consolidated Financial Statements

The following table presents a numerical reconciliation of expected to effective income tax.

	2020	2019
	kEUR	kEUR
Income (loss) before tax for the period	-56,032	-9,971
Expected income tax (income (-)/expense (+) at a tax rate of 32.98 %	-18,479	-3,288
Reconciliation:		
Non-tax-deductible expenses	9	27
Non-tax-deductible expenses (CSOP)	10,606	-
Changes in unrecognized tax losses	8,254	3,164
Changes in deferred taxes on balance positions	690	199
Tax-deductible transaction costs	-723	-36
Other	-357	-66
Effective income tax income for the period	0	0

The non-tax-deductible expenses preliminary relate to provisions for payments in the event of an IPO. For non-tax-deductible expenses in 2019, please refer to note 7.4 General and administrative expenses.

As Sono N.V. is also fully taxable in Munich, Germany, the tax rate in 2019 and 2020 is unchanged.

## 8. Balance sheet disclosures

### 8.1. Intangible assets

	Website
	kEUR
<b>Historical cost</b>	
<b>Balance as of Jan. 1, 2019</b>	<b>43</b>
Additions	-
<b>Balance as of Dec. 31, 2019</b>	<b>43</b>
<b>Accumulated amortization</b>	
<b>Balance as of Jan. 1, 2019</b>	<b>5</b>
Amortization	11
<b>Balance as of Dec. 31, 2019</b>	<b>16</b>
<b>Carrying Amount as of Jan. 1, 2019</b>	<b>38</b>
<b>Carrying Amount as of Dec. 31, 2019</b>	<b>27</b>

	Website
	kEUR
<b>Historical cost</b>	
<b>Balance as of Jan. 1, 2020</b>	<b>43</b>
Additions	-
<b>Balance as of Dec. 31, 2020</b>	<b>43</b>
<b>Accumulated amortization</b>	
<b>Balance as of Jan. 1, 2020</b>	<b>16</b>
Amortization	11
<b>Balance as of Dec. 31, 2020</b>	<b>27</b>
<b>Carrying Amount as of Jan. 1, 2020</b>	<b>27</b>
<b>Carrying Amount as of Dec. 31, 2020</b>	<b>16</b>

The amortization expenses for the acquired intangible assets amounting to kEUR 11 (previous year: kEUR 11) are included in selling and distribution costs.

## 8.2. Property, plant and equipment

	Equipment / Hardware	Advance pay- ments to tech- nical equipment and machinery	Total
	kEUR	kEUR	kEUR
<b>Acquisition or manufacturing costs Jan. 1, 2019</b>	<b>161</b>	<b>1,331</b>	<b>1,492</b>
Additions	79	983	1,061
<b>Acquisition or manufacturing costs Dec. 31, 2019</b>	<b>239</b>	<b>2,313</b>	<b>2,553</b>
<b>Accumulated depreciation Jan. 1, 2019</b>	<b>33</b>	-	<b>33</b>
Depreciation	50	-	50
<b>Accumulated depreciation Dec. 31, 2019</b>	<b>83</b>	-	<b>83</b>
<b>Carrying Amount Jan. 1, 2019</b>	<b>127</b>	<b>1,331</b>	<b>1,458</b>
<b>Carrying Amount Dec. 31, 2019</b>	<b>156</b>	<b>2,313</b>	<b>2,469</b>

	Equipment / Hardware	Advance pay- ments to tech- nical equipment and machinery	Total
	kEUR	kEUR	kEUR
<b>Acquisition or manufacturing costs Jan. 1, 2020</b>	<b>239</b>	<b>2,313</b>	<b>2,552</b>
Additions	42	-	42
Deductions	-	348	348
<b>Acquisition or manufacturing costs Dec. 31, 2020</b>	<b>281</b>	<b>1,965</b>	<b>2,246</b>
<b>Accumulated depreciation Jan. 1, 2020</b>	<b>83</b>	-	<b>83</b>
Depreciation	61	-	61
<b>Accumulated depreciation Dec. 31, 2020</b>	<b>144</b>	-	<b>144</b>
<b>Carrying Amount Jan. 1, 2020</b>	<b>156</b>	<b>2,313</b>	<b>2,469</b>
<b>Carrying Amount Dec. 31, 2020</b>	<b>137</b>	<b>1,965</b>	<b>2,102</b>

The depreciation expenses for property, plant and equipment amounting to kEUR 61 (previous year: kEUR 50) are included in research and development (kEUR 28, previous year: kEUR 19), selling and distribution costs (kEUR 15, previous year: kEUR 18) and general and administrative expenses (kEUR 18, previous year: kEUR 13).

The deduction of advance payments to technical equipment and machinery amounting to kEUR 348 relates to cancellations costs due to a termination of a sub-supplier contract.

### 8.3. Right-of-use assets

Sono Motors leases buildings and warehouses at its headquarters in Munich and three electrical cars including batteries. At the end of the reporting period, the remaining lease terms for the buildings were 7 years and for the cars 3 to 4 years. There were no leased cars at the end of the fiscal year 2018.

The below table presents details on the lease agreements of Sono Motors:

	Buildings	Cars	Total
	kEUR	kEUR	kEUR
Right-of-use assets on January 1, 2020	2,211	24	<b>2,235</b>
Additions to right-of-use assets	-	15	<b>15</b>
Depreciation of right-of-use assets	305	8	<b>313</b>
Right-of-use assets on December 31, 2020	1,906	31	1,937
Interest expense on lease liabilities	35	4	<b>39</b>
Expense relating to short-term leases	-	-	-
Total cash outflow for leases	311	12	<b>323</b>

## Notes to the Consolidated Financial Statements

	Buildings	Cars	Total
	kEUR	kEUR	kEUR
Right-of-use assets on January 1, 2019	-	-	-
Additions to right-of-use assets	2,372	25	<b>2,397</b>
Depreciation of right-of-use assets	161	1	<b>163</b>
Right-of-use assets on December 31, 2019	2,211	24	<b>2,235</b>
Interest expense on lease liabilities	22	1	<b>23</b>
Expense relating to short-term leases	84	-	<b>84</b>
Total cash outflow for leases	271	5	<b>276</b>

The depreciation expenses for right-of-use assets amounting to kEUR 313 (prior year: kEUR 163) are included in research and development (kEUR 144, prior year: kEUR 61), selling and distribution costs (kEUR 77, prior year: kEUR 56) and general and administrative expenses (kEUR 92, prior year: kEUR 46).

There were no lease commitments for short-term leases on December 31, 2020 (December 31, 2019: kEUR 84). At the end of both the reporting period and the prior fiscal year, there were no obligations from sale and lease back transactions and Sono Motors was not exposed to any potential future cash outflows for lease payments that are not reflected in the measurement of lease liabilities.

The below table presents the maturity profiles of future lease payments:

kEUR	< 1 year	1 to 5 years	>5 years
Buildings	311	1,302	421
Cars	12	24	-
<b>Total December 31, 2020</b>	<b>323</b>	<b>1,326</b>	<b>421</b>

kEUR	< 1 year	1 to 5 years	>5 years
Buildings	311	1,279	755
Cars	8	21	-
<b>Total December 31, 2019</b>	<b>319</b>	<b>1,300</b>	<b>755</b>

Sono Group does not act as a lessor or sublessor in any lease agreements.

#### 8.4. Other noncurrent financial assets

Other noncurrent financial assets as of December 31, 2020 (kEUR 41; December 31, 2019: kEUR 28; January 1, 2019: kEUR 11) consist solely of deposits.

#### 8.5. Other current financial assets

The below table displays details included in other current financial assets:

	Dec. 31, 2020	Dec. 31, 2019	Jan. 1, 2019
	kEUR	kEUR	kEUR
PayPal reserve	4,655	-	-
Debtor creditors	539	-	-
Receivables from crowdfunding and deposits	179	341	80
Other	24	1	2
Current trade receivables (affiliated companies)	11	-	-
Allowances	-4	-	-
<b>Total</b>	<b>5,404</b>	<b>342</b>	<b>82</b>

The PayPal reserve in 2020 relates to the reclassification of the specific reserve imposed by PayPal due to the crowdfunding campaign. Since March 2020, Sono Motors has no access to the PayPal reserve and it is unclear when the reserve will be released by PayPal. As Sono Group expects a repayment within 12 months after the balance sheet date, the PayPal reserve is classified a short-term.

The debtor creditors mainly concern one creditor (kEUR 517), whose invoice was overpaid in 2020 and refunded in January 2021.

#### 8.6. Other current non-financial assets

Other current non-financial assets as of December 31, 2020 (kEUR 579; December 31, 2019 kEUR 193; January 1, 2019: kEUR 620) mainly consist of prepaid expenses (kEUR 256, previous year kEUR 28), of which kEUR 135 relate to directly attributable costs to the planned IPO transaction, and VAT receivables (kEUR 257, previous year: kEUR 165).

## 8.7. Cash and cash equivalents

Cash and cash equivalents include the following amounts:

	Dec. 31, 2020	Dec. 31, 2019	Jan. 1, 2019
	kEUR	kEUR	kEUR
Balances on demand	43,266	142	1,154
PayPal accounts including reserves	-	244	231
Money in transit	-	21	130
Allowances	-2	-	-
<b>Total</b>	<b>43,264</b>	<b>407</b>	<b>1,515</b>

The decrease of the PayPal accounts in 2020 relates to the reclassification of the full PayPal accounts to other current financial assets. In prior years, the PayPal accounts including reserves consisted of the regular rolling reserves (see note 8.5 Other current financial assets).

## 8.8. Equity

Total equity of Sono Group comprises subscribed capital, capital reserves, other reserves and retained earnings. The subscribed capital amounts to kEUR 6,468 (prior year: kEUR 34) and is divided into 35,803,197 (prior year: 33,588) member shares with a par value of EUR 0.06 (ordinary shares, prior year: EUR 1.00) and EUR 1.50 (high voting shares). Capital reserves include any amounts paid in by the owners that exceed the member shares' par value. Other reserves include mainly effects from equity-settled stock-option. Retained earnings consist of losses from prior periods.

At the general meeting on November 25, 2020, the owners agreed to a capital increase against contribution in cash in the nominal amount and part of the loan claims (debt-equity swap, see note 8.10.2 Other noncurrent financial liabilities) as contribution in kind at the level of Sono N.V..

For the reorganization of the structure of Sono Motors and Sono N.V. we refer to note 1 General information. In the course of the reorganization, a split of the shares (30,588,000, nominal value ordinary shares of EUR 0.06) and a conversion of high voting shares (3,000,000, nominal value high voting shares of EUR 1.50) has taken place, including an increase in share capital of kEUR 1,835 and kEUR 4,500 as well as an offsetting effect in the capital reserve (kEUR -1,835 and kEUR -4,500).



The capital increase resulting from the debt-equity swap and the issuance of new shares (480,000 and 1,735,197 new shares) as well as the modification of the original liability amounting to kEUR 1,427 and kEUR 38,200 on December 10, 2020 (closing date of issuance of new shares) resulted in an increase in subscribed capital of kEUR 133 and a corresponding increase in capital reserves of kEUR 37,302, net of tax after deducting transaction costs of kEUR 2,192. The Management of Sono N.V. has decided that the transaction costs of kEUR 135, which are directly attributable to the planned IPO in 2021, are deferred in a separate line item and not deducted from equity yet.

For the increase in the capital reserve (kEUR 32,160) due to the new equity-settled employee participation program (Conversion Stock Option Program or CSOP), please see note 5.10 Share-based payment and 10.3 Remuneration based on shares (share-based payment).

Under Dutch law Sono Group authorized shared capital is the maximum capital that can be issued without amending the articles of association. As of December 31, 2020, the authorized shared capital amounts to kEUR 25,200 divided into 320,000 common shares and 4,000,000 high voting shares. The high voting shares carry the same economic rights entitlements as the common shares and only carry different voting rights.

For the settlement agreement please see note 8.10.2 Other noncurrent financial liabilities.

### 8.9. Advance payments received from customers

The below table shows the noncurrent advance payments received from customers:

	Dec. 31, 2020	Dec. 31, 2019	Jan. 1, 2019
	kEUR	kEUR	kEUR
Advance payments received from customers	38,972	11,164	9,949
	38,972	11,164	9,949

Depending on the general terms in some cases cancellation by the customer is possible in less than 12 months, Sono Group expects to recognize revenue with start of production in the first half of 2023.

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The table below shows the development of the advance payments received from customers:

	Balance as of Jan. 1, 2020	Additions	Repayment	Compound- ing effect	Balance as of Dec. 31, 2020
	KEUR	kEUR	kEUR	kEUR	kEUR
Advance payments re- ceived from customers	11,164	30,565	-4,116	1,360	38,972
	11,164	30,565	-4,116	1,360	38,972

	Balance as of Jan. 1, 2019	Additions	Repayment	Com- pounding effect	Balance as of Dec. 31, 2019
	KEUR	kEUR	kEUR	kEUR	kEUR
Advance payments re- ceived from customers	9,949	1,205	-406	415	11,164
	9,949	1,205	-406	415	11,164

## 8.10. Financial liabilities

### 8.10.1. Financial liabilities overview

The below table shows the development of loans and participation rights:

Nominal amounts	Loan 1	Loan 2	Loan 3*	Subordinated loans (crowd-funding)	Mandatory convertible Notes	Participation rights	Total
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
<b>Jan. 1, 2019</b>	-	-	-	<b>1,616</b>	-	<b>445</b>	<b>2,061</b>
Addition	-	285	2,500	313	-	938	4,035
Accrued interest	-	10	90	38	-	-	139
Repayment	-	-	-	-	-	-	-
<b>Dec. 31, 2019</b>	-	<b>295</b>	<b>2,590</b>	<b>1,967</b>	-	<b>1,383</b>	<b>6,235</b>
Addition	1,225	-	-	2,795	6,800	-	10,820
Accrued interest	46	12	277	101	-	-	435
Repayment	-	-107	-1,219	-1,731	-	-	-3,058
Conversion to equity	-	-	-1,648	-	-	-	-1,648
<b>Dec. 31, 2020</b>	<b>1,271</b>	<b>200</b>	-	<b>3,131</b>	<b>6,800</b>	<b>1,383</b>	<b>12,784</b>

\* Shareholder transaction

## Notes to the Consolidated Financial Statements

Carrying amounts	Loan 1	Loan 2	Loan 3*	Subordinated loans (crowd-funding)	Mandatory convertible Notes	Participation rights	Total
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
<b>Jan. 1, 2019</b>	-	-	-	<b>1,638</b>	-	<b>429</b>	<b>2,067</b>
Initial recognition	-	285	2,500	306	-	900	3,991
Subsequent measurement	-	10	83	82	-	16	192
Derecognition	-	-	-	-	-	-	-
<b>Dec. 31, 2019</b>	-	<b>295</b>	<b>2,583</b>	<b>2,026</b>	-	<b>1,346</b>	<b>6,250</b>
Initial recognition	1,225	-	-	2,714	6,800	-	10,739
Subsequent measurement	46	12	284	53	59	28	482
Derecognition	-	-107	-1,219	-1,731	-	-	-3,058
Conversion to equity	-	-	-1,648	-	-	-	-1,648
<b>Dec. 31, 2020</b>	<b>1,271</b>	<b>200</b>	-	<b>3,062</b>	<b>6,859</b>	<b>1,373</b>	<b>12,766</b>

\* Shareholder transaction

As of December 31, 2020, the remaining outstanding amount of the settlement agreement (kEUR 200) is presented in trade and other payables (see note 8.11 Trade and other payables).

### Loan 1

Loan 1 consists of nine individual loans with a total nominal value of kEUR 1,225, and interest rate of 4% p.a. and a maturity in December 2023.

### Loan 2

Loan 2 includes two loans with a nominal value of kEUR 185 and kEUR 100, respectively, and an annual interest rate of 4% p.a. each. These loans were repayable including interest at maturity in December 2020. The loan with the nominal amount of kEUR 185 had not been repaid as of the balance sheet date but was paid back on January 5, 2021.

### **Loan 3**

Loan 3 included a loan with a contractual two-year term with an interest rate of 12% p.a. and a total nominal value of kEUR 2,500. Following a settlement agreement in November 2020, part of the loan was paid back to the capital providers, while the remaining amount was converted into ordinary shares of Sono N.V. for an additional cash payment of kEUR 29. In addition, Sono N.V. agreed to pay one of the capital providers a total amount of kEUR 250 in five equal monthly installments starting in December 2020 and one lump sum payment of kEUR 250 after a successful IPO of Sono N.V. This modification of the original liability resulted in derecognition of the unpaid liability and a recognition of a new liability for the five installments. The effect of the modification was recorded in equity as it resulted from the relationship with a shareholder. The total amount recognized in equity due to the settlement agreement was kEUR 1,427.

Sono Motors has pledged non-financial items (patents) as securities for this long-term loan with a total face value of kEUR 2,500. The underlying security agreement was cancelled as part of a settlement agreement of November 25, 2020 due to the redemption of the loan in 2020 ((partial) repayment of the loan and (partial) contribution in kind of the loan in connection with a capital increase at Sono Group N.V.).

### **Subordinated loans (crowdfunding)**

The crowdfunding loans consist of several crowdfunding loans with interest rates of 6% p.a. and different terms, varying between less than one year and up to 4 years. Issuing period ended in December 2020.

### **Mandatory convertible loans**

The convertible notes amounting to kEUR 6,859 (nominal value kEUR 6,800) are considered current financial liabilities due to the management's expectation that any event leading either to conversion or redemption in 2021 is considered to be more likely than the repayment at maturity.

### Participation rights

Between October 2018 and November 2019, Sono Motors issued participation rights with a total face value of kEUR 1,383 that bear a fixed interest rate of 3.5% p.a., plus a one-time bonus payment at maturity of 0.52% p.a. of the face value for each 1,000 cars reserved by potential customers between October 18, 2018 and December 31, 2019. More than 2,000 reservations were made during that period; the carrying amount of the liability has been adjusted accordingly to include the one-time bonus payment.

#### 8.10.2. Other noncurrent financial liabilities

The below table displays details on items included in other noncurrent financial liabilities:

	Dec. 31, 2020	Dec. 31, 2019	Jan. 1, 2019
	kEUR	kEUR	kEUR
Loans and participation rights	3,665	4,235	2,035
Lease liabilities	1,669	1,947	-
	5,335	6,182	2,035

For further details regarding the conditions of the other noncurrent financial liabilities, we refer to note 8.10.1 Financial liabilities overview.

**8.10.3. Current financial liabilities**

The below table displays details on items included in current financial liabilities:

	Dec. 31, 2020	Dec. 31, 2019	Jan. 1, 2019
	kEUR	kEUR	kEUR
Current other financial liabilities			
Loans and participation rights	2,240	2,015	32
Convertible notes	6,859	-	-
Lease liabilities	289	281	-
	9,388	2,296	32

For further details regarding the conditions of the other financial liabilities, we refer to note 8.10.1 Financial liabilities overview.

**8.11. Trade and other payables**

The below table displays details on items included in trade and other payables:

	Dec. 31, 2020	Dec. 31, 2019	Jan. 1, 2019
	kEUR	kEUR	kEUR
Trade payables	2,642	3,644	5,080
Other payables	232	59	17
	2,874	3,703	5,097

The current trade payables refer to purchased goods. The other current liabilities mainly refer to a settlement agreement (kEUR 200), we refer to note 8.10.2 Other noncurrent financial liabilities.

### 8.12. Current other liabilities

The below table displays details on items included in other current liabilities:

	Dec. 31, 2020	Dec. 31, 2019	Jan. 1, 2019
	kEUR	kEUR	kEUR
Accruals and deferrals	1,463	100	-
Current employee benefit liabilities (incl. social security)	-	113	106
Employee tax liabilities (wage and church tax)	146	75	74
Tax liabilities (VAT taxes and interest)	80	-	-
	1,689	288	179

Accruals and deferrals as of December 31, 2020 contain preliminary accrued expenses for bonus payments to employees (kEUR 832), vacation payments to employees (kEUR 290) and pending invoices (kEUR 282).

### 8.13. Provisions

The table below presents information on the movements and carrying amounts of provisions over the course of the reporting period.

	Balance as of Jan. 1, 2020	Usage	Reversals	Additions	Balance as of Dec. 31, 2020
	kEUR	kEUR	kEUR	kEUR	kEUR
Personnel costs	584	-584	-	-	-
Financial statements	52	-46	0	105	111
	636	-630	0	105	111



## 9. Disclosure of financial instruments and risk management

### 9.1. Type and management of financial risks

#### 9.1.1. General information

Sono Group is exposed to certain financial risks with respect to its financial assets and liabilities and the transactions associated with its business model. These risks generally relate to credit risks, liquidity risks and market risks (especially interest rate risk).

The aim of risk management is to limit the potential negative impact on expected cash flows and take advantage of any opportunities that arise.

#### 9.1.2. Credit risk

Credit risk is managed by Sono Motors finance department. Credit risk arises from cash and cash equivalents and other financial assets. To limit credit risk, cash deposits and investments are placed only with reputable financial institutions, based on a qualitative assessment by Sono Motors finance department under consideration of the creditworthiness of the financial institutions as well as ecological aspects. Consequently, the risk of default is considered to be low.

For fiscal year 2020 and previous year, there were no significant increases in credit risks for financial assets (no transfer from Stage 1 to Stage 2). Therefore, the loss allowance for all financial assets is measured at an amount equal to 12-month ECL (Stage 1). 12-month ECL is determined using external default ratings as well as external recovery rates.

## Notes to the Consolidated Financial Statements

Exposure to credit risk results from other current and noncurrent financial assets and cash & cash equivalents. The loss allowance for these financial assets as at 31 December reconciles to the opening loss allowance as follows:

	<b>Total</b>
	kEUR
Opening loss allowance as at January 1, 2019	-
Increase in the allowance recognized in profit or loss during the period	-
<b>Closing loss allowance as at December 31, 2019</b>	<b>-</b>
Opening loss allowance as at January 1, 2020	-
Increase in the allowance recognized in profit or loss during the period	6
<b>Closing loss allowance as at December 31, 2020</b>	<b>6</b>

Changes in the gross carrying amount of financial assets contributed kEUR 6 to changes in the loss allowance.

The table below displays the gross carrying amount of Sono Motors' financial assets by credit risk rating grades.

	<b>Credit risk rating grade</b>	<b>Gross carrying amount (12m ECL)</b>
		kEUR
January 1, 2019	Risk class 1	1,608
December 31, 2019	Risk class 1	777
<b>December 31, 2020</b>	<b>Risk class 1</b>	<b>48,709</b>

### 9.1.3. Liquidity risk

Liquidity risk is the risk that Sono Group will encounter difficulty in meeting its obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Sono Group mainly relies on financing from shareholders and private investors and participation rights. Thus, lack of external financial support and any reclaims of the advance payments received from customers could expose Sono Motors to a risk of going concern. External financial support is highly dependent on further progress in the development of Sono Motors' core product and successful communication to potential external investors. Reclaims of the advance payments received from customers are possible because, according to the applicable terms and conditions, customers can choose between reclaiming their advance payment or purchasing the vehicle at the time Sono Motors offers a purchase contract for the vehicle. Based on the specific terms of the agreement between Sono Motors and the customer, some customers may also reclaim their advance payments earlier.

As of the reporting date, Management concludes that Sono Group's liquidity risk is high. Despite successful current crowdfunding campaigns and issuance of convertible notes, there are material uncertainties related to events or conditions regarding Sono Motors' future financing that cast significant doubt upon the Group's ability to continue as a going concern (see note 5.11.1 Going concern for further details). Therefore, Sono Motors' liquidity management focuses on the availability of cash and cash equivalents for operational activities and further investments by means of timely and thorough budget planning and appropriate reactions to expected cash restrictions.

Sono Motors has established an appropriate approach to managing short-, medium- and long-term financing and liquidity requirements. It manages liquidity risks by holding appropriate reserves, as well as by monitoring forecasted and actual cash flows. To monitor the availability of liquidity, cash flow forecasts are developed on a regular basis. Based on these cash flow forecasts, a run rate, which displays the period Sono Motors is able to carry on its current operations without additional financing, is determined. As a safeguard for legal risks associated with liquidity issues, external legal advice is sought in order to comply with German insolvency laws.

The table below summarizes the maturity profile of Sono Group's financial liabilities based on contractual undiscounted payments:

	Carrying amount	< 1 year	1 to 5 years	>5 years
	kEUR	kEUR	kEUR	kEUR
Trade and other payables	2,874	2,874	-	-
Loans and participation rights	5,905	2,689	4,260	-
Convertible notes	6,859	-	9,286	-
Lease liabilities	1,958	323	1,326	421
<b>Total December 31, 2020</b>	<b>17,596</b>	<b>5,886</b>	<b>14,872</b>	<b>421</b>

	Carrying amount	< 1 year	1 to 5 years	>5 years
	kEUR	kEUR	kEUR	kEUR
Trade and other payables	3,703	3,703	-	-
Loans and participation rights	6,250	2,217	4,914	-
Lease liabilities	2,228	319	1,300	755
<b>Total December 31, 2019</b>	<b>12,181</b>	<b>6,239</b>	<b>6,214</b>	<b>755</b>

	Carrying amount	< 1 year	1 to 5 years	>5 years
	kEUR	kEUR	kEUR	kEUR
Trade and other payables	5,097	5,097	-	-
Loans and participation rights	2,067	146	2,207	-
Lease liabilities	-	-	-	-
<b>Total January 1, 2019</b>	<b>7,164</b>	<b>5,243</b>	<b>2,207</b>	<b>-</b>

#### 9.1.4. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Sono Group's exposure to the risk of changes in market interest rates relates primarily to cash and cash equivalents, as financial liabilities bear no or fixed interest rates. Due to persistent low-interest-rates, Sono Group is exposed to the risk of being charged negative interest rates on its bank deposits at a fixed interest rate.

## 9.2. Capital management

For the purpose of Sono Group's capital management, capital includes share capital and all other equity reserves attributable to equity holders. The total amount of capital in the reporting year was kEUR -5,026 (December 31, 2019: kEUR -18,568, January 1, 2019: kEUR -13,786). The primary objective of Sono Group's capital management is to maximize the shareholder value through investment in its development activities.

Based on the current stage of the business cycle of Sono Motors' products, the electric vehicle Sion, the Sono Digital App and Sono Solar, Sono relies almost exclusively on external financing until the start of production.

According to Sec. 30 GmbHG, Sono Motors may not distribute capital if such distribution affects the maintenance of Sono Motors' subscribed capital. Other than that, Sono Motors is not subject to externally imposed capital requirements.

For information on the capital raised in 2020, please refer to Note 8.10.2 Other noncurrent financial liabilities.

## 9.3. Additional information on financial instruments

### 9.3.1. Offsetting of financial assets and liabilities

Sono Motors neither applies offsetting in the balance sheet nor has any instruments that are subject to a legally enforceable master netting arrangement or a similar agreement.

### 9.3.2. Carrying amounts and fair values

The table below displays information on fair value measurements, carrying amounts and categorization of financial instruments of Sono Group.

kEUR	December 31, 2020			
	carrying amount	category (IFRS 9)	fair value	fair value level
<b>Noncurrent financial assets</b>				
Other financial assets				
Deposits	41	AC	42	2
<b>Current financial assets</b>				
Other financial assets				
PayPal accounts including reserves	4,655	AC	n/a*	n/a
Debtor creditors	539	AC	n/a*	n/a
Receivables from crowdfunding and deposits	179	AC	n/a*	n/a
Other	31	AC	n/a*	n/a
Cash and cash equivalents	43,264	AC	n/a*	n/a
<b>Noncurrent financial liabilities</b>				
Financial liabilities				
Loans and participation rights	3,665	FLAC	3,308	3
Lease liabilities	1,669	-	-	-
<b>Current financial liabilities</b>				
Financial liabilities				
Loans and participation rights	2,240	FLAC	n/a*	n/a
Lease liabilities	289	-	-	-
Convertible notes	6,859	FVTPL	6,859	3
Trade and other payables	2,874	FLAC	n/a*	n/a

\* The carrying amount approximately equals the fair value, thus no separate fair value disclosure is needed according to IFRS 7.29

## Notes to the Consolidated Financial Statements

kEUR	December 31, 2019			
	carrying amount	category (IFRS 9)	fair value	fair value level
<b>Noncurrent financial assets</b>				
Other financial assets				
Deposits	28	AC	28	2
<b>Current financial assets</b>				
Other financial assets				
Receivables from crowdfunding and deposits	341	AC	n/a*	n/a
Other	1	AC	n/a*	n/a
Cash and cash equivalents	407	AC	n/a*	n/a
<b>Noncurrent financial liabilities</b>				
Financial liabilities				
Loans and participation rights	4,235	FLAC	3,895	3
Lease liabilities	1,947	-	-	-
<b>Current financial liabilities</b>				
Financial liabilities				
Loans and participation rights	2,015	FLAC	n/a*	n/a
Lease liabilities	281	-	-	-
Trade and other payables	3,703	FLAC	n/a*	n/a

\* The carrying amount approximately equals the fair value, thus no separate fair value disclosure is needed according to IFRS 7.29

## Notes to the Consolidated Financial Statements

kEUR	January 1, 2019			
	carrying amount	category (IFRS 9)	fair value	fair value level
<b>Noncurrent financial assets</b>				
Other financial assets				
Deposits	11	AC	11	2
<b>Current financial assets</b>				
Other financial assets				
Receivables from crowdfunding and deposits	80	AC	n/a*	n/a
Other	2	AC	n/a*	n/a
Cash and cash equivalents	1,515	AC	n/a*	n/a
<b>Noncurrent financial liabilities</b>				
Financial liabilities				
Loans and participation rights	2,035	FLAC	1,729	3
<b>Current financial liabilities</b>				
Financial liabilities				
Loans and participation rights	32	FLAC	n/a*	n/a
Trade and other payables	5,097	FLAC	n/a*	n/a

\* The carrying amount approximately equals the fair value, thus no separate fair value disclosure is needed according to IFRS 7.29

The carrying amounts of each of the categories listed above as defined according to IFRS 9 as of the reporting dates were as follows:

	Dec. 31, 2020	Dec. 31, 2019	Jan. 1, 2019
	kEUR	kEUR	kEUR
Financial assets measured at amortized cost (AC)	48,709	777	1,608
Financial liabilities measured at amortized cost (FLAC)	8,779	9,953	7,164
Financial liabilities measured at fair value through profit or loss (FVTPL)	6,859	-	-



All financial assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized with the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Inputs use quoted prices in active markets for identical assets or liabilities
- Level 2 — Inputs are inputs, other than quoted prices included in Level 1, which are directly or indirectly observable
- Level 3 — Inputs are unobservable and have values estimated by management based on market participant assumptions which are reasonably available

Due to their short nature, the carrying amounts of the cash and cash equivalents and other current financial assets and liabilities approximate their fair value. The fair value of noncurrent financial assets and liabilities is determined by applying the discounted cash flow method (valuation technique). In doing so, future cash flows resulting from the financial asset or liability are discounted using an interest rate derived from an estimated credit rating. In case of noncurrent financial assets, the counterparties are reputable financial institutions, thus credit risk has no significant influence on fair value, which leads to level 2.

At the end of fiscal year 2020, Management has determined that the fair values of noncurrent financial liabilities at amortized cost are level 3 as the credit rating is a non-observable input factor with significant influence on the fair value.

Differences may arise between the fair value at initial recognition (which, in accordance with IFRS 13 and IFRS 9, is generally the transaction price) and the amount determined at initial recognition using the valuation technique.

At the end of fiscal year 2020, Management has determined that the fair values of noncurrent financial liabilities at fair value through profit or loss, which consists solely of mandatory convertible notes, are level 3 as the assumptions for future payouts are a non-observable input factors with significant influence on the fair value.

The finance department of Sono Group performs valuations including level 3 fair values. Discussions of valuation processes and results are held between the CFO and the valuation team as well as external consultants.

The main level 3 inputs used by the group are derived and evaluated as follows:

- Discount rates for financial liabilities reflect current market assessments of the time value of money and the risk specific to the liabilities.

- Expected cash outflows are estimated based on contractual terms and the management's knowledge of probabilities of possible contractual payouts.

The following table summarizes the quantitative information about significant unobservable inputs used in level 3 fair value measurement:

Description	Fair value at			Unobservable input	Range of inputs (most likely outcome)	Relationship of unobservable inputs to fair value
	Dec. 31, 2020	Dec. 31, 2019	Jan. 1, 2019		Dec. 31, 2020	
	kEUR	kEUR	kEUR			
Mandatory convertible notes	6,859	-	-	Probability of an 'exit event' in the second quarter of 2021	50 % -100 % (75 %)	An increase of the probability to 100 % would increase FV by kEUR 2,170. A decrease of the probability to 50 % would decrease FV by kEUR - 2,170.

The following table presents the changes in level 3 items for the period ended December 31, 2020, December 31, 2019 and January 1, 2019:

	Dec. 31, 2020	Dec. 31, 2019	Jan. 1, 2019
	kEUR	kEUR	kEUR
Balance at beginning of year	-	-	-
New transactions	6,800	-	-
Amount presented in other comprehensive income	21	-	-
Amount presented in profit or loss (interest and other expenses)	38	-	-
<b>Balance at end of year</b>	<b>6,859</b>	<b>-</b>	<b>-</b>

For the financial liability designated as at fair value through profit or loss in accordance with IFRS 9.4.3.5, the cumulative change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is kEUR -21.

For the financial liability designated as at fair value through profit or loss in accordance with IFRS 9.4.3.5., the difference between the financial liability's carrying amount and the amount Sono Group would be contractually required to pay at maturity is kEUR 1,662.

### 9.3.3. Income and expenses

Total interest income and total interest expense are calculated by applying the EIR to the gross carrying amount of financial assets and liabilities measured at amortized cost. Total interest income and expenses were as follows:

	2020	2019
	kEUR	kEUR
Total interest expense for financial assets at amortized cost	43	1
Total interest expense for financial liabilities at amortized cost	560	287

The table below shows the net gains or losses of financial instruments by measurement categories:

	2020	2019
	kEUR	kEUR
Net loss for financial assets at amortized cost	49	1
Net loss for financial liabilities at amortized cost	560	287
Net loss for financial liabilities at fair value through profit or loss	59	-

Net losses for financial assets at amortized cost include changes in the loss allowance as well as losses from interest expenses. Net losses for financial liabilities at amortized cost include losses from interest expenses.

Net losses for financial liabilities at fair value through profit or loss include changes in the fair value measurement of convertible notes. There were no financial instruments categorized at fair value through profit or loss 2019 and therefore there are no net gains or losses for 2019.

## 10. Other disclosures

### 10.1. Defined contribution plans

Sono Motors make payments under defined contributions plans, related to government-run pension plans. In the financial year 2020, the total expense recognized amounted to kEUR 491 (prior year: kEUR 329).

### 10.2. Government grants

In fiscal year 2020, other operating income includes an amount of kEUR 68 (previous year: kEUR 15) related to a grant, which Sono Motors received from the European Union to promote the development of open-source hardware as part of the "OPEN\_NEXT" project. There are no unfulfilled conditions or other contingencies attaching to these grants. Sono Motors did not benefit from any other forms of government assistance.

The grant amounts to kEUR 134 and was received by Sono Motors in two installments paid out in 2019 and 2020, each payment amounting to kEUR 67. The grant has the purpose to reimburse Sono Motors for direct personnel costs, direct costs of subcontracting, other direct costs and indirect costs in relation to the development of open-source hardware in form of company-community collaborations. The payments are deferred and recognized in profit and loss over a period of 18 months each to match them with the costs that they are intended to compensate.

### 10.3. Remuneration based on shares (share-based payment)

In the first half of 2018, the management of Sono Motors has set up two similar employee participation programs for staff members and selected managers of Sono Motors. The employee participation programs are based on virtual shares. The virtual share of each employee is determined based on a point system (staff members) respectively a percentage defined in the employment contract (manager). The program provides remuneration in form of the right to participate in Sono Motors' exit proceeds. The remuneration for managers is subject to the fulfillment of specific vesting conditions. In both programs, which have no time limit regarding the 'exit-event', the right to receive a remuneration based on the exit proceeds is achieved if 95 % of the shares of Sono Motors are sold and transferred to a new owner or all material assets of Sono Motors (especially patents) are sold to a third party. Both employee participation programs are accounted for as cash-settled share-based transactions. However, no expense and liability has been recognized because an 'exit-event' and consequently a payment was not probable as of December 31, 2019.

### Modification of share-based payment arrangements

In December 2020, Management has offered all participants of the existing employee participation program as well as five additional staff members (one active and four former staff members) the opportunity to transfer respectively join into a new employee participation program (Conversion Stock Option Program or CSOP), which is equity-settled. Therefore, all participants have been asked to leave the current employee participation program by signing a cancellation agreement and to join the new program in due time. As of December 31, 2020, 88 employees, including all management-level employees, have signed the CSOP. All participants of the employee participants program for managers have been transferred to the CSOP by December 31, 2020. Consequently, the employee participants program for managers is obsolete as of December 31, 2020.

The table below shows the current status as of December 31, 2020:

	Cash-settled program	Equity-settled program
Staff members	1	85
Managers	-	3
	1	88

At the time of issuance of these consolidated financial statements, Sono Group is pursuing an IPO or merger with a special purpose acquisition company. Management has determined that either transaction would constitute an 'exit-event' according to the CSOP.

No expense and liability have been recognized for the one participant remaining in the cash-settled program because management does not consider the pursued IPO an 'exit-event' in accordance with the old employee participation program and consequently does not consider a payment to the remaining participant probable as of December 31, 2020.

For all staff members as well as one manager in the CSOP, all granted share options are fully vested as of December 31, 2020. They become exercisable one year after an 'exit-event'. All unexercised share options expire four years after an 'exit-event'.

Two managers in the CSOP have a vesting period of 36 months (service condition) for their granted share options, beginning at a contractually set date. If the employment of the managers with Sono Motors GmbH, Munich/Germany, ends during the vesting period, a pro rata exercisability of the share options might be granted, depending on contractually agreed good or bad leaver scenarios. After the vesting period all granted share options become exercisable. Other than that, there are no vesting conditions.

Sono N.V. initially measures the fair value of the received services by reference to the fair value of the equity instruments (share options) granted and the number of share options contractually agreed on with each participant. Sono N.V. recognizes the fair value of the services as expenses and a corresponding increase in equity when the services are received. If Sono N.V. and the participant did not agree on service conditions (86 participants) and the participant is unconditionally entitled to the share options, Sono N.V. presumes, that the services have been received on grant date and recognizes the services received in full, with a corresponding increase in equity. If Sono N.V. and the participant did agree on service conditions (two participants), Sono N.V. accounts for the services as they are rendered by the participant during the vesting period., with a corresponding increase in equity.

The following table illustrates the volume of the program, the weighted average fair value at grant date as well as the total expense of the period and the corresponding increase in equity:

December 31, 2020	Equity-settled
Number of options granted	1,805,100
Weighted average fair value at grant date (EUR)	19.26
Expense of the period (EUR)	32,159,781.40
Increase in equity (EUR)	32,159,781.40

The following table illustrates the number of, and movements in, share options during the year:

2020	Share options
January 1, 2020	0
Granted	1,805,100
Forfeited	0
<b>December 31, 2020</b>	<b>1,805,100</b>

The exercise price of all share options will be EUR 0.06.

The fair value of the share options for the equity-settled share-based transactions is measured using Black-Scholes Model and the following inputs:

Input factor	
Weighted average share price (EUR)	22.01
Exercise price (EUR)	0.06
Expected volatility	75 %
Option life (yrs.)	1.29
Expected dividends (EUR)	0.00
Risk-free interest rate	-0.73 %
Lack of marketability discount	14.39 %

The expected life of the share options is based on current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility was based on an evaluation of historical volatilities of comparable listed peer group companies. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

As of December 31, 2020, the full fair value for the participants, who did not agree on service conditions (86 participants) for the new Conversion Stock Option Program, was recognized as a personnel expense as the program for these participants is fully vested. For the participants, who did agree on service conditions (two participants), Sono N.V. recognized the proportionate fair value as a personnel expense as the program for these participants is not yet fully vested.

#### 10.4. Earnings per share

Basic earnings per share is calculated by dividing earnings attributable to Sono N.V. shareholders by the weighted average number of ordinary and high voting shares outstanding during the reporting period. Since the IPO is planned only for 2021 the share-based payment program has no effect on the calculation of diluted earnings per share. The high voting shares entitle the shareholders to additional voting rights, but not to higher dividend rights.

**Basic earnings per share**

	2020	2019
	EUR	EUR
From continuing operations attributable to the ordinary equity holders of the company	-1.66	-0.30
	-1.66	-0.30

Due to the consideration of the share split (increase in weighted average shares from 33,252 to 33,251,883) and the change in accounting policies for advance payments from customers (increase of loss for the period from kEUR 9,556 to kEUR 9,971), the basic earnings per share 2019 have increased from EUR -284.50 to EUR -0.30.

**10.5. Related parties**

Sono Group defines a related party as a person or a close member of that person's family if that person:

- has control or joint control of Sono Motors,
- has significant influence over Sono Motors or
- is a member of key management personnel of Sono Motors.

Close family members are:

- the person's children and spouse or partner,
- children of the person's spouse or partner and
- dependents of the person's spouse or partner.

Sono N.V. defines a related party as an entity if any of the following conditions applies:

- the entity and Sono N.V. are members of the same group,
- Sono N.V. is a joint venture or associate of the entity or the entity is a joint venture or associate of Sono N.V.,
- Sono N.V. and the entity are joint ventures of the same third party,
- Sono N.V. is joint venture of a third party and the entity is an associate of the same third party and vice versa,
- the entity is a post-employment benefit plan for the benefit of Sono N.V.'s employees or the benefit of employees of a Sono N.V. related entity,
- the entity is controlled or jointly controlled by a Sono N.V. related person.



Sono N.V. is not controlled by any other entity, but controls Sono Motors GmbH as of December 31, 2020.

The below table displays the compensation of key management personnel:

	2020	2019
	kEUR	kEUR
Short-term employee benefits	558	589
Share-based payments*	5,829	-
<b>Total compensation</b>	<b>6,387</b>	<b>589</b>

\* thereof kEUR 2,577 for key management personnel leaving in 2019

Some of the key management personnel do participate in the employee participation program. For details on this program, please refer to note 5.10 Share-based payment and 10.3 Remuneration based on shares (share-based payment).

The table below displays loans and advance payments received from key management personnel and other related parties:

	2020	2019
	kEUR	kEUR
Loans from key management personnel (subordinated crowd-funding loan II)	2	-
Loans from other related parties	199	191
	201	191
Advance payments received from key management personnel*	52	-
<b>Total</b>	<b>253</b>	<b>191</b>

\* for which 9 Sono points have been granted

For the terms and conditions of the subordinated crowdfunding loan II, we refer to note 8.10.2 Other noncurrent financial liabilities.

The main shareholders of Sono N.V. have significant influence over Sono Motors Investment UG, Munich. Therefore, Sono Motors Investment UG is considered a related party. Sono Motors has received a loan amounting to kEUR 185 from Sono Motors Investment UG in 2019. The loan is due December 31, 2020, interest-paying at arm's length (4 % p.a.) and unsecured. As of December 31, 2020, the loan had not been repaid as of the balance sheet date. Instead, it was paid back on January 5, 2021.

## 10.6. Cash flow statement

The statement of cash flows presents information on the cash flow from operating, financing and investing activities. In fiscal year 2020 and prior year, non-cash financing and investing activities include the acquisition of right-of-use assets (see note 8.3 Right-of-use assets). The table below presents a reconciliation of liabilities arising from financing activities.

	Jan. 1, 2019	Cash flows	Non-cash changes			Reclas- sif.	Dec. 31, 2019
			EIR method	Addi- tions	Other		
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
<b>Noncurrent financial liabilities</b>							
Loans and participation rights	2,035	3,710	192	-	281	-1,983	4,235
Lease liabilities	-	-92	-	2,320	-	-281	1,947
<b>Current financial liabilities</b>							
Loans and participation rights	32	-	-	-	-	1,983	2,015
Lease liabilities	-	-	-	-	-	281	281
	<b>2,067</b>	<b>3,618</b>	<b>192</b>	<b>2,320</b>	<b>281</b>	<b>-</b>	<b>8,478</b>

	Jan. 1, 2020	Cash flows	Non-cash changes			Re- classif.	Dec. 31, 2020
			EIR method	Addi- tions	Other		
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
<b>Noncurrent financial liabilities</b>							
Loans and participation rights	4,235	8,330	482	-650	-1,648	-7,084	3,666
Lease liabilities	1,947	-	-	12	-	-290	1,669
<b>Current financial liabilities</b>							
Loans and participation rights	2,015	-	-	-	-	7,084	9,099
Lease liabilities	281	-282	-	-	-	290	289
	<b>8,478</b>	<b>8,049</b>	<b>482</b>	<b>-638</b>	<b>-1,648</b>	<b>-</b>	<b>14,723</b>

In fiscal year 2020 other non-cash changes include a debt to equity swap (kEUR -1,648) in connection with a settlement agreement with a capital provider. For further details, we refer to note 8.10.1 Financial liabilities overview.

## 10.7. Subsequent events

### IPO

Sono N.V. is currently in preparation of listing on a US stock exchange ("IPO") as part of an initial public offering (IPO) and thus, generating additional capital. For further details regarding the legal reorganization in this context, we refer to note 1 General information.

## 11. First time adoption of IFRS

The date of transition to IFRS is January 1, 2019.

The application of IFRS 1 requires that Sono Group adopts accounting policies based on the standards and related interpretations effective at the reporting date of its first annual IFRS statements. IFRS 1 allows first-time adopters certain exemptions from the full retrospective application of the requirements under IFRS. All relevant mandatory exceptions have been applied in full. Sono Group has applied the following exemption:

Leases (IFRS 1 D9D (b)): No right-of-use assets and lease liabilities were recognized for leases with a remaining lease term of less than twelve months as at the date of transition to IFRS and instead, they are accounted for as if they were short-term leases. Therefore, the amount recognized for the right- of-use assets and lease liabilities as of January 1, 2019 is zero.

The transition from German Commercial Code (hereafter, "HGB") to IFRS resulted in accounting policies that affected the financial position and financial performance as follows.

The below table reconciles Sono Group's equity in accordance with HGB to its equity in accordance with IFRS as of the date of transition.

## Notes to the Consolidated Financial Statements

	HGB Jan. 1, 2019	Adjustments							IFRS Jan. 1, 2019
		Equip- ment	Leases	Advance payments	Loans and participati- on rights	Capital transac- tion	Reclassifi- cations	Total	
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
<b>ASSETS</b>									
<b>Noncurrent assets</b>									
Intangible assets	38	-	-	-	-	-	-	-	38
Property, plant and equipment	1,404	54	-	-	-	-	-	54	1,458
Right-of-use assets	-	-	-	-	-	-	-	-	-
Other financial assets	11	-	-	-	-	-	-	-	11
	<b>1,453</b>	<b>54</b>	-	-	-	-	-	<b>54</b>	<b>1,507</b>
<b>Current assets</b>									
Other financial assets	82	-	-	-	-	-	-	-	82
Other non-financial assets	620	-	-	-	-	-	-	-	620
Cash and cash equivalents	1,515	-	-	-	-	-	-	-	1,515
	<b>2,217</b>	-	-	-	-	-	-	-	<b>2,217</b>
<b>Total assets</b>	<b>3,670</b>	<b>54</b>	-	-	-	-	-	<b>54</b>	<b>3,724</b>
<b>EQUITY AND LIABILITIES</b>									
<b>Equity</b>									
Subscribed capital	32	-	-	-	-	-	-	-	32
Capital reserve	3,332	-	-	-	-	-30	-	-30	3,302
Accumulated deficit	-16,974	54	-	-256	26	30	-	-146	-17,120
	<b>-13,610</b>	<b>54</b>	-	<b>-256</b>	<b>26</b>	-	-	<b>-176</b>	<b>-13,786</b>
<b>Noncurrent liabilities</b>									
Advance payments received from customers	9,693	-	-	256	-	-	-	256	9,949
Financial liabilities	2,093	-	-	-	-26	-	-32	-58	2,035
	<b>11,786</b>	-	-	<b>256</b>	<b>-26</b>	-	<b>-32</b>	<b>198</b>	<b>11,984</b>
<b>Current liabilities</b>									
Financial liabilities	-	-	-	-	-	-	32	32	32
Trade and other payables	5,097	-	-	-	-	-	-	-	5,097
Other liabilities	73	-	-	-	-	-	106	106	179
Provisions	324	-	-	-	-	-	-106	-106	218
	<b>5,494</b>	-	-	-	-	-	<b>32</b>	<b>32</b>	<b>5,526</b>
<b>Total equity and liabilities</b>	<b>3,670</b>	<b>54</b>	-	-	-	-	-	<b>54</b>	<b>3,724</b>

## Notes to the Consolidated Financial Statements

	HGB Dec. 31, 2019	Adjustments								IFRS Dec. 31, 2019
		Opening Balance Adj.	Equip- ment	Leases	Advance payments	Loans and participati- on rights	Capital transac- tion	Reclassifi- cations	Total	
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
<b>ASSETS</b>										
<b>Noncurrent assets</b>										
Intangible assets	27	-	-	-	-	-	-	-	-	27
Property, plant and equipment	2,446	54	-3	-28	-	-	-	-	23	2,469
Right-of-use assets	-	-	-	2,235	-	-	-	-	2,235	2,235
Other financial assets	28	-	-	-	-	-	-	-	-	28
	<b>2,501</b>	<b>54</b>	<b>-3</b>	<b>2,207</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,258</b>	<b>4,759</b>
<b>Current assets</b>										
Other financial assets	342	-	-	-	-	-	-	-	-	342
Other non-financial assets	193	-	-	-	-	-	-	-	-	193
Cash and cash equivalents	407	-	-	-	-	-	-	-	-	407
	<b>942</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>942</b>
<b>Total assets</b>	<b>3,443</b>	<b>54</b>	<b>-3</b>	<b>2,207</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,258</b>	<b>5,701</b>
<b>EQUITY AND LIABILITIES</b>										
<b>Equity</b>										
Subscribed capital	34	-	-	-	-	-	-	-	-	34
Capital reserve	8,628	-30	-	-	-	-	-109	-	-139	8,489
Retained earnings	-26,651	-146	-3	-21	-415	36	109	-	-440	-27,091
	<b>-17,989</b>	<b>-176</b>	<b>-3</b>	<b>-21</b>	<b>-415</b>	<b>36</b>	<b>-</b>	<b>-</b>	<b>-579</b>	<b>-18,568</b>
<b>Noncurrent liabilities</b>										
Advance payments received from customers	10,493	256	-	-	415	-	-	-	671	11,164
Financial liabilities	6,312	-16	-	1,947	-	-35	-	-2,026	-130	6,182
	<b>16,805</b>	<b>240</b>	<b>-</b>	<b>1,947</b>	<b>415</b>	<b>-35</b>	<b>-</b>	<b>-2,026</b>	<b>541</b>	<b>17,346</b>
<b>Current liabilities</b>										
Financial liabilities	-	-10	-	281	-	-1	-	2,026	2,296	2,296
Trade and other payables	3,703	-	-	-	-	-	-	-	-	3,703
Other liabilities	127	-	-	-	-	-	-	161	161	288
Provisions	797	-	-	-	-	-	-	-161	-161	636
	<b>4,627</b>	<b>-10</b>	<b>-</b>	<b>281</b>	<b>-</b>	<b>-1</b>	<b>-</b>	<b>2,026</b>	<b>2,296</b>	<b>6,923</b>
<b>Total equity and liabilities</b>	<b>3,443</b>	<b>54</b>	<b>-3</b>	<b>2,207</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,258</b>	<b>5,701</b>

The deviation of the opening balance is caused by differences in the measurement of equipment. In the German GAAP financial statements low value equipment is fully depreciated in the year of addition, whereas under IFRS, equipment is depreciated over its individual useful life, regardless of its value.

The application of IFRS 16 results in a separate recognition of the right-of-use assets for identified leases and corresponding lease liabilities for the expected future lease payments. Expenses for rent of office spaces as well as expenses related to other lease contracts were presented in the statement of profit or loss under other operating expenses under HGB. Moreover, some expenses for modernization of office spaces that qualify as part of the right-of-use asset under IFRS were capitalized as property, plant and equipment under HGB. Under IFRS 16, the depreciation of the right-of-use assets is included in the depreciation and amortization, while the interest expense of the lease liabilities is presented within interest and other expenses in profit and loss as well as in the cash flow statement.

## Notes to the Consolidated Financial Statements

The deviation of other financial liabilities is caused by differences in measurement of financial liabilities at amortized cost. Firstly, according to IFRS, amortized costs of financial liabilities are calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR, whereas in the HGB financial statements, any discount or premium on acquisition and fees or costs are accounted for in profit and loss when they occur. This aspect affects the measurement of loans from shareholders and private investors as well as participation rights.

Interest-free noncurrent advance payments received from customers, where a reclaim of the payments by the customer is not possible within twelve months after the reporting date, according to the applicable terms and conditions, are discounted according to IFRS. Thus, the IFRS carrying amount deviates from the HGB carrying amount (nominal value). The table below reconciles the 2019 total comprehensive income in accordance with IFRS to profit and loss in accordance with HGB:

	HGB 2019	Adjustments						IFRS 2019
		Equipment	Leases	Advance payments	Loans and participati- on rights	Capital transaction	Total	
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Revenue	-	-	-	-	-	-	-	-
Cost of sale	-	-	-	-	-	-	-	-
<b>Gross profit</b>	-	-	-	-	-	-	-	-
Cost of research and development	-4,944	-1	0	-	-	8	7	-4,937
Selling and distribution expenses	-2,135	-1	1	-	-	-	0	-2,135
General and administrative expenses	-2,555	-1	-	-	37	102	138	-2,417
Other operating income/expenses	220	-	-	-	-	-	-	220
<b>Operating loss</b>	<b>-9,414</b>	<b>-3</b>	<b>1</b>	<b>-</b>	<b>37</b>	<b>110</b>	<b>145</b>	<b>-9,269</b>
Interest and other expenses	-263	-	-24	-415	-	-	-439	-702
<b>Loss before tax</b>	<b>-9,677</b>	<b>-3</b>	<b>-23</b>	<b>-415</b>	<b>37</b>	<b>110</b>	<b>-294</b>	<b>-9,971</b>
Taxes on income	-	-	-	-	-	-	-	-
<b>Loss for the period</b>	<b>-9,677</b>	<b>-3</b>	<b>-23</b>	<b>-415</b>	<b>37</b>	<b>110</b>	<b>-294</b>	<b>-9,971</b>
Other comprehensive loss	-	-	-	-	-	-	-	-
<b>Total comprehensive loss for the period</b>	<b>-9,677</b>	<b>-3</b>	<b>-23</b>	<b>-415</b>	<b>37</b>	<b>110</b>	<b>-294</b>	<b>-9,971</b>

The financial statements according to HGB are based on the total-cost method, whereas the cost of sales method is used for IFRS purposes.

Differences in subsequent measurement of financial liabilities at amortized cost result in a deviation in general administrative expenses as well as in interest and other expenses. According to IFRS, amortized costs of financial liabilities are calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR, whereas in the HGB financial statements, any discount or premium on acquisition and fees or costs are accounted for in profit and loss when they occur.

Additionally, the on-balance approach of IFRS 16 for operating leases in comparison to the off-balance approach of HGB causes a deviation in general administrative expenses and interest and other expenses. The application of IFRS 16 results in a separate recognition of the right-of-use assets for identified leases and corresponding lease liabilities for the expected future lease payments. Expenses for rent of office spaces as well as expenses related to other lease contracts were presented in the statement of profit or loss under general administrative expenses under HGB. Under IFRS 16, the depreciation of the right-of-use assets is included in the depreciation and amortization (cost of research and development, selling and distribution costs and general and administrative expense), while the interest expense of the lease liabilities is presented within finance expenses.

Further differences in initial and subsequent measurement of advance payments received from customers between HGB and IFRS result in a deviation in interest and other expenses, advance payments received from customers include a significant financing component according to IFRS 15.60. The compounding effect is recognized in interest expense and increases the advance payments received from customers.

Due to an original term of the advance payments which is more than 12 months, the advance payments include a significant financing component according to IFRS 15.60. The compounding effect is recognized in interest expense and increases the advance payments received from customers. Sales revenues from advance payments received from customers will be recognized at the point of delivery of the car.

An additional deviation in general administrative expenses is caused by incremental costs directly attributable to equity transactions, which in IFRS are accounted for as a deduction from equity, whereas in HGB they are accounted for in profit and loss when they occur.

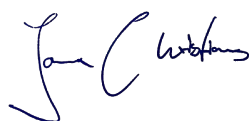
## Approval of these consolidated financial statements

Munich, March 19, 2021

Sono Group N.V.  
represented by the Management of Sono Group N.V.



Laurin Hahn



Jona Christians