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

FORM 6-K

Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16 under the Securities Exchange Act of 1934

For the month of September, 2023.

Commission File Number 001-40736

Lilium N.V.
(Translation of registrant's name into English)

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Telephone: +49 160 9704 6857
(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.
Form 20-F ☒ Form 40-F ☐

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Explanatory Note

On September 15, 2023, Lilium N.V. (the "Company") issued (i) its Unaudited Condensed Interim Financial Statements as of and for the six months ended June 30, 2023 and (ii) its Management's Discussion & Analysis of Financial Condition and Results of Operations for the six months ended June 30, 2023, which are furnished as Exhibits 99.1 and 99.2 to this Report on Form 6-K, respectively.

Incorporation by Reference

The contents of this Report on Form 6-K, including Exhibits 99.1 and 99.2, are hereby incorporated by reference into the Company's registration statements on Form F-3 filed with the U.S. Securities and Exchange Commission ("SEC") on June 9, 2023 (File No. 333-272571), February 3, 2023 (File No. 333-269568), November 25, 2022, as amended or supplemented (File No. 333-268562), and October 3, 2022, as amended or supplemented (File Nos. 333-267718 and 333-267719), and the Company's registration statement on Form S-8 filed with the SEC on November 18, 2021 (File No. 333-261175).

SIGNATURES

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

Dated: September 15, 2023

Lilium N.V.

By: */s/ Klaus Roewe*
Name: Klaus Roewe
Title: Chief Executive Officer and Executive Director

EXHIBIT INDEX

Exhibit Number	Description of Document
99.1	Unaudited Condensed Interim Financial Statements of Lilium N.V. as of and for the six months ended June 30, 2023
99.2	Management's Discussion & Analysis of Financial Condition and Results of Operations of Lilium N.V. for the six months ended June 30, 2023

Exhibit 99.1

INTERIM CONDENSED

CONSOLIDATED FINANCIAL STATEMENTS

As of and for the six month period ended June 30, 2023

Interim Condensed Consolidated Statements of Operations and Other Comprehensive Income (Loss) for the six month periods ended June 30, 2023 and 2022

in € thousand	Note	June 30, 2023	June 30, 2022
Research and development expenses	[5]	(84,295)	(83,028)
General and administrative expenses	[6]	(40,192)	(46,987)
Selling expenses	[7]	(4,252)	(9,574)
Other income		1,435	2,599
Other expenses		(1,222)	(1,393)
Operating loss		**(128,526)**	**(138,383)**
Finance income	[8]	3,021	16,597
Finance expenses	[8]	(258,739)	(931)
Financial result	[8]	**(255,718)**	**15,666**
Share of loss in a joint venture	[11]	(1,165)	(1,457)
Loss before income tax		**(385,409)**	**(124,174)**
Income tax (expense) / benefits	[9]	(83)	478
Net loss for the period		**(385,492)**	**(123,696)**

Other comprehensive income / (loss)

in € thousand (except per share data)	Note	June 30, 2023	June 30, 2022
Other comprehensive income / (loss) that may be reclassified to profit or loss		45	(5)
Exchange differences on translation of foreign business units		45	(5)
Items that will not be subsequently reclassified to profit or loss		10	(68)
Remeasurement of defined pension benefit obligation		10	(68)
Other comprehensive income / (loss)		**55**	**(73)**
Total consolidated comprehensive loss for the period		**(385,437)**	**(123,769)**
Loss per share (basic and diluted) in €		**(0.89)**	**(0.43)**

The accompanying notes are an integral part of these interim condensed consolidated financial statements (IFRS).

Interim Condensed Consolidated Statement of Financial Position as of June 30, 2023 and December 31, 2022

in € thousand	Note	06/30/2023	12/31/2022
ASSETS			
Intangible assets		692	870
Property, plant and equipment	[10]	44,856	36,699
Investment in a joint venture	[11]	12,245	13,410
Other financial assets	[12]	3,451	3,386
Non-financial assets	[13]	17,188	13,487
Non-current assets		**78,432**	**67,852**
Other financial assets	[12]	60,203	22,581
Non-financial assets	[13]	9,883	18,648
Income tax receivable		107	169
Cash and cash equivalents		120,387	179,581
Current assets		**190,580**	**220,979**
Total Assets		**269,012**	**288,831**
SHAREHOLDERS’ (DEFICIT) / EQUITY AND LIABILITIES			
Subscribed capital	[14]	54,196	53,104
Share premium	[14]	843,158	843,074
Other capital reserves	[14]	373,765	277,654
Treasury shares	[14]	(185)	(279)
Accumulated loss		(1,355,690)	(970,198)
Accumulated other comprehensive income		203	148
Shareholders’ (deficit) / equity		**(84,553)**	**203,503**
Other financial liabilities	[16]	19	21
Lease liabilities		9,110	8,353
Provisions		452	445
Trade and other payables		1,850	3,483
Deferred tax liabilities		—	10
Non-current liabilities		**11,431**	**12,312**
Other financial liabilities	[16]	1,004	4
Lease liabilities		3,007	2,616
Share-based payment liability	[15]	43	1,046
Provisions		699	730
Income tax payable		260	128
Warrants	[17]	292,044	26,267
Trade and other payables		38,225	33,658
Other non-financial liabilities		6,852	8,567
Current liabilities		**342,134**	**73,016**
Total Shareholders’ (Deficit) / Equity and Liabilities		**269,012**	**288,831**

The accompanying notes are an integral part of these interim condensed consolidated financial statements (IFRS).

Interim Condensed Consolidated Statement of Changes in Shareholders' Equity for the six month periods ended June 30, 2023 and 2022

							Accumulated other comprehensive income		
in € thousand	**Note**	**Subscribed capital**	**Share premium**	**Other capital reserves**	**Treasury shares**	**Accumulated loss**	**Currency translation reserve**	**Remeasurement of defined pension benefit obligation**	**Total**
January 1, 2022		**40,138**	**779,141**	**240,430**	**(151)**	**(717,134)**	**83**	**4**	**342,511**
Loss for the period		—	—	—	—	(123,696)	—	—	(123,696)
Other comprehensive loss		—	—	—	—	—	(5)	(68)	(73)
Total comprehensive loss		—	—	—	—	*(123,696)*	*(5)*	*(68)*	*(123,769)*
Share-based payment awards	[15]	—	—	12,836	—	—	—	—	12,836
Conversion share-based payment awards into shares	[15]	1,007	206	(990)	—	—	—	—	223
Share capital increase - ELOC	[14]	32	—	664	—	—	—	—	696
June 30, 2022		**41,177**	**779,347**	**252,940**	**(151)**	**(840,830)**	**78**	**(64)**	**232,497**
January 1, 2023		**53,104**	**843,074**	**277,654**	**(279)**	**(970,198)**	**116**	**32**	**203,503**
Loss for the period		—	—	—	—	(385,492)	—	—	(385,492)
Other comprehensive income		—	—	—	—	—	45	10	55
Total comprehensive (loss)/income		—	—	—	—	(385,492)	45	10	(385,437)
Share-based payment awards	[15]	—	—	14,399	—	—	—	—	14,399
Conversion share-based payment awards into shares	[15]	1,270	—	(1,117)	—	—	—	—	153
Conversion of Class B shares	[14]	—	84	—	(84)	—	—	—	—
Cancellation of issued shares	[14]	(178)	—	—	178	—	—	—	—
Contribution from shareholder	[17]	—	—	82,829	—	—	—	—	82,829
June 30, 2023		**54,196**	**843,158**	**373,765**	**(185)**	**(1,355,690)**	**161**	**42**	**(84,553)**

The accompanying notes are an integral part of these interim condensed consolidated financial statements (IFRS).

Interim Condensed Consolidated Statement of Cash Flows for the six month periods ended June 30, 2023 and 2022

in € thousand	June 30, 2023	June 30, 2022
Net loss for the period	(385,492)	(123,696)
Adjustments to reconcile consolidated net loss to net cash flows:		
Income tax expense/(benefits)	83	(478)
Net interest	(1,106)	654
Depreciation, amortization and impairment	4,854	3,743
Expenses for share-based payments	14,517	12,272
Share of loss in a joint venture	1,165	1,457
Fair value changes of financial instruments and expected credit losses (ECL)	256,824	(16,320)
Income taxes paid	100	(39)
Change in provisions	(12)	1,475
Working capital adjustments:		
Changes in trade and other payables	5,279	1,028
Changes in other assets and liabilities	1,766	(2,817)
Cash flow from operating activities	**(102,022)**	**(122,721)**
Purchases of intangible assets	(26)	(103)
Purchases of and advance payments on property, plant and equipment	(8,238)	(2,169)
Disposals of intangible assets, property, plant and equipment	—	9
Proceeds from short-term investments	20,000	179,823
Payments for short-term investments	(60,000)	(80,000)
Interest paid	—	(121)
Interest received	1,275	—
Cash flow from investing activities	**(46,989)**	**97,439**
Proceeds from issue of May 2023 Warrants	91,811	—
Proceeds from share capital increase and capital contribution	153	255
Principal elements of lease payments	(1,813)	(1,315)
Interest paid	(348)	(417)
Cash flow from financing activities	**89,803**	**(1,477)**
Cash-based changes in cash and cash equivalents	**(59,208)**	**(26,759)**
Effect of foreign exchange rate changes on cash and cash equivalents	(33)	35
Effect of change in expected credit loss provisions	47	—
Net decrease in cash and cash equivalents	**(59,194)**	**(26,724)**
Cash and cash equivalents at the beginning of the period	179,581	129,856
Cash and cash equivalents at the end of the period	**120,387**	**103,132**

The accompanying notes are an integral part of these interim condensed consolidated financial statements (IFRS).

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1. Corporate Information

Lilium N.V. ("the Company"), together with its consolidated entities ("Lilium" or the "Group"), is a technology company in the field of urban air mobility and intends to make regional air mobility a reality. Since its founding, Lilium has primarily engaged in research and development of a proprietary electric Vertical Takeoff and Landing (eVTOL) jet (the "Lilium Jet") for production and operation of a regional air mobility service as well as related services.

Lilium N.V. is a public company under Dutch law and is registered under the Dutch trade register number 82165874. Lilium N.V. has its activities exclusively in Germany. The registered headquarters is Claude-Dornier Str. 1, Geb. 335, 82234 Wessling, Germany. The Company is publicly listed and traded on Nasdaq under the symbols "LILM" for its Class A ordinary shares ("Class A shares") and "LILMW" for its listed redeemable warrants ("Public Warrants") since September 15, 2021.

The interim condensed consolidated financial statements of the Group, for the six month period ended June 30, 2023, were authorized for issue by the Company's Board of Directors ("the Board") on September 13, 2023.

2. Basis of Preparation and Changes to the Group's Accounting Policies

The Group's interim condensed consolidated financial statements for the six month periods ended June 30, 2023 and 2022 are prepared in accordance with IAS 34 *Interim Financial Reporting.*

The interim condensed consolidated financial statements have been prepared on a going concern basis, applying a historical cost convention, unless otherwise indicated. They are prepared and reported in thousands of Euro ("€ thousand") except where otherwise stated. Due to rounding, numbers presented may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's audited annual consolidated financial statements as of December 31, 2022.

Consolidated entities are as follows:

Name	Country of Incorporation	Date of incorporation	equity interest owned in % June 30, 2022	equity interest owned in % June 30, 2023
Lilium N.V.	Netherlands	March 11, 2021	n/a	n/a
Lilium GmbH	Germany	February 11, 2015	100.0 %	100.0 %
Lilium Schweiz GmbH	Switzerland	December 8, 2017	100.0 %	100.0 %
Lilium Aviation UK Ltd.	United Kingdom	December 20, 2017	100.0 %	100.0 %
Lilium Aviation Inc.	United States	July 1, 2020	100.0 %	100.0 %
Lilium eAircraft GmbH	Germany	August 17, 2020	100.0 %	100.0 %
Stichting JSOP	Netherlands	September 10, 2021	0.0 %	0.0 %
Lilium Aviation Spain SLU	Spain	April 7, 2022	100.0 %	100.0 %

Going Concern

The financial statements have been prepared on a basis that assumes the 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. Management assessed the Group's ability to continue as a going concern and evaluated whether there are certain 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 financial statements.

Historically, the Group has funded its operations primarily through capital raises and loans from shareholders. Since its inception, the Group has incurred recurring losses and negative cash flows from operations (accumulated losses of €1,355.7 million as of June 30, 2023). The Group expects to continue generating operating losses and negative cash flow from operations for several years. At the reporting date, the Group has a shareholders' deficit of €84,553 thousand, which is mainly driven by the operational losses carried forward by the Group and the fair value movement of the warrants as disclosed in note 17. The going concern basis is driven by the Group's available liquidity and its ability to settle its liabilities and commitments. The warrants are settled upon exercise by warrant holders via issuance of Class A Shares against the applicable exercise price without negatively impacting the liquidity of the Group.

Lilium's financing plan shows substantial financing needs for several years. Based on its business plan, the Group depends on additional financing for development activities and operations which is currently not assured.

The Group's current forecast indicates that the Group does not have sufficient funds to fund its operations for several years. Additionally, the Group must reach several milestones, including completion of its research and development program, and obtaining regulatory approvals, which will have an increased importance as the Group progresses towards commercialization. Consequently, the Group's ability to continue as a going concern is largely dependent on its ability to successfully progress with its business model and to secure additional funds in the near future through a combination of debt financings, equity offerings, partnerships and grant funding. The Group plans to secure additional capital in the next 12 months and beyond through, for example, equity offerings, grants, debt financing, or collection of pre-delivery payments ("PDPs") in order to continue as a going concern. Between the reporting date and the date these financial statements were made available, the Group received additional gross funding of approximately US$192 million from the issuance of additional Class A shares and warrants to purchase Class A shares, as well as the triggering of the Additional Funding Amount disclosed in note 21.

There is no certainty that the Group will be successful in obtaining sufficient funding through PDPs, grants, additional private or public offerings of debt and/or equity. If the Group is unsuccessful in raising sufficient capital, the Group's management will be required to undertake, and is committed to undertaking, additional significant cost-cutting measures including significant headcount reductions that could require us to curtail or discontinue our operations. Such cost-cutting measures should help maintain the liquidity of the Group within the twelve-month period from the issuance date of these interim consolidated financial statements and provide additional time for raising sufficient funds through the start of series production.

Based on its recurring losses from operations since inception, expectation of continuing operating losses in the future and the need to raise additional capital to finance its future operations, which is not assured yet, the Group has concluded that there is substantial doubt about its ability to continue as a going concern, and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Despite this substantial doubt, management is continuing to take actions to secure sufficient financing, and thus believes that the application of the going concern assumption for the preparation of these consolidated financial statements is appropriate.

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's audited annual consolidated financial statements for the year ended December 31, 2022, except for the adoption of new standards effective as of January 1, 2023. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments apply for the first time in 2023, but do not have an impact on the interim condensed consolidated financial statements of the Group.

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Group's interim condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the interim condensed consolidated financial statements. In preparing these interim condensed consolidated financial statements, management exercises its best judgement based upon its experience and the circumstances prevailing at that time. The estimates and assumptions are based on available information and conditions at the end of the financial period presented and are reviewed on an ongoing basis. 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.

Assumptions and estimates relating to the Group's ability to continue as a going concern are described in note 2.

The Group operates its business as a single operating segment, which is also its reporting segment. An operating segment is defined as a component of an entity for which discrete financial information is available and whose results of operations are regularly reviewed by the chief operating decision maker. The Group's chief operating decision maker is the Chief Executive Officer, who reviews results of operations to make decisions about allocating resources and assessing performance based on consolidated financial information.

4. Covid-19 Risks and Uncertainties, War in Ukraine and Geopolitical Conflicts

The Board is actively monitoring the impact on the Group from the uncertainty regarding the consequences and lingering impact of the COVID-19 pandemic. The Group had implemented logistical and organizational changes to bolster the Group's resilience to the COVID-19 pandemic. The extent that COVID-19 continues to impact our business, prospects and results of operations will depend on future developments, which are highly uncertain and cannot be predicted. However, based on the latest developments, the Group expects business operations to continue with minimal to no ongoing impact from the COVID-19 pandemic for the foreseeable future.

The Board is also actively monitoring the impact on the Group from the war in Ukraine. The Group does not and does not intend to have any operations in Ukraine, Belarus or Russia, or engage with direct suppliers located in Ukraine, Belarus or Russia. There is currently no direct impact on the Group from the war in Ukraine and sanctions imposed on Russia and Belarus as the Group does not have any operations or direct suppliers located in these jurisdictions. The Group continues to closely monitor the impact on general economic factors from the war in Ukraine, including the impact of inflation, as such puts pressure on the Group's costs for employees, raw materials and other parts provided by suppliers.

Finally, the Board is also actively monitoring geopolitical conflicts and tension, including the imposition of and changes in foreign investment, economic sanctions and trade control regulations that could adversely impact our business. There is currently no material impact on the Group's operations from applicable foreign investment, economic sanctions and trade control regulations. However, the imposition of and changes in such regulations in the future could adversely impact our business.

5. Research and Development Expenses

For the six month period ended June 30, 2023, research and development expenses consisted of €40,003 thousand (June 30, 2022: €38,686 thousand) in personnel expenses, including share-based payment expenses; €24,509 thousand (June 30, 2022: €20,047 thousand) expenses incurred by suppliers on behalf of the Group in preparation for certification and serial production of the Lilium Jet; €6,762 thousand (June 30, 2022: €11,549 thousand) of contractor and consulting expenses; €2,195 thousand (June 30, 2022: €4,594 thousand) in testing component and material costs; €3,912 thousand (June 30, 2022: €2,837 thousand) on amortization and depreciation expenses and €6,914 thousand (June 30, 2022: €5,315 thousand) on other miscellaneous expenses.

6. General and Administrative Expenses

For the six month period ended June 30, 2023, general and administrative expenses included €16,705 thousand (June 30, 2022: €16,895 thousand) of personnel expenses, including share-based payment expenses; €9,291 thousand (June 30, 2022: €14,921 thousand) of contractor and consulting expenses; €906 thousand success fee in relation to the fundraising activities (June 30, 2022: nil); €8,642 thousand (June 30, 2022: €7,653 thousand) of IT costs including a Cloud Subscription contract (see note 20); €1,667 thousand (June 30, 2022: €3,358 thousand) in insurance premiums primarily related to Directors and Officers' Liability insurance; and €2,981 thousand (June 30, 2022: €4,160 thousand) of other miscellaneous expenses.

7. Selling Expenses

For the six month period ended June 30, 2023, selling expenses consisted of €3,100 thousand (June 30, 2022: €7,319 thousand) of personnel expenses, including share-based payment expenses, and €1,152 thousand (June 30, 2022: €2,255 thousand) miscellaneous other expenses.

8. Financial Result

Financial result is comprised of the following for the six month periods ended June 30, 2023 and 2022:

In € thousand	June 30, 2023	June 30, 2022
Finance income	**3,021**	**16,597**
thereof: fair value changes	—	17,369
thereof: foreign currency exchange gains / (losses) on financial instruments	1,542	(1,019)
thereof: reversal of expected credit losses	—	124
thereof: other interest income	1,479	—
Finance expenses	**(258,739)**	**(931)**
thereof: fair value changes	(258,337)	(67)
thereof: interest portion of lease payments	(292)	(230)
thereof: expected credit losses	(29)	(87)
thereof: other interest expenses	(81)	—
Financial result	**(255,718)**	**15,666**

Finance income in the current period resulted from foreign currency gain on warrant liabilities of €1,542 thousand (June 30, 2022: €1,019 thousand foreign currency expense) and other interest income of €1,479 thousand (June 30, 2022: nil) relating to interest on fixed-term deposits and cash at bank.

Finance expenses in the current period mainly resulted from the fair value changes of the warrant revaluation of €258,337 thousand (June 30, 2022: €17,369 thousand gain in finance income). For further information please refer to note 17.

9. Income Taxes

The Group calculated the period income tax expense, during the six month period ended June 30, 2023 for which the Group recorded consolidated income tax expense of €83 thousand (June 30, 2022: income tax benefit of €478 thousand). These income taxes mainly relate to foreign subsidiaries.

Major deferred income taxes have not been recorded. The netting of deferred tax liabilities and deferred tax assets results in a net deferred tax asset. The net deferred tax asset has been valued at zero. Deferred tax assets on the tax losses carried forward are not recognized either given the tax losses carried forward relate to entities with a history of losses.

10. Property, Plant and Equipment

During the six month period ended June 30, 2023, the Group acquired assets with a cost of €11,476 thousand (June 30, 2022: €4,320 thousand):

In € thousand	June 30, 2023	December 31, 2022
Right to land and buildings and leasehold improvements	15,737	13,807
Vehicles	87	87
Technical equipment and machinery	16,815	15,643
Office and other equipment	3,533	4,275
Assets under construction	8,684	2,887
Carrying amount	**44,856**	**36,699**

No indicators of impairment were identified which would have required items of property, plant and equipment to be tested for impairment in the six month periods ended June 30, 2023 and 2022.

11. Investment in a Joint Venture

Investment in Ionblox

The movement in the investment in Ionblox, Inc ("Ionblox") during the period was as follows:

In € thousand	Carrying Value
January 1, 2023	**13,410**
Share of loss in a joint venture	(1,165)
June 30, 2023	**12,245**

12. Other Financial Assets

Other financial assets are as follows:

In € thousand	June 30, 2023	December 31, 2022
Security deposits	3,451	3,386
Total non-current financial assets	**3,451**	**3,386**
Fixed term deposits	60,094	19,987
Security deposits	109	2,594
Total current other financial assets	**60,203**	**22,581**

Lilium has placed part of its liquidity in fixed term deposits with a remaining term of more than 3 months to gain a better return on the surplus liquidity. During the period ended June 30, 2023, €20,139 thousand (June 30, 2022: €79,849 thousand) cash was received from matured deposits. The Group invested €60,000 thousand into new fixed-term deposits (December 31, 2022: €20,000 thousand). There was €338 thousand recognized from interest income (June 30, 2022: €359 thousand interest expense), while there was an increase in Expected Credit Losses of €92 thousand (June 30, 2022: decrease of €105 thousand). As of June 30, 2023, the Group held €60,094 thousand (December 31, 2022: €19,987 thousand) in fixed-term deposits.

13. Non-Financial Assets

Non-financial assets are as follows:

In € thousand	June 30, 2023	December 31, 2022
Advance payments	12,370	4,069
Prepaid expenses	4,818	9,418
Total non-current non-financial assets	**17,188**	**13,487**
Value added tax claims	2,254	1,696
Prepaid expenses	7,161	16,241
Miscellaneous other current non-financial assets	468	711
Total current non-financial assets	**9,883**	**18,648**
Total non-financial assets	**27,071**	**32,135**

14. Shareholders' (deficit) / equity

The movements of the shares issued during the six month periods ended June 30, 2023 and 2022, are as follows:

(in units)	Common shares (Class A)	Supervoting shares (Class B)	Ordinary shares (Class C)	Total
Issued at January 1, 2023	**369,820,821**	**23,888,065**	**525,000**	**394,233,886**
Issued shares for share-based payments exercised	10,585,912	—	—	10,585,912
Conversion of Class B Shares	350,000	(350,000)	350,000	350,000
Cancellation of issued shares	—	(425,000)	(105,000)	(530,000)
Issued as of June 30, 2023	**380,756,733**	**23,113,065**	**770,000**	**404,639,798**
Treasury shares	—	—	(770,000)	(770,000)
Outstanding as of June 30, 2023	**380,756,733**	**23,113,065**	**—**	**403,869,798**

(in units)	Common shares (Class A)	Supervoting shares (Class B)	Ordinary shares (Class C)	Total
Issued at January 1, 2022	**261,244,915**	**24,413,065**	**—**	**285,657,980**
Issued shares for share-based payments exercised	8,392,206	—	—	8,392,206
Warrants exercised	10	—	—	10
ELOC commitment shares	262,697	—	—	262,697
Issued as of June 30, 2022	**269,899,828**	**24,413,065**	**—**	**294,312,893**
Treasury shares	(375,000)	—	—	(375,000)
Treasury shares (due to consolidation)	(879,691)	—	—	(879,691)
Outstanding as of June 30, 2022	**268,645,137**	**24,413,065**	**—**	**293,068,202**

During the six month period ended June 30, 2023, in total 10,585,912 shares (June 30, 2022: 8,392,206 shares) have been issued due to the execution of vested share-based payments; €1,270 thousand (June 30, 2022: €1,007 thousand) have been added to subscribed capital, thereof €1,117 thousand (June 30, 2022: €990 thousand) are transferred from other capital reserves.

During the six month period ended June 30, 2023, €82,829 thousand is recognized in other capital reserves in relation to the May 2023 Warrants derivative financial instrument, as described in note 17 and note 20.

Cancellation of issued shares

During the period the Group cancelled 425,000 of Lilium N.V.'s Class B ordinary shares ("Class B Shares") and 105,000 of Lilium N.V.'s Class C ordinary shares ("Class C Shares") held in treasury, resulting in a reduction in subscribed capital and corresponding reduction in treasury shares of €178 thousand.

Conversion of Class B Shares

During February 2023, a shareholder who is an executive director and a member of key management personnel of Lilium N.V. converted 350,000 Class B Shares into 350,000 Class A Shares and 350,000 Class C shares and transferred the Class C shares back to the Group as treasury shares for no consideration pursuant to Lilium N.V.'s articles of association, increasing the treasury share reserve by €84 thousand.

Treasury shares

The reserve for treasury shares represents the nominal amount of Lilium N.V.’s own shares held in treasury. Payments for treasury shares above or below nominal value are deducted from or added to share premium, respectively. The movement of treasury shares during periods are as follows:

(in units)	Common shares (Class A)	Supervoting shares (Class B)	Ordinary shares (Class C)	Total
At January 1, 2023	**—**	**425,000**	**525,000**	**950,000**
Conversion of Class B shares	—	—	350,000	350,000
Cancellation of Class B shares	—	(425,000)	(105,000)	(530,000)
At June 30, 2023	**—**	**—**	**770,000**	**770,000**

(in units)	Common shares (Class A)	Supervoting shares (Class B)	Ordinary shares (Class C)	Total
At January 1, 2022 and June 30, 2022	**1,254,691**	**—**	**—**	**1,254,691**

15. Share-based Payments

Overview

Lilium offers several share-based plans as summarized in the table below.

The table below summarizes the expense/(income) recorded for share-based payments in the six month periods ended June 30, 2023 and 2022:

In € thousand	June 30, 2023	June 30, 2022
Equity-settled		
General population and executives – standard ESOP	3,684	5,225
General population – Restricted Stock Units (“RSU”)	2,312	1,728
Executives – ESOP modified	504	1,705
Executives – RSU	1,845	1,676
Executives – Performance-based stock options	1,058	(919)
Executives – Time-based stock options	553	3,463
Share-based payment – Vendor	4,561	—
Cash-settled		
Joint stock ownership Plan (JSOP) incl. bonus	—	(3,411)
Executives – Success fees	—	2,141
Total expense	**14,517**	**11,608**

General population and Executives - standard Employee Stock Option Program (“ESOP”)

The expense recognized for participant services received during the six month periods ended June 30, 2023 and 2022 is shown in the following table:

In € thousand	June 30, 2023	June 30, 2022
Expense arising from equity-settled share-based payments	3,684	5,225

There were no options granted during the current period (June 30, 2022: Fair value of options granted during the period was €17,483 thousand). The exact weighted average exercise prices (“WAEP”) for all options is €1 for 2,857 shares, which is 0.00035 and rounded to nil. The Group waived the employees’ liability for the share capital.

Movements during the period

The following table illustrates the number and WAEP of, and movements in, such Lilium N.V. share options during the six month periods ended June 30, 2023 and 2022:

Equity-settled options:

(in units)	2023 Number of options	2023 WAEP	2022 Number of options	2022 WAEP
Outstanding at January 1	**8,049,568**	**€ 0.00**	**19,573,307**	**€ 0.00**
Granted during the period	—	€ 0.00	5,714	€ 0.00
Forfeited during the period	(445,963)	€ 0.00	(442,835)	€ 0.00
Exercised during the period	(1,278,108)	€ 0.00	(8,253,725)	€ 0.00
Transferred to cash-settled	—	€ 0.00	(22,856)	€ 0.00
Outstanding at June 30	**6,325,497**	**€ 0.00**	**10,859,605**	**€ 0.00**

Cash-settled options: (in units)	2023 Number of options		2023 WAEP	2022 Number of options		2022 WAEP
Outstanding at January 1 and June 30	**5,714**	**€**	**0.00**	**22,856**	**€**	**0.00**

The weighted average remaining contractual life is 10.2 years for equity-settled options and 10.0 years for cash-settled options.

Total options that vested during the period were 355,912 options (June 30, 2022: 1,545,389 options). The weighted average share price for exercised options has been €1.09 (June 30, 2022: €3.77).

As of June 30, 2023, 6,026,558 options (December 31, 2022: 7,043,620 options) are vested and are exercisable at the request of the employee with a WAEP of €0.00 (December 31, 2022: €0.00).

General population - Restricted Stock Units

The expense recognized for participant services received during the six month periods ended June 30, 2023 and 2022 is shown in the following table:

In € thousand	June 30, 2023	June 30, 2022
Expense arising from equity settled RSU	2,312	1,728

Movements during the periods

The following table illustrates the number and WAEP of, and movements in, such RSUs during the six month periods ended June 30, 2023 and 2022:

(in units)	2023 Number of RSUs		2023 WAEP	2022 Number of RSUs		2022 WAEP
Outstanding at January 1	**4,275,098**	**€**	**0.12**	**162,800**	**€**	**0.12**
Assigned during the period	1,790,364	€	0.12	2,782,614	€	0.12
Exercised during the period	(1,017,273)	€	0.12	—		—
Forfeited during the period	(272,914)	€	0.12	(9,837)		—
Outstanding at June 30	**4,775,275**	**€**	**0.12**	**2,935,577**	**€**	**0.12**

1,790 thousand (June 30, 2022: 2,782 thousand) RSUs were granted during the period. As RSUs are exercised on vesting, none of the RSUs were exercisable as of June 30, 2023 and 2022. The weighted average remaining contractual life of RSUs outstanding at the six month period ended June 30, 2023 is 1.4 years (June 30, 2022: 0.4 years).

Measurement of fair values

The RSU are equity settled and have an exercise price of €0.12 per share, the nominal value of the underlying Class A Shares. The exercise price is significantly lower than the share price at grant date. Accordingly, the intrinsic value of the RSU has been used, i.e. the share price at grant date less the exercise price. During the period ended June 30, 2023, the weighted average fair value of RSUs granted or reasonably expected to be granted is €0.92 (June 30, 2022: €2.32).

Executives - Employee Stock Option Program ("ESOP") special vesting

Some executives have received ESOP grants comparable with the general ESOP program, but with individual conditions in respect to the vesting scheme and with different exercise prices.

The expense recognized for participant services received during the six month periods ended June 30, 2023 and 2022 is shown in the following table:

In € thousand	June 30, 2023	June 30, 2022
Expense arising from equity-settled share-based payments	504	1,705

Movements during the periods

The following table illustrates the number and WAEP of, and movements in, such stock options during the six month periods ended June 30, 2023 and 2022:

(in units)	2023 Number of options		2023 WAEP	2022 Number of options		2022 WAEP
Outstanding at January 1	**728,020**	**€**	**6.94**	**1,888,477**	**€**	**7.90**
Granted during the period	—		—	—		—
Forfeited during the period	(302,327)	€	8.47	(86,796)	€	8.90
Outstanding at June 30	**425,693**	**€**	**5.85**	**1,801,681**	**€**	**7.85**

Total options in Lilium N.V. shares vested during the period ended June 30, 2023 was 79,795 options (June 30, 2022: 159,995 options). As of June 30, 2023, 308,917 (June 30, 2022: none) of the options granted under the ESOP plan are exercisable, with a WAEP of €0.00. The weighted average remaining contractual life is 10.9 years (June 30, 2022: 11.9 years).

Measurement of fair values

No options have been granted in the first six months of 2023 (June 30, 2022: Nil) under this plan, hence no valuation was necessary.

Executives - Restricted Stock Units

The expense recognized for participant services received during the six month periods ended June 30, 2023 and 2022 is shown in the following table:

In € thousand	June 30, 2023	June 30, 2022
Expense arising from equity settled RSU	1,845	1,676

Movements during the periods

The following table illustrates the number and WAEP of, and movements in, such RSUs during the six month periods ended June 30, 2023 and 2022:

(in units)	2023 Number of RSUs		2023 WAEP	2022 Number of RSUs		2022 WAEP
Outstanding at January 1	**2,324,725**	**€**	**0.12**	**1,050,913**	**€**	**0.12**
Assigned during the period	604,572	€	0.12	370,434	€	0.12
Forfeited during the period	(54,986)	€	0.12	(163,200)	€	0.12
Exercised during the period	(261,520)	€	0.12	(49,548)	€	0.12
Outstanding at June 30	**2,612,791**	**€**	**0.12**	**1,208,599**	**€**	**0.12**

In the table above, assigned rights include granted rights as well as rights explicitly expected to be granted in the future. The weighted average remaining contractual life of such RSUs outstanding at June 30, 2023 is 0.9 years (June 30, 2022: 1.7 years).

Measurement of fair values

Similar to the RSUs for the general population, the exercise price is significantly below the share price at grant. While a Black-Scholes model was used to determine the RSUs fair market value, the outcome of the valuation basically reflects the intrinsic value of the RSU. Accordingly, input assumptions other than the share price are not material.

For fair value calculations the share price was taken as the closing price at grant date of a Class A Share. The weighted average fair value of RSUs during the period was €0.99 (June 30, 2022: €2.95).

Executives – Performance-based stock options

The expense / (income) recognized for participant services received during the six month periods ended June 30, 2023 and 2022 is shown in the following table:

In € thousand	June 30, 2023	June 30, 2022
Expense/(income) arising from performance-based stock options	1,058	(919)

Movements during the periods

The following table illustrates the number and WAEP of, and movements in, such performance-based stock options during the six month periods ended June 30, 2023 and 2022:

(in units)	2023 Number of options		2023 WAEP	2022 Number of options		2022 WAEP
Outstanding at January 1	**3,596,721**	**€**	**7.94**	**7,036,501**	**€**	**8.15**
Assigned during the period	—		—	1,272,059	€	9.42
Forfeited during the period	—		—	(4,711,839)	€	8.66
Outstanding at June 30	**3,596,721**	**€**	**7.94**	**3,596,721**	**€**	**7.93**

As of June 30, 2023, no performance-based stock options were exercisable (June 30, 2022: Nil). The weighted average remaining contractual life is 9.0 years (June 30, 2022: 9.5 years).

Measurement of fair values

No performance-based stocks options were granted for the period ended June 30, 2023 and therefore no valuation was necessary. The following table lists the inputs to the Black-Scholes model used for the fair market value calculation for performance-based stock options for the period ended June 30, 2022:

	June 30, 2022
Risk free rate range	0.60 % - 0.81 %
Expected dividend yield	—
Expected exercise term	3.3 years
Expected volatility	109.9 % - 111.4 %

The expected volatility was based on an evaluation of the historical volatilities of comparable listed peer group companies. It reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome. For fair value calculation the share price was taken as the closing price at grant date of a Class A Share. There were no new grants for the period ended June 30, 2023 (June 30, 2022: 1,006 thousand performance-based stock options were granted with the weighted average fair value of €1.12 and exercise prices within the range of €9.39 to €9.55).

Executives – Time-based stock options

The expense recognized for participant services received during the six month periods ended June 30, 2023 and 2022 is shown in the following table:

In € thousand	June 30, 2023	June 30, 2022
Expense arising from time-based stock options	553	3,463

Movements during the periods

The following table illustrates the number and WAEP of, and movements in, time-based stock options during the six month periods ended June 30, 2023 and 2022:

(in units)	2023 Number of options	2023 WAEP	2022 Number of options	2022 WAEP
Outstanding at January 1	**3,107,488**	**€ 4.07**	**2,951,000**	**€ 7.25**
Granted during the period	—	—	768,817	€ 3.62
Forfeited during the period	—	—	—	—
Outstanding at June 30	**3,107,488**	**€ 4.07**	**3,719,817**	**€ 6.50**

As of June 30, 2023, in total 1,709 thousand (June 30, 2023: 568 thousand) time-based stock options were exercisable. The weighted average remaining contractual life is 9.0 years (June 30, 2023: 9.9 years).

Measurement of fair values

No time-based stocks options were granted for the period ended June 30, 2023 and therefore no valuation was necessary. The following table lists the inputs to the Black-Scholes model used for the fair market value calculation for time-based stock options granted for period ended June 30, 2022:

	June 30, 2022
Risk free rate	(0.69%) – 0.21 %
Expected dividend yield	0
Expected exercise term	9.9 years
Expected volatility	121.9 % - 124.1 %

The expected volatility was based on an evaluation of the historical volatilities of comparable listed peer group companies. It reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome. Other common inputs to option pricing models such as discount rate, dividends expected and expected term. For fair value calculation the share price was taken as the closing price at grant date of a Class A Share. The weighted average fair value of time-based stock options granted during the period was €0.00 (June 30. 2023: €1.57). The weighted average exercise price of the option is €0.00 (June 30, 2023: €3.62).

Executives - Joint Stock Ownership Plan (JSOP) and bonus

Expenses/(income) during the six month periods ended June 30, 2023 and 2022 from the JSOP and the bonus are shown in the following table:

In € thousand	June 30, 2023	June 30, 2022
Income for JSOP	—	(2,718)
Income for bonus	—	(693)
Total income	**—**	**(3,411)**

In December 2022, the recipient exercised the option to settle the JSOP and the bonus. An amount of €1,003 thousand for the bonus was fully settled during the current period. At the point of settlement of the bonus, the JSOP liability was nil. As of June 30, 2023, the liability is nil and no further awards have been made under JSOP.

Share-based payment – Vendor

During the period ended June 30, 2023, the Group amended its contract with a third-party vendor to settle the first part of the 2023 annual subscription in relation to cloud services provided by the vendor at the Group's discretion either via the issuance of 4,672,897 Class A Shares or cash of US$5,000 thousand (June 30, 2022: not applicable). The Group opted to settle the invoiced amount of €4,674 thousand (US$5,000 thousand) via issuance of shares pursuant to a share issuance agreement. Further, the Group has the option to settle the remaining part of this annual subscription of US$5,000 thousand in either cash or shares in second half of 2023. The amounts are accounted for as an equity-settled share-based payment and €3,304 thousand (June 30, 2022: nil) have been recognized in other capital reserves. During the period €4,561 thousand (June 30, 2022: nil) has been recognized as a share-based payment expense for the services rendered by the vendor.

In November 2022, the Group entered into a Share Issuance Agreement with the same vendor, with the option at the Group's discretion to pay for the IT services to be rendered by the vendor either via the issuance of 3,101,523 units of Class A shares of Lilium N.V. or cash of US$4,500 thousand. The Group has opted to settle the invoiced amount via issuance of shares and have recognized an expense in 2022 amounting to €4,558 thousand. During the current period the Group issued 3,101,523 Class A Shares to settle amounts due under the Share Issuance Agreement and an amount of €372 thousand was transferred from other capital reserves to subscribed capital.

Share-based payment – Executive bonuses

During the period ended June 30, 2023, certain employees of the Group were issued Lilium N.V. Class A Shares in lieu of cash bonuses pursuant to a resolution by the Compensation Committee approving such arrangement in March 2023. These bonuses amounting to €225 thousand accrued in December 31, 2022, have been transferred to other capital reserve and subscribed capital.

Advisors – Strategic collaboration agreement

During the period ended June 30, 2023, the Group entered into an agreement that extended the term of the strategic collaboration agreement term sheet signed on July 31, 2021 with Azul S.A. and Azul Linhas Aéreas Brasileiras S.A. (collectively, "Azul") that allows for up to 6,200,000 warrants to be issued to Azul, subject to execution of certain definitive agreements. In addition to the extension of the term of the term sheet, the new arrangement provides for additional exclusivity rights and a limited right of first refusal for Azul with respect to the potential commercialization of Lilium products and services in Brazil during the extended term of the term sheet. The remaining terms of the extended term sheet are not legally binding.

In connection with the initial execution of the agreement with Azul, Lilium N.V. issued to Azul warrants to purchase up to 1,800,000 Class A Shares ("Azul Warrants"). The Azul Warrants have not been exercised by Azul as of June 30, 2023 and December 31, 2022.

16. Other Financial Liabilities

Other financial liabilities are as follows:

in € thousand	June 30, 2023	December 31, 2022
Other non-current financial liabilities	19	21
Other current financial liabilities	1,004	4
Total	**1,023**	**25**

During the period to June 30, 2023, the Group received a commitment fee deposit of €1,000 thousand (December 31, 2022: nil) for dealership rights that is refundable subject to certain terms and conditions to be met by the counterparty.

17. Warrants

Warrants are as follows:

in € thousand	June 30, 2023	December 31, 2022
Reorganization Warrants	4,807	1,811
RDO & 2022 PIPE Warrants	49,033	24,456
May 2023 Warrants	238,204	—
Total	**292,044**	**26,267**

The movements of the warrant liabilities were as follows:

in € thousand	2023	2022
At January 1	**26,267**	**21,405**
Issuances	(82,829)	—
Settlement of Initial Funding Amount on May 2023 warrants	91,811	—
Foreign currency translation	(1,542)	1,019
Fair value changes to profit or loss	258,337	(17,206)
At June 30	**292,044**	**5,218**

Reorganization Warrants

As of June 30, 2023, 12,649,936 Public Warrants (December 31, 2022: 12,649,936 Public Warrants) and 7,060,000 Private Warrants (December 31, 2022: 7,060,000 Private Warrants) (collectively the “Reorganization Warrants”) were outstanding.

RDO Warrants & 2022 PIPE Warrants

As of June 30, 2023, 11,249,997 (December 31, 2022: 11,249,997) RDO Warrants and 34,512,464 (December 31, 2022: 34,512,464) 2022 PIPE Warrants were outstanding. During the current period, the exercise price of the RDO & 2022 PIPE Warrants was reduced from US$1.30 per share to US$1.00 per share triggered by the issuance of the May 2023 Warrants and in line with the warrant agreement.

May 2023 Warrants

In May 2023, the Group executed a Securities Purchase Agreement (the “2023 SPA”) to issue to Aceville Pte. Limited (“Aceville”) in a private placement of 184,210,526 warrants (the “May 2023 Warrants”) to purchase one Class A Share for an exercise price of $1.00 per warrant. On the closing date, Aceville has partially prefunded the aggregate exercise price of the May 2023 Warrants in an amount of $100,000 thousand (the “Initial Funding Amount”) and also committed to prefund to the Group an additional $75,000 thousand (the “Additional Funding Amount”) of the aggregate exercise price, contingent upon the Group securing $75,000 thousand in additional funding from third parties. In July 2023, the Group satisfied the aforementioned condition and received the Additional Funding Amount as disclosed in note 21.

Following the Group’s receipt of the Initial Funding Amount, the May 2023 Warrants were exercisable at the remaining unpaid exercise price of $0.4571 per Class A Share. Upon receipt of the Additional Funding Amount, the May 2023 Warrants are exercisable at the remaining unpaid exercise price of $0.05 per Class A Share.

At initial recognition, the Group recorded a derivative financial asset of €82,829 thousand, recognized as a contribution from shareholder in other capital reserves, as described in note 20.

The table below shows the sensitivity analysis for the May 2023 Warrants at initial recognition:

in € thousand	Relative shift in share price	Fair value of warrant	Effect on initial fair value
Base	—	(82,829)	—
Up	10 %	(76,419)	6,410
Down	(10)%	(89,237)	(6,408)

in € thousand	Absolute shift in base volatility	Fair value of warrant	Effect on initial fair value
Base	—	(82,829)	—
Up	10 %	(82,694)	135
Down	(10)%	(83,030)	(201)

At the initial recognition date, the Group has used a probability of receiving the Additional Funding Amount of 85% in the initial valuation of the May 2023 Warrants. If for each of the annual conditional probabilities of the Additional Funding Amount an absolute shift of +/- 10% would have been assumed, the impact to the fair value would have been (€7,706 thousand)/ €5,847 thousand.

The settlement of any exercise of the Reorganization Warrants, RDO & 2022 PIPE Warrants and May 2023 Warrants will be via the issuance of Class A Shares against the applicable strike price as determined by the terms of the respective warrant agreements.

18. Additional Disclosures on Financial Instruments

The following tables disclose the carrying amounts of each class of financial instruments held by the Group together with its corresponding fair value:

Financial instruments, analyzed by classes and categories

In € thousand	Category	Carrying amount	June 30, 2023 Fair value
Financial assets, by class			
Cash and cash equivalents	AC	120,387	n/a
Fixed term deposit	AC	60,094	n/a
Non-current security deposits	AC	3,451	3,110
Security deposits	AC	109	n/a
Total financial assets		**184,041**	
Financial liabilities, by class			
Trade and other payables (non-current)	AC	1,850	1,829
Current trade and other payables	AC	38,226	n/a
Non-current other liabilities	AC	19	19
Current other financial liabilities	AC	1,004	n/a
Warrants:			
Level 1	FVTPL	3,085	3,085
Level 2	FVTPL	1,722	1,722
Level 3	FVTPL	287,237	287,237
Total financial liabilities		**333,143**	

Financial instruments, analyzed by classes and categories

In € thousand	Category	Carrying amount	December 31, 2022 Fair value
Financial assets, by class			
Cash and cash equivalents	AC	179,581	n/a
Fixed term deposit	AC	19,987	n/a
Non-current security deposits	AC	3,386	3,265
Security deposits	AC	2,594	n/a
Total financial assets		**205,548**	
Financial liabilities, by class			
Non-current trade and other payables	AC	3,483	3,239
Current trade and other payables	AC	33,658	n/a
Non-current other liabilities	AC	21	21
Current other financial liabilities	AC	4	n/a
Warrants:			
Level 1	FVTPL	1,162	1,162
Level 2	FVTPL	649	649
Level 3	FVTPL	24,456	24,456
Total financial liabilities		**63,433**	

The group’s policy is to recognize transfers into and transfers out of fair value hierarchy levels at the end of the reporting period. There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the period.

The fair values of the non-current security deposits are in level 2 and are determined as the principal balance discounted using market-based risk-free interest rate curves.

The fair values of non-current trade and other payables measured at AC are determined as expected cash flows discounted using market-based credit risk adjusted interest rate curves that are applicable for the Group and specific for the residual term of each financial liability. These fair values would be classified in level 3 due to the Group's risk profile.

The Public Warrants are traded in an active market and are therefore classified as level 1 of the fair value hierarchy. The Private Warrants have been classified as level 2 of the fair value hierarchy, however as the Private Warrants have the same characteristics as the Public Warrants, the same price has been used to determine their fair value.

The Group engages external, independent, valuation specialists to determine the fair value of the Group’s RDO & 2022 PIPE Warrants, together with the May 2023 Warrants. The Group has internal processes in place to review the qualifications of the valuation specialists and the results from the valuation. The RDO & 2022 PIPE Warrants and the May 2023 Warrants were classified as level 3 of the fair value hierarchy, due to the inputs used to determine the fair value of these warrants. The fair value has been determined using a Monte Carlo simulation in a risk neutral framework. The primary inputs into the simulation included the following: closing price of a Class A Share as of June 30, 2023, expected stock price volatility for the expected term, term, risk-free rate and dividend yield. The May 2023 Warrants include an additional funding clause, which as at June 30, 2023 was considered likely to be triggered in the next two years based on management’s expectation.

At initial recognition, the RDO & 2022 PIPE Warrants contain a strike price reduction clause that has not been explicitly modelled, since the indication of the triggering event was deemed remote at issuance and at the end of FY2022. As a result of the issuance of the May 2023 Warrants in May 2023, the anti-dilution clause of the RDO & 2022 PIPE Warrants was triggered and resulted in a reduction of the strike price of the RDO & 2022 PIPE Warrants from $1.30 to $1.00. Since the likelihood of future issuances of new warrants with a lower strike price is deemed to be very low, the clause was not explicitly modelled within the valuation model at the reporting date.

The expected stock price volatility was based on Lilium N.V. implied volatilities of 79% (December 31, 2022: 70%) which was derived from the price of LILMW and applied to RDO & 2022 PIPE Warrants. The May 2023 Warrants’ volatility was adjusted to 69% to reflect a more established status of the Company and Class A Shares at the long-term expiry. The term input used is equal to the initial 4 years from date of issuance of the RDO & 2022 PIPE Warrants and 15 years from date of issuance of the May 2023 Warrants less the time passed since issuance. The risk-free discount rates are bootstrapped out of USD Secured Overnight Financing Rate (“SOFR”) par swap rates. The dividend rate is based on the historical rate, which the Company anticipates remaining at zero. As of June 30, 2023, the Group has used a probability of receiving the Additional Funding Amount of 85% by the end of 2024 for the valuation of the May 2023 Warrants. If for each of the annual conditional probabilities of the Additional Funding Amount an absolute shift of +/- 10% was assumed, the impact to the fair value would have been (€6,795 thousand)/ €5,794 thousand. The tables below show the sensitivity analysis for the RDO & 2022 PIPE Warrants and the May 2023 Warrants (“Level 3 Warrants”):

June 30, 2023

in € thousand	Relative shift in share price	Fair value warrant	Effect on financial result
Base	—	287,237	—
Up	10 %	323,479	(36,242)
Down	(10)%	251,118	36,118

June 30, 2023

in € thousand	Absolute shift in base volatility	Fair value warrant	Effect on financial result
Base	—	287,237	—
Up	10 %	290,383	(3,146)
Down	(10)%	283,728	3,508

December 31, 2022

in € thousand	Relative shift in share price	Fair value warrant	Effect on financial result
Base	—	24,456	—
Up	10 %	28,316	(3,861)
Down	(10)%	21,023	3,432

December 31, 2022

in € thousand	Absolute shift in base volatility	Fair value warrant	Effect on financial result
Base	—	24,456	—
Up	10 %	27,029	(2,574)
Down	(10)%	21,881	2,575

The movements in level 3 fair values are as follows:

Level 3 Warrants

In € thousand	RDO & 2022 PIPE Warrants	May 2023 Warrants
January 1, 2023	**24,456**	**—**
Issuances	—	(82,829)
Settlement of Initial Funding Amount on May 2023 warrants	—	91,811
Changes from fair value remeasurement – Finance expense	25,159	230,133
Foreign exchange effects – Finance income	(582)	(911)
June 30, 2023	**49,033**	**238,204**

During the six month period ended June 30, 2023, all amounts recognized in the consolidated statement of operations are unrealized.

During the six month period ended June 30, 2022, there were no Level 3 instruments outstanding.

19. Commitments and Contingencies

The Group has various lease contracts not yet commenced as of June 30, 2023. The future lease payments for these lease contracts are €103 thousand (December 31, 2022: €400 thousand) within one year, €362 thousand (December 31, 2022: €1,601 thousand) between one and five years and nil (December 31, 2022: nil) thereafter.

The Group has commitments under operating contracts. The future payments for the operating contracts are €92,145 thousand (December 31, 2022: €73,779 thousand) within one year, €75,851 thousand (December 31, 2022: €100,177 thousand) between one and five years and €12,364 thousand (December 31, 2022: €18,558 thousand) thereafter.

Further, the Group has commitments of €8,098 thousand (December 31, 2022: €5,016 thousand) to acquire items of property, plant & equipment and commitments of €230 thousand (December 31, 2022: €4,344 thousand) to acquire intangible assets.

The Group is required to issue, subject to the execution of definitive agreements, warrants to purchase up to 6,200,000 Class A shares to Azul as described in note 15, which, if issued, are expected to vest in three tranches upon achieving certain performance and market conditions. As of the date these condensed interim financial statements were approved, no definitive agreements with respect to the acquisition of Lilium Jets or any other collaboration have been executed with Azul.

On April 18, 2022, a putative class action was filed against Lilium N.V., Daniel Wiegand, Geoffrey Richardson, and Barry Engle for purported violations of United States securities laws. This lawsuit was filed in the U.S. District Court for the Central District of California. On February 10, 2023, the U.S. District Court for the Central District of California transferred the action to the U.S. District Court for the Southern District of Florida. The lawsuit is presently captioned as: Maniraj Ashirwad Gnanaraj v. Lilium N.V. et al., 2:22-CV-80232-Rosenberg/Reinhart. On February 15, 2023, the court entered an order appointing Jonathan Coon as Lead Plaintiff. On March 10, 2023, Lead Plaintiff filed an amended complaint that adds additional defendants and asserts additional claims for purported violations of the United States securities laws. The Group's management believes the claims are without merit and intend to vigorously defend this litigation. To that end, on May 12, 2023, Defendants moved to dismiss the amended complaint. On July 12, 2023, Lead Plaintiff Jonathan Coon filed a memorandum of law in opposition to Defendants' motion to dismiss. Defendants' reply memorandum of law was filed on August 11, 2023. Given that the lawsuit is currently at a preliminary stage and the Group cannot predict its outcome, the Group cannot determine the likelihood of loss or estimate a range of possible loss.

The Group entered into a success fee arrangement in November 2022 with an entity controlled by a former member of key management personnel shortly after cessation of employment, in which the Company will pay a percentage of future fundraising up to a cap of €9,111 thousand ($9,900 thousand) for a period of 12-months from the date of signing. As of June 30, 2023, a commitment of €8,191 thousand ($8,900 thousand) remained on the contract.

20. Related Party Disclosures

Transactions with Key Management

Key management personnel have been defined as the members of the Board of Directors and Senior Leadership Team of Lilium.

The annual remuneration and related compensation costs recognized as expense during the six month periods ended June 30, 2023 and 2022 is comprised of the following:

In € thousand	June 30, 2023	June 30, 2022[1]
Short-term employee benefits	2,278	1,640
Post-employment benefits	44	—
Share-based payment award remuneration	3,165	10,335
Success fees and JSOP	—	(1,270)
Total	**5,487**	**10,705**

[1] Certain amounts have been aggregated from prior period's financial statements to conform to the current presentation.

During the period ended June 30, 2023 €84 thousand (June 30, 2022: €172 thousand) was recognized as expense for cash remuneration of the non-executive board members of Lilium N.V.

Short-term benefits include salaries, bonus and other benefits such as medical, death and disability coverage, company car and other usual facilities as applicable.

Share-based payment award remuneration

The share-based payment award remuneration represents the compensation cost of the equity-settled award schemes operated by Lilium during the period. Refer to note 15.

During the period ended June 30, 2023, 630 thousand options were granted to key management personnel. 572 thousand options were exercised, 450 thousand options were forfeited and 10,581 thousand options were held as of June 30, 2023, by key management personnel.

Success fees and JSOP

Success fee remuneration included the creation of the Joint Stock Ownership Plan (Stichting JSOP) and the bonus issued to one former member of key management personnel (refer to note 15). An amount of €1,003 thousand for the bonus was fully settled during the current period. As of June 30, 2023, the liability is nil and the JSOP and bonus are now closed.

The Group recognized €906 thousand (US$1,000 thousand) in general & administrative expenses during the period in relation to the success fee arrangement agreed in November 2022 with a former member of key management personnel.

Other transactions with Key Management Personnel

The following transactions occurred with entities controlled or significantly influenced by members of key management personnel:

(in € thousand)	**June 30, 2023**	**June 30, 2022**
Selling expenses	—	118
Finance income	—	—
Finance expenses	2	—
Purchase of property, plant and equipment	17	5

Lilium has committed to indemnification agreements for its directors and executive officers of the Group in relation to any possible claims, suits or proceedings arising from their service to the Group.

As of June 30, 2023, the Group recognized €35 thousand (December 31, 2022: €20 thousand) in current trade payables, €153 thousand (December 31, 2022: €149 thousand) in non-current trade payables in relation to transactions with entities controlled or significantly influenced by members of key management personnel.

Transactions with other related parties

During the period ended June 30, 2023, the Group recognized €71 thousand (period to June 30, 2022: €94 thousand) in research and development expenses under an existing Development agreement with Ionblox, Inc. As of June 30, 2023, a balance of €1,078 thousand (December 31, 2022: €1,226 thousand is held in trade and other payables.

As of June 30, 2023, Lilium has a non-cancelable commitment of €7,362 thousand (December 31, 2022: €7,702 thousand) on the Development agreement.

In May 2023, the Group executed a Securities Purchase Agreement (the “2023 SPA”) to issue to Aceville warrants to purchase up to 184,210,526 Class A Shares (the “May 2023 Warrants”) for an exercise price of $1.00 per share. Aceville is an affiliate of Tencent

Holdings Limited, a major shareholder in Lilium N.V. On the closing date, Aceville has partially prefunded the aggregate exercise price of the May 2023 Warrants in an amount of $100,000 thousand (the “Initial Funding Amount”) and also committed to prefund to the Group an additional $75,000 thousand (the “Additional Funding Amount”) of the aggregate exercise price, contingent upon the Group securing $75,000 thousand in additional funding from third parties. In July 2023, the Group satisfied the aforementioned condition and received the Additional Funding Amount as disclosed in note 21. Details of the May 2023 Warrants are disclosed in note 17. The initial valuation results in a derivative financial asset of €82,829 thousand for which a shareholder contribution was recognized in other capital reserves as described in note 17.

Transactions with shareholders

Cloud subscription

In 2021, the Group entered into a non-cancelable purchase obligation for a cloud subscription with a shareholder (which provides advanced data analytics capability), including support services, updates and related professional services, for €42,433 thousand ($50,000 thousand) payable in incremental annual installments over five years. The agreement was revised in the period ended June 30, 2023 with a fee reduction of €1,841 thousand ($2,000 thousand) which would be allocated to the remaining years. The shareholder has no significant influence over the Group.

The Group recognized €4,561 thousand (period to June 30, 2022: €4,292 thousand) during the period ended June 30, 2023 in General and Administration expenses for the services rendered. During the period the Group issued 4,672,897 Class A shares to settle an amount of €4,674 thousand on the contract. In the same agreement the Group agreed to settle a further €4,602 thousand ($5,000 thousand) in October 2023, either in cash or Class A Shares at the Group’s discretion. €3,304 thousand is recognized in Other Capital Reserves at the end of the period in relation to the October 2023 settlement.

In November 2022, the Group entered into a contract to increase the scope of services delivered by €4,558 thousand ($4,500 thousand). During the period to June 30, 2023 the Group settled the balance by issuing 3,101,523 Class A shares as disclosed in note 15.

As of June 30, 2023, the Group has remaining commitments under the contract of €23,259 thousand (December 31, 2022: €26,894 thousand).

21. Events after the Reporting Period

Reduction in the nominal capital of Class A, B and C shares

On May 25, 2023, an extraordinary general meeting (“EGM”) of shareholders was held and the shareholders approved the proposed reduction of share capital by reducing the nominal value of each Class A Share, Class B Share and Class C Share from €0.12, €0.36, and €0.24 per share respectively, to €0.01, €0.03, and €0.02 per share respectively. On August 1, 2023, after the two-month waiting period required under Dutch law following the announcement in the Dutch newspaper Trouw of the filing of the applicable shareholders’ resolutions with the Dutch Commercial Register and, there having been no creditor objections raised during that time, the deed of amendment of the articles of association was executed and the reduction of the share capital was effective as of August 1, 2023. The difference between the prior nominal value per issued ordinary share and the reduced nominal value per issued ordinary share was added to reserves of the Company. The impact of the transaction resulted in a reduction from the share capital and treasury shares by €60,152 thousand and €169 thousand respectively and increase to share premium by €59,983 thousand.

Cancellation of Class C Shares

On July 7, 2023, the Company held its Annual General Meeting of shareholders amongst which the shareholders have approved the reduction of issued share capital of the Company by a cancellation of 770,000 Class C Shares held by the Company in treasury. On September 13, 2023, after the two-month waiting period required under Dutch law following the announcement in the Dutch newspaper Trouw of the filing of the applicable shareholders’ resolutions with the Dutch Commercial Register and, there having been no creditor objections raised during that time, the cancellation became effective. The aggregate nominal value of the 770,000 Class C Shares was added to the other capital reserves of the Company.

Capital Raise

In July 2023, the Company entered into an underwriting agreement with B. Riley Securities, Inc., which acted as the sole underwriter for the purchase and sale, in a public offering (the “2023 Public Offering”) of 57,692,308 Class A Shares at a price of US$1.30 per share. The underwriter has an option within a 30-day term from the date of signing to purchase an additional 8,653,846 Class A shares of Lilium at a purchase price of US$1.30 per share. The option expired without being exercised.

Concurrently, Lilium entered into a securities purchase agreement in July 2023 with qualified investors, in a private placement (the “2023 PIPE”) of 32,146,147 Class A Shares at a purchase price of US$1.30 per share, together with warrants to purchase up to 8,036,528 Class A Shares at an exercise price of US$2.00 per share. The warrants will expire 18 months from the date of issuance. B. Riley Securities, Inc. also acted as the sole placement agent in the 2023 PIPE.

Following consummation of the 2023 Public Offering, the Additional Funding Amount was triggered and Aceville prefunded an additional €67,416 thousand ($75,000 thousand) as prepayment against the total exercise price of the May 2023 Warrants pursuant to the terms of the 2023 SPA.

Exercise of May 2023 Warrants

In July and August 2023, Aceville purchased 20,114,455 Class A Shares and 3,893,152 Class A Shares, respectively, upon exercise of the May 2023 Warrants, and payment of the remaining unpaid aggregate exercise price for such Class A Shares of €912 thousand (US$1,006 thousand) and €177 thousand (US$195 thousand) respectively.

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis provides information that our management believes is relevant to an assessment and understanding of Lilium N.V.’s and its subsidiaries’ consolidated results of operations and financial condition. The discussion should be read together with the unaudited condensed interim financial statements as of and for the six months ended June 30, 2023, which were prepared in accordance with the International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (the “IASB”) and related interpretations issued by the IFRS Interpretations Committee. Some of the information contained in this discussion and analysis, including information with respect to our plans and strategy for our business, includes forward-looking statements that involve risks and uncertainties. You should review the section titled “— Cautionary Note Regarding Forward-Looking Statements” for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis. Our historical results are not necessarily indicative of the results that may be expected for any period in the future. For additional information relating to our management’s discussion and analysis of financial condition and results of operations, please see our annual report on Form 20-F for the year ended December 31, 2022 filed with the U.S. Securities and Exchange Commission (the “SEC”) on March 28, 2023 (the “Annual Report”). Capitalized terms used but not defined herein are as defined in the Annual Report.

Overview

Lilium is a next-generation aviation company. We are focused on developing an eVTOL aircraft for use in a new type of high-speed air transport system for people and goods—one that would (i) offer increased connectivity for communities around the world as well as generate time savings to travelers, (ii) be easily accessible from Vertiports close to homes and workplaces, (iii) be affordable for a large part of the population and (iv) be more environmentally sustainable than current regional air transportation.

The products we are developing are fully electric jet aircraft that can take off and land vertically with low noise. Our objective is for the Lilium Jet to be the basis for sustainable, high-speed RAM networks, which refers to networks that will connect communities and locales within a region directly with one another. We believe such networks will require less infrastructure than traditional airports or railway lines, and a fully electric jet aircraft would produce minimal operating emissions. We expect our Lilium Jets will generate zero operating emissions during flight. A single trip might save hours for a traveler; in aggregate, these networks could save our societies millions of travel hours—and significant carbon emissions—each year.

Currently, our development efforts are focused on the detailed design for the Lilium Jet, ongoing certification process for the Lilium Jet with EASA and the FAA, focusing on quality, compliant and on time deliveries from our suppliers, and building out our manufacturing capacity. We plan to rely on two business models. First, we intend to target general business aviation customers as a business line that we intend to deploy in tailored offerings primarily with our four-seater Lilium Jet models through private or fractional ownership sales. Second, we plan to provide a turnkey enterprise solution by selling fleets of four- and six-seater Lilium Jet models, and related aftermarket services, directly to enterprise and other commercial customers.

Trends and Other Factors Affecting Results of Operations

Continuing Development and Commercialization Activities

We expect continued substantial operating expenses in connection with our ongoing activities, particularly as we continue to advance the development, industrialization, and certification of our Lilium Jets and the commercialization of our Private and Fractional Sales, Turnkey Enterprise and Lilium Network business solutions.

Given our development stage and operating structure, most of our expenses to date are tied to headcount, non-recuring supplier costs, test facilities and our technology demonstrators. We expect to continue to incur significant expenses in the foreseeable future, and we expect substantial cash burn in connection with our ongoing activities, particularly for completing the Type Certification process for the Lilium Jet, including assembling and operating (ground and flight tests) the type conforming aircraft needed for such process, building our serial production factory, launching commercial operations and ensuring all infrastructure and talent resources are in place. Additionally, we expect to incur costs associated with operating as a U.S. public company.

We currently estimate that we will require substantial additional cash to fund our operations until our first manned flight test of the type conforming aircraft. Further, we may need to accelerate certain costs, such as non-recuring internal and supplier costs for design, tooling and related services incidental to the ramp up to serial production, in order to achieve various developmental and regulatory milestones within our targeted timeframes. We anticipate substantial pre-delivery payments ("PDPs") that we have included and intend to include in our binding contracts to become available for our use towards the significant additional costs of certifying the Lilium Jet upon our first manned flight test of the type conforming aircraft. In view of the foregoing, in the future, we expect to generate cash from PDPs from customers, the issuance of additional equity securities, and grants and subsidies from governmental authorities. Any future financing is subject to market conditions and other factors, and our anticipated receipt of substantial PDPs is subject to several risks and uncertainties, many of which are outside of our control. See "— *Liquidity and Capital Resources*."

Aircraft Certification

We are designing and producing the Lilium Jet to industry aeronautical standards and applicable regulatory requirements. While EASA is our primary airworthiness authority, we are pursuing concurrent certification of the Lilium Jet through validation of the aircraft by the FAA under the provisions of the BASA. The Lilium Jet is not yet type certified, and there can be no guarantee it will ever be type certified by an applicable regulatory agency. Type Certification remains subject to our completion of certification activities, and we could experience delays in the event of additional or changing regulatory requirements or regulators requiring unexpected testing or analysis.

In July 2019, EASA published a novel set of rules for the certification of eVTOL aircraft, SC-VTOL, applicable to aircraft with a maximum of nine passenger seats and a maximum certificated take-off mass of 3,175kg or less. We intend that the Lilium Jet will be certified by EASA under SC-VTOL. In December 2020, EASA issued the initial Type Certification Basis, CRI A-01 for the Lilium Jet. The CRI A-01 represents a significant milestone in the certification process since it provides a roadmap of airworthiness requirements that will be relevant for full Type Certification of the Lilium Jet. The CRI A-01 is the equivalent to the G-1 issue paper from the FAA.

In relation to the FAA certification process, significant regulatory challenges remain that could impact eVTOL manufacturers whose primary regulator is the FAA. We believe the FAA will trail EASA in promulgating certification standards for eVTOL entrants and, if FAA regulations further change or are delayed, we expect commercial eVTOL introduction in the U.S. will be delayed. In June 2023, Lilium received the FAA G-1 Certification Basis necessary for type certificate validation of its Lilium Jet by the FAA. As per FAA practice, there will now be a collaborative process where Lilium and EASA provide feedback to the FAA before the G-1 is issued for public consultation. While internal analysis of the G-1 Certification Basis issued for the Lilium Jet indicates significant alignment by the FAA to SC-VTOL regulations, the G-1 Certification Basis does not cover the method and means of compliance that may subsequently show significant differences between the FAA's and EASA's approach to certifying the Lilium Jet.

Overall, the regulatory standards for eVTOL aircraft are under continuing assessment and development by EASA, the FAA and other applicable regulatory agencies and remain subject to change, and we are subject to uncertainty relating to the standards that may ultimately be applicable to the certification and operation of the Lilium Jets, as well as the timeline on which such regulatory standards are developed, implemented and approved by the applicable regulatory agencies.

Once certified by EASA, we expect that the Lilium Jet Type Certification will be recognized by national civil aviation authorities around the world, since many countries' national civil aviation authorities have bilateral agreements, working arrangements or other collaboration activities with EASA. However, there is no guarantee that regulatory authorities in any other country will accept these standards.

See also "*Item 3. Key Information — D. Risk Factors — Risks Related to our Business and Financial Position — We have a limited operating history and face significant challenges to develop, certify, manufacture and launch our services in a new industry, urban and regional air transportation services. Our Lilium Jet remains in development and is not yet type certified, and there can be no guarantee it will ever be type certified*" in the Annual Report.

Preliminary Design Review & Critical Design Review

We are currently engaged in a rigorous testing and design program that will be required to substantiate our certification process, and we must conduct and analyze our test flight data before we will be cleared to sell our jets or operate with commercial passengers using our eVTOL jet aircraft.

In late 2021, we opened our PDR, an important milestone in traditional aerospace product development. This process consisted of a series of technical reviews to assess whether the aircraft architecture of the Lilium Jet would meet airworthiness requirements, deliver the performance requirements assumed in the business case and be produced at the appropriate quality levels and at scale. The PDR process continues to help us to refine and optimize the aircraft's design, as well as to identify and mitigate program and certification risks.

Further, we will conduct CDR starting in the second half of 2023. Going from PDR to CDR means locking in the detailed design ahead of first production of the type conforming aircraft, making key technical trade-off decisions and understanding how these will impact the key attributes of the aircraft program, such as timeline, cost, performance and weight. CDR demonstrates that the design is mature enough to be manufactured, assembled, integrated and tested with Type Certification as a goal. Following CDR, we will start building the first set of type conforming aircraft.

We continue to evaluate our overall program and launch timeline for the Lilium Jet. We are working in close alignment with EASA toward the next major milestone on the Lilium Jet's path to type certification - agreement of the certification program. After which, we expect the compliance demonstration will commence, which includes the flight test campaign that will continue until Type Certification of the Lilium Jet.

See also "*Item 3. Key Information — D. Risk Factors — Risks Related to our Business and Financial Position — Any delays in the development, certification, manufacture and commercialization of our Lilium Jets and related technology, such as battery technology or electric motors, may adversely impact our business, financial condition and results of operations*" in the Annual Report.

Impact of the COVID-19 Pandemic

Uncertainty regarding the consequences and lingering impact of the COVID-19 pandemic negatively impacted our ability to develop a precise forecast for product development in prior periods. The extent to which COVID-19 continues to impact our business, prospects and results of operations will depend on future developments, which are highly uncertain and cannot be predicted. Based on the latest developments, we are expecting business operations to continue.

While the pandemic did not result in a material slowdown in our engineering, testing, certification and production activities, adverse developments could cause our operations and the operations of our vendors, suppliers and commercial partners, including infrastructure, airline, training and other business partners, to be adversely impacted, and could result in delays or disruptions in the supply chain for our components, parts and materials, any of which could delay the development and commercialization of the Lilium Jet. Adverse developments from COVID-19's ongoing economic and health repercussions could negatively impact our future field engineering, testing and certification processes and manufacturing capacity, as well as our commercial activities, including potential delays and restrictions on our ability to recruit and train staff. We continue to closely monitor developments with respect to COVID-19, including any continuing changes in consumer and business behavior, unease with shared transport, market downturns, supply chain disruptions, shortages of raw materials and finished goods, related inflationary pressures and possible future restrictions on business and individual activities.

For additional information on risks posed by the COVID-19 pandemic, see "*Item 3. Key Information — D. Risk Factors — Risks Related to Our Business and Financial Position — We face risks related to health epidemics, including the ongoing COVID-19 pandemic*" and "*Item 3. Key Information — D. Risk Factors — Risks Related to Our Reliance on Third Parties — Any disruptions to our supply chain, significant increase in component costs or shortages of critical components could adversely affect our business and result in increased costs*" in the Annual Report.

Impact of the War in Ukraine and Other Geopolitical Conflicts and Tension

Although we do not have any operations or direct suppliers located in Ukraine, Belarus or Russia and have not experienced any direct impacts from the conflict, we believe our continuing design and development activities, regulatory certification processes and ability to contract with prospective customers, suppliers and other counterparties, as well as to progress to the production, manufacturing and commercialization of the Lilium Jet, could be adversely affected by the war in Ukraine. For example, the continuance or any escalation of the conflict could result in disruptions to our business and operations, increase inflationary pressures and adversely affect our anticipated unit and production costs, increase raw material costs and cause further disruption to supply chains, impacting our ability to successfully contract with suppliers and could have other adverse impacts on our anticipated costs and commercialization timeline.

Existing or additional government actions, including economic sanctions and trade controls, taken in response to the conflict could also adversely impact the commercial and regulatory environment in which we operate. Such disruptions could similarly impact our data protection, data management, and design efforts, including if there are any increased cyberattacks or data security incidents as a result of the conflict, and negatively impact our corporate, research and development and production efforts and result in us incurring increased cybersecurity costs.

We continue to closely monitor the possible effects of the war in Ukraine and general economic factors, including the impact of inflation, on our business and planning. These factors put pressure on our costs for employees and materials and services we procure from our suppliers, as well as affect other stakeholders and regulatory agencies.

We also continue to closely monitor geopolitical conflicts and tension, including the imposition of and changes in foreign investment, economic sanctions and trade control regulations, that could adversely impact our business. There is currently no material impact on the Group’s operations from applicable foreign investment, economic sanctions and trade control regulations. However, the imposition of and changes in such regulations in the future could adversely impact our business.

For additional information on risks posed by the conflict in Europe, geopolitical conflicts and tensions and general economic factors, see “*Item 3. Key Information — D. Risk Factors — Risks Related to Our Business and Financial Position — We face risks related to natural disasters, health epidemics and other outbreaks, wars and geopolitical conflicts, any of which could significantly disrupt our operations,*” “*Item 3. Key Information — D. Risk Factors — Risks Related to Our Reliance on Third Parties — Any disruptions to our supply chain, significant increase in component costs or shortages of critical components could adversely affect our business and result in increased costs*” and “*Item 3. Key Information — D. Risk Factors — Risks Related to the Regulatory Environment in which Lilium Operates — We are or will be subject to anti-corruption, anti-bribery, anti-money laundering, financial and economic sanctions and similar laws, and non-compliance with such laws can subject us to administrative, civil and criminal fines and penalties, collateral consequences, remedial measures and legal expenses, all of which could adversely affect our business, results of operations, financial condition and reputation*” in the Annual Report.

Going Concern

Our financial statements for the six months ended June 30, 2023 have been prepared assuming that Lilium will continue as a going concern, but there is substantial doubt about the ability to continue as a going concern. See “— *Liquidity and Capital Resources*” below.

Fundraising Activities

In May 2023, we entered into a securities purchase agreement (the “SPA”) with Aceville Pte. Limited (the “Investor”), an affiliate of Tencent Holdings Limited, for the issuance and partial pre-funding, in a private placement, of warrants to purchase up to 184,210,526 Class A Shares of the Company for $1.00 per share (the “May 2023 Warrants”). Upon issuance, the Investor pre-funded $100 million of the aggregate exercise price of the May 2023 Warrants and committed to pre-fund an additional $75 million of the aggregate exercise price upon the Company securing $75 million in additional third-party funding (the “warrant pre-funding commitment”).

In July 2023, we consummated an underwritten public offering and a concurrent private placement resulting in aggregate gross proceeds of approximately $117 million. The proceeds from these offerings satisfied the condition precedent to the warrant pre-funding commitment. As a result, in July 2023, the Investor funded an additional $75 million to further partially prepay against the aggregate exercise price of the May 2023 Warrants.

See "— *Liquidity and Capital Resources — Current Sources of Liquidity and Capital Resources*" for more information.

Key Components of Operating Results

Research and Development Expense

Research and development activities are primarily in the fields of engineering, prototyping (including our technology demonstrators), production, testing and certification. In addition to overall aircraft architecture and configuration, we are undertaking research activities relating to the energy system and propulsion system, including acoustic characteristics and core engine design, as well as software and control systems. We are continuing to invest in the development of our Lilium Jet, including production, testing, spare parts and maintenance.

The costs for internally generated research and development are expensed when incurred. Some costs for internally generated development may be capitalized if the relevant conditions under International Accounting Standard ("IAS") 38 are met. To date, we have not capitalized any research and developments costs.

Research and development activities primarily include the following expenses:

- personnel-related expenses for research and development activities, including salaries, benefits, social security expenses, travel and share-based compensation;
- fees paid to third parties, such as suppliers, consultants and contractors, for outsourced engineering services;
- expenses related to materials, including various components used in development of the Lilium Jet, supplies, software costs and licenses and third-party services; and
- depreciation for equipment used in research and development activities.

We expect our research and development costs to increase for the foreseeable future as we continue to invest in research and development activities to achieve our operational and commercial goals.

General and Administrative Expense

General and administrative expenses consist of personnel-related expenses for our corporate, executive, finance and other administrative functions and expenses for outside professional services, including legal, audit and accounting services, as well as expenses for facilities, software costs and licenses, depreciation, amortization and travel. Personnel-related expenses consist of salaries, benefits, social security expenses and share-based compensation.

Selling Expense

Selling expenses consist of personnel expenses, including salaries, benefits and share-based compensation, for all personnel directly involved in business development and marketing activities. Such expenses are incurred to prepare for providing regional air mobility services, enabling Lilium to commence commercial operations, to prepare infrastructure for Vertiports and for marketing and external communications. Our sales and marketing efforts are conducted through a highly specialized sales team related to the commercialization of our service. Our investment in sales and marketing will continue to grow as we continue to expand our team globally.

Finance Income

Finance income for the six months ended June 30, 2023 resulted from interest income of approximately €1.5 million and foreign currency gain on warrant liabilities of approximately €1.5 million. Finance income for the six months ended June 30, 2022 consisted primarily of the change in the fair value of our outstanding warrants.

Finance Expense

Finance expense for the six months ended June 30, 2023 mainly resulted from the change in the fair value of our outstanding warrants. Finance expense for the six months ended June 30, 2022 consisted primarily of negative interest and interest portion of lease payments.

Share of Loss in a Joint Venture

Lilium holds 27,7% economic interest in Ionblox, Inc. (formerly Zenlabs Energy, Inc.) ("Ionblox") as of June 30, 2023. In 2022, Lilium's economic interest was diluted from 34.8% to 32.1%, 31.4% and 27.7% in January 27, May 12, and November 24, 2022, respectively.

Lilium's investment in its jointly-controlled investee, Ionblox, is accounted for as an "investment under the equity method." Under the equity method, the investment in a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in Lilium's share of net assets of the joint venture since the acquisition date.

Results of Operations

Comparison of the six months ended June 30, 2023 to the six months ended June 30, 2022

(thousand €)	Six Months Ended June 30, 2023	2022	Change (Absolute)	(%)
Research and development expenses	(84,295)	(83,028)	(1,267)	1.5 %
General and administrative expenses	(40,192)	(46,987)	6,795	(14.5)%
Selling expenses	(4,252)	(9,574)	5,322	(55.6)%
Other income	1,435	2,599	(1,164)	*n.m.
Other expenses	(1,222)	(1,393)	171	*n.m.
Operating loss	**(128,526)**	**(138,383)**	**(9,857)**	**(7.1)%**
Finance income	3,021	16,597	(13,576)	(81.8)%
Finance expenses	(258,739)	(931)	(257,808)	27,691.5 %
Financial result	**(255,718)**	**15,666**	**(271,384)**	**(1,732.3)%**
Share of loss in a joint venture	(1,165)	(1,457)	292	*n.m.
Loss before income taxes	**(385,409)**	**(124,174)**	**(261,235)**	**210.4 %**
Income tax (expense) / benefits	(83)	478	(561)	*n.m.
Net loss for the period	**(385,492)**	**(123,696)**	**(261,796)**	**211.6 %**

*n.m. marks changes that are not meaningful for further discussion

Research and Development Expenses

Research and development expenses increased by €1.3 million to €84.3 million during the six months ended June 30, 2023, from €83.0 million for the six months ended June 30, 2022. Personnel expenses (including share-based payment expenses) increased by €1.3 million due to increased employee headcount. Expenses incurred by suppliers on behalf of Lilium increased by €4.5 million in preparation for certification and serial production of the Lilium Jet, amortization and depreciation expenses increased by €1.1 million, and miscellaneous expenses increased by €1.6 million. Contractor and consulting expenses decreased by €4.8 million and testing component and material costs decreased by €2.4 million.

General and Administrative Expenses

General and administrative expenses decreased by €6.8 million to €40.2 million during the six months ended June 30, 2023, from €47.0 million during the six months ended June 30, 2022. This decrease was primarily attributable to a decrease in contractor and consulting expenses of €4.6 million, a decrease in insurance premiums primarily related to directors' and officers' liability insurance of €1.7 million, a decrease in other miscellaneous expenses of €1.2 million and a decrease in personnel expenses (including share-based payment expenses) of €0.2 million, slightly offset by the payment of a success fee in relation to fundraising activities of €0.9 million.

Selling Expenses

Selling expenses decreased by €5.3 million to €4.3 million during the six months ended June 30, 2023, from €9.6 million during the six months ended June 30, 2022, primarily attributable to a decrease in personnel expenses (including share-based payment expenses) of €4.2 million due to lower employee headcount and a decrease in other miscellaneous expenses of €1.1 million.

Financial Result

The financial result decreased by €271.4 million to a loss of €255.7 million for the six months ended June 30, 2023, from a gain of €15.7 million for the six months ended June 30, 2022, primarily due to €258.3 million in finance expenses resulting from fair value changes in our outstanding warrants slightly offset by other interest income of €1.5 million and foreign currency gain on warrant liabilities of €1.5 million for the six months ended June 30, 2023, compared to €16.2 million in finance income from fair value changes and foreign currency effect on outstanding warrants for the six months ended June 30, 2022.

Liquidity and Capital Resources

Current Sources of Liquidity and Capital Resources

Since our inception in 2016, we have been primarily engaged in research and development of eVTOL aircraft and have consequently incurred significant operating losses. Operating losses were €128.5 million and €138.4 million for the six-month periods ended June 30, 2023 and 2022, respectively. We expect to continue to incur losses and negative operating cash flows during 2023 and for the foreseeable future, until we successfully commence sustainable commercial operations.

Since inception, we have financed our operations primarily from the issuance of our ordinary and preferred equity and convertible loans. Since our founding, we have relied on external financing for our research and development activities, as well as to the organizational processes and resources required for these activities.

In May 2023, we entered into the SPA with the Investor for the issuance and partial pre-funding, in a private placement, of warrants to purchase up to 184,210,526 Class A Shares for $1.00 per share, referred to as the May 2023 Warrants. Upon issuance, the Investor pre-funded $100 million of the aggregate exercise price of the May 2023 Warrants and committed to pre-fund an additional $75 million of the aggregate exercise price upon the Company securing $75 million in additional third-party funding, referred to as the warrant pre-funding commitment.

On July 13, 2023, we entered into an underwriting agreement for the purchase and sale of 57,692,308 Class A Shares at a public offering price of $1.30 per share for gross proceeds of approximately $75 million (the “Public Offering”). B. Riley Securities, Inc. acted as sole underwriter with respect to the Public Offering. The Public Offering closed on July 18, 2023.

On July 13, 2023, we entered into a securities purchase agreement with a number of new and existing investors, as well as a number of Lilium directors and senior executives (the “PIPE SPA”), for the purchase and sale of an aggregate of 32,146,147 Class A Shares for $1.30 per share and warrants to purchase up to 8,036,528 Class A Shares at an exercise price of $2.00 per share for gross proceeds of approximately $42 million (the “2023 PIPE”). The 2023 PIPE was closed in two tranches on July 18, 2023 and August 1, 2023. Each warrant was immediately exercisable, with only whole Class A Shares issuable upon exercise. The warrants will expire 18 months from the applicable date of issuance. The PIPE SPA contains customary registration rights in respect of the securities purchased in the 2023 PIPE.

The gross proceeds resulting from the Public Offering and 2023 PIPE satisfied the condition precedent to the warrant pre-funding commitment and as a result, in July 2023, the Investor funded an additional $75 million to partially prepay against the aggregate exercise price of the May 2023 Warrants. Following satisfaction of the warrant pre-funding commitment, the remaining unpaid exercise price of the May 2023 Warrants is $0.05 per Class A Share.

As of June 30, 2023 and December 31, 2022, we had cash and cash equivalents and other financial assets of €184.0 million and €205.5 million, respectively, and no substantial debt. Our cash is mainly held at banks, on hand, or invested in short-term deposits or similar liquid assets. As of June 30, 2023 and December 31, 2022, we had current other financial assets of €60.2 million and €22.6 million, respectively, as well as non-current other financial assets of €3.5 million and €3.4 million, respectively.

Substantial Doubt about the Company's Ability to Continue as a Going Concern

Our financial statements for the six months ended June 30, 2023 have been prepared on a basis that assumes that Lilium 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. Management assessed our ability to continue as a going concern and evaluated whether there are certain conditions and events, considered in the aggregate, that raise substantial doubt about our ability to continue as a going concern using all information available about the future.

Historically, we have funded our operations primarily through capital raises and loans from shareholders. Since our inception, we have incurred recurring losses and negative cash flows from operations (accumulated losses were €1,355.7 million as of June 30, 2023). We expect to continue generating operating losses and negative cash flow from operations for several years. The Group has a shareholders' deficit of €84.6 million that is mainly driven by the operational losses carried forward by the Group and the fair value movement of the warrants. The going concern basis is driven by the Group's available liquidity and its ability to settle its liabilities and commitments. The warrants are settled upon exercise by warrant holders via issuance of Class A Shares against the applicable exercise price without negatively impacting the Group's liquidity.

Our financing plan shows substantial financing needs for several years. Based on our business plan, we depend on additional financing for development activities and operations that is currently not assured.

Our current forecast indicates that we do not have sufficient funds to fund our operations for several years. Additionally, we must reach several milestones, including completion of our research and development program, and obtaining regulatory approvals, which will have an increased importance as we progress towards commercialization. Consequently, our ability to continue as a going concern is largely dependent on our ability to successfully progress with our business model and to secure additional funds in the near future through a combination of debt financing, equity offerings, partnerships and grant funding. We plan to secure additional capital in the next 12 months and beyond through, for example, public funding grants, equity offerings, debt financing, or collection of PDPs in order to continue as a going concern. Between the reporting date and the date the interim financial statements were made available, the Group received additional gross funding of approximately $192 million from the issuance of additional Class A shares and warrants to purchase Class A Shares, and including the additional $75 million from the May 2023 warrant pre-funding commitment.

There is no certainty that we will be successful in obtaining sufficient funding through PDPs, public funding grants, or additional private or public offerings of debt and/or equity. If we are unsuccessful in securing sufficient capital, our management will be required to undertake, and is committed to undertaking, additional significant cost-cutting measures, including significant headcount reductions that could require us to curtail or discontinue our operations. Such cost-cutting measures should help maintain our liquidity within the twelve-month period from the issuance date of the Company's unaudited condensed consolidated interim financial statements and provide additional time for raising sufficient funds through the start of series production of the Lilium Jet.

Based on our recurring losses from operations since inception, expectation of continuing operating losses in the future and the need to secure additional capital to finance our future operations, which is not secured yet, we have concluded that there is substantial doubt about our ability to continue as a going concern, and, therefore, that we may be unable to realize our assets and discharge our liabilities in the normal course of business. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Despite this substantial doubt, management is continuing to take actions to secure sufficient financing, and thus believes that the application of the going concern assumption for the preparation of the Company's unaudited condensed consolidated interim financial statements is appropriate.

Cash Flows

The following table summarizes the cash flows for each period presented:

(in € thousands)	Six Months Ended June 30, 2023	2022
Net cash (used in) / provided by:		
Operating activities	(102,022)	(122,721)
Investing activities	(46,989)	97,439
Financing activities	89,803	(1,477)
Cash-based changes in cash and cash equivalents	**(59,208)**	**(26,759)**
Effect of foreign exchange rate changes on cash and cash equivalents	(33)	35
Effect of change in expected credit loss provisions	47	—
Net decrease in cash and cash equivalents	(59,194)	(26,724)

Cash flow used in operating activities

Net cash used in operating activities for the six months ended June 30, 2023 was €102.0 million, consisting primarily of a net loss of for the period of €385.5 million, offset by non-cash adjustments of €256.8 million in fair value changes of financial instruments and expected credit losses, €15.4 million share-based compensation expense, €4.9 million in depreciation, amortization and impairment expenses, €1.2 million of share of loss in a joint venture. The net cash used in operating activities is also offset by the decrease in net working capital of approximately €6.1 million due to changes in trade and other payables and changes in other assets and liabilities.

Cash flow used in / provided by investing activities

Our recurring capital expenditures have historically consisted primarily of investments in leasehold improvements, technical equipment and machinery and office and other equipment.

Net cash used in investing activities for the six months ended June 30, 2023 was €47.0 million primarily due to payments for short-term investments of €60.0 million and purchases of and advance payments on property, plant and equipment of €8.2 million, partially offset by €20.0 million of proceeds from short-term investments and €1.3 million of interest received.

Cash flow provided by / used in financing activities

Net cash provided by financing activities for the six months ended June 30, 2023 was €89.8 million primarily due to the receipt of €91.8 million for the partial prepayment by the Investor of the aggregate exercise price of the May 2023 Warrants and €0.2 million proceeds from share capital increase and capital contribution, partially offset by €1.8 million of principal elements of lease payments and interest paid of €0.3 million.

Material Cash Requirements

We expect our operating expenses to increase in connection with our ongoing activities, particularly as we continue to advance the development and certification of our Lilium Jets and the commercialization of our Private and Fractional Sales, Turnkey Enterprise and Lilium Network business solutions.

Given our development stage and operating structure, most of our expenses to date are tied to headcount and our Lilium Jet prototypes. We expect to continue to incur significant expenses in the foreseeable future, and we expect substantial cash burn in connection with our ongoing activities, particularly for completing the Type Certification process, including assembling the type conforming aircraft needed for such process, building our serial production factory, launching commercial operations and ensuring all infrastructure and talent resources are in place, as well as incurring costs associated with operating as a U.S. public company.

We are subject to risks related to the development and commercialization of our Lilium Jets and our services, as further discussed in "*Item 3. Key Information — Risk Factors*" of the Annual Report, and we may encounter unforeseen expenses, difficulties, complications, delays and other unknown factors that may adversely affect our business.

We currently estimate that we will require substantial additional cash to fund our operations until our first manned flight test of the type conforming aircraft planned to occur in late 2024, following which we anticipate substantial PDPs that we have included and intend to include in our binding contracts to become available for our use towards the significant additional costs of securing Type Certification of the Lilium Jet. The receipt of PDPs to fund manufacturing activity is standard practice in the aerospace industry. Nevertheless, our anticipated receipt of substantial PDPs is subject to several risks and uncertainties, many of which are out of our control. Additionally, any estimates regarding our future capital requirements are subject to a variety of known and unknown risks and uncertainties and may be based on potentially inaccurate assumptions, any of which could cause our actual capital requirements to differ materially from those contained in or implied by any such estimates. Moreover, many factors could directly and indirectly affect the timing and quantum of our capital requirements in the future as we continue to progress development of the Lilium Jet and advance the parallel regulatory certification processes, including, but not limited to, any delays in our achievement of first manned flight, the acceleration of non-recurring supplier costs in the ramp up to serial production, geopolitical events, inflation, rising interest rates and any related volatility or other economic uncertainties. In the future, the Company will consider raising capital from any of PDPs, grants and subsidies from governmental authorities, equity offerings, debt financing and/or other strategic transactions. Any future capital raising is subject to market conditions and other factors, some of which may be out of our control.

As part of our business strategy, we continue to evaluate capital raising and strategic opportunities from and with several sources, including private investors, strategic partners, business counterparties and government sources. Such opportunities could include joint ventures and strategic partnerships. We may enter into non-binding letters of intent as we assess the commercial appeal of potential transactions. Any potential transactions could be material to our business, financial condition and operating results and may involve the issuance of additional Class A Shares and other securities.

Our level of expenses and capital expenditures will be significantly affected by customer demand for our Lilium Jets and services. The fact that we have a limited operating history and are entering a new industry means we have no historical data on the demand for our services. As a result, our future capital requirements may be uncertain, and actual capital requirements may be different from those we currently anticipate. However, we expect our expenses and capital expenditures to continue to be significant in the foreseeable future as we expand our development, certification, production and commercial launch, and expand our existing facilities for technology prototyping and production. We expect our principal cash demands, and our results in the medium-term, to be driven by:

- Ongoing design and development of the Lilium Jet in house and at our partners, including assembling the type conforming aircraft needed for such process, completing Type Certification of the Lilium Jet, continuing to build a factory for serial production of the Lilium Jet, which includes purchasing manufacturing equipment, tools, raw materials and components as well as ramp-up to serial aircraft production.

- Go-to-market activities, which includes expanding the commercial team and its operations (including our aftermarket maintenance, service, and support functions), increasing marketing efforts, and extending relationships for infrastructure and aftermarket support operations.

- Organizational build-up, which, among other costs, includes establishing the right infrastructure, processes and human resources required to launch a global revenue generating business.

Many of these costs are unpredictable over the long-term, and there may be other substantial costs that we are currently unable to anticipate. Our targeted timeframe for achieving our objectives is also subject to known and unknown risks and uncertainties. We continue to evaluate our overall program and launch timeline based on the results of our continuing design and certification efforts. Any delays in the successful completion of the Lilium Jets may impact our ability to generate revenue. See "*Item 3. Key Information — D. Risk Factors*" of the Annual Report. Additionally, changing circumstances may cause us to consume capital significantly faster than we currently anticipate, and we may need to spend more money than currently expected because of circumstances beyond our control. The commercial launch of our regional air mobility services and sales has unpredictable costs and is subject to significant risks, uncertainties and contingencies, many of which are beyond our control, that may affect the timing and magnitude of these anticipated expenditures. Some of these risks and uncertainties are described in more detail in "*Item 3. Key Information — D. Risk Factors*" in the Annual Report. In the event that we incur higher costs than expected or determine that it may be beneficial to create additional capital buffer, we may raise additional funds to finance our series aircraft production.

The development and commercialization of our products will continue to require substantial expenditures, and we are reliant upon continued investments and capital raises to fund operations.

Other Commitments and Contingencies

We had €12.1 million and €11.0 million in lease-related liabilities as of June 30, 2023 and December 31, 2022, respectively. We also have various lease contracts that had not yet commenced as of June 30, 2023. As of June 30, 2023, the future lease payments relating to these leases were €0.5 million.

In addition, we have commitments under operating contracts. As of June 30, 2023, the future payments for the operating contracts were €92.1 million within one year, €75.9 million between one and five years and €12.4 million thereafter. Further, as of June 30, 2023, we had commitments of €8.1 million to acquire items of property, plant and equipment and commitments of €0.2 million to acquire items of intangible assets.

We entered into a new success fee arrangement in November 2022 that entitles a former member of key management a percentage of certain future fundraising up to a cap of €9.1 million. As of June 30, 2023, a commitment of €8.2 million remained on the contract.

Anticipated Sources of Funds

If our cash resources are insufficient to finance our future cash requirements, we will need to finance our future cash needs through a combination of PDPs from customers, equity offerings, debt financings, partnerships or grant funding. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the ownership interest of shareholders may be diluted, and the terms of such securities may include liquidation or other preferences that adversely affect the rights of existing shareholders. Debt financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. If we raise funds through partnerships, collaborations or other similar arrangements with third parties, we may have to relinquish valuable rights to our Lilium Jet. Additionally, the current economic environment could limit our ability to raise capital by issuing new equity or debt securities on acceptable terms or at all, and lenders may be unwilling to lend funds on acceptable terms or at all in the amounts that would be required to supplement cash flows to support operations.

If we are unable to raise additional funds through equity or debt financings when needed, we may be required to delay, limit, reduce or, in the worst case, terminate our research and development and commercialization efforts and may not be able to fund our continuing operations.

Critical Accounting Estimates

A discussion of our critical accounting estimates can be found in our audited annual financial statements as of December 31, 2022 and 2021 and for each of the three years in the year ended December 31, 2022, as well as in our unaudited condensed consolidated interim financial statements as of and for the six months ended June 30, 2023 and 2022.

Material Weaknesses in Internal Control Over Financial Reporting

In connection with the preparation and audit of our consolidated annual financial statements, we identified material weaknesses in our internal control over financial reporting. The Company is currently working to remediate the material weaknesses. See the discussion in our Annual Report.

Cautionary Note Regarding Forward-Looking Statements

This discussion and analysis contains forward-looking statements within the meaning of Section 21E of the Exchange Act and Section 27A of the Securities Act. Forward-looking statements provide our current expectations or forecasts of future events and include, but are not limited to, statements regarding Lilium’s proposed business and business model, the markets and industry in which Lilium operates or intends to operate, and the anticipated timing of the commercialization and launch of Lilium’s business.

Forward-looking statements include statements about our expectations, beliefs, plans, objectives, intentions, assumptions and other statements that are not historical facts. Words or phrases such as “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “future,” “intend,” “may,” “might,” “objective,” “ongoing,” “opportunity,” “plan,” “potential,” “predict,” “project,” “result,” “should,” “strategy,” “target,” “will” and “would,” or similar words or phrases, or the negatives of those words or phrases, may identify forward-looking statements, but the absence of these words does not necessarily mean that a statement is not forward-looking. Examples of forward-looking statements in this discussion and analysis include, but are not limited to, statements regarding our business plan, operations, cash flows and financial position.

Lilium operates and will continue to operate in a rapidly changing emerging industry. New risks emerge daily. Given these risks and uncertainties, you should not rely on or place undue reliance on these forward-looking statements, including any statements regarding when or whether any strategic collaboration between Lilium and the respective collaborator will be effected, the number, price or timing of any Lilium Jets to be sold (or if any such Lilium Jets will be sold at all), the price to be paid therefor and the timing of launch or manner in which any proposed eVTOL network or anticipated commercial activities will operate, Lilium’s business and product development strategies or certification program, or Lilium’s funding requirements.

Forward-looking statements are subject to known and unknown risks and uncertainties and may be based on potentially inaccurate assumptions, any of which could cause actual events or results to differ materially from those contained in or implied by our forward-looking statements. Many factors could cause actual future events and operating results to differ materially from the forward-looking statements contained herein, including, but not limited to, the following risks:

- Lilium’s future funding requirements and any inability to raise necessary capital on favorable terms (if at all);
- the eVTOL market may not continue to develop, or eVTOL aircraft may not be adopted by the transportation market;
- the Lilium Jet may not be certified by transportation and aviation authorities, including EASA or the FAA;
- the Lilium Jet may not deliver the expected reduction in operating costs or time savings that Lilium anticipates;
- adverse developments regarding the perceived safety and positive perception of the Lilium Jets, the convenience of expected future Vertiports and Lilium’s ability to effectively market and sell regional air mobility services and aircraft;
- challenges in developing, certifying, manufacturing and launching Lilium’s services in a new industry (urban and regional air transportation services);
- a delay in or failure to launch commercial services as anticipated;
- the RAM market for eVTOL passenger and goods transport services does not exist, whether and how it develops is based on assumptions, and the RAM market may not achieve the growth potential Lilium’s management expects or may grow more slowly than expected;
- if Lilium is unable to adequately control the costs associated with pre-launch operations and/or its costs when operations are commenced (if ever);
- difficulties in managing growth and commercializing operations;
- failure to commercialize Lilium’s strategic plans;
- any delay in completing testing and certification, and any design changes that may be required to be implemented in order to receive Type Certification for the Lilium Jet;
- any delays in the development, certification, manufacture and commercialization of our Lilium Jets and related technology, such as battery technology or electric motors;
- any failure of the Lilium Jets to perform as expected or an inability to market and sell the Lilium Jets;

- any failure of suppliers to achieve serial production of the proprietary and/or novel software, battery technology and other technology systems still in development;

- reliance on third-party suppliers for the provision and development of key emerging technologies, components and materials used in the Lilium Jet, such as the lithium-ion batteries that will power the jets, a significant number of which may be single or limited source suppliers, and the related risk that any of these prospective suppliers or strategic partners may choose to not do business with us at all, or may insist on terms that are commercially disadvantageous, and as a result we may have significant difficulty procuring and producing our jets;

- if any of Lilium's suppliers become financially distressed or go bankrupt, Lilium may be required to provide substantial financial support or take other measures to ensure supplies of components or materials, which could increase costs, adversely affect liquidity and/or cause production disruptions;

- third-party air carriers are expected to operate Lilium Network services in the U.S., Europe, the Kingdom of Saudi Arabia, the United Kingdom and Brazil, among other countries, using the Lilium Jets, and these third-parties, as well as Lilium, are subject to substantial regulation and complex laws, and unfavorable changes to, or the third-party air carriers' or Lilium's failure to comply with, these regulations and/or laws could substantially harm Lilium's business and operating results;

- any inability to operate the Lilium Network services after commercial launch at the anticipated flight rate, on the anticipated routes or with the anticipated Vertiports could adversely impact Lilium's business, financial condition and results of operations;

- potential customers may not generally accept the RAM industry or Lilium's passenger or goods transport services;

- any adverse publicity stemming from any incident involving Lilium or its competitors, or an incident involving any air travel service or unmanned flight based on autonomous technology;

- if competitors obtain certification and commercialize their eVTOL vehicles before Lilium;

- business disruptions and other risks arising from the COVID-19 pandemic and geopolitical events, including the war in Ukraine, and including related inflationary pressures, may impact Lilium's ability to successfully contract with its supply chain and have adverse impacts on its anticipated costs and commercialization timeline; and/or

- Lilium's inability to deliver Lilium Jets with the specifications and on the timelines anticipated in any non-binding memorandums of understanding or binding contractual agreements with customers or suppliers we have entered into or may enter into in the future.

The foregoing list of factors is not exhaustive. You should also consider carefully the statements set forth in the section entitled "*Item 3. Key Information — D. Risk Factors*" in the Annual Report. You should not rely on these forward-looking statements, which speak only as of the filing date of this discussion and analysis unless the context requires otherwise. We undertake no obligation to publicly revise any forward-looking statement to reflect new information, changed circumstances or events after the filing date of this discussion and analysis or to reflect the occurrence of unanticipated events. You should, however, review the factors and risks we describe in the reports we will file periodically with the SEC after the filing date of this discussion and analysis.

Additionally, statements that "Lilium believes" or "we believe" and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based on information available to us as of the filing date of this discussion and analysis, and while we believe that information provides a reasonable basis for these statements, that information may be limited or incomplete. Our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all relevant information. These statements are inherently uncertain, and you are cautioned not to unduly rely on these statements.

Although we believe the expectations reflected in the forward-looking statements are reasonable as of the filing date of this discussion and analysis, we cannot guarantee future results, level of activity, performance or achievements. Moreover, neither Lilium nor any other person assumes responsibility for the accuracy or completeness of any of these forward-looking statements. You should carefully consider the cautionary statements contained or referred to in this section in connection with the forward-looking statements contained in this discussion and analysis and any subsequent written or oral forward-looking statements that may be issued by Lilium or persons acting on our behalf.

RISK FACTORS

Our business faces significant risks and uncertainties. You should carefully consider all of the information set forth in this document as well as in the Annual Report, including without limitation "Item 5 — Operating and Financial Review and Prospects," and in other documents we file with or furnish to the SEC, including the following risk factors, before deciding to invest in or to maintain an investment in our securities. Our business, as well as our reputation, financial condition, results of operations and share price, could be materially adversely affected by any of the risks set forth in this document and in the Annual Report, as well as other risks and uncertainties not currently known to us or not currently considered material.

Any delays in the development, certification, manufacture and commercialization of our Lilium Jets and related technology, such as battery technology or electric motors, may adversely impact our business, financial condition and results of operations.

We have previously experienced, and may experience in the future, delays or other complications in the design, certification, manufacture, launch, production and servicing ramp up of our jets and related technology. If further delays arise or recur, if our remediation measures and process changes do not continue to be successful or if we experience issues with planned manufacturing improvements or design and safety, we could experience issues in sustaining the progress towards commercialization or delays in increasing production capacity. Notably, many of the components for the jet are proprietary and/or novel (e.g., the battery cell technology that we intend to use), and as a result have never been manufactured on a commercial scale. Even if we are successful in developing prototypes and functional iterations of these various components, there can be no guarantee that we or our suppliers will be able to achieve large-scale, cost-effective commercial production of these components according to our schedule or at all. If we encounter difficulties in scaling our production or servicing capabilities, if we fail to obtain the required batteries from our suppliers that meet the required performance parameters, if our jet technologies and components (and the related costs of production) do not meet our expectations, if the manufacturing capabilities of Lilium or our suppliers are unable to achieve cost-effective serial production of jet components, or if we are unable to launch and sell our jets or operate our services before our competitors, or if such technologies fail to perform as expected, are inferior to those of our competitors or are perceived as less safe than those of our competitors, we may not be able to achieve our performance targets in aircraft range, speed, payload and noise or launch products on our anticipated timelines, and our business, financial condition and results of operations could be materially and adversely impacted.

Our Lilium Jets require complex software, battery technology and other technology systems that remain in development and need to be commercialized in coordination with our vendors and suppliers to achieve serial production. The failure of advances in technology and of manufacturing at the rates and volumes we project may impact our ability to increase the volume of our production or drive down end user pricing.

We are also relying on third-party suppliers to commercialize these technologies (such as battery cell technology) at the volume and costs we require to launch and ramp-up our production. Our suppliers may not be able to meet the production timing, volume requirements or cost requirements we have assumed in our business plan. Since many of these technologies are proprietary or novel applications that have never been manufactured on a commercial scale (such as battery cell technology), there can be no assurance that our suppliers will be able to achieve the targeted levels of production at the projected cost of such production according to our schedule or at all. If the cost of producing critical components of the Lilium Jet is significantly higher than we anticipate, and we and our suppliers are unable to reduce such production costs in a timely fashion, if and when the Lilium Jet achieves Type Certification we may need to materially increase the sales price from what is expected, which could adversely impact demand for our jets and the viability of our business plan. Our third-party suppliers could face other challenges, such as the lack of raw materials or machinery, the breakdown of tools in production or the malfunctioning of technology as they ramp up production. As a result, our business plan could be significantly impacted, and we may incur significant delays in production and full commercialization, which could adversely affect our business, prospects and results of operations.

Our business depends substantially on the efforts of our key employees and qualified personnel; our operations may be severely disrupted if we lose their services or are unable to recruit and hire sufficient competent personnel with the requisite skills.

Our success depends substantially on the efforts of our key employees and qualified personnel, and our operations may be severely disrupted if we lose their services or are unable to recruit and hire sufficient competent personnel with the requisite expertise and skills. Presently we have significant unfilled job positions, many of which are for needed to fulfil critical expertise and skills in our engineering, production, quality, and operations departments. The failure to attract, integrate, train, motivate and retain these personnel could seriously harm our business and prospects including our ability: (i) to successfully build on-schedule the first set of type conforming aircraft needed for the compliance demonstration of the Lilium Jet, which includes the flight test campaign; and (ii) to successfully and timely obtain our POA necessary to manufacture and produce the Lilium Jet at scale. Further, as we build our brand, approach the start of production of the type confirming Lilium Jet, and become more well known, the risk that competitors or other companies may poach our talent increases.