
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 20-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

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

For the fiscal year ended December 31, 2023

OR

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

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number: 001-40736

Lilium N.V.

(Exact name of Registrant as specified in its charter)

Not Applicable

(Translation of Registrant's name into English)

The Netherlands

(Jurisdiction of incorporation or organization)

Galileostraße 335, 82131 Gauting, Germany

(Address of principal executive offices)

Roger Franks

c/o Lilium Aviation Inc.

2385 N.W. Executive Center Drive, Suite 300

Boca Raton, Florida 33431

561-526-8460

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Class A ordinary shares, nominal value €0.01 per share	LILM	Nasdaq Global Select Market
Warrants to purchase Class A ordinary shares	LILMW	Nasdaq Global Select Market

Securities registered or to be registered pursuant to Section 12(g) of the Act.

Not Applicable

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

Not Applicable

(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: 503,466,142 Class A ordinary shares and 23,113,065 Class B ordinary shares

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of “large accelerated filer,” “accelerated filer,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Emerging growth company	<input checked="" type="checkbox"/>

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards † provided pursuant to Section 13(a) of the Exchange Act.

† The term “new or revised financial accounting standard” refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant’s executive officers during the relevant recovery period pursuant to §240.10D-1(b).

Indicate by check mark which basis for accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP	<input type="checkbox"/>	International Financial Reporting Standards as issued by the International Accounting Standards Board.	<input checked="" type="checkbox"/>	Other	<input type="checkbox"/>
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If “Other” has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

LILIUM N.V.

FORM 20-F

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INTRODUCTION

Unless otherwise indicated, “Lilium,” “the Company,” “we,” “us” and “our” refer to Lilium N.V. and its subsidiaries. References to “euro” or “€” are to the common currency of the European Monetary Union and references to “U.S. dollars” or “\$” are to United States dollars.

FREQUENTLY USED TERMS

Unless otherwise stated in this Annual Report or the context otherwise requires, references to:

“2021 Plan” means the Lilium 2021 Equity Incentive Plan.

“2022 PIPE” means the purchase and sale of Class A Shares and 2022 Warrants pursuant to securities purchase agreements entered into in November 2022 by and between Lilium and certain investors.

“2022 Warrants” means the warrants to purchase Class A Share at a price of \$1.00 per share, subject to adjustment, issued in the 2022 PIPE and the Registered Direct Offering.

“2023 PIPE” means the purchase and sale of Class A Shares and 2023 Warrants pursuant to the securities purchase agreement entered into in July 2023 by and between Lilium and certain investors.

“2023 Warrants” means the warrants to purchase Class A Shares at a price of \$2.00 per share, subject to adjustment, issued in the 2023 PIPE.

“Aceville Warrants” means the partially pre-funded warrants to purchase Class A Shares issued to Aceville Pte. Limited in May 2023.

“Azul” means Azul S.A. and Azul Linhas Aéreas Brasileiras S.A., collectively.

“Azul Warrants” means the warrants issued to Azul on October 22, 2021, which are exercisable for 1,800,000 Class A Shares at an exercise price of €0.12 per Class A Share.

“Board” means the board of directors of Lilium N.V.

“Business Combination” means the transactions contemplated by the Business Combination Agreement.

“Business Combination Agreement” means the Business Combination Agreement, dated March 30, 2021, as amended, by and among Lilium GmbH, Queen Cayman Merger LLC, a Cayman Islands limited liability company and wholly-owned subsidiary of Lilium, Qell and Lilium.

“CDR” means our critical design review.

“Class A Shares” means the ordinary shares A, with a nominal value €0.01 per share, of Lilium.

“Class B Shares” means the ordinary shares B, with a nominal value €0.03 per share, of Lilium.

“Class C Shares” means the ordinary shares C, with a nominal value of €0.02 per share, of Lilium.

“Closing Date” means September 14, 2021, the date of the closing of the Business Combination.

“Code” means the U.S. Internal Revenue Code of 1986, as amended.

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“COVID-19” means the novel coronavirus known as SARS-CoV-2, or COVID-19, and any evolutions, mutations thereof or related or associated epidemics, pandemic or disease outbreaks.

“DCGC” means the Dutch Corporate Governance Code 2022.

“DEVT” means ducted electric vectored thrust.

“DOA” means the Design Organization Approval.

“EASA” means the European Union Aviation Safety Agency.

“ESOP” means the Employee Stock Option Program.

“ESPP” means the Liliu 2021 Employee Share Purchase Plan.

“EU” means the European Union.

“eVTOL” means electric vertical take-off-and-landing.

“Exchange Act” means the U.S. Securities Exchange Act of 1934, as amended.

“FAA” means the Federal Aviation Administration.

“General Meeting” means a general meeting of the shareholders of the Company.

“IAS” means the International Accounting Standard.

“IASB” means the International Accounting Standards Board.

“IFRS” means the International Financial Reporting Standards as issued by the IASB.

“Liliu Jet” means the fully electric eVTOL aircraft being developed by Liliu.

“Nasdaq” means the Nasdaq Global Select Market.

“PDR” means our preliminary design review.

“Private Warrants” means, collectively, the 2022 Warrants, the 2023 Warrants, Aceville Warrants, the SPAC Private Warrants and the Azul Warrants.

“Public Warrants” means the publicly listed warrants of Liliu N.V. to purchase Class A Shares at a price of \$11.50 per share, subject to adjustment, trading on Nasdaq under the symbol “LILMW.” “Qell” means Qell Acquisition Corp., a Cayman Islands exempted company.

“Qell Class A Ordinary Shares” means Qell’s Class A ordinary shares prior to the closing of the Business Combination.

“Qell Class B Ordinary Shares” means Qell’s Class B ordinary shares prior to the closing of the Business Combination.

“RAM” means regional air mobility, which refers to networks that will connect communities and locales within a region directly with one another.

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“Registered Direct Offering” means the purchase and sale on November 22, 2022 of Class A Shares and 2022 Warrants in an SEC-registered offering pursuant to securities purchase agreements, dated November 18, 2022, by and between Lilium and certain investors.

“RSU” means restricted stock unit.

“SEC” means the United States Securities and Exchange Commission.

“Securities Act” means the U.S. Securities Act of 1933, as amended.

“Shares” means, collectively, the Class A Shares, the Class B Shares, and the Class C Shares of Lilium.

“SPAC Private Warrants” means the warrants of Lilium N.V. originally held by certain former Qell shareholders, purchased by such holders in a private placement that occurred concurrently with the closing of Qell’s initial public offering and converted into warrants to purchase one Class A Share at a price of \$11.50 per share, subject to adjustment, at the closing of the Business Combination.

“SPAC Warrants” means, collectively, the Public Warrants and the SPAC Private Warrants.

“Type Certification” means certified compliance to the applicable airworthiness standards of EASA and/or the FAA, which is a necessary prerequisite to undertaking commercial operations of the Lilium Jet.

“Vertiport” means an area designed specifically for eVTOL aircraft to take off and land.

“VTOL” means vertical take-off and landing.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 20-F (this “Annual Report”) 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 Annual Report include, but are not limited to, statements regarding our business plan, operations, cash flows, financial position and dividend policy.

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 the 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 Liliium’s suppliers become financially distressed or go bankrupt, Liliium 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;
- any inability to operate network services after commercial launch at the anticipated flight rate, on the anticipated routes or with the anticipated Vertiports could adversely impact Liliium’s business, financial condition and results of operations;
- potential customers may not generally accept the RAM industry or Liliium’s passenger or goods transport services;
- any adverse publicity stemming from any incident involving Liliium 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 Liliium;
- 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 Liliium’s ability to successfully contract with its supply chain and have adverse impacts on its anticipated costs and commercialization timeline; and/or
- Liliium’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.

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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 this Annual Report. You should not rely on these forward-looking statements, which speak only as of the date of this Annual Report. We undertake no obligation to publicly revise any forward-looking statement to reflect new information, changed circumstances or events after the date of this Annual Report 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 date of this Annual Report.

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 date of this Annual Report, 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 date of this Annual Report, 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 Annual Report and any subsequent written or oral forward-looking statements that may be issued by Lilium or persons acting on our behalf.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

A. Directors and Senior Management

Not applicable.

B. Advisers

Not applicable.

C. Auditors

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. [Reserved]

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Our business faces significant risks and uncertainties. You should carefully consider all of the information set forth in this 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 these risks, as well as other risks and uncertainties not currently known to us or not currently considered material. The following risk factors have been organized by category for ease of use; however, many of the risks may have impacts in more than one category.

Risk Factors Summary

The following is a summary of certain, but not all, of the risks that could adversely affect our business, financial condition, results of operations and share price. If any of the risks actually occur, our business could be materially impaired, the trading price of our securities could decline, and you could lose all or part of your investment.

- Our business plans require a significant amount of capital. Additionally, our future capital needs will require us to sell additional equity or debt securities that may adversely affect the market price of our listed securities and dilute our shareholders or introduce covenants that may restrict our operations.

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- We have incurred significant losses and expect to incur significant expenses and continuing losses for the foreseeable future, and we may not achieve or maintain profitability, and there is substantial doubt about our ability to continue as a going concern.
- The eVTOL market may not continue to develop, eVTOL aircraft may not be adopted by the transportation market, eVTOL aircraft may not be certified by transportation and aviation authorities or eVTOL aircraft may not deliver the expected reduction in operating costs or time savings.
- The success of our business depends on the safety and positive perception of the Lilium Jets, the establishment of strategic relationships, the convenience of Vertiports and our ability to effectively market and sell RAM services and products.
- We have a limited operating history and face significant challenges to develop, certify, manufacture and launch our products and 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.
- 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 we expect or may grow more slowly than expected.
- We may be unable to adequately control the costs associated with our pre-launch operations, and our costs will continue to be significant after we commence operations.
- We may experience difficulties in managing our growth and commercializing our operations.
- We may be unable to sell our jets or launch our services on the timeline, or with the scope of services, that we are anticipating.
- Our business models have yet to be tested or regulatorily approved, and any failure to commercialize our strategic plans would have an adverse effect on our operating results and business, harm our reputation and could result in substantial liabilities that exceed our resources.
- We anticipate commencing commercial operations with our fully developed Lilium Jet, if regulatorily approved and certified, which remains under development and has yet to complete the testing and certification process. 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, may adversely impact our business plan and our financial condition.
- Any delays in the development, certification, manufacture and commercialization of the Lilium Jets and related technology, such as battery technology or electric motors, may adversely impact our business, financial condition and results of operations.
- Lilium has limited experience negotiating commercial agreements with airline and private aircraft customers in our Turnkey Enterprise and Private and Fractional Sales business lines, and failure to effectively contract with prospective customers on acceptable terms may have an adverse impact on our business, financial condition and results of operations.
- We may not be able to develop or deliver Lilium Jets with the specifications and on the timelines anticipated in any non-binding MOUs or term sheets or binding contractual agreements with customers or suppliers we have entered into or may enter into in the future, which may lead to reputational harm, reduced revenues or cash payments or other forms of contractual penalties and, as a result, adversely affect our business, financial condition and results of operations.
- If we are unable to successfully design and manufacture our jets, our business will be harmed.
- 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 will rely on third-party suppliers and strategic partners for the provision and development of key emerging technologies, components and materials used in our 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. If any of these prospective suppliers or strategic partners choose to not do business with us at all, or insist on terms that are commercially disadvantageous, we may have significant difficulty in procuring and producing our jets, and our business prospects would be harmed.
- If any of our strategic partners or suppliers become financially distressed or go bankrupt, we may be required to provide substantial financial support or take other measures to ensure supplies of components or materials, which could cause production disruptions and increase our costs, affect our liquidity or financial performance.
- We are subject to substantial regulation and laws, and unfavorable changes to, or our failure to comply with, these regulations and/or laws could substantially harm our business and operating results.
- Any inability of eVTOL network services to develop and operate at anticipated flight rates, on anticipated routes or with anticipated Vertiports could adversely impact our business, financial condition and results of operations.
- Consumers may not generally accept the RAM industry. If potential consumers of eVTOL RAM services are not convinced of the convenience of RAM services and operators are unable to generally provide the high-quality customer service that will be expected of a premium service, our business and operating results may be materially and adversely affected.
- Adverse publicity stemming from any incident involving us or our competitors, or an incident involving any air travel service or unmanned flight based on autonomous technology, could have a material adverse effect on our business, financial condition and results of operations.
- Although we hope to be among the first to bring eVTOL RAM jets and services to market, our competitors have also displayed eVTOL technology demonstrators and may gain certification and commercialize their vehicles to allow them to enter the market before us.
- Business disruptions and other risks arising from the COVID-19 pandemic and geopolitical events, including related inflationary pressures, may impact our ability to successfully contract with our supply chain and have adverse impacts on our anticipated costs and commercialization timeline.
- We may not be able to develop or deliver Lilium Jets with the specifications and on the timelines anticipated in any non-binding MOUs or term sheets or binding contractual agreements with customers or suppliers we have entered into or may enter into in the future, which may lead to reputational harm, reduced revenues or cash payments, or other forms of contractual penalties and, as a result, adversely affect our business and results of operations.

Risks Related to Our Business and Financial Position

Our business plans require a significant amount of capital. Additionally, our future capital needs will require us to sell additional equity or debt securities that may adversely affect the market price of our listed securities and dilute our shareholders or introduce covenants that may restrict our operations.

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 currently estimate that we will require substantial additional cash to fund our operations until our first manned flight test of the Liliium Jet targeted to occur in late 2024, following which we anticipate substantial pre-delivery payments that we have included and intend to continue to include in our binding contracts to become available for our use towards the significant additional costs of securing type certification of the Liliium Jet. Our anticipated receipt of substantial pre-delivery payments is subject to several risks and uncertainties, many of which are out of our control.

Our level of expenses and capital expenditures will be significantly affected by customer demand for our products 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 products and services and such demand may never develop. As a result, our future capital requirements may be uncertain and actual capital requirements may be different from those we currently anticipate. We will require additional equity or debt financing or government grants or subsidies to finance a portion of our capital expenditures. Such financing might not be available to us in a timely manner or on terms that are acceptable or at all.

Our ability to obtain the necessary financing to carry out our business plan is subject to a number of factors, including general market conditions and investor and customer acceptance of our industry and business model. These factors may make the timing, amount, terms and conditions of such financing unattractive or unavailable to us. If we are unable to raise sufficient funds, we will have to significantly reduce our spending, delay or cancel our planned activities or substantially change our corporate structure. We might not be able to obtain any funding, and we might not have sufficient resources to conduct our business, both of which could mean that we would be forced to curtail or discontinue our operations.

We may also seek to raise additional capital through the issuance of additional shares or debt securities with conversion rights (such as convertible bonds and option rights). An issuance of additional shares or debt securities with conversion rights will cause dilution to your investment and could potentially reduce the market price of our securities, and we currently cannot predict the amounts and terms of such future offerings.

Additionally, our future capital needs and other business reasons could require us to sell additional equity or debt securities or obtain a credit facility or other debt financing. The incurrence of indebtedness would result in increased debt service obligations and could result in operating and financing covenants that would restrict our operations. The sale of additional equity or equity-linked securities could dilute our shareholders.

As part of our business strategy, we continue to evaluate capital raising and strategic opportunities from and with a number of 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.

Additional dilution may arise from the acquisition of, or investments in, companies in exchange, fully or in part, for newly issued shares, options granted to our business partners or from the exercise of stock options by our employees in the context of existing or future share option programs or the issuance of shares to employees in the context of existing or future employee participation programs.

We have incurred significant losses and expect to incur significant expenses and continuing losses for the foreseeable future, and we may not achieve or maintain profitability, and there is substantial doubt about our ability to continue as a going concern.

We have incurred significant operating losses. Our operating losses were €400.6 million, €278.9 million and €270.7 million for the years ended December 31, 2021, 2022 and 2023, respectively. We expect to continue to incur substantial losses during 2024. Our consolidated financial statements for the year ended December 31, 2023 have been prepared on a basis that assumes we will continue as a going concern, as described in the notes to our consolidated financial statements included elsewhere in this Annual Report. Our current forecast indicates that we do not have sufficient funds to fund our operations for the foreseeable future. Additionally, we must reach several milestones, including completion of our research and development program, and regulatory approvals, which will have an increased importance as we progress toward 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 raise additional funds in the near future through a combination of debt financing, equity offerings, partnerships and grant funding. Our forecasts are based on assumptions that may prove to be wrong, and we could utilize our available capital resources sooner than we expect or require more significant amounts of capital than anticipated to achieve Type Certification and commercialization of our Lilium Jets. Additionally, we have not yet started commercial operations, making it difficult for us to predict our future operating results, and we believe that we will continue to incur operating losses until at least the time we begin commercial operations. As a result, our losses may be larger than anticipated, and we may not achieve profitability when expected, or at all, and even if we do, we may not be able to maintain or increase profitability.

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, expand our existing facilities for technology prototyping and production and as we engage in the following activities:

- continue to design, certify and produce our Lilium Jet;
- continue to engage suppliers in the development of aircraft components and commit capital to serial production of those components;
- finish building our production capabilities to assemble the major components of our jets (the propulsion systems, energy system assembly and aircraft integration), as well as the cost associated with outsourcing production of subsystems and commodity components;
- continue to close relationships with infrastructure providers to build and develop Vertiport infrastructure, and with third-party operators and other necessary partners, to launch and operate network operations;
- hire employees in areas such as production, marketing, sales and administration as we reach different milestones on our path towards Type Certification and commercialization of our business;
- continue to engage with third party providers for design, testing, certification and commercialization of our business;
- build up inventories of parts and components for our jets;
- further enhance our research and development capacities to continue the work on our jet's technology, components, hardware and software performance;
- continue to test and certify the performance and operation of our jets;
- work with third-party providers to train pilots, mechanics and technicians in our proprietary jet operation and maintenance;
- continue to develop our sales and marketing activities in order to establish relationships and work with, among others, customers, leasing companies and private individuals to fill our sales pipeline; and
- continue to develop our general and administrative functions to support our growing operations and our responsibilities as a public company.

Because we will incur the costs and expenses from these efforts before we receive any associated revenue, our losses in future periods will likely continue to be significant. In addition, we may find that these efforts are more expensive than we currently anticipate or that these efforts may not result in the revenue we anticipate, which would further increase our losses. Based on our recurring losses from operations since inception, expectation of continuing operating losses in the future and the need to raise additional capital to finance our future operations, we have concluded that there is substantial doubt about our ability to continue as a going concern. See “*Item 5. Operating and Financial Review and Prospects — B. Liquidity and Capital Resources — Substantial Doubt about the Company’s Ability to Continue as a Going Concern.*”

In addition, the 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, debt or other 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. Furthermore, if our future growth and operating performance fail to meet investor or analyst expectations, or if we have future negative cash flow or losses resulting from our investment in acquiring customers or expanding our operations, this could have a material adverse effect on our business, financial condition and results of operations.

Our warrants are accounted for as liabilities and changes in the fair value of our outstanding warrants have adversely impacted, and may continue to adversely impact, our financial results.

In accordance with IFRS, our warrants are recognized as derivative financial instruments. Accordingly, we generally classify warrants as financial liabilities measured at fair value through profit or loss, which are subject to remeasurement at each balance sheet date until exercised or expired, and any change in fair value is recognized as finance income or finance expenses. As a result of recurring fair value measurement, our financial statements and results of operations may fluctuate based on factors outside of our control. Due to recurring fair value measurement, we recognize non-cash gains or losses on our outstanding warrants each reporting period and the amount of such gains or losses has been, and could continue to be, material.

For example, for the year ended December 31, 2023, our finance expenses increased to €131.1 million from €2.0 million in 2022, which mainly resulted from changes in the fair value of our warrants of €129.6 million. Changes in the fair value of our outstanding warrants may continue to materially impact our financial results.

The eVTOL market may not continue to develop, eVTOL aircraft may not be adopted by the transportation market, eVTOL aircraft may not be certified by transportation and aviation authorities or eVTOL aircraft may not deliver the expected reduction in operating costs or time savings.

eVTOL aircraft involve a complex set of technologies and are subject to evolving regulations, many of which were originally not intended to apply to electric and/or VTOL aircraft. Before any eVTOL aircraft can fly passengers, manufacturers and operators must receive requisite regulatory approvals, including—but not limited to—aircraft Type Certification and certification-related to air service operations (e.g., AOC, etc.). No eVTOL aircraft have passed certification by EASA or the FAA for commercial operations in Europe or the U.S., respectively, and there is no assurance that the Lilium Jet will receive government certification in a way that is market-viable or commercially successful, in a timely manner or at all. Gaining government certification requires us to prove the performance, reliability and safety of our Lilium Jet, which cannot be assured. Additionally, 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. The Lilium Jet’s operations will also be subject to national, federal, state and municipal licensing requirements and other regulatory measures in each jurisdiction it operates in, and changes may be required to proposed Vertiport infrastructure to satisfy licensing or regulatory requirements. Any of the foregoing risks and challenges could adversely affect our prospects, business, financial condition and results of operations.

The success of our business depends on the safety and positive perception of the Lilium Jets, the establishment of strategic relationships, the convenience of Vertiports and our ability to effectively market and sell RAM services and products.

We have not commenced commercial operations, and we expect that our success will be highly dependent on our target customers' embrace of RAM and eVTOL vehicles, which we believe will be influenced by the public's perception of the safety, convenience and cost of our Lilium Jets specifically but also of the industry as a whole. As a new industry, the public has low awareness of RAM and eVTOL vehicles, which will require substantial publicity and marketing campaigns in a cost-effective manner to effectively and adequately target and engage our potential customers. If we are unable to demonstrate the safety of our jets, the convenience of our jets or the cost-effectiveness and time-savings of our RAM services as compared with other commuting, goods transportation, airport shuttle or regional transportation options, our business may not develop as we anticipate it could, and our business, revenue and operations may be adversely affected. Further, our sales growth will depend on our ability to develop relationships with infrastructure providers, airlines, other commercial entities, municipalities and regional governments and landowners, which may not be effective in generating anticipated sales, and marketing campaigns can be expensive and may not result in the acquisition of customers in a cost-effective manner, if at all. If conflicts arise with our strategic counterparties, the other party may act in a manner adverse to us and could limit our ability to implement our strategies. Our strategic counterparties may develop, either alone or with others, products or services in related fields that are competitive with our products and services.

We have a limited operating history and face significant challenges to develop, certify, manufacture and launch our products and 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.

Lilium was incorporated in 2015, and we intend to operate in a newly emerging RAM market, which is continuously evolving. We have no experience as an organization in high volume manufacturing of our planned Lilium Jets or operation of a commercially viable RAM service. We cannot assure you that we or our suppliers and other commercial counterparties will be able to develop efficient, cost-efficient manufacturing capability and processes and reliable sources of component supplies that will enable us to meet the quality, price, engineering, design and production standards, as well as the production volumes, required to successfully produce and maintain Lilium Jets. The specifications for the Lilium Jets remain under development, and we currently anticipate developing a lineup of Lilium Jets, including four-passenger and six-passenger models, with differing specifications and design targets.

However, our Lilium Jets are not yet fully operational, and we might not achieve all of our performance targets for one or more of our anticipated configurations of Lilium Jets, which may impact our commercialization timeline and would materially impact our business plan and results of operations. Additionally, 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. Further, the Lilium Jet cannot be utilized in commercial services until we have received Type Certification for the Lilium Jet. See also “— *We may be unable to sell our jets or launch our services on the timeline, or with the scope of services, that we are anticipating*” below. You should consider our business and prospects in light of the risks and significant challenges we face as a new entrant into a new industry, including, among other things, with respect to our ability to:

- design and produce safe, reliable and high-quality Lilium Jets and scale that production in a cost-effective manner;
- obtain the necessary certification and regulatory approvals in a timely manner;
- build a well-recognized and respected brand;
- establish and expand our customer base;
- successfully build an order book of aircraft and aftermarket support agreements with, among others, customers, leasing companies and private aircraft customers;
- collaborate with our anticipated partners for them to build efficient regional network services;
- collaborate with our anticipated partners to build and maintain a convenient network of Vertiports;

- collaborate with operators of the Lilium Jet to ensure the Lilium Jet provides passengers with an enjoyable and safe experience;
- properly price our products and services and successfully anticipate the take-up rate and usage of such products and services by our target customers;
- successfully maintain and service Lilium Jet fleets, once commercialized, and maintain a good flow of spare parts and qualified technicians;
- attract, train and maintain pilots, mechanics, engineers and technicians trained in the Lilium Jet and motivate other talented employees to remain with the Company;
- improve and maintain our operational efficiency;
- maintain a reliable, secure, high-performance and scalable technology infrastructure;
- predict our future revenues and appropriately budget for our expenses;
- anticipate trends that may emerge and affect our business;
- anticipate and adapt to changing market conditions, including technological developments and changes in competitive landscape;
- secure, protect and defend our intellectual property; and
- navigate an evolving and complex regulatory environment.

If we fail to adequately address any or all of these risks and challenges, our business may be materially and adversely affected.

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 we expect or may grow more slowly than expected.

Our estimates for the total addressable market for eVTOL RAM regional passenger and goods transport services are based on a number of internal and third-party estimates, including customers who have expressed interest, assumed prices at which we can offer our jets and services, assumed aircraft development, certification and production figures, our ability to manufacture, obtain regulatory approval and certification, and operate our jets, assumed Vertiport networks available to us in our target markets, assumed safety protocols and redundancies, our internal processes and general market conditions. We have also based our estimates upon, among other factors, industry publications and related projections, historical growth rates of the automotive, aviation and rail transportation segments, the proportions of the foregoing segments that involve trips of less than 250 km and other market research performed by the Company. While we believe our assumptions and the data underlying our estimates are reasonable, these assumptions and estimates may not be correct, and the conditions supporting our assumptions or estimates may change at any time, thereby reducing the predictive accuracy of these underlying factors. As a result, our estimates of the annual total addressable market for our RAM passenger transport and goods transport services, as well as the expected growth rate for the total addressable market, may prove to be incorrect, which could negatively affect our operating revenue, costs, operations and potential profitability.

We may be unable to adequately control the costs associated with our pre-launch operations, and our costs will continue to be significant after we commence operations.

We will require significant capital to develop and grow our business, including designing, developing, testing, certifying and manufacturing our aircraft, building our manufacturing plant, supporting arrangements for Vertiports and other commercial activities, educating customers on the safety, efficiency and cost-effectiveness of our products and services and building our brand. Our research and development expenses were €144.6 million, €175.6 million and €183.8 million in 2021, 2022 and 2023, respectively, and we expect to continue to incur significant expenses, which will impact our profitability, including continuing research and development expenses, manufacturing, maintenance and procurement costs, marketing, customer and payment system expenses, and general and administrative expenses as we scale our operations. Our ability to become profitable in the future will not only depend on our ability to successfully market our jets and services but also our ability to control our costs. If we are unable to efficiently design, certify, manufacture, market, operate, sell and service our jets and operations, our margins, profitability and prospects would be materially and adversely affected.

We may experience difficulties in managing our growth and commercializing our operations.

We expect to experience significant growth in the scope and nature of our manufacturing and service operations. Our ability to manage our operations and future growth will require us to continue to improve our operational, financial and management controls, compliance programs and reporting systems. We will continue to periodically review our controls, compliance programs and reporting systems, and, where appropriate, strive to strengthen such controls, compliance programs and reporting systems. However, given the expected significant growth in the scope and nature of our manufacturing and service operations, we may not be able to implement improvements in an efficient or timely manner and may discover deficiencies in existing controls, programs, responsible personnel, systems and procedures, which could have an adverse effect on our business, reputation and financial results.

We may be unable to sell our jets or launch our services on the timeline, or with the scope of services, that we are anticipating.

We need to resolve significant regulatory, operational, logistical and other challenges in order to implement our anticipated business models of: (i) targeting 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 (“Private and Fractional Sales”); and (ii) selling fleets of Lilium Jets and related aftermarket services directly to enterprise and other customers (“Turnkey Enterprise”). We do not currently have the necessary regulatory approval or all of the necessary manufacturing and distribution infrastructure in place to sell our jets or operate our services, and such regulatory approvals and/or manufacturing and distribution infrastructure may not be established at all or at the times or under conditions we anticipate.

Our Lilium Jets have not yet received any EASA or FAA certification/approvals, and we are working through the details of the required airspace, operational authority and other relevant and necessary multinational, federal, national and local government approvals, which are essential to the sale of our jets and the operation of our services. Additionally, the EASA and FAA certification and approval processes may be further impacted by any changes to applicable regulations in the future and may raise requirements, such as range reserve requirements, that may impact our ability to achieve our target specifications or require us to implement design changes in order to obtain such certification and approvals, and could lead to delays in our certification and commercialization timelines.

Any delay in the financing, design, manufacture and commercial launch of our Lilium Jets, any delay in the receipt of all necessary regulatory approvals and certifications, and any determination by a transportation or aviation authority that we cannot manufacture or sell our jets or provide or otherwise engage in the services as we contemplate could materially damage our brand, business, prospects, financial condition and operating results, and may require us to incur additional costs and create adverse publicity for our business. If we are not able to overcome these challenges, our business, prospects, operating results and financial condition will be negatively impacted and our ability to grow our business will be harmed.

Our business models have yet to be tested or regulatorily approved, and any failure to commercialize our strategic plans would have an adverse effect on our operating results and business, harm our reputation and could result in substantial liabilities that exceed our resources.

Any new business will encounter challenges and difficulties, especially a business pioneer operating in a newly emerging market. Many of these challenges will be beyond our control, including substantial risks and expenses to create a new market, set up operations and educate potential customers about a new market. You should consider the likelihood of our success in light of these risks, expenses, complications and delays discussed in these Risk Factors. There is nothing at this time upon which to base an assumption that our business models will prove successful, and we may not be able to generate significant revenue, raise additional capital or operate profitably. We will continue to encounter risks and difficulties frequently experienced by early commercial stage companies, including scaling up our infrastructure and headcount, and may encounter unforeseen expenses, difficulties or delays in connection with our growth. In addition, as a result of the capital-intensive nature of our business, we expect to continue to sustain substantial operating expenses without generating sufficient revenues to cover expenditures. Any investment in Lilium is therefore highly speculative and could result in the loss of your entire investment.

We anticipate commencing commercial operations with our fully developed Lilium Jet, if regulatorily approved and certified, which remains under development and has yet to complete the testing and certification process. 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, may adversely impact our business plan and our financial condition.

We are currently engaged in a rigorous design and testing program that is fundamental to the Type Certification process. Achieving Type Certification for the Lilium Jet is a pre-requisite to being cleared to sell our jets or operate with commercial passengers using our eVTOL jet aircraft. The Type Certification process requires us to design the aircraft in line with specific certification requirements and verify that the design meets these requirements through design, analysis, testing and flight testing. This verification requires us to submit design and testing data to airworthiness authorities (e.g., EASA) for their approval. Following each major design step, test or flight test, we analyze the resulting data and determine whether changes to the jet design, propulsion, electric motor, battery system, structures or other hardware and software systems are required. We are engaged in a process of carefully reviewing and implementing preliminary design and test data to identify and implement changes to the Lilium Jet in order to ensure safety protocols are met and sufficient redundancies in place, and that battery efficiency, aircraft performance, and maximum load capacities are optimized. Additionally, the Lilium Jet is not yet type certified, and there can be no guarantee it will ever be type certified. 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.

For example, in February 2020, our Phoenix technology demonstrator was damaged in a fire while undergoing maintenance, including the installation of battery modules that were in use at the time (which is not the same energy system that we intend to use for Type Certification or serial production), resulting in the total loss of the aircraft. Although Lilium property was damaged, no injuries or casualties resulted from the fire; however, the damage to our first demonstrator, designated “Phoenix,” caused significant delays in the testing and analysis as we redesigned the energy system in our next generation demonstrator, Phoenix 2, and addressed safety protocols, as further discussed under “Item 4. Information on the Company — B. Business Overview — Our Lilium Jet.” If incidents like these occur during testing, if our remediation measures and process changes are not successfully implemented or if we experience issues with manufacturing improvements or design, certification and safety, the anticipated launch of our commercial operations could be delayed. Any failures of our technology demonstrators to achieve anticipated flight test results could lead to further design changes, and potentially program delays, as we continue to review demonstrator operating data to optimize our aircraft design and reduce program and certification risks.

Any delays in the development, certification, manufacture and commercialization of the 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.

In late 2021, we opened our PDR, which consisted of a comprehensive 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. PDR has been successfully completed. The results of the PDR process resulted in us implementing changes to the specifications and design targets for the Lilium Jet, including certain specifications and design targets we have previously announced publicly. For example, we reduced the number of engines from 36 to 30, and we added a landing gear capable of conventional running landing, intended initially for non-standard / emergency operations only. Additionally, our next development gate, CDR, which commenced in 2023, may lead to additional changes to our specification and design targets for the Lilium Jets, which changes could be significant. Such initial and any future changes to the specifications or design targets for the Lilium Jets driven by the PDR, CDR or our continuing development and design activities, or any delays we face in completing our CDR and related reviews, may result in delays in our ability to begin contracting with additional suppliers and the certification, production and commercialization of our Lilium Jets. Further, the announcement of changes to our previously publicized specifications and design targets could lead to reputational harm and diminished confidence in our development processes by market participants and prospective customers. If we experience any such changes or delays, our business, financial condition and results of operations could be materially and adversely affected.

Although we hope to be among the first to bring eVTOL RAM jets and services to market, our competitors have also displayed eVTOL technology demonstrators and may gain certification and commercialize their vehicles to allow them to enter the market before us.

We face intense competition to be among the first to bring our eVTOL RAM jets and services to market, as further discussed under “*Item 4. Information on the Company — Competition.*” Some of our current and potential competitors may have greater financial, technical, manufacturing, regulatory, marketing and other resources than we do, which may allow them to deploy greater resources to the design, certification, development, regulation, manufacturing, promotion, sales, marketing and support of their eVTOL vehicle fleet and customer services. Additionally, some of our competitors may have greater name recognition, larger sales forces, broader customer and industry relationships and other resources than we do. These competitors may also compete with us in recruiting and retaining qualified research and development, sales, marketing and management personnel, as well as in acquiring technologies complementary to, or necessary for, our jets and our customer services, and they may secure more convenient, exclusive use of Vertiports than we are able to secure. These competitors may also secure intellectual property related to eVTOL jets and related services. There has been some consolidation in the industry, for example, Joby Aviation’s acquisition of Uber Elevate and partnership with Uber in December 2020, Archer Aviation appointing Wisk Aero as its exclusive provider of autonomy technology for future variants of Archer Aviation’s aircraft, and further consolidation may result in even more resources being concentrated in our competitors. We cannot provide assurances that our eVTOL jets or services will be among the first eVTOL aircraft to market. Even if our eVTOL RAM jets or services are among the first to market, we may not receive any competitive advantage, or our potential customers may not choose our jets or services over those of our competitors or over other transportation options, such as helicopters, or terrestrial passenger options like cars, trains, buses or subways or other goods delivery methods such as trucking, van, car or unmanned drones. Further, our competitors may obtain larger scale capital investment than we have access to, and they may benefit from our efforts in developing consumer and community acceptance for eVTOL aircraft, making it easier for them to obtain the permits and authorizations required to operate a service in the markets in which we intend to launch or in other markets.

If we are unable to generate significant revenue from the services market for the Lilium Jet, our business, financial condition and results of operations will be harmed.

We have recently introduced the eVTOL industry’s first customer service organization, named “Lilium POWER-ON.” Our customer service organization is intended to offer operators of the Lilium Jet the full aircraft manufacturer services portfolio, including training services, maintenance operations, material management and global distribution, flight operations support, ground service equipment, and digital solutions. Our success depends, in part, upon our ability to service and maintain the global fleet of Lilium Jets. We expect to rely on a combination of utilizing aftermarket material sales and service providers plus service offerings we develop in-house and will likely face competition in doing so. With our planned network of exclusive training, material distribution service providers, authorized service centers, and licensed ground support equipment providers, we intend to control access to and use of our proprietary technology. However, we may not be able to insulate our company from unauthorized aftermarket competition. If our customer service organization does not perform as expected or if we are unable to generate material sales in aftermarket services, our business, prospects, operating results and financial condition will be negatively impacted and our ability to grow our business will be harmed.

Any inability of eVTOL network services to develop and operate at anticipated flight rates, on anticipated routes or with anticipated Vertiports could adversely impact our business, financial condition and results of operations.

Even if we complete the development, certification, manufacture and commercial launch of our Lilium Jet and eVTOL network services are developed, we will be dependent on one jet design platform and jets that we manufacture. To be successful and satisfy the assumptions in our business plan, it will be necessary for eVTOL network services to develop at a sufficient service operation rate consisting of a minimum number of flights per day per jet across a distributed Vertiport infrastructure, which will be negatively impacted if Lilium Jet operators are not able to operate flight services for any reason. Lilium Jet operators may be unable to operate the anticipated service operation rate for a number of reasons, such as unexpected weather patterns, maintenance issues, pilot error, design and electronic motoring flaws, airway access restrictions, natural disasters, changes in governmental regulations or in the status of our regulatory certifications and approvals or applications or other events that suspend or delay operations. At launch, we expect our jets will be certified for Visual Flight Rule conditions, which means that they will have reduced operations under adverse weather conditions such as storms, fog or heavy precipitation, with enhanced certification planned soon after launch. We intend to extend our certification to all-weather capabilities, although we may be unable to do so, and to receive certification, we may incur significant costs to improve the climate resiliency of our jets. Vertiports may be located in areas susceptible to hurricanes and sudden storms, as well as related flooding (such as in Florida), or may be located in areas prone to freezing and snowstorms (such as in Germany), the occurrence of any of which could result in costs and loss of revenue. The potential physical effects of climate change, such as increased frequency and severity of storms, fog, mist, freezing conditions and other climate-related events, could affect the frequency of eVTOL network operations and cause delays and cancellations to services, which would materially impact public perception and market image, demand for Lilium Jets and our financial results. If Lilium Jet operators need to replace any components or hardware in our jets, many of which will be bespoke or custom-produced by or for us, there are limited numbers of replacement parts available, some of which have significant lead time associated with procurement or manufacture, so any unplanned failures could result in reduced jet service, cause dissatisfaction from Lilium Jet operators and adversely affect our operating results.

A failure to increase air traffic capacity in key markets could cause capacity limitations for Lilium Jet operators. Weaknesses in existing air traffic control systems, including outdated procedures and technologies, may limit flight capacity, causing delays and disruptions for Lilium Jet operators. Lilium Jet operators may compete with other eVTOL and traditional air transit companies for airspace in an evolving regulatory framework. An inability of Lilium Jet operators to secure sufficient airspace to operate the Lilium Jets as intended could reduce demand for our goods and services and adversely impact our business, financial condition and results of operations.

Consumers may not generally accept the RAM industry. If potential consumers of eVTOL RAM services are not convinced of the convenience of RAM services and operators are unable to generally provide the high-quality customer service that will be expected of a premium service, our business and operating results may be materially and adversely affected.

Our ability to generate sales of Lilium Jets will depend on the development of Vertiports and operators being able to provide high quality customer service, including with respect to sales, payment, scheduling, security, baggage handling, on-site service, pre-boarding lounges, and post-boarding customer support, as well as first-mile and last-mile integration with airports, train stations, bus terminals and urban transport systems. Vertiport and RAM service operators may be unable to integrate these services efficiently, or at all, at favorable prices, which could reduce the customer appeal of RAM services and demand for Lilium Jets. Further, although operators of the Lilium Jet may have experience in providing other transportation services, they will initially have limited experience in servicing our jets and operating eVTOL flight routes. Our business and our brand will be affiliated with these third-party service operators, and we may experience harm to our reputation and decreased demand for our jets if these operators provide consumers with poor service, generate negative publicity, or cause or experience accidents or safety incidents. Further, if widespread Vertiport that comply with applicable laws fails to develop, consumers' receptivity to eVTOL RAM services and general satisfaction levels could be adversely affected, which in turn could materially and adversely affect our reputation and demand for Lilium Jets and, thus, our sales, results of operations and prospects.

Lilium has limited experience negotiating commercial agreements with airline and private aircraft customers in our Turnkey Enterprise and Private and Fractional Sales business lines, and failure to effectively contract with prospective customers on acceptable terms may have an adverse impact on our business, financial condition and results of operations.

Our ability to grow our business, expand our relationships with prospective customers and generate revenue from our anticipated commercial operations will depend, to a significant extent, on the success of our commercial and marketing teams in identifying target customers, including airline and private aircraft customers, and our ability to effectively contract with such persons on acceptable terms. Our commercial team has limited experience in negotiating commercial agreements with prospective airline and private aircraft customers with regard to the Lilium Jet and, given the novelty of our products and the early stage of our business activities, negotiating and closing purchase and other agreements for the Lilium Jets and related aftermarket agreements with airline and private customers through our Turnkey Enterprise business line and other business models may require experience that we currently do not have. We plan to continue to mature our experience in this area, which may include recruiting and hiring personnel with the requisite skills. In addition, the hiring process can be costly and time-consuming, and new employees may require significant training and time before they achieve full productivity. Any such failure to develop, mature, and, if needed, expand our sales and marketing function and contracting experience could harm our growth prospects and ability to achieve or sustain profitability, and have an adverse effect on our business, financial condition and results of operations. For example, due to such inexperience, we may not be able to agree to future commercial contracts on acceptable terms or at all.

We may not be able to develop or deliver Lilium Jets with the specifications and on the timelines anticipated in any non-binding MOUs or term sheets or binding contractual agreements with customers or suppliers we have entered into or may enter into in the future, which may lead to reputational harm, reduced revenues or cash payments or other forms of contractual penalties and, as a result, adversely affect our business, financial condition and results of operations.

Although the Lilium Jet remains under development, we have commenced the process of discussing contracts and entering into non-binding MOUs and term sheets and binding agreements with prospective customers, as well as non-binding and binding agreements and arrangements with suppliers, regarding the production, sale and commercialization of the Lilium Jet. Although MOUs and term sheets are non-binding, they may contain anticipated design specifications and timelines for delivery of Lilium Jets to be covered by the definitive agreements entered into pursuant to such MOUs or term sheets. Our binding contracts to sell Lilium Jets may provide for anticipated design specifications and delivery timelines. These binding contracts may also provide for our receipt of pre-delivery payments upon the occurrence of various milestones achieved by Lilium. If we are unable to deliver the Lilium Jets under contract within the timeframes required or at all, we may be unable to collect such pre-delivery payments or may need to return pre-delivery payments we have received.

Additionally, in our agreements with customers, or in connection with our arrangements with suppliers, we may commit to certain design specifications and parameters for the Lilium Jet that will be binding on us. If we are not able to deliver Lilium Jets or commit to delivery of Lilium Jets on the timelines or with the specifications identified in such binding contractual agreements we have entered into or may enter into in the future, we may be subject to contractual penalties or liabilities associated with such delays or altered specifications. In the case of MOUs or term sheets, we may not be able to enter into definitive agreements for such arrangements acceptable to our counterparties on the terms contemplated by the MOUs or term sheets or at all. Additionally, any failure to meet any binding or anticipated contractual commitments relating to the Lilium Jet that we have entered into or may enter into in the future may lead to reputational harm, as well as a reduction in the revenues or cash payments that we anticipate receiving from such relationships. As a result, any such occurrences could have a material adverse effect on our business, financial condition and results of operations.

Adverse publicity stemming from any incident involving us or our competitors, or an incident involving any air travel service or unmanned flight based on autonomous technology, could have a material adverse effect on our business, financial condition and results of operations.

Electric aircraft are based on complex technology that requires skilled pilot operation and maintenance. Like any aircraft, they may experience operational or process failures and other problems, including through adverse weather conditions, unanticipated collisions with foreign objects, manufacturing or design defects, pilot error, software malfunctions, cyber-attacks or other intentional acts that could result in potential safety risks. Any actual or perceived safety issues with our jets, other electric aircraft or eVTOL aircraft, unmanned flight based on autonomous technology or the RAM industry generally may result in significant reputational harm to our business, in addition to tort liability, increased safety infrastructure and other costs that may arise. The electric aircraft industry has had several accidents involving prototypes. Our first Phoenix demonstrator was destroyed by a ground-maintenance fire in February 2020. Additionally, in February 2022, the technology demonstrator eVTOL aircraft of Joby Aviation, one of our competitors, was involved in an accident during flight testing. Eviation's prototype eVTOL vehicle caught fire during testing in January 2020; a small battery-operated plane operated by Avinor and built by Slovenia's Pipistrel crashed in Norway in August 2019; and an electric-motor experimental aircraft built by Siemens and Hungarian company Magnus crashed in Hungary in May 2018, killing both occupants. We are at risk of adverse publicity stemming from any public incident involving our company, our jets, our employees or our brand. If our personnel or one of our jets, or the personnel or vehicles of one of our competitors, were to be involved in a public incident, accident or catastrophe, the public perception of the RAM industry or eVTOL vehicles specifically could be adversely affected, resulting in decreased customer demand for our jets or services, significant reputational harm or potential legal liability, which could cause a material adverse effect on our sales and service volumes, business and financial condition. Although our insurance partially covered the damage caused by the February 2020 ground-maintenance fire, the insurance we carry may be inapplicable or inadequate to cover any such losses from incidents, accidents or catastrophes in the future. If our insurance is inapplicable or insufficient to cover any future incidents, we may be forced to bear substantial losses from an incident or accident.

If we are unable to successfully design and manufacture our jets, our business will be harmed.

We have expanded and are continuing to expand our manufacturing and testing facility at the Oberpfaffenhofen airfield at our headquarters near Munich. In 2023, at this site, we started assembly of the Lilium Jet for testing and certification. We have signed supply agreements with Tier 1 aerospace suppliers such as Toray Industries, Aciturri Aerostructures, Aeronamic, Aernnova, Astronics, Ratier Figeac (Collins Aerospace Group), Diehl Aviation, Expliseat, GKN Aerospace, L3 Harris, Honeywell Aerospace, Saint-Gobain Aerospace, Magnaghi Aeronautica, CUSTOMCELLS and Perryman. Further, we have entered into arrangements with many other Tier 1 and Tier 2 aerospace suppliers for the design, development, manufacturing and testing for parts and components for the Lilium Jet. We are also in discussions with additional manufacturing and outsourcing partners, as discussed under "*Item 4. Information on the Company — Business Overview — Vendors and Suppliers.*"

Many of the parts and components we require will be custom-made for our jets at our production facilities or the production facilities of our outsourcing partners and suppliers; the equipment used to produce these parts and components would be costly to replace and could require substantial lead time to replace and qualify for use. We may not be able to successfully develop commercial-scale manufacturing capabilities internally or supply chain relationships with our intended Tier 1 suppliers or other suppliers. Other parts and components will be off-the-shelf products manufactured for the airline industry and are readily substituted. Our production facilities and the production facilities of our outsourcing partners and suppliers may be harmed or rendered inoperable by natural or man-made disasters, including earthquakes, flooding, fire and power outages, or by health epidemics, such as the COVID-19 pandemic, which may render it difficult or impossible for us to manufacture our jets for some period of time. The inability to manufacture our jets or the backlog that could develop if our production facilities and the production facilities of our outsourcing partners and suppliers are inoperable for even a short period of time may result in delays in our intended launch or scale-out plans or harm our reputation. Although we maintain insurance for damage to our property, this insurance may not be sufficient to cover all of our potential losses and may not continue to be available to us on acceptable terms, if at all.

If the Lilium Jets we build fail to perform as expected, our ability to develop, market and sell our services could be harmed.

Once we commence delivery of the Lilium Jet to our customers, expected to occur in 2026, our jets may contain defects in design and manufacture that may cause them not to perform as expected or that may require repairs, service outages and design changes. Further, our Lilium Jets may be impacted by various performance factors that could impair customer satisfaction or cause delays or disruptions to our services, such as wind gusts during take-off and landing, turbulent air during flight, foreign object damage, fan stall or wing flutter, overloading, hail and bird strike, sub-optimal battery performance or excessive noise. If our Lilium Jets fail to perform as expected, we may need to delay deliveries of the Lilium Jet to our customers or reduce our roll out plans and commercial expansions, which could adversely affect our brand in our target markets and could adversely affect our business, prospects and results of operations.

We may not succeed in establishing, maintaining and strengthening our brand, which would materially and adversely affect customer acceptance of our services, reducing our anticipated sales and revenue.

Our business and prospects heavily depend on our ability to develop, maintain and strengthen the Lilium brand and sell consumers on the safety, convenience and cost-effectiveness of our RAM services. If we are not able to establish, maintain and strengthen our brand, we may lose the opportunity to build a critical mass of customers. Our ability to develop, maintain and strengthen the Lilium brand will depend heavily on the success of our marketing efforts. When it launches, we expect the RAM industry to be intensely competitive, with a strong first-mover advantage, and we may not be among the first to sell our jets or launch our services, or we may be unsuccessful in building, maintaining and strengthening our brand. If we do not develop and maintain a strong brand, our business, prospects, financial condition and operating results will be materially and adversely impacted.

We are highly dependent on our management and senior leadership team, and the loss of our executives or other key employees could harm our ability to implement our strategic plan and adversely affect our business, financial condition and results of operations.

Our success depends, to a large degree, on the skills of our management and senior leadership team and our ability to retain, recruit and motivate key executives and employees. Our management and senior leadership team have significant industry experience, and their knowledge and relationships would be difficult to replace. Leadership changes may occur from time to time, and we cannot predict whether significant resignations will occur or whether we will be able to recruit qualified personnel. Competition for senior executives and skilled personnel in the eVTOL and aerospace industry is intense, which means the cost of hiring, paying incentives and retaining skilled personnel may continue to increase. We need to continue to attract and retain key personnel and to recruit qualified individuals to ensure the continued growth of our business. To attract and retain personnel with appropriate skills and knowledge to support our business, we may offer a variety of benefits, which could reduce our earnings or have a material adverse effect on our business, financial condition and results of operations. The loss of the services of any executive or other key personnel, the inability to recruit and retain qualified personnel in the future or an increase in compensation benefits could have a material adverse effect on our business, financial condition 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 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 Production Organization Approval necessary to manufacture and produce the Lilium Jet at scale. Further, as we build our brand, approach the start of production of the type conforming Lilium Jet, and become more well known, the risk that competitors or other companies may poach our talent increases.

There may be a shortage of trained pilots and qualified mechanics, which could reduce demand for our products and services and harm our business, and we may be unable to implement our growth plans.

Throughout the aviation industry, there is a shortage of trained pilots and qualified aircraft mechanics. Our ability to sell our products and services will depend, in part, on the ability of operators of the Liliam Jets to find, recruit and train pilots qualified to operate the Liliam Jet and mechanics qualified to perform the requisite maintenance activities, for which operators of our Liliam Jets will compete with airlines and other air mobility and transportation services companies, some of which will offer wages or benefit packages exceeding what operators of the Liliam Jets may offer. We intend to work with third parties to train pilots, mechanics and technicians in our proprietary jet operation and maintenance. However, if operators of the Liliam Jets are unable to hire, train and retain qualified pilots and mechanics, our business could be harmed, and we may be unable to implement our growth plans.

Our business may be adversely affected by labor and union activities.

Although none of our employees are currently represented by a labor union, it is common throughout the aircraft industry generally for many employees at aircraft companies to belong to a union, which can result in higher employee costs and increased risk of work stoppages. We may also directly and indirectly depend upon other companies with unionized work forces, such as parts suppliers and trucking and freight companies, and work stoppages or strikes organized by such unions could have a material adverse impact on our business, financial condition or operating results.

We face risks related to health epidemics, including the COVID-19 pandemic.

We face various risks related to public health issues, including epidemics, pandemics and other outbreaks (such as the COVID-19 pandemic). The impact of COVID-19 created significant volatility in the global economy and led to reduced economic activity as well as significant inflationary pressures. The COVID-19 pandemic disrupted the manufacturing, delivery and overall supply chain for manufacturers and suppliers and led to a global decrease in personal and business travel around the world.

We may experience an adverse impact to our business as a result of COVID-19's global economic impact, including any recession that has occurred or may occur in the future. COVID-19 or other emergent public health issues could also affect the operations of our suppliers and business partners. COVID-19 resulted in, and a resurgence of COVID-19 or other emergent public health issues could in the future result in further, delays or disruptions in the supply chain of our components, parts and materials, which could delay the development and rollout of Vertiport networks and our commercial operations, and as a result, would have an adverse impact on our business, operating results and financial condition.

Additionally, difficult macroeconomic conditions, such as decreases in discretionary travel, per capita income and level of disposable income, increased and prolonged unemployment, or a decline in consumer confidence as a result of COVID-19 or other emergent public health issues, could have a material adverse effect on the demand for our services. Under difficult economic conditions, potential customers may seek to reduce spending by forgoing RAM services.

Failure of information security and privacy concerns could subject us to penalties, damage our reputation and brand and harm our business and results of operations.

We expect to face significant challenges with respect to information security and privacy, including the storage, transmission and sharing of confidential information. We will transmit and store confidential and private information of our employees, suppliers, customers and other third parties, such as personal information, including names, accounts, user IDs and passwords, and payment or transaction related information.

We are in the process of adopting strict information security policies and deploying advanced measures to implement the policies, including, among others, advanced encryption technologies. However, advances in technology, an increased level of sophistication of our services, an increased level of expertise of hackers, new discoveries in the field of cryptography or others can still result in a compromise or breach of the measures that we use. If we are unable to protect our systems, and hence the information stored in our systems, from unauthorized access, use, disclosure, disruption, modification or destruction, such problems or security breaches could cause a loss, give rise to our liabilities to the owners of confidential information or even subject us to fines and penalties. Additionally, complying with various laws and regulations could cause us to incur substantial costs or require that we change our business practices, including our data practices, in a manner adverse to our business.

Further, we will need to comply with increasingly complex and rigorous regulatory standards enacted to protect business and personal data in the U.S., Europe and elsewhere. For example, the EU adopted the General Data Protection Regulation (the “GDPR”), and the State of California adopted the California Consumer Privacy Act of 2018 (the “CCPA”) to provide additional privacy protections. Additional U.S. states are likely to adopt measures similar to the CCPA in the near term. Both the GDPR and the CCPA impose additional obligations on companies regarding the handling of personal data and provide certain individual privacy rights to persons whose data is stored. Compliance with existing, proposed and recently enacted laws (including implementation of the privacy and process enhancements called for under the GDPR) and regulations can be costly. Any failure to comply with these regulatory standards could subject us to legal and reputational risks.

Compliance with any additional laws and regulations could be expensive and may place restrictions on the conduct of our business and the manner in which we interact with our customers. Any failure to comply with applicable regulations could also result in regulatory enforcement actions against us, and misuse of or failure to secure personal information could also result in violation of data privacy laws and regulations, proceedings against us by governmental entities or others, and damage to our reputation and credibility, and could have a negative impact on revenues and profits.

Significant capital and other resources may be required to protect against information security breaches or to alleviate problems caused by such breaches or to comply with our privacy policies or privacy-related legal obligations. The resources required may increase over time as the methods used by hackers and others engaged in online criminal activities are increasingly sophisticated and constantly evolving. Any failure or perceived failure by us to prevent information security breaches or to comply with privacy policies or privacy-related legal obligations, or any compromise of security that results in the unauthorized release or transfer of personally identifiable information or other customer data, could cause our customers to lose trust in us and could expose us to legal claims. Any perception by the public that online transactions or the privacy of user information are becoming increasingly unsafe or vulnerable to attacks could inhibit the growth of online retail and other online services generally, which may reduce the number of orders we receive.

We are subject to cybersecurity risks to our operational systems, security systems, infrastructure, integrated software used in our company and in our aircraft and data, both personal and proprietary, processed by us or third-party vendors.

We rely extensively on information technology systems and networks to conduct our operations and implement our business strategy. As cyber threats continue to evolve, with increasing sophistication and frequency, the risk to the integrity of these systems and networks, as well as to the confidentiality, integrity, and availability of the data they contain continues to grow. We are at risk for interruptions, outages and breaches of the following systems and data, among others, which are either operated by us or operated by our third-party vendors or suppliers:

- operational systems, including business, financial, accounting, enterprise resource, product development, data processing or production processes;
- facility security systems;
- aircraft technology, including powertrain and avionics and flight control software;
- the integrated software in our aircraft;
- personal data;
- proprietary data; and/or
- software.

The occurrence of any such incident could disrupt our operational systems, result in loss of intellectual property, trade secrets, know-how or other proprietary or competitively sensitive information, compromise personal data of customers, employees, suppliers or others, jeopardize the security of our facilities or affect the performance of in-product technology and the integrated software in our jets.

Moreover, there are inherent risks associated with developing, improving, expanding and updating our current systems, such as the disruption of our data management, procurement, production execution, finance, supply chain and sales and service processes. These risks may affect our ability to manage our data and inventory, procure parts or supplies or manufacture, deploy, secure Type Certification for our jets, deliver and service our jets, adequately protect our intellectual property or achieve and maintain compliance with, or realize available benefits under, applicable laws, regulations and contracts. We cannot be sure that these systems upon which we rely, including those of our third-party vendors or suppliers, will be effectively implemented, maintained or expanded as planned. If these systems do not operate as we expect them to, we may be required to expend significant resources to make corrections or find alternative sources for performing these functions.

Any unauthorized access to or control of our jets or their systems or any loss of data could result in legal claims or proceedings. In addition, regardless of their veracity, reports of unauthorized access to our jets, their systems or data, as well as other factors that may result in the perception that our jets, their systems or data are capable of being “hacked,” could negatively affect our brand and harm our business, prospects, financial condition and operating results.

We face risks related to natural disasters, health epidemics and other outbreaks, wars and geopolitical conflicts, any of which could significantly disrupt our operations.

Our continuing design and development activities, regulatory certification processes and ability to contract with prospective customers, suppliers and other counterparties and progress to the production, manufacturing and commercialization of the Lilium Jets could be adversely affected by events outside of our control, such as natural disasters, wars, including the ongoing war between Russia and Ukraine, health epidemics like COVID-19 and other calamities. Any such event could result in disruptions to our business and operations, create inflationary pressures that adversely affect our anticipated unit and production costs, impact our ability to successfully contract with our supply chain, have adverse impacts on our anticipated costs and commercialization timeline, and may affect our ability to raise additional capital in a timely and cost-effective manner. Existing or additional government actions, including sanctions taken in response to such events, could adversely impact the commercial and regulatory environment in which we operate. Such disruptions could similarly impact our data protection and design efforts, if any such events directly or indirectly impact our corporate, research and development or anticipated production facilities or operations. Although we have servers that are hosted in an offsite location, our backup system does not capture data on a real-time basis, and we may be unable to recover certain data in the event of a server failure. We cannot assure you that any backup systems will be adequate to protect us from the effects of fire, floods, typhoons, earthquakes, power loss, telecommunications failures, break-ins, war, riots, terrorist attacks or similar events. Any of the foregoing events may give rise to interruptions, breakdowns, system failures, technology platform failures or internet failures, which could cause the loss or corruption of data or malfunctions of software or hardware, as well as impair our ability to meet our target certification and commercialization timelines, any of which could adversely affect our business, financial condition and results of operations.

Risks Related to Our Reliance on Third Parties

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.

Our Lilium Jets will use a substantial amount of third-party and in-house software codes and complex hardware to operate. Our software and hardware may contain errors, bugs or vulnerabilities, and our systems are subject to certain technical limitations that may compromise our ability to meet our objectives. Some errors, bugs or vulnerabilities inherently may be difficult to detect and may only be discovered after the code has been implemented. We have a limited frame of reference by which to evaluate the long-term performance of our software and hardware systems and our jets, and we may be unable to detect and fix any defects in the jets prior to commencing commercial operations. The development and on-going monitoring of such advanced technologies is inherently complex, and we will need to coordinate with our vendors and suppliers in order to complete full-scale production. Our potential inability to develop the necessary software and technology systems may harm our competitive position or delay the certification or manufacture of our jets.

We are relying on third-party suppliers to develop a number of emerging technologies for use in our products, including lithium-ion battery cell technology. Although many of these technologies are already commercially viable, and initial measurements of our battery supplier have yielded promising results, the final technology of our batteries and other sub-systems is still under development, and the design is not yet finalized, and we are not sure when such design will be finalized. The final cell design of our suppliers may not be able to meet the safety, technological, economical or operational requirements to support the regulatory requirements and performance assumed in our business plan. Any failure of our battery technologies to meet anticipated performance parameters may require us to modify the design specifications of our aircraft or to use alternative battery technologies sourced from other third-party suppliers, any of which could result in delays in the completion of our certification and commercialization activities, which could have an adverse effect on our business, financial condition and results of operations.

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.

The success of our business may depend in part on our ability to realize the strategic relationships for which we have entered into non-binding MOUs and term sheets and binding agreements with various third parties.

We have entered into non-binding MOUs or term sheets with certain prospective strategic counterparties, including Saudi Arabian Airlines Corporation (“SAUDIA”), Bristow Group Inc., Brazilian airline Azul S.A. and Azul Linhas Aereas Brasileiras S.A. (collectively, “Azul”) and NetJets Inc. (“NetJets”), pursuant to which we anticipate negotiating final commercial terms and ultimately entering into definitive agreements to expand the commercialization of the Lilium Jet in launch markets and business models. These non-binding arrangements, and similar arrangements that we may enter into in the future, are an important part of our growth strategy, and any definitive agreements we negotiate and enter into on the basis of such MOUs and term sheets will be important to our ability to achieve and maintain profitability. In connection with such arrangements, it is common for the parties to initially agree to a non-binding MOU or term sheet, to be followed by definitive agreements, if the parties are able to align on remaining commercial terms and satisfy certain conditions. The failure to enter into definitive agreements with the counterparties to our MOUs or term sheets, or the termination of the MOUs or term sheets, may have a material adverse effect on our business and could result in changes to our business strategy, reputational harm and a negative impact to the price of our Class A Shares or Public Warrants, including to the extent we are not able to realize on previously announced plans or arrangements. Further, such developments could require us to reassess or alter our business strategy, which could delay the commercialization of the Lilium Jet. Any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

Our Lilium Jets will make use of lithium-ion battery cells, which can possibly catch fire or vent smoke and flame.

We anticipate the battery packs within our Lilium Jets will use lithium-ion cells. On rare occasions, lithium-ion cells can rapidly release the energy they contain by venting gas, smoke and flames in a manner that can ignite or rupture nearby materials as well as other lithium-ion cells. While the battery pack is designed to contain cell failure, a failure of battery packs in our jets could occur or batteries could catch fire during production or testing, which could result in bodily injury or death and property damage and could subject us to lawsuits, regulatory challenges or redesign efforts, all of which would be time consuming and expensive and could harm our brand image. Also, negative public perceptions regarding the suitability of lithium-ion cells for aircraft applications, the social and environmental impacts of cobalt mining or lithium mining or any future incident involving lithium-ion cells, such as a vehicle or other fire, could seriously harm our business and reputation.

We will rely on third-party suppliers and strategic partners for the provision and development of key emerging technologies, components and materials used in our 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. If any of these prospective suppliers or strategic partners choose to not do business with us at all, or insist on terms that are commercially disadvantageous, we may have significant difficulty in procuring and producing our jets, and our business prospects would be harmed.

Third-party suppliers and strategic partners are providing, and will continue to provide, key components and technology to the Lilium Jets. Collaborations with strategic partners are necessary to successfully commercialize our existing and future products. If we are unable to identify or enter into agreements with strategic partners for the development of key technology or if such strategic partners insist on terms that are commercially disadvantageous, including for example the ability to freely commercialize jointly owned intellectual property, we may have significant difficulty in procuring and producing our jets or technologies, components or materials used in our jets. The terms of our existing collaboration agreements typically include one or more of the following: joint ownership of the new intellectual property; assignment of the new intellectual property to either us or the collaborator; either exclusive or non-exclusive licenses to the new intellectual property to us or the collaborator; and other restrictions on our or our collaborator's use of developments, such as non-competes and time or milestone limited exclusivity provisions. If we are unable to negotiate exclusivity regarding the technology developed under these collaborations, our competitors may be able to access the technology that is owned, solely or jointly, by our collaborator.

In addition to our collaborations, we will be substantially reliant on our relationships with our suppliers for the parts and components in our jets. If any of these suppliers choose to not do business with us at all, or insist on terms, including pricing and payment terms, that are commercially disadvantageous, we may have significant difficulty in procuring and producing our jets, and our business prospects would be harmed. If our suppliers experience any delays in providing us with or developing necessary components, or if our suppliers are unable to deliver necessary components in a timely manner and at prices, quality and volumes acceptable to us, we could experience delays in manufacturing or servicing our jets, delivering on our timelines and launching and scaling up as anticipated, which could have a material adverse effect on our business, prospects and operating results.

While we plan to obtain components from multiple sources whenever possible, we may purchase many of the components used in our Lilium Jets from a single source. While we believe that we may be able to establish alternate supply relationships and can obtain replacement components for our single source components, we may be unable to do so in the short term (or at all) at prices or quality levels that are acceptable to us. Additionally, we could experience delays if our suppliers do not meet agreed upon timelines or experience capacity constraints. Any disruption in the supply of components, whether or not from a single source supplier, could temporarily disrupt production or servicing of our jets until an alternative supplier is able to supply the required material. Changes in business conditions, unforeseen circumstances, governmental changes and other factors beyond our control or which we do not presently anticipate could also affect our suppliers' ability to deliver components to us on a timely basis. Any of the foregoing could materially and adversely affect our results of operations, financial condition and prospects.

If any of our strategic partners or suppliers become financially distressed or go bankrupt, we may be required to provide substantial financial support or take other measures to ensure supplies of components or materials, which could cause production disruptions and increase our costs, affect our liquidity or financial performance.

We expect to purchase various types of equipment (including key components such as the battery cells used in our jets), raw materials and manufactured component parts from our strategic partners, e.g., Ionblox, Inc., CUSTOMCELLS, and InoBat, and suppliers. If these strategic partners or suppliers experience substantial financial difficulties, cease operations or otherwise face business disruptions, we may be required to provide substantial financial support to ensure supply continuity or take other measures to ensure components and materials remain available. In the case of our strategic partners, we may also lose all or part of our investment. Any disruption could affect our ability to deliver jets and could increase our costs and negatively affect our liquidity and financial performance.

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.

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. Such a disruption could occur as a result of any number of events, including, but not limited to, an extended closure of or any slowdown at our supplier's plants or shipping delays due to efforts to limit the spread of pathogens (such as COVID-19 and related variants) or implementation of post-COVID-19 policies or practices, war and economic sanctions against third parties, including those arising from the ongoing war between Russia and Ukraine, market shortages due to surges in demand for any particular part or component, increases in prices or the impact of inflation, the imposition of regulations, quotas, restrictions or embargoes on components, labor stoppages, transportation delays or failures affecting the supply chain and shipment of materials and finished goods, third-party interference in the integrity of the parts and components sourced through the supply chain, the unavailability of raw materials, severe weather conditions, adverse effects of climate change, natural disasters, geopolitical developments, war or terrorism and disruptions in utilities, trade embargos and other services. Further, the impact of COVID-19 and related policies and practices and the broader inflationary environment has had, and may continue to have, adverse impacts on our supply chain, which could put pressure on our unit costs in the future and increase upfront payments to our suppliers. Additionally, any future updates or modifications to the anticipated design of the Lilium Jet may increase the number of parts and components we would be required to source and increase the complexity of our supply chain management. Failure to effectively manage the supply of parts and components could materially and adversely affect our results of operations, financial condition and prospects.

We have entered into or modified arrangements with certain suppliers and other business partners, pursuant to which we have agreed to incur certain non-recurring expenses that expose us to the credit risks of such suppliers.

We have entered into or modified arrangements with certain suppliers and other business partners on whom we rely for the provision and development of key emerging technologies, components and materials used in the Lilium Jet, pursuant to which we will prepay certain non-recurring expenses. These upfront payments of non-recurring expenses expose us to the credit risks of our suppliers and reduce our chances of obtaining the benefits of such costs in the case that these suppliers experience substantial financial difficulties, cease operations or otherwise face business disruptions. In such cases, we may be required to provide substantial financial support to ensure supply continuity or would have to take other measures to ensure components and materials remain available. Moreover, we may have difficulty recovering any such upfront payments if any of our suppliers fails to fulfill its contractual delivery obligations to us. Accordingly, any such disruption could affect our ability to deliver jets and could increase our costs and negatively affect our liquidity and financial performance.

Risks Related to Our Intellectual Property

We may not be able to prevent others from unauthorized use of our intellectual property, which could harm our business and competitive position.

We may not be able to prevent others from unauthorized use of our intellectual property, which could harm our business and competitive position. We rely on a combination of patents, trade secrets (including know-how), employee and third-party nondisclosure agreements, copyrights, trademarks, intellectual property licenses and other contractual rights to establish and protect our rights in our technology. Despite our efforts to protect our proprietary rights, third parties, employees and contractors may attempt to copy or otherwise obtain and use our intellectual property or seek court declarations that they do not infringe upon our intellectual property rights or those rights are not enforceable. Monitoring unauthorized use of our intellectual property is difficult and costly, and the steps we have taken or will take are aimed to prevent misappropriation. From time to time, we may have to resort to litigation to enforce our intellectual property rights, which could result in substantial costs and diversion of our resources, including significant amounts of time from our key executives and management, and may not have the desired outcome.

Patent, trademark and trade secret laws vary significantly throughout the world. Some countries do not protect intellectual property rights to the same extent as do the laws of the U.S. and EU. Therefore, we may not be able to secure certain intellectual property rights in some jurisdictions, and our intellectual property rights may not be as strong or as easily enforced outside of the U.S. and the EU. Failure to adequately protect our intellectual property rights could result in our competitors offering similar products, potentially resulting in the loss of some of our competitive advantage and a decrease in our anticipated revenue, which would adversely affect our business, prospects, financial condition and operating results.

Our patent applications may not issue as patents, which may have a material adverse effect on our ability to prevent others from commercially exploiting products similar to ours.

We cannot be certain that we are the first inventor of the subject matter to which we have filed or plan to file a particular patent application or if we are the first party to file such a patent application. If another party has filed a patent application for the same subject matter as we have, or similar subject matter is otherwise publicly disclosed, we may not be entitled to the protection sought by the patent application. Further, the scope of protection of issued patent claims is often difficult to determine. As a result, we cannot be certain that the patent applications that we file will issue or that our issued patents will afford protection against competitors with similar technology or will cover certain aspects of our products. In addition, our competitors may design around our issued patents, which may adversely affect our business, prospects, financial condition or operating results.

As our patents may expire and may not be extended, our patent applications may not be granted and our patent rights may be contested, circumvented, invalidated or limited in scope, our patent rights may not protect us effectively. In particular, we may not be able to prevent others from developing or exploiting competing technologies.

We cannot assure you that we will be granted patents pursuant to our pending applications or those we plan to file in the future. Even if our patent applications succeed and we are issued patents in accordance with them, these patents could be contested, circumvented or invalidated in the future. In addition, the rights granted under any issued patents may not provide us with meaningful protection or competitive advantages. The claims under any patents that issue from our patent applications may not be broad enough to prevent others from developing technologies that are similar or that achieve results similar to ours. The intellectual property rights of others could also bar us from licensing and exploiting any patents that issue from our pending applications. Numerous patents and pending patent applications owned by others exist in the fields in which we have developed and are developing our technology. These patents and patent applications might have priority over our patent applications and could result in refusal or invalidation of our patent applications. Finally, in addition to those who may claim priority, any of our existing or pending patents may also be challenged by others on the basis that they are otherwise invalid or unenforceable.

We may need to defend ourselves against patent or trademark infringement claims, which may be time-consuming and would cause us to incur substantial costs.

Companies, organizations or individuals, including our competitors, may hold or obtain patents, trademarks or other proprietary rights that would prevent, limit or interfere with our ability to make, use, develop, sell, lease or market our jets or components, which could make it more difficult for us to operate our business. From time to time, we may receive communications from holders of patents (including non-practicing entities or other patent licensing organizations), trademarks or other intellectual property regarding their proprietary rights. Companies holding patents or other intellectual property rights may bring suits alleging infringement of such rights or otherwise assert their rights and urge us to take licenses. Our applications and uses of trademarks relating to our design, software or artificial intelligence technologies could be found to infringe upon existing trademark ownership and rights. In addition, if we are determined to have infringed upon a third party's intellectual property rights, we may be required to do one or more of the following:

- cease manufacturing our jets, or discontinue use of certain components in our jets, or cease offering services that incorporate or use the challenged intellectual property;
- pay substantial damages;
- seek a license from the holder of the infringed intellectual property right, which license may not be available on reasonable terms or at all;
- redesign our jets or other customer service offerings; and/or
- establish and maintain alternative branding for our jets or services.

In the event of a successful claim of infringement against us and our failure or inability to obtain a license to the infringed technology or other intellectual property right, our business, prospects, operating results and financial condition could be materially and adversely affected. Additionally, any litigation or claims, whether or not valid, could result in substantial costs, negative publicity and diversion of resources and management attention. Similarly, if our suppliers become party to suits and claims alleging violations or infringements upon a third party's intellectual property rights, we may be unable to obtain necessary components or technology, and the production and commercialization of the Liliium Jet may be materially delayed, or we may incur substantial costs finding alternatives.

We may be subject to damages resulting from claims that we or our employees have wrongfully used or disclosed alleged trade secrets of our employees' former employers.

Many of our employees were previously employed by other aeronautics, aircraft or transportation companies or by suppliers to these companies. We may be subject to claims that we or these employees have inadvertently or otherwise used or disclosed trade secrets or other proprietary information of their former employers. Litigation may be necessary to defend against these claims. If we fail in defending such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel. A loss of key personnel or our work product could hamper or prevent our ability to commercialize our products, which could severely harm our business. Even if we are successful in defending against these claims, litigation could result in substantial costs, delays and demand on management resources.

Risks Related to the Regulatory Environment in which Liliium Operates

We are subject to substantial regulation, and unfavorable changes to, or our failure to comply with, these regulations could substantially harm our business and operating results.

Our eVTOL jets and the operation of our services by us or in certain jurisdictions by our local AOCs or airline customers and third-party operators will be subject to substantial regulation in the jurisdictions in which our eVTOL jets will operate. We expect to incur significant costs in complying with these regulations. Regulations related to the eVTOL industry, including aircraft certification, production certification, passenger operation, flight operation, airspace operation, security regulation and Vertiport regulation, are currently evolving, and we face risks associated with the development and evolution of these regulations.

Our jets must be certified by national civil aviation authorities, such as EASA and the FAA, as further discussed under “*Item 4. Information on the Company — B. Business Overview — Regulation — Aircraft Certification.*” Operating our jets in Europe and the U.S. and providing our services must comply with European and U.S. laws, regulations, safety standards and customer service regulations. Rigorous testing and the use of approved materials and equipment are among the requirements for achieving certification. Our failure to obtain or maintain certification for our jets or infrastructure would have a material adverse effect on our business and operating results. In addition to obtaining and maintaining certification of our jets, we and our third-party air carriers will need to obtain and maintain operational authority necessary to provide RAM services. A transportation or aviation authority may determine that we and/or our third-party air carriers cannot manufacture, provide or otherwise engage in the services as we contemplated. The inability to implement our envisioned services could materially and adversely affect our results of operations, financial condition and prospects.

To the extent the laws change, our jets and our services may not comply with applicable European, U.S., international, federal, state or local laws, which would have an adverse effect on our business. Compliance with changing regulations could be burdensome, time consuming and expensive. To the extent compliance with new regulations is cost prohibitive, our business, prospects, financial condition and operating results would be adversely affected.

When we expand beyond the EU and the U.S., such as any prospective expansion into Saudi Arabia or Brazil, there will be Saudi Arabian and Brazilian laws and regulations we must comply with, and there may be laws and regulations in other jurisdictions we have not yet entered or laws we are unaware of in jurisdictions we have entered that may restrict our operations or business practices or that are difficult to interpret and change rapidly. Continued regulatory limitations and other obstacles interfering with our business operations could have a negative and material impact on our business, prospects, financial condition and results of operations.

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.

We are or will be subject to anti-corruption, anti-bribery, anti-money laundering, financial and economic sanctions and similar laws and regulations in various jurisdictions in which we conduct or in the future may conduct activities, including the U.S. Foreign Corrupt Practices Act (“FCPA”), European anti-bribery and corruption laws and other anti-corruption laws and regulations. The FCPA and European anti-bribery and corruption laws prohibit us and our officers, directors, employees and business partners acting on our behalf, including agents, from corruptly offering, promising, authorizing or providing anything of value to a “foreign official” for the purposes of influencing official decisions or obtaining or retaining business or otherwise obtaining favorable treatment. The FCPA also requires companies to make and keep books, records and accounts that accurately reflect transactions and dispositions of assets and to maintain a system of adequate internal accounting controls. A violation of these laws or regulations could adversely affect our business, results of operations, financial condition and reputation. Our policies and procedures designed to ensure compliance with these regulations may not be sufficient, and our directors, officers, employees, representatives, consultants, agents and business partners could engage in improper conduct for which we may be held responsible.

Non-compliance with anti-corruption, anti-bribery, anti-money laundering or financial and economic sanctions laws could subject us to whistleblower complaints, adverse media coverage, investigations and severe administrative, civil and criminal sanctions, collateral consequences, remedial measures and legal expenses, all of which could materially and adversely affect our business, results of operations, financial condition and reputation. Additionally, the imposition of and changes in economic sanctions laws in the future could adversely impact our business and the market price of our Class A Shares and Public Warrants.

We will be subject to governmental export and import control laws and regulations as we expand our suppliers and commercial operations outside Europe and the U.S.

Our Lilium Jets will be subject to export control and import laws and regulations, which must be made in compliance with these laws and regulations. For example, we may require licenses to import or export our jets, components or technologies to our production facilities and may experience delays in obtaining the requisite licenses to do so. Periodic audits and audits in connection with the application for licenses by governmental authorities may increase areas of noncompliance that could result in delays or additional costs. If we fail to comply with these laws and regulations, we and certain of our employees could be subject to additional audits, substantial civil or criminal penalties, including the possible loss of export or import privileges, fines, which may be imposed on us and responsible employees or managers, and, in extreme cases, the incarceration of responsible employees or managers, any of which could have an adverse effect on our business, financial condition and results of operations.

As a company based outside of the U.S., we are subject to economic, political, regulatory and other risks associated with international operations.

As a company registered in the Netherlands with our headquarters in Germany, our business is subject to risks associated with conducting business outside of the U.S. Many of our suppliers and service providers are located outside the U.S. Accordingly, our future results could be harmed by a variety of factors, including:

- economic weakness, including inflation, or political instability in particular non-U.S. economies and markets;
- differing and changing regulatory requirements for product approvals;
- differing jurisdictions could present different issues for securing, maintaining or obtaining freedom to operate in such jurisdictions;
- potentially reduced protection for intellectual property and proprietary rights;
- difficulties in compliance with different, complex and changing laws, regulations and court systems of multiple jurisdictions and compliance with a wide variety of foreign laws, treaties and regulations;

- changes in non-U.S. regulations and customs, tariffs and trade barriers;
- changes in non-U.S. currency exchange rates of the pound sterling, U.S. dollar, euro and currency controls;
- changes in a specific country's or region's political or economic environment;
- trade protection measures, economic sanctions, import or export licensing requirements or other restrictive actions by governments;
- differing reimbursement regimes and price controls in certain non-U.S. markets;
- negative consequences from changes in tax laws;
- compliance with tax, employment, immigration and labor laws for employees living or traveling abroad, including, for example, the variable tax treatment in different jurisdictions of options granted under our share option schemes or equity incentive plans;
- workforce uncertainty in countries where labor unrest is more common than in the U.S.;
- litigation or administrative actions resulting from claims against us by current or former employees or consultants individually or as part of class actions, including claims of wrongful terminations, discrimination, misclassification or other violations of labor law or other alleged conduct;
- difficulties associated with staffing and managing international operations, including differing labor relations;
- production shortages resulting from any events affecting raw material supply or manufacturing capabilities abroad; and
- business interruptions resulting from geo-political actions, including war and terrorism, or natural disasters, including earthquakes, typhoons, floods and fires.

Additionally, due to the international scope of our operations, fluctuations in exchange rates, particularly between the euro and the U.S. dollar, may adversely affect us. Although we are headquartered in Germany, we source many critical services in the U.S. and other jurisdictions. Further, potential future revenue may be derived from abroad, particularly from the U.S., the United Kingdom, the Kingdom of Saudi Arabia and Brazil. As a result, our business and the price of our Class A Shares and Public Warrants may be affected by fluctuations in the foreign exchange rates not only between the U.S. dollar and the euro, which may have a significant impact on our results of operations and cash flows from period to period. Currently, we do not have any exchange rate hedging arrangements in place. Our overall success as a global business depends on our ability to anticipate and effectively manage these risks, and there can be no assurance that we will be able to do so without incurring unexpected costs. These and other factors could harm our operations and, consequently, materially impact our business, results of operations and financial condition.

Risks Associated with Lilium Being a U.S. Public Company incorporated in the Netherlands

We will need to further improve our operational and financial systems to support our expected growth, increasingly complex business arrangements and rules governing revenue and expense recognition, and any inability to do so will adversely affect our billing and reporting.

To manage the expected growth of our operations and increasing complexity, we will need to further improve our operational and financial systems, procedures and controls and continue to increase systems automation to reduce reliance on manual operations. Any inability to do so will affect our manufacturing operations, customer billing and reporting. Our current and planned systems, procedures and controls may not be adequate to support our complex arrangements and the rules governing revenue and expense recognition for our future operations and expected growth. Delays or problems associated with any improvement or expansion of our operational and financial systems and controls could adversely affect our relationships with our customers, cause harm to our reputation and brand and could also result in errors in our financial and other reporting. We expect that complying with these rules and regulations could substantially increase our legal and financial compliance costs and will make some activities more time-consuming and costly. Any increased costs will increase our net loss. We cannot predict or estimate the amount or timing of additional costs we may incur to respond to these requirements.

We have identified material weaknesses in our internal control over financial reporting. Failure to remediate the material weaknesses or to otherwise maintain an effective system of internal control over financial reporting could impair our ability to comply with the financial reporting and internal controls requirements for publicly traded companies.

As a U.S. public company incorporated under the laws of the Netherlands, we are required to comply with the Sarbanes-Oxley Act of 2002 (the “Sarbanes-Oxley Act”), Nasdaq regulations, SEC rules and regulations, the Dutch laws and regulations (including the Dutch Civil Code (the “DCC”) and the DCGC), expanded disclosure requirements, accelerated reporting requirements and more complex accounting rules. Company responsibilities required by the Sarbanes-Oxley Act include establishing corporate oversight and adequate internal control over financial reporting and disclosure controls and procedures. Effective internal controls are necessary for us to produce reliable financial reports on a timely basis and are important to help prevent financial fraud.

Our management have concluded that our internal control over financial reporting was not effective for the fiscal year 2023 because we identified material weaknesses in our internal control over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. For a description of the material weaknesses identified, as well as management’s remediation plans and actions to date, see “*Item 15. Controls and Procedures.*”

While we are taking steps to remediate the material weaknesses, because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Additionally, projections of any evaluation of effectiveness of our internal control over financial reporting to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate. Our failure to implement and maintain effective internal control over financial reporting could result in errors in our financial statements that may lead to a restatement of our financial statements or cause us to fail to meet our reporting obligations.

Further, we anticipate that the process of maturing our accounting and financial functions and infrastructure will result in additional costs, including professional fees and internal costs. Any disruptions or difficulties in implementing or using such a system could adversely affect our controls and harm our business. Moreover, such disruption or difficulties could result in unanticipated costs and diversion of management’s attention. Finally, if we cannot provide reliable financial reports or prevent fraud, our business and results of operations could be harmed, investors could lose confidence in our reported financial information and we could be subject to sanctions or investigations by Nasdaq, the SEC or other regulatory authorities.

Our management has limited experience in operating a U.S. public company and a Dutch N.V.

Our management has limited experience in the management of a U.S. public company and a Dutch N.V. Our management team may not successfully or effectively manage our obligations as a U.S. public company that is subject to significant regulatory oversight and reporting obligations under U.S. federal securities laws. Their limited experience in dealing with the increasingly complex laws pertaining to public companies could be a significant disadvantage in that it is likely that an increasing amount of their time may be devoted to these activities, which will result in less time being devoted to the management and growth of our Company. The development and implementation of the standards and controls necessary for us to achieve the level of accounting standards required of a public company in the U.S. may require costs greater than expected.

Our failure to meet Nasdaq’s continued listing requirements could result in a delisting of our Class A Shares and Public Warrants.

If we fail to satisfy Nasdaq’s continued listing requirements, such as the corporate governance requirements or the minimum closing bid price requirement, Nasdaq may take steps to delist our Class A Shares and Public Warrants. For example, failing to meet the minimum closing bid price of \$1.00 for 30 consecutive trading days constitutes non-compliance with a Nasdaq continuing listing standard. On February 22, 2024, we received a written notice from Nasdaq (the “Deficiency Notice”) that we are not in compliance with the minimum bid price requirement based on the closing bid price of our Class A Shares for the 30 consecutive business days from January 9, 2024 to February 21, 2024. If our Class A Shares do not close at a minimum bid price of \$1.00 or more for ten consecutive trading days within 180 calendar days of our receipt of the Deficiency Notice, or by August 20, 2024, Nasdaq may institute proceedings to delist our Class A Shares. The closing price of our Class A Shares on March 14, 2024 was \$0.95.

A delisting would likely have a negative effect on the price of our Class A Shares and Public Warrants and would impair your ability to sell or purchase our securities when you wish to do so. In the event of a delisting, we can provide no assurance that any action taken by us to restore compliance with listing requirements would allow our securities to become listed again, stabilize the market price or improve the liquidity of our securities, prevent our securities from dropping below Nasdaq’s minimum bid price requirement or prevent future non-compliance with Nasdaq’s listing requirements.

We are an “emerging growth company,” and our reduced SEC reporting requirements may make our shares less attractive to investors.

We are an “emerging growth company” as defined in the Jumpstart Our Business Startups Act of 2012 (“JOBS Act”). We will remain an “emerging growth company” until the earliest to occur of (i) the last day of the fiscal year (a) following the fifth anniversary of the Closing Date, (b) in which we have total annual gross revenue of at least \$1.235 billion or (c) in which we are deemed to be a large accelerated filer, which means the market value of Class A Shares held by non-affiliates exceeds \$700 million as of the last business day of our prior second fiscal quarter, and (ii) the date on which we issued more than \$1.0 billion in non-convertible debt during the prior three-year period.

We intend to take advantage of exemptions from various reporting requirements that are applicable to most other public companies, such as an exemption from the provisions of Section 404(b) of the Sarbanes-Oxley Act requiring our independent registered public accounting firm provide an attestation report on the effectiveness of our internal control over financial reporting and reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. We cannot predict if investors will find our securities less attractive because we intend to rely on certain of these exemptions and benefits under the JOBS Act. If some investors find our securities less attractive as a result, there may be a less active, liquid and/or orderly trading market for our Class A Shares and Public Warrants, and the market price and trading volume of our securities may be more volatile and decline significantly.

As a foreign private issuer, we will be exempt from a number of rules under the U.S. securities laws and will be permitted to file less information with the SEC than a U.S. domestic public company, which may limit the information available to our shareholders.

We are a foreign private issuer, as such term is defined in Rule 405 under the Securities Act. As a foreign private issuer, we are not subject to all of the disclosure requirements applicable to public companies organized within the U.S. For example, we are exempt from certain rules under the Exchange Act that regulate disclosure obligations and procedural requirements related to the solicitation of proxies, consents or authorizations applicable to a security registered under the Exchange Act, including the U.S. proxy rules under Section 14 of the Exchange Act. As long as we are a foreign private issuer, we will not be required to obtain shareholder approval for certain dilutive events, such as the establishment or material amendment of certain equity-based compensation plans, we will not be required to provide detailed executive compensation disclosure in our periodic reports, and we will be exempt from the requirements of holding a non-binding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. Additionally, our officers and directors will be exempt from the reporting and “short-swing” profit recovery provisions of Section 16 of the Exchange Act and related rules with respect to their purchases and sales of our securities.

We are not required to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. domestic public companies and are not required to file quarterly reports on Form 10-Q or current reports on Form 8-K under the Exchange Act.

As a foreign private issuer, we will be permitted to follow home country practice in lieu of certain Nasdaq corporate governance rules, including those that require listed companies to: have a majority of independent directors (although all of the members of the audit committee must be independent under the Exchange Act) and independent director oversight of executive compensation, nomination of directors and corporate governance matters; have regularly scheduled executive sessions with only independent directors; and adopt and disclose a code of ethics for directors, officers and employees. Accordingly, our shareholders may not have the same protections afforded to shareholders of listed companies that are subject to all of the applicable corporate governance requirements. See also “*Item 16 — Corporate Governance*” and Exhibit 2.1 to this Annual Report, “*Description of Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934.*”

Risks Related to Ownership of Our Class A Shares and Public Warrants

If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results or prevent fraud. As a result, shareholders could lose confidence in our financial and other public reporting, which is likely to negatively affect our business and the market price of our Class A Shares and Public Warrants.

Effective internal control over financial reporting is necessary for us to provide reliable financial reports and prevent fraud. Any failure to implement required new or improved controls, or difficulties encountered in our implementation, could cause us to fail to meet our reporting obligations. In addition, any testing conducted by us, or any testing conducted by our independent registered public accounting firm, may reveal deficiencies in our internal control over financial reporting that are deemed to be material weaknesses or that may require prospective or retroactive changes to our financial statements or identify other areas for further attention or improvement. Inferior internal controls could also cause investors to lose confidence in our reported financial information, which is likely to negatively affect our business and the market price of our Class A Shares and Public Warrants.

We are required to disclose changes made in our internal controls and procedures, and our management will be required to assess the effectiveness of these controls annually. However, for as long as we are an “emerging growth company” under the JOBS Act, our independent registered public accounting firm will not be required to attest to the effectiveness of our internal control over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act. We could be an “emerging growth company” for up to five years. An independent assessment of the effectiveness of our internal controls could detect problems that our management’s assessment might not. Undetected material weaknesses in our internal controls could lead to financial statement restatements and require us to incur the expense of remediation, which could negatively affect our business and the market price of our Class A Shares and Public Warrants. See also “— *Risks Associated with Lilium Being a U.S. Public Company incorporated in the Netherlands — We have identified material weaknesses in our internal control over financial reporting. Failure to remediate the material weaknesses or to otherwise maintain an effective system of internal control over financial reporting could impair our ability to comply with the financial reporting and internal controls requirements for publicly traded companies.*” above.

The market price and trading volume of our Class A Shares and Public Warrants may be volatile and could decline significantly.

Stock markets, including Nasdaq, on which our Class A Shares and Public Warrants are listed, have from time-to-time experienced significant price and volume fluctuations. Even if an active, liquid and orderly trading market develops and is sustained for our Class A Shares and Public Warrants, the market price of our Class A Shares and Public Warrants may be volatile and could decline significantly. In addition, the trading volume in our Class A Shares and Public Warrants may fluctuate and cause significant price variations to occur. If the market price of our Class A Shares or Public Warrants declines significantly, you may be unable to resell your securities at or above the price you purchased them for. We cannot assure you that the market price of our Class A Shares and Public Warrants will not fluctuate widely or decline significantly in the future in response to a number of factors, including, among others, the following:

- the realization of any of the risk factors presented in this Annual Report;
- actual or anticipated differences in our estimates, or in the estimates of analysts, for our revenues, results of operations, liquidity or financial condition;
- our ability to market our products, services and technology on a timely basis;
- additions and departures of key personnel, including members of the Board or management;
- failure to comply with the requirements of the SEC or Nasdaq;
- failure to comply with the Sarbanes-Oxley Act or other laws or regulations;
- changes in laws and regulations affecting our business;
- commencement of, or involvement in, litigation involving us;
- changes in our capital structure, such as future issuances, sales or resales, or anticipated issuances, sales or resales, of our Class A Shares;
- sales of substantial amounts of Class A Shares by our directors, executive officers or significant shareholders or the perception that such sales could occur;
- sales of substantial amounts of Class A Shares following the release of transfer restrictions on the sale of shares or upon the exercise or settlement of equity awards of implemented in connection with the Business Combination or otherwise;
- the performance and market valuations of other similar companies;
- broad disruptions in the financial markets, including sudden disruptions in the credit markets;
- material and adverse impact of any emergent public health issues, including a resurgence of COVID-19 or variants thereof;
- material and adverse impact of the war between Russia and Ukraine on the markets and the broader global economy;
- speculation in the press or investment community, or inaccurate or unfavorable research or reports that may be published about us;
- actual, potential or perceived control, accounting or reporting problems; and
- changes in accounting principles, policies and guidelines.

In the past, securities class-action litigation has often been instituted against companies following periods of volatility in the market price of their shares or warrants. This type of litigation could result in substantial costs and divert our management's attention and resources, which could have a material adverse effect on us.

If securities or industry analysts publish inaccurate or unfavorable research or cease publishing research about us, the price and trading volume of our securities could decline significantly.

The market for our Class A Shares and Public Warrants depends in part on the research and reports that securities or industry analysts publish about us or our business. Currently, we have limited analyst coverage and may not obtain additional analyst coverage in the future or may lose the analyst coverage we have now. We do not have any control over such analysts. If one or more of the analysts who covers us downgrades its opinions about our Class A Shares or ceases publishing about us regularly, demand for our Class A Shares and Public Warrants could decrease, which could cause the market prices and trading volume of our securities to decline significantly. In addition, if securities or industry analysts or other market participants or investors publish inaccurate reports or unfavorable research about us this could adversely affect our reputation or harm investor confidence in our company. Additionally, the publishing of any such reports or research could cause volatility in the trading volumes of our Class A Shares and Public Warrants and cause the market price of our securities to decline significantly.

Future issuances of debt or equity securities may adversely affect us, including the market price of our Class A Shares, and may be dilutive to existing shareholders.

In the future, we may issue debt securities ranking senior to our Class A Shares. Such securities also may be governed by an instrument containing covenants restricting our operating flexibility. Additionally, any convertible or exchangeable securities that we issue in the future may have rights, preferences and privileges more favorable than those of our Class A Shares. Because our decision to issue equity, including warrants, or debt securities in the future will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing, nature or success of our future capital raising efforts. As a result, future capital raising efforts may reduce the market price of our Class A Shares and Public Warrants and be dilutive to existing shareholders.

Future sales, conversions or exercises by existing securityholders or future offerings of securities by us may cause dilution to our existing shareholders and cause the market price of our securities to fall.

If we or our shareholders, including our executive officers, directors and their affiliates, sell substantial amounts of Class A Shares in the public market, including Class A Shares issuable upon the exercise of outstanding warrants, or if the market perceives that such issuances or sales may occur, the market price of our Class A Shares and Public Warrants could fall, and it may become more difficult for us to sell equity or equity-related securities in the future at a time and price that we deem appropriate. A substantial number of Class A Shares are reserved for issuance upon the exercise of stock options, upon settlement of vested RSUs, upon conversion of the issued and outstanding Class B Shares and upon exercise of issued and outstanding warrants. These issuances could depress the market price of our Class A Shares and Public Warrants and would result in increased dilution to existing shareholders.

In addition, exercises of significant amounts of options or the settlement of significant amounts of equity awards at one time, including any related sales of Class A Shares as a result of sell-to-cover transactions effected to address any associated tax liabilities or any discretionary sales by the holders, could also reduce the market price of our Class A Shares. Under our Legacy Stock Option Program, holders were subject to a 180-day lock-up period following the Business Combination and were first permitted to exercise their options as of March 14, 2022.

Additionally, vested stock options under the Legacy Stock Option Program generally will be required to be exercised only during certain exercise windows during each quarter (with the exact dates during each quarter to be determined by Liliium). If there are significant exercises of options or settlement of equity awards in a limited period of time, such issuances would be dilutive to existing holders of outstanding shares. Further, significant sales of Class A Shares at one time as a result of associated sell-to-cover transactions or discretionary sales effected in connection with such exercises or settlement, for example as occurred on March 14, 2022, when a substantial volume of Class A Shares were sold in a short period of time, including to cover holders' tax obligations associated with the exercise and/or settlement of certain options and RSUs, may result in trading volatility and reduce the market price of our Class A Shares and Public Warrants.

The likelihood that holders will exercise warrants is generally dependent upon the market price of our Class A Shares. In the future, Liliium may seek shareholder approval to further increase the number of Class A Shares authorized for issuance to enable, among other things, the possible issuance of additional Class A Shares in connection with any other capital raising activities. There can be no assurance that our Board will seek or receive, if sought, the requisite authorization at a General Meeting to issue additional Class A Shares, or authorization to issue a sufficient amount of Class A Shares as may be necessary to finance the Company's operations in the future.

The future exercise of registration rights may adversely affect the market price of Class A Shares.

Certain Liliium shareholders have registration rights for restricted securities under the terms of our Registration Rights Agreement with Qell Partners LLC and certain other shareholders of Liliium that provide for customary "demand" and "piggyback" registration rights for certain shareholders. Additionally, we have entered into a registration rights agreement granting customary registration rights to Azul in respect of the Class A Shares issuable upon the exercise of the Azul Warrants. These sales, or the perception in the market that the holders of a large number of shares intend to sell shares, could reduce the market price of our Class A Shares and Public Warrants.

Risks for any holders of SPAC Warrants.

We may redeem the SPAC Warrants prior to their exercise at a time that is disadvantageous to holders of SPAC Warrants, thereby making such warrants worthless. We have the ability to redeem outstanding SPAC Warrants at any time prior to their expiration, at a price of \$0.01 per warrant, provided that the closing price of the Class A Shares equals or exceeds \$18.00 per share (as adjusted for share subdivisions, share capitalizations, reorganizations, recapitalizations and the like) for any 20 trading days within a 30 trading day period ending on the third trading day prior to the date on which a notice of redemption is sent to the SPAC Warrant holders. We may not redeem the SPAC Warrants as described above unless a registration statement under the Securities Act covering the Class A Shares issuable upon exercise of such warrants is effective and a current prospectus relating to those Class A Shares is available throughout the 30-day redemption period. If and when the SPAC Warrants become redeemable by us, we may exercise our redemption right even if we are unable to register or qualify the underlying securities for sale under all applicable state securities laws. Redemption of the outstanding SPAC Warrants could force holders of SPAC Warrants to (i) exercise their SPAC Warrants and pay the exercise price therefor at a time when it may be disadvantageous for such holders to do so, (ii) sell their SPAC Warrants at the then-current market price when they might otherwise wish to hold the SPAC Warrants or (iii) accept the nominal redemption price, which, at the time the outstanding SPAC Warrants are called for redemption, is likely to be substantially less than the market value of the SPAC Warrants.

In addition, we have the ability to redeem the outstanding SPAC Warrants at any time prior to their expiration, at a price of \$0.10 per warrant if, among other things, the closing price of the Class A Shares equals or exceeds \$10.00 per share (as adjusted for share sub-divisions, share dividends, rights issuances, subdivisions, reorganizations, recapitalizations and the like) on the trading day prior to the date on which a notice of redemption is sent to the SPAC Warrant holders. If trading prices for the Class A Shares have not exceeded the \$10.00 per share threshold at which the SPAC Warrants would become redeemable, holders will be able to exercise their SPAC Warrants prior to redemption for a number of Class A Shares determined based on the redemption date and the fair market value of the Class A Shares.

The value received upon exercise of the SPAC Warrants (1) may be less than the value the holders would have received if they had exercised their SPAC Warrants at a later time where the underlying share price is higher and (2) may not compensate the holders for the value of the SPAC Warrants.

Certain provisions of our outstanding warrants could discourage an acquisition of us by a third party.

Certain provisions of our outstanding warrants could make it more difficult or expensive for a third party to acquire us. For example, the Private Warrants and the SPAC Warrants provide that, in the case of certain change of control or “fundamental” transactions, among other things, the surviving entity must assume our obligations under such warrants. Additionally, in certain circumstances, the holders of 2022 Warrants, 2023 Warrants and Aceville Warrants will have the right to receive the Black Scholes Value (as defined in the applicable warrant agreement and form of warrant) of such warrants, calculated pursuant to a formula set forth in the applicable warrant agreement and form of warrant, payable either in cash or, in some cases, in the same type or form of consideration that is being offered and being paid to the holders of our Class A Shares. In the case of the SPAC Warrants, certain types of transactions may trigger a reduction in the exercise price of the SPAC Warrants equal to the sum of the price paid per Class A Share in the triggering transaction and the Black Scholes Warrant Value (as defined in the warrant agreement relating to the SPAC Warrants). These and other provisions of our outstanding warrants could prevent or deter a third party from acquiring us even where the acquisition could be beneficial to our shareholders.

Our ability to utilize our net operating loss and tax credit carryforwards to offset future taxable income may be subject to certain limitations.

We have incurred and are likely to continue incurring significant tax losses, which may be limited in their usability under German and other tax laws, in particular following significant shareholder changes. The realization of future tax savings from such tax loss attributes depends on the tax authorities’ acceptance of their continued availability and our ability to generate future taxable income in Germany against which such losses can be offset.

The Company intends to operate so as to be treated as exclusively resident in Germany for tax purposes, but the relevant tax authorities may treat it as also being tax resident elsewhere.

The Company is not a company incorporated in Germany. Therefore, whether it is resident in Germany for German tax purposes will depend on whether its “effective management” is located (in whole or in part) in Germany. The test of “effective management” is largely a question of fact and degree based on all the circumstances, rather than a question of law. Nevertheless, the decisions of the German courts and the published practice of the German tax authorities suggest that the Company is likely to be regarded as having become a German resident on this basis from the closing of the Business Combination and remaining so if, as the Company intends (i) most meetings of the Board are held in Germany with a majority of directors present in Germany for those meetings, (ii) at those meetings there are full discussions of, and decisions are made regarding, the key strategic issues affecting the Company and its subsidiaries, (iii) those meetings are properly minuted, (iv) the executive directors of the Company, together with supporting staff, are based in Germany and carry out the day-to-day management incumbent upon them (i.e., the actual, organizational and legal acts involved in the ordinary operation of the Company) from Germany and (v) the Company has permanent staffed office premises in Germany.

Even if the Company is resident in Germany for tax purposes on this basis, as expected, it would nevertheless not be treated as a German resident if (a) it were to be concurrently resident in another jurisdiction (applying the tax residence rules of that jurisdiction) that has a tax treaty with Germany and (b) there is a tie-breaker provision in that tax treaty that allocates exclusive residence to that other jurisdiction.

Even if its “effective management” is in Germany, as expected, the Company will be resident in the Netherlands for Dutch tax purposes on the basis that it is a company incorporated under the laws of the Netherlands. As a result, the Netherlands will be allowed to levy corporate income tax on the Company as a Dutch-resident taxpayer, and dividends distributed by the Company will be subject to Dutch dividend withholding tax. Nonetheless, the Company will be regarded as solely resident in Germany under the 2012 Convention between the Federal Republic of Germany and the Kingdom of the Netherlands for the avoidance of double taxation with respect to taxes on income and capital gains (the “DE — NL tax treaty”) as long as its “effective management” is in Germany. The Company anticipates that, so long as the factors listed in the second preceding paragraph are present at all material times, the German and Dutch competent authorities will consider the Company to be solely resident in Germany. This assessment, however, cannot be guaranteed. If there is a change over time to the facts upon which an assessment by (any of) the competent authorities is based, such assessment may also change, which could give rise to the risk that both Germany and the Netherlands would levy dividend withholding tax on distributions by us, as well as the risk of double taxation on our profits.

In addition, the assessment of our sole tax residency in Germany for purposes of the DE — NL tax treaty is subject to the application of the provisions on tax residency as stipulated in the DE — NL tax treaty (as amended from time to time). In line with the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (the “MLI”), which Germany and the Netherlands have (among other countries) entered into, Germany and the Netherlands have amended certain provisions of the DE — NL tax treaty with effect as of January 1, 2023, but have currently not applied the MLI’s provisions on tax residency to the DE — NL tax treaty. However, any changes to the DE — NL tax treaty or the application of the MLI could give rise to the risk that both Germany and the Netherlands would levy dividend withholding tax on distributions by us, as well as the risk of double taxation on our profits.

The rights of shareholders in companies subject to Dutch corporate law differ in material respects from the rights of shareholders of corporations incorporated in the U.S.

We are a public limited liability company incorporated under Dutch law. Our corporate affairs are governed by our articles of association, our internal rules and policies and by the laws governing companies incorporated in the Netherlands. The rights of shareholders may be different from the rights and obligations of shareholders in companies governed by the laws of U.S. jurisdictions. The role of the board of directors in a Dutch company is also materially different, and cannot be compared to, the role of a board of directors in a corporation incorporated in the U.S. In the performance of their duties, our board of directors is required by Dutch law to consider the interests of our company and the sustainable success of our business, with an aim to creating long-term value, considering the interests of our shareholders, our employees and other stakeholders of the Company, in all cases with due observation of the principles of reasonableness and fairness. It is possible that some of these parties will have interests that are different from, or in addition to, your interests as a shareholder.

We are not obligated to, and do not, comply with all best practice provisions of the Dutch Corporate Governance Code.

We will be subject to the DCGC, which contains both principles and best practice provisions on corporate governance that regulate relations between the management board and the General Meeting and matters in respect of financial reporting, auditors, disclosure, compliance and enforcement standards. The DCGC is based on a “comply or explain” principle. Accordingly, companies are required to disclose in their Dutch annual reports (which are made available to shareholders) whether they comply with the provisions of the DCGC. If they do not comply with those provisions (for example, because of a conflicting Nasdaq requirement), the Company is required to give the reasons for such noncompliance. The DCGC applies to Dutch companies listed on a regulated stock exchange or comparable system, whether in the Netherlands or elsewhere, including Nasdaq.

We acknowledge the importance of good corporate governance. However, we do not comply with all the provisions of the DCGC, to a large extent because such provisions conflict with or are inconsistent with the corporate governance rules of Nasdaq and U.S. securities laws, or because we believe such provisions do not reflect customary practices of global companies listed on Nasdaq. Any such noncompliance may affect your rights as a shareholder, and you may not have the same level of protection as a shareholder in a Dutch company that fully complies with the DCGC.

Shareholders may not be able to exercise preemptive rights and, as a result, may experience substantial dilution upon future issuances of shares.

In the event of an issuance of our Class A Shares, subject to certain exceptions, each shareholder will have a preemptive right that is pro rata to the total number of Class A Shares held by such shareholder. Preemptive rights may be restricted or excluded by a resolution proposed by the Board and adopted by the General Meeting. The General Meeting may by resolution also designate the Board for a period not exceeding five years as the body authorized to restrict or exclude preemptive rights. Currently, the Board has been irrevocably authorized by the General Meeting to (i) issue Class A Shares and grant rights to subscribe for Class A Shares for a period of 36 months from July 7, 2023 up to 10% of the issued share capital calculated as of July 7, 2023 and (ii) issue Class A Shares and grant rights to subscribe for Class A Shares for a period of 36 months from September 11, 2023 up to 10% of the issued share capital calculated as of September 11, 2023 (each, an “Issuance Delegation”). The Board is also irrevocably authorized by the General Meeting to limit or exclude preemptive rights with respect to any issuances conducted pursuant to either of the foregoing Issuance Delegations, which could cause existing shareholders to experience substantial dilution of their holdings.

Our largest shareholders, in part due to our dual class structure, have significant influence in our Company.

Our four largest shareholders currently control nearly 52% of the total voting power of the Company. Class B Shares have three times as many votes per share as Class A Shares. Daniel Wiegand, our Co-Founder and Chief Engineer for Innovation and Future Programs, holds all of the issued and outstanding Class B Shares and controls approximately 12% of the total voting power of Lilium. Tencent Mobility (Luxembourg) S.à r.l (“Tencent”) currently owns approximately 22% of our outstanding Class A Shares (which represents approximately 19.46% of the total voting power of the Company). LGT/Lightrock (as defined in “*Item 7. Major Shareholders and Related Parties*”) currently own approximately 14% of our outstanding Class A Shares (which represents approximately 13% of the total voting power of the Company). The Atomico Entities (as defined in “*Item 7. Major Shareholders and Related Parties*”) currently own approximately 8% of our outstanding Class A Shares (which represents approximately 7% of the total voting power of Lilium). Such calculations are based on the number of Class A Shares and Class B Shares outstanding on March 14, 2024, and do not take into account any exercise of warrants to purchase Class A Shares held by Tencent, LGT/Lightrock or their affiliates. Our largest shareholders may have interests that differ from yours and may vote in a way with which you disagree and which may be adverse to your interests. For more information about our dual class structure, see the section titled “Description of Securities” in the registration statement into which this summary is incorporated by reference.

Shareholders with greater than 10% voting power in the Company, such as certain of the aforementioned shareholders, are able to call a special meeting of shareholders to propose matters for shareholder approval such as the removal or election of directors or amendments to our organization documents. Our largest shareholders may have interests that differ from yours and may vote in a way with which you disagree and which may be adverse to your interests. For more information about our dual class structure, see Exhibit 2.1 attached to this Annual Report.

Investors may have difficulty enforcing civil liabilities against us or the members of our management and our Board.

We are incorporated in the Netherlands, and we will conduct substantially all of our operations in Germany or Europe through our subsidiaries. A majority of our management and our directors are not U.S. residents and do not have significant assets in the U.S., and the majority of our assets are located outside the U.S. As a result, it may not be possible, or may be very difficult, to serve process on our representatives or us in the United States, or to enforce judgments obtained in U.S. courts against our representatives or us based on civil liability provisions of the securities laws of the U.S. There is no treaty between the U.S. and the Netherlands for the mutual recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters. Therefore, a final judgment for the payment of money rendered by any federal or state court in the U.S. based on civil liability, whether or not predicated solely upon the U.S. federal securities laws, would not be enforceable in the Netherlands unless the underlying claim is re-litigated before a Dutch court of competent jurisdiction. U.S. investors will be unable to enforce any judgments obtained in U.S. courts in civil and commercial matters, including judgments under the U.S. federal securities laws, against us, members of our management and our directors. In addition, there is doubt as to whether a Dutch court would impose civil liability on us or the members of our management or our directors in an original action predicated solely upon the U.S. federal securities laws brought in a court of competent jurisdiction in the Netherlands against us or our management or directors.

Dutch, German and European insolvency laws are substantially different from U.S. insolvency laws and may offer our shareholders less protection than they would have under U.S. insolvency laws.

As a Dutch public limited liability company and as a company with its ‘*centre of main interest*’ in Germany, we are subject to Dutch and German insolvency laws in the event any insolvency proceedings are initiated against us including, among other things, Regulation (EU) 2015/848 of the European Parliament and of the Council of May 20, 2015 on insolvency proceedings (recast). Should courts in another European country determine that the insolvency laws of that country apply to us in accordance with and subject to such EU regulations, the courts in that country could have jurisdiction over the insolvency proceedings initiated against us. Insolvency laws in Germany, the Netherlands or the relevant other European country, if any, may offer our shareholders less protection than they would have under U.S. insolvency laws and make it more difficult for our shareholders to recover the amount they could expect to recover in a liquidation under U.S. insolvency laws.

We may be or may become a PFIC, which could result in adverse U.S. federal income tax consequences to U.S. Holders.

If we or any of our subsidiaries is a passive foreign investment company (a “PFIC”) for any taxable year, or portion thereof, that is included in the holding period of a beneficial owner of our ordinary shares that is a U.S. Holder, such U.S. Holder (as defined in the section titled “*Item 10. Additional Information — E. Taxation — Material U.S. Federal Income Tax Considerations for U.S. Holders*”) may be subject to certain adverse U.S. federal income tax consequences and may be subject to additional reporting requirements. It is uncertain whether we or any of our subsidiaries will be treated as a PFIC for U.S. federal income tax purposes for the current or any subsequent tax year. If we determine that we are a PFIC for any taxable year, upon written request, we will endeavor to provide to a U.S. Holder such information with respect to the Company as the IRS may require, including a PFIC Annual Information Statement, in order to enable the U.S. Holder to make and maintain a QEF Election (as defined in the section titled “*Item 10. Additional Information — E. Taxation — Material U.S. Federal Income Tax Considerations for U.S. Holders*”), but there is no assurance that we will timely provide such required information. Further, there is no assurance that we will have timely knowledge of our status as a PFIC in the future or of the required information to be provided.

See the section titled “*Item 10. Additional Information — E. Taxation — Material U.S. Federal Income Tax Considerations for U.S. Holders*” for a more detailed discussion with respect to our PFIC status. Prospective U.S. Holders of Class A Shares, Private Warrants or Public Warrants are urged to consult their tax advisors regarding the possible application of the PFIC rules to them.

We do not anticipate paying dividends.

Under Dutch law, we may only pay dividends to the extent our shareholders’ equity (*eigen vermogen*) exceeds the sum of the paid-up and called-up share capital plus the reserves required to be maintained by Dutch law or by our articles of association and (if it concerns a distribution of profits) after adoption of the annual accounts by our General Meeting from which it appears that such distribution is allowed. Our Board shall make a proposal to the General Meeting as to which amount of our profit, if any, shall be allocated to the Company’s profit reserves and which amount of the profit will be available for distribution. Our Board is permitted, subject to certain requirements, to declare interim dividends without the approval of the General Meeting. Subject to such restrictions, any future determination or recommendation to pay (interim) dividends will depend on a number of factors, including our results of operations, earnings, cash flow, financial condition, future prospects, contractual restrictions, capital investment requirements, restrictions imposed by applicable law and other factors considered relevant by the Board.

Our Board may decide that all or part of our remaining profits shall be added to our reserves. After such reservation, any remaining profit will be at the disposal of the General Meeting at the proposal of our Board, subject to the applicable restrictions of Dutch law.

We have never declared or paid any cash dividends on our shares and we do not anticipate paying any dividends on our shares for the foreseeable future. We currently intend to retain any earnings for future operations.

Provisions of our articles of association or Dutch corporate law might deter acquisition bids for us that our shareholders might consider to be favorable and prevent or frustrate any attempt to replace or remove the Board at the time of such acquisition bid.

Certain provisions of our articles of association may make it more difficult for a third party to acquire control of the Board or effect a change in the composition of the Board. These include:

- the General Meeting may adopt a resolution to authorize the Board to issue Class A Shares and to limit or exclude preemptive rights on those Class A Shares, which could enable the Board to dilute the holdings of an acquirer by issuing Class A Shares to other parties;
- a provision that our directors can only be removed (other than pursuant to a proposal by the Board) by our General Meeting by a majority of at least two thirds of the votes cast, provided such votes represent more than half of the issued share capital; if and to the extent permitted by law, our Executive Directors may also be suspended by the Board; and
- a requirement that certain matters, including an amendment of our articles of association, a legal merger, legal demerger or a resolution to dissolve the Company, may only be brought to the shareholders for a vote upon a proposal by the Board.

Such provisions could discourage a takeover attempt and impair the ability of shareholders to benefit from a change in control and realize any potential change of control premium. This may adversely affect the market price of our Class A Shares and Public Warrants. For additional information, see Exhibit 2.1 attached to this Annual Report.

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

We were incorporated as a Dutch private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) under the name Qell DutchCo B.V. on March 11, 2021 solely for the purpose of effectuating the Business Combination. Prior to the Business Combination, Qell DutchCo B.V. did not conduct any material activities other than those incidental to its formation and certain matters related to the Business Combination, such as the making of certain required securities law filings.

Our name was changed from Qell DutchCo B.V. to Liliium B.V. on April 8, 2021. On September 10, 2021, in connection with the subsequent closing of the Business Combination, we converted into a Dutch public limited liability company (*naamloze vennootschap*) pursuant to a deed of conversion and amendment of our articles of association (as so amended, the “articles of association”), as Liliium N.V.

On the Closing Date, we closed the Business Combination with Qell and Liliium GmbH, and Liliium GmbH became a direct, wholly-owned subsidiary of the Company.

On the Closing Date, pursuant to the Business Combination Agreement, (i) the Qell Class A Ordinary Shares converted into Class A Shares, (ii) shareholders of Liliium GmbH exchanged their shares of Liliium GmbH into Class A Shares and Class B Shares (with all Liliium GmbH shareholders, other than Daniel Wiegand, receiving Class A Shares and Daniel Wiegand receiving Class B Shares) and (iii) each outstanding warrant to purchase Qell Class A Ordinary Shares was converted into a warrant to purchase one Class A Share. Concurrently with the closing of the Business Combination, we closed the private placement pursuant to subscription agreements entered into on March 30, 2021, with certain investors (the “2021 PIPE Investors”), pursuant to which the 2021 PIPE Investors subscribed for and purchased an aggregate of 45,000,000 Class A Shares at a price of \$10.00 per share, for gross proceeds of \$450,000,000 (the “2021 PIPE Financing”).

We are registered in the Commercial Register of the Netherlands Chamber of Commerce (*Kamer van Koophandel*) under number 82165874. Our official seat (*statutaire zetel*) is in Amsterdam, the Netherlands, and the mailing and business address of our principal executive office is GalileostraÙe 335, 82131 Gauting, Germany. On February 1, 2024, the address, but not the physical location, of our principal executive office changed from Claude-Dornier StraÙe 1, Bldg. 335, 82234, Wessling, Germany to GalileostraÙe 335, 82131 Gauting, Germany. Our telephone number is +49 160 9704 6857.

We maintain a website at www.liliium.com, where we regularly post copies of our press releases as well as additional information about us. From time to time, we may also use our website for disclosure of material information about our business and operations. Information contained in our website is not a part of, nor incorporated by reference into, this Annual Report or our other filings with the SEC, and should not be relied upon. The SEC maintains a website at www.sec.gov that contains reports, proxy and information statements, and other information regarding registrants that file electronically with the SEC.

All trademarks, service marks and trade names appearing in this Annual Report are the property of their respective holders. Use or display by us of other parties’ trademarks, trade dress or products in this Annual Report is not intended to, and does not, imply a relationship with, or endorsements or sponsorship of, us by the trademark or trade dress owners.

Information on the Company’s principal capital expenditures and divestitures is included below under “*Item 5. Operating and Financial Review and Prospects.*”

B. Business Overview

Lilium is a next-generation aviation company. We are focused on developing an electric vertical take-off and landing (“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 regional air mobility (“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 finalizing 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 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 aircraft through private or fractional ownership sales along with related aftermarket services. 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 aircraft operators and other commercial customers.

As part of our business strategy, we continue to evaluate capital raising and strategic opportunities from and with a number of 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.

The new and developing eVTOL aircraft market has been made possible by a convergence of innovation across battery technology, lightweight materials, sensors, and computing power and propulsion technology. As of 2021, Morgan Stanley has projected that the eVTOL aircraft market could represent \$255 billion (in the base case) in revenues by 2035 and \$1.0 trillion (in the base case) by 2040. Morgan Stanley further projects that the eVTOL aircraft market could represent almost \$4.5 trillion in revenues in the bull case by 2040. We estimate that by 2035 there will be 42,000 eVTOL aircraft in operation globally, based upon, among other factors, industry publications and related projections, historical growth rates of the automotive, aviation and rail transportation segments, the proportions of the foregoing segments that involve trips of less than 250 km and other market research performed by Lilium. By 2035, Lilium estimates the total global demand for eVTOL aircraft could be in the range of 5,000 to 10,000 aircraft annually.

The Lilium Jet architecture is based on our proprietary Ducted Electric Vectored Thrust (“DEV T”) technology, which has been developed and rigorously tested over the last several years. While the majority of our eVTOL competitors leverage open rotor engines, which are based on unducted, counter rotating propeller blades that can have a higher noise profile, DEV T consists of quiet electric turbofans mounted within a cylindrical duct. We intend for the Lilium Jet to have low take-off and landing noise and are designing the Lilium Jet to be virtually inaudible from the ground during cruise flight. DEV T offers a number of fundamental advantages over open propeller eVTOL architectures, including higher payload potential, better efficiency, lower operating cost, superior safety, the highest market acceptance and penetration for ducted fans in commercial aviation and potential scalability to larger aircraft in the future.

We believe these technology advantages will enable our regional shuttle service model to carry more passengers (or cargo) per Lilium Jet on longer (regional) trips than open propeller eVTOL aircraft. We are currently developing a lineup of Lilium Jets, including prospective four and six passenger models, that will be based on the same modular architecture but have distinct specifications and design targets based on their expected commercial use. The Lilium Jet is being designed to be a piloted aircraft with the potential to be an autonomous aircraft in the future. We believe the combination of longer average trip lengths and our anticipated passenger and cargo capacity for our lineup of Lilium Jets (depending on model) will provide greater time savings to customers and more competitive pricing as compared to open propeller eVTOL architecture. We also believe our technology would allow us to create a larger version of the Lilium Jet in the future based on similar architecture as well as be utilized on aircrafts with differing architecture, e.g., conventional take-off and landing aircraft. However, our design activities remain in process, and there can be no assurances that such a larger aircraft will be developed or the timing thereof.

We believe that high-speed RAM networks will significantly change the economic calculus of passengers and businesses shipping goods when making transportation and shipping decisions, respectively. We estimate that our Lilium Jets will be able to move people and goods significantly faster than road and rail transport and that eVTOL networks could be significantly less costly and much faster to deploy than equivalent high-speed rail infrastructure and considerably more adaptable to shifting passenger demand.

We applied for Type Certification with EASA, our primary airworthiness authority, in 2017 and for concurrent Type Certification validation with the FAA in 2018. Receiving a Type Certificate in accordance with stated regulatory standards will certify compliance to the applicable airworthiness standards for the Lilium Jet, which is a necessary prerequisite to undertaking commercial operations. In 2020 and 2023, the Lilium Jet received the CRI A-01 certification basis from EASA and the G-1 certification basis from the FAA, respectively, setting forth a set of performance based airworthiness requirements we have agreed with the regulators in Europe and the U.S. for the Lilium Jet. As of the date of this Annual Report, we are the only eVTOL manufacturer with both an EASA and FAA certification basis for a powered lift eVTOL.

We anticipate that EASA will formally agree to accept our certification program, including the balance of our MoCs and Certification Plans following the conclusion of our CDR. Based on the current status of our design activities and our discussions with regulators and suppliers, as well as current supply chain dynamics, we expect the Lilium Jet to enter service in 2026 after the Type Certification is obtained. Type Certification of the novel Lilium Jet remains subject to the completion of certification activities, and we could experience delays in the event of additional or changing regulatory requirements or unexpected testing or analysis required by regulators. In November 2023, we received the DOA from EASA, which confirms that we have the organization, procedures, competencies, resources, and demonstrated rigor required to certify aircraft according to EASA's high safety standards.

Achieving EASA certification will allow our Lilium Jets to operate in Europe and many other countries where the national civil aviation authorities currently recognize EASA certification (examples may, but are not guaranteed, to include certain countries within the Middle East, Southeast Asia and major parts of Central and South America). We believe that the national civil aviation authorities of these countries would accept a Type Certificate from EASA; however, we cannot assure that this will be the case, and the actual acceptance is dependent on the authorities' review when the Type Certificate is presented. Additionally, certain other countries have bilateral agreements in place with EASA, including technical implementation procedures to validate an EASA Type Certificate. These countries include Japan, Canada, China and Brazil, for which some additional validation work may be required. More details about the Lilium Jet's certification process and regulation are below under "*— Regulation.*"

We have in place an approximately 175,000 square foot manufacturing and testing facility at the Oberpfaffenhofen airfield at our headquarters near Munich, Germany. We expect this facility will house our initial serial aircraft production, including the manufacturing of the proprietary propulsion and energy systems and the final assembly of the serial aircraft. Major aircraft sub-systems and components are outsourced to Tier 1 aerospace suppliers, such as Diehl Aviation, L3 Harris, Ratier Figeac (Collins Aerospace Group), Aernnova, Aciturri Aeronáutica, DENSO, Expliseat, GKN Aerospace, Honeywell Aerospace, Astronics, Michelin, SKF, Saint-Gobain Aerospace, and Magnaghi Aeronautica.

Our History

Lilium was co-founded in 2015 by four founders with complementary talents, all of whom are graduates from the Technical University of Munich: Daniel Wiegand, Sebastian Born, Dr. Patrick Nathen and Matthias Meiner.

The four co-founders started working together in 2014 and founded Lilium in 2015. From 2015 to today, Lilium has produced multiple generations of technology demonstrators through which we have tested and refined the core technology subsystems for the Lilium Jet:

- **‘Falcon’**: a sub-scale technology demonstrator, which had its unmanned maiden flight in 2015; the first technology demonstrator with 36 engines, which also provided the first validation of the DEVT technology.
- **‘Dragon’**: a sub-scale technology demonstrator, fully 3D printed, which had its unmanned maiden flight in 2016 and served primarily to test the flight control software.
- **‘Eagle’**: the first full scale DEVT-based eVTOL technology demonstrator with space for two seats, which had its unmanned maiden flight in December 2016.
- **‘Phoenix’**: development started in late 2017, the Phoenix is a full-scale technology demonstrator representing an original 5-seater aircraft and is representative of the flight physics and technology of the Lilium Jet. See “— *Our Lilium Jet*” for more information about the Phoenix demonstrators.

In 2018, our application for Type Certification of the serial aircraft was accepted by EASA and the FAA, and we subsequently started the development program for our serial aircraft based on the technologies developed and refined over the previous generation of aircraft demonstrators.

The first manned flight test of the Lilium Jet is targeted to occur in late 2024 with the Lilium Jet targeted to enter service in 2026 after the Type Certification is obtained.

Our Lilium Jet

The Lilium Jet is designed to meet the requirements of high-speed regional air mobility. We have developed a next-generation aircraft architecture based on the combination of DEVT with a fixed-wing aircraft configuration. Our unmanned technology demonstrators, Phoenix 2 and 3, have performed a significant number of aircraft tests, which demonstrate the performance benefits of our DEVT technology. The Lilium Jet will be a piloted aircraft designed from the ground up using the same underlying technologies as the Phoenix demonstrator and optimized for speed, range, passenger comfort, low noise, safety, zero operating emissions and simplicity. Due to the architectural resemblance, we believe many performance parameters of the serial, conforming aircraft can be predicted from the Phoenix demonstrators. We are designing the Lilium Jet in accordance with the strictest aerospace standards and guidelines established by the relevant regulatory authorities and consistent with leading original equipment manufacturers’ (“OEMs”) commercial aerospace programs. The cabin configuration we launch at entry-into-service will be determined by final customer needs, regulatory requirements and the performance characteristics of the certified aircraft. However, we expect our aircraft architecture will ultimately allow for: (i) a premium four-passenger “club cabin” configuration, (ii) a six-passenger shuttle cabin configuration, (iii) an air ambulance configuration, and (iv) a cargo cabin configuration.

In the second quarter of 2022, Phoenix 2 achieved an industry first for an electric jet aircraft, performing full transition from hover to wing-borne flight on both the main and canard wings at an airspeed of approximately 100 kts at our test facility in Atlas, Spain. Transition represents the technically challenging phase for eVTOL aircraft between powered vertical lift and the highly efficient wing-borne lift. In December 2022, Phoenix 2 achieved a new top speed of 222 kilometers per hour, performing transition in straight and level flight conditions. In March 2023, Phoenix 2 reached its intended maximum cruise speed of 136 knots (250 kilometers per hour) during a test flight. An additional demonstrator aircraft, Phoenix 3, arrived at our test facility in Atlas, Spain and began supporting flight testing activities in the second quarter of 2023.

Based on current development status, we are targeting for the Lilium Jet to achieve a cruise speed of 250 kilometers per hour (assuming flight at 10,000 feet), a physical aircraft range of 250 kilometers (including reserves) and an operating range at full payload (excluding reserves) of 175 kilometers. We expect this range could continue to improve as battery performance improves over time, and based on our current estimates and analyses, we project that the operating range of the Lilium Jet could increase to 275 kilometers by 2030, 400 kilometers by 2035 and 480 kilometers by 2040.

Our ultimate goal is to achieve annual production capacity of up to approximately 400 Lilium Jets at our headquarters facility. To keep the initial investment low and production flexible, we plan to use a balanced approach of adequate automation and manual assembly for high volume operations and aircraft production. This includes employing a digital planning and execution approach throughout the internal production lifecycle, utilizing, to the highest extent where possible, electric-powered machinery and equipment.

In December 2022, we launched the Lilium Pioneer Edition Jet for sale to private individuals. This limited edition comes with a compelling service, support and training package, as well as customizable options for the cabin configuration and exclusive fabrics, materials, and external livery. The Lilium Pioneer Edition is limited to a total of 50 aircraft with targeted pre-delivery payments of at least 50% of the purchase price prior to delivery. At the end of February 2024, Lilium has signed: (a) binding contracts reserving production slots for 21 Lilium Pioneer Edition Jets, with all such contracts providing for pre-delivery payments; (b) binding purchase contracts for the sale of 15 Lilium Pioneer Edition Jets, with all such contracts providing for pre-delivery payments; and (c) binding contracts providing for the option to reserve further production slots for up to six Lilium Pioneer Edition Jets, with all such contracts providing for pre-delivery payments. See “—Commercial and Business Operations—Strategic Commercial Collaborations” for more information.

Aircraft Architecture & Engines

The jet architecture is based on a canard aircraft concept in which 30 electric ducted fans are distributed and embedded in the rear of four fixed wings (two canards (front) and two main wings). The propulsion system is based on electric ducted fans with a standard single compressor stage, which provides a significant efficiency advantage over open rotor propulsion by reducing blade tip losses, guiding the flow more effectively and removing nozzle exit swirl due to an installed stator. A ducted fan requires a roughly 10 – 15 times smaller surface area to lift the same weight as an open propeller system (i.e., the footprint of such a configuration is smaller for the same weight of aircraft). As a result, the Lilium Jet architecture allows us to build larger aircraft with more payload than open propeller systems (for a given ground footprint and noise level), which in turn should drive higher unit economics per jet within the same infrastructure. This ability to scale is not possible with open rotors aircraft, since increasing payload translates into either significant and non-mitigatable noise challenges or increased rotor area and overall span, thus exceeding standard helipads.

The Lilium Jet is a fixed wing aircraft, which makes it efficient in cruise flight, similar to commercial airliners. The two main wings, two fixed canard (front wings) and the aerodynamic design of the fuselage contribute significantly to the overall cruise efficiency, providing all the lift to support the weight of the aircraft during horizontal cruise flight. Since the small-sized engines will be embedded into the wings of the aircraft, the wetted area is significantly reduced, which decreases drag further during cruise flight. Subsequently, the power consumption in cruise flight is projected to be around only 10% of the hover flight power consumption.

The Lilium Jet is expected to consume more energy in low speed flight than in a cruise flight. However, we estimate that the associated increase in energy consumption in low speed flight would generally only be a fraction of the overall mission energy budget for regional service. We aim for less than 60 seconds per mission in the low speed flight phase, and our cruise time is anticipated to be approximately 30 minutes for a flight distance of 175 kilometers.

The Lilium Jet design also features a traditional landing gear, giving pilots a backup option of a short running landing, alongside the standard vertical landing. Under our anticipated aircraft operational regulations, at any point prior to starting a vertical landing, the Lilium Jet will have sufficient energy reserves to divert to an alternate landing site and perform a very short running landing. The much lower power demand of this running landing allows more cell energy to be accessed than would otherwise be possible with the higher power vertical landing. We believe integrating forward landing capability will also give our customers additional reassurance of safety, flexibility and operating range.

The Lilium Jet has an intrinsically simple design. With 30 single-stage electric engines (nine on each of the main wings and six on each of the forward canard wings) providing vectored thrust for controlled flight throughout the mission envelope, aerodynamic control surfaces, such as rudders, flaps, spoilers, airbrakes, or ailerons, are obsolete. Our Lilium Jet also eliminates the variable blade pitch, oil circuits for hydraulics and gearboxes found on a traditional aircraft or helicopters. These design improvements make the Lilium Jet simpler and faster to design, and the Lilium Jet’s fewer parts will translate to higher reliability, less maintenance and lower operating costs.

The key to obtaining a quiet aircraft is the propulsion system. We currently estimate that the Lilium Jet will have low take-off noise, while effectively being inaudible from the ground during cruise flight. The ducts themselves contain the noise naturally and avoid propagation in the far field, compared to the spherical propagation of open rotors. The noise level will be reduced further in the ducts by making use of acoustic liners, which absorb the noise specifically generated by the fan's blades.

Another area of innovation in our engines is a light pivoting mechanism with custom actuator and variable nozzle coupled to the engine angle. This enables optimal engine efficiency in cruise flight and hover flight.

Battery System

The battery system is an important component of the Lilium Jet.

Due to rapid improvements in energy density levels of battery cells, estimated by Roland Berger as increasing approximately 7% per year, the era of electric aviation is possible today. Amongst others, the battery system must fulfill several key requirements:

- it should adhere to applicable safety standards;
- it must supply high energy density levels in order to achieve the required range;
- it must supply the high-power density required for vertical take-off and landing phases;
- it should be able to be manufactured at a scale and a cost that is aligned with our business objectives;
- it should have fast charging capabilities to enable quick turnaround and high infrastructure throughput; and
- it should have a long lifetime or cycle life.

The Lilium Jet's engines are designed to be powered by a proprietary battery system, which is being developed by us in collaboration with third parties based on large format lithium-ion pouch batteries. We have selected a battery cell chemistry based on a silicon-dominant anode combined with conventional NMC (Nickel, Manganese and Cobalt) cathodes and electrolytes. We believe this combination offers the best compromise of energy and power density at a low state of charge ("SoC," the level of an electric battery's charge relative to its capacity), which determines the effective usable battery capacity. The majority of battery cell production steps should be on standard lithium-ion pouch cell production lines. We have invested in Ionblox, Inc. (formerly Zenlabs Energy, Inc.), a leading battery technology supplier, for this chemistry, exclusive to Lilium for use in regional commercial eVTOL applications for ranges of more than approximately 31 miles until 2027, and have partnerships with CUSTOMCELLS and InoBat to industrialize and produce the battery cells for Lilium.

External testing data and in-house measurements of the pouch cells have yielded density levels that we project to enable the intended operating aircraft range of up to 175 kilometers (our maximum target at entry into service). This prediction is based on our testing and simulation of engine efficiency as well as on well-known and standard prediction methods for aircraft design for batteries, engines, motors and other components of the aircraft. We anticipate energy density levels and power levels at low SoC to further improve, which will improve the operating range of our Lilium Jet as these improvements occur.

We anticipate that the battery should provide a sufficient cycle life. We are continuing to test and optimize the cycle life of the prototype cell being designed for the Lilium Jet with such full-size prototype battery cells having demonstrated 88% capacity retention after 800 cycles with 100% depth of charge and discharge (1C/1C cycles) in strenuous cycle life tests carried out by a third-party independent laboratory. Cost is another key factor within the operating economics of our Lilium Jet. In terms of technology and production, our cells will be produced at a premium over automotive batteries in order to meet our stricter aerospace safety and performance requirements.

We are targeting a battery system to be capable of fast charge, which is key to enable smooth operations and quick turnarounds. We are working with leading suppliers for charging technology, such as Star Charge, using equipment based on established chargers initially developed for the electric car and trucking industry. We intend to adopt the Combined Charging System (“CCS”) standard, a direct current charging connector used for rapid charging, for charging the Lilium Jet, which appears to also have been adopted by multiple leading eVTOL OEMs. We expect this will allow for interoperability of the Lilium Jet with industry standard chargers. In September 2023, the General Aviation Manufacturers Association published a report noting that shared, standardized charging infrastructure offers numerous benefits over multiple proprietary protocols developed by OEMs.

We have partnered with Star Charge, a global leader in electric vehicle charging infrastructure and microgrid solutions, to develop, customize, and provide charging systems for our Lilium Jets. Star Charge’s fast-charging system will be fully compatible with the Lilium Jet and other eVTOLs compatible with CCS. By using Star Charge’s CCS chargers, Lilium expects to reduce charging times significantly, in comparison to other chargers without liquid cooled charging cables. We expect reduced charging times will support reduced turnaround times between flights and provide higher utilization of the Lilium Jet.

Our battery system design consists of multiple independent packs each built up of multiple modules, creating significant redundancy across the energy system as a whole. We are designing the battery casing to protect against the effects of multiple-cell thermal runaway. When thermal runaway occurs in a module, it needs to be contained within the module, with the remaining modules and packs remaining unaffected to supply enough power and energy for continuous safe flight and landing. We have successfully validated a battery system in the Phoenix technology demonstrator, incorporating many of the technologies of our envisioned series solution. We continue to conduct technology development and demonstrations to determine the most appropriate technology for the Lilium Jet. The challenges and risks intrinsic in refining our battery system may take longer or be more difficult or costly than we anticipate. The full battery and energy management system will be certified as a part of the aircraft certification process and will undergo rigorous testing to prove compliance with the requirements set by the authorities. We are developing the battery pack design and energy management in-house as part of our core technology, while we work with third parties on the design of the battery cells and some components of the energy management system.

Flight Physics and Flight Control Systems

The Lilium Jet’s 30 engines are mounted on individually controllable flaps. The flaps are not only used for lift generation during vertical take-off and landing, and thrust generation in cruise, but also to control each axis of the jet via thrust vectoring throughout the entire flight. The flaps make the flight control system efficient and, due to the amount of thrust required for vertical take-off, leads to high control authority for all the different flight phases. The flaps, which only receive two signals (engine speed and flap angle), are the only actuators required by the flight control system and therefore avoid traditional control surfaces like ailerons, elevators or rudders. For vertical take-off and landing, the flaps are all pointed downwards in a vertical position and after approximately ten seconds of hover flight, when the jet reaches the initial altitude, they slowly transition into a horizontal position and thereby accelerate the aircraft forward. In cruise flight, all the aerodynamic lift is generated by the standard lifting surfaces (i.e., the wings, including the flaps) and the main body. During landing, the flaps transition back into the vertical position.

Having a high number of independent flaps makes the flight control system highly redundant. If a flap fails, the flight control system’s health monitoring detects the failed flap and redistributes the thrust to stabilize the jet, avoiding large altitude or angle transients. Another advantage of the design is that air is drawn in over the wing, creating a “high lift” system at low speeds, so that the jet can be efficiently controlled at low forward speeds required for final approaches and with less than half of the power consumption expected to be required in hover flight.

We have designed in-house all the core elements of our flight control system, the flight control laws and redundancy management algorithms. We have developed and tested the flight control software on the flight dynamics model in simulations, allowing us to predict and tune how the jet will behave in flight test. This simulation-based development approach, including our flight dynamics model, also called a “Digital Twin” of our aircraft, incorporates the full aerodynamic data bank, the engine deck, battery and power models and dynamic models for all actuators and sensors. The “Digital Twin” allows us to assess the jet’s performance long before flight testing, which enables us to make critical decisions within days compared to weeks of real-life testing.

The “Digital Twin” flight dynamics model is also used in a series of in-house-developed simulators. Some of these simulators feature a virtual and mixed reality interface, which are head mounted displays, that are used for pilot assessments on handling qualities, cockpit layout or procedures.

In addition to simulations on the “Digital Twin,” we are running extensive test campaigns on our Phoenix technology demonstrators as well as wind tunnel tests, the results of which will be correlated into our simulation models.

Other simulators are used for remote pilot training as part of the flight testing for our Phoenix technology demonstrators.

In September 2022, we announced that we achieved full transition from hover to wing-borne flight on both the main and canard wings. Transition represents the important, and technically challenging, phase between vertical lift and the highly efficient wing-borne lift. Transition happened precisely where our flight physics computer models predicted it would. We have developed our aircraft using sophisticated computer models to predict the behavior of the aircraft through each critical phase and under various failure scenarios. These models allowed us to develop and evaluate the Lilium Jet’s unique architecture much faster and with greater confidence than traditional techniques would permit.

We have also developed and are continuously improving an integrated software development and verification framework that fully utilizes automation and enables the execution of full-code-coverage software testing in a short time. The software lifecycle process supported by this framework is subject to EASA audits and will be fully DO-178C compliant, to enable the development of safety critical DAL-A flight software.

We consider our flight dynamics model and simulators, as well as our software development framework, to be important trade secrets given the high degree of proprietary knowledge that has been generated over the past five years and specifically tailored for our Lilium Jet configuration.

Safety and Performance

The safety, performance and reliability of our Lilium Jets, as well as the credibility of the eVTOL industry generally, will be key factors in achieving customer acceptance of RAM.

We design all systems in accordance with the EASA certification requirements, which demand an aircraft-level safety standard of not more than 10E-9 failure conditions with catastrophic effect per flight hour. The EASA certification requirements presently represent the highest safety objectives globally for eVTOL aircraft. This corresponds to a maximum of one failure condition with catastrophic effect within every one billion flight hours, which is the same safety level applied to large commercial jets such as the Boeing 777 or the Airbus A350. Similar to airliners, the Lilium Jet is also designed against the criterion of “no single failure resulting in catastrophic effect,” a standard that is typically not applicable to traditional VTOL aircraft such as helicopters. We verify all safety measures in accordance with the means of compliance agreed with the regulating authorities.

We plan to achieve our safety standards in many cases through systems redundancy. For example, the Lilium Jet can lose two battery packs or multiple engines and still implement a vertical landing because the Lilium Jet will have multiple redundant battery packs that work in parallel to supply the required power, as well as 30 independent ducted fan engines. The engines can contain blade-loss and other rotor failures within the engine ducts without damaging parts of the airframe. All avionics, engine controllers, battery management and other complex electronics are based on dissimilar and redundant architectures.

The aircraft will be initially certified for Visual Flight Rule conditions, which means that a pilot operates an aircraft in weather conditions generally clear enough to allow the pilot to see where the aircraft is going. We intend to apply to extend our certification to Instrument Flight Rules all-weather capabilities soon after launch, although no assurances can be given as to timing.

Description of our Proprietary Technology and Intellectual Property

Our success depends in part upon our ability to secure and protect our core technology and intellectual property. To establish and protect our proprietary rights, we rely on a combination of intellectual property rights (patents, trademarks, copyrights and trade secrets, including know-how and expertise) and contracts (license agreements, confidentiality and non-disclosure agreements with third parties, employee and contractor disclosure and invention assignment agreements, and other similar contractual rights). We control access to and use of our proprietary technology and other confidential information through various means, including physical access control systems, network security and contractual protections with employees, contractors and partners. We also attempt to mitigate the risk of intellectual property conflicts by regularly assessing and avoiding any overlap of our innovative aircraft concepts, technology and components with third party patents and other proprietary assets.

Patent filings across our portfolio are intended to protect key inventions in the Lilium Jet and its sub-systems. Our patents and patent applications cover essential differentiated technology innovations, such as the aircraft's general architecture, propulsion system, energy storage and management system, aerostructures and flight control systems.

We have two granted patents in the U.S. and two granted patents in Germany covering the multi-wing aircraft architecture engine arrangement. Further, to protect the appearance of the Lilium Jet, we registered two sets of design patents.

As of the end of February 2024, we have been granted 19 patents by the European Patent Office (the "EPO"), German Patent and Trademark Office ("DPMA") and United States Patent and Trademark Office ("USPTO") protecting among others our unique energy managements system and power architecture. Also, as of the end of February 2024, we have filed a total of 106 patent families (first filings). To help secure and protect our core technology and intellectual property globally, we file many of these patent applications in other jurisdictions, such as the U.S., China, Brazil, India, Republic of Korea, and Japan. In total, as of the end of February 2024, we have filed 285 patent applications of which 188 have been published.

We regularly review our development efforts to assess the existence and patentability of new inventions, and we plan to file additional patent applications when we determine it would benefit our business to do so.

Research and Development

Our research and development expenses for the years ended December 31, 2022 and 2023 were €175.6 million and €183.8 million, respectively. Our research and development expenses represented a significant percentage of our operating expenses for the years ended December 31, 2022 and 2023, none of which have been capitalized. For more information about our research and development expenses and our capital expenditures over the past two years as well as how we intend to finance our research and development expenses and our capital expenditures, see "*Item 5. Operating and Financial Review and Prospects.*"

Aircraft Program

Our serial aircraft certification application was accepted by EASA and the FAA in 2018. From 2019, following publication by EASA of the design requirements we must satisfy (as further discussed below under "*— Regulation — Aircraft Certification*"), we had sufficient clarity on the eventual certification requirements to move ahead with our serial aircraft development program.

Our development program follows the rigorous, industry-standard process with maturity gates in each phase following a typical "V-model" Validation and Verification process. This industry-standard process means that requirements are validated down to the jet's component levels. Then, through the design, build and test phases, our final product is verified with a program of analysis, ground and flight testing, pre-agreed with our EASA and FAA regulators to ensure that these requirements have been satisfied and can be demonstrated to the regulators' satisfaction. Our program builds upon the extensive technology development work undertaken since 2015, including several generations of demonstrator aircraft and related flight testing.

We invested significant focus and efforts into the preliminary design phase, based upon the intended aircraft architecture and design, to mature the technology through extensive testing and prototyping. We performed a rigorous PDR and started releasing design data to our aerospace supply chain in 2022. PDR consisted of a comprehensive series of technical reviews to assess whether the aircraft architecture would meet airworthiness requirements, deliver the performance requirements assumed in the business case and be produced at the appropriate quality levels and rates. Completion of the PDR gives the green light for engineering to finalize detailed designs and for procurement to ramp up supplier contracting and launch design and development work in the supply chain. We plan to leverage our supply chain's capabilities both for the development program and to facilitate a rapid transition into volume production once we have received Type Certification. We are also working to confirm the airworthiness demonstration requirements (Means of Compliance and Certification Plans) to be agreed with the airworthiness authorities (e.g., EASA), which will help us to de-risk our program up-front.

We commenced CDR in 2023 and will continue to evaluate our overall program and launch timeline. Going from PDR to CDR means developing further the detailed design ahead of first production of the Lilium Jet, making key detailed technical trade-off decisions and understanding how these will impact the key attributes of the aircraft program, such as schedule, 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.

Commercial and Business Operations

Pricing

We currently estimate that the first generation Lilium Jet will have a list price of approximately €10 million in the case of private sales (inclusive of expected aftermarket services and maintenance plans) and approximately €7 million in the case of fleet sales. "List price" is not indicative of sales price, and actual sales prices are based on future economic, competitive, regulatory and other considerations, many of which are beyond our control.

Pricing of the aircraft for our Turnkey Enterprise solution and Private and Fractional Sales customers will be negotiated on a per deal basis and is expected to consist of a combination of the upfront sale of the aircraft and packaged aftermarket services and maintenance plans. We are also offering our fleet customers aftermarket service and maintenance plans that include Lilium Jet parts and materials, maintenance and labor services, as well as in-service support. Please see "*—Aftermarket Services and Maintenance Plans*" below.

We believe we will be able to achieve a competitive price when compared to sales of similar sized aircraft, given our expected performance and its emission-free operations.

Vertiports

We intend to work with infrastructure developers and operators to build and operate Vertiports for the Lilium Jet. In Florida, our target is for the development of a Vertiport network across the major urban centers in southern and central Florida. All our networks are intended to be built around the principle of working with other companies that will develop, own and operate the infrastructure. Our business model contemplates that we will work with infrastructure developers to establish new Vertiports or retrofit existing aerodromes to be fit-for-purpose, in which Lilium Jet operators plan to reimburse them for the development costs through a combination of lease payments and activity-based fees. We anticipate that some of the Vertiports in our proposed network may be exclusive to the Lilium Jet or operators of the Lilium Jet, while others will be utilized by various eVTOL and helicopter models. When our partners develop Vertiports, they work with: (a) landowners, who can provide access to buildings (such as parking garages, vacant lots and commercial loading depots); (b) infrastructure developers, who will provide financing, permits and build the infrastructure; and (c) ground service providers, who will work with their team to operate the facilities and ensure the safe and comfortable operation of Lilium Jets including the rapid turnaround of passenger and goods services.

We share the Lilium Jet's specifications with airport operators and vertiport developers to continually collaborate with and advocate for these Vertiports to be tailored to environments and specification suitable for the Lilium Jet.

Florida Network

Based on our understanding of where we believe the Lilium Jet will provide the most benefit for our intended customers, we determined that laying the groundwork for a Florida Network would help increase sales of the Lilium Jet.

In November 2020, we signed an agreement with infrastructure development company Tavistock Acquisitions, LLC (“Tavistock”), to build a Vertiport in Tavistock’s upscale mixed-use community of Lake Nona, Florida which is part of the Orlando International Airport (“MCO”) Aerotropolis, and a short distance from Orlando’s many attractions, including Walt Disney World and Universal Orlando Resort. We have continued to engage with the MCO, Tavistock and the City of Orlando. As the partners engaged in the work to bring the first full-scale eVTOL vertiport to fruition, all parties agreed that the best location would be a vertiport on MCO’s airport property. In February 2024, Lilium announced its designation of the future MCO vertiport as a network hub for Lilium Jet operators in central Florida. MCO remains more advanced in their planning for eVTOL operations than any other U.S. major hub airport.

We believe that the building and operating of Vertiports near popular destinations will allow for the establishment eVTOL services between the cities of Tampa, St. Petersburg and the Space Coast. The MCO Vertiport is intended to be one of the first in a network of Vertiports connecting popular destinations and airports throughout Florida.

We have entered into an agreement with global infrastructure developer and operator Ferrovial setting out a framework to build a network of Vertiports across Florida, enabling a rollout of high-speed RAM. Furthermore, with Ferrovial conducting ground operations at these sites, we would have an operations leader with significant experience in aviation operations, with more than 20 years investing, developing and operating in the airport sector, including managing airports such as Heathrow in London. In late 2021, Palm Beach County approved the lease agreement for a Vertiport to be built by Ferrovial at Palm Beach International Airport for the use of operators of the Lilium Jet. Ferrovial continues to sign leases for vertiport development across the state of Florida in effort to ensure infrastructure readiness for the Lilium Jet.

UrbanV Vertiports

In June 2023, we announced a partnership with UrbanV, a leader in vertiport design and management, for the development of Vertiport infrastructure. The partnership will enable eVTOL networks for the Lilium Jet with an initial focus on Italy and the French Riviera, where UrbanV expects to launch its operations, with potential for further markets in the future. Such infrastructure is meant to enable the first eVTOL routes. We expect to benefit from UrbanV’s strong foothold and key airport access across Italy and the French Riviera.

Further Global Vertiport Opportunities

We are continuously working with airport operators and vertiport developers to conduct scoping studies and exploring the business case for building Vertiports globally, focusing on regions where we believe eVTOL adoption will be prevalent.

Vendors and Suppliers

We focus our in-house production on our core technologies, final aircraft assembly and testing. We are collaborating with leading, aerospace-approved Tier 1 suppliers for the majority of the remaining aircraft components and parts. “Tier 1 suppliers” are typically manufacturers of major components or systems that receive parts or subassemblies from the Tier 2 supply chain and then directly provide those parts to OEMs. Most of our Tier 1 suppliers are themselves approved by the regulatory authorities to manufacture critical components and are important participants within the aerospace industry supply chain.

We have signed supply agreements with several Tier 1 aerospace companies for aircraft parts, including for the avionics and flight control system, propulsion systems, inceptors, the electrical wiring and interconnect system, energy management system, seats and interiors as well the landing gear. We intend to work with established, Tier 1 companies to ensure that proper aerospace grade quality systems are established. In particular, we have signed supply agreements with: (a) Toray Industries, the world's leading manufacturer of carbon fiber, for the supply of higher performance carbon fiber composite; (b) Aciturri Aeronáutica, a leading global manufacturer of aerostructures and aero engine components, to build the airframe of the Lilium Jet; and (c) Honeywell Aerospace, a leading technology company providing aerospace products and services, for the development, design and manufacture of our avionics system. Additionally, we have a partnership with Honeywell Aerospace and DENSO to co-develop and manufacture the electric motor for our Lilium Jet and also selected Aernnova to collaborate on and supply components for the structures supporting the Lilium Jet's propulsion system.

In 2023, more key partners joined our aircraft program, including an agreement with DENSO for technical assistance in optimizing production at scale of the Lilium Jet's revolutionary electric engine, and an agreement with Michelin for the design, serial production and support of the Lilium Jet's tires. In total, we have now selected or contracted approximately 97% of the total expected aircraft bill of material cost. In 2024, we will continue to integrate new suppliers, while maintaining the requisite flexibility for further supply and cost optimization. The remaining components will be contracted progressively as required for our program (e.g., standards parts that can be sourced later).

For the battery cells to be used in the Lilium Jet, in July 2021, we signed an agreement with CUSTOMCELLS to manufacture lithium-ion battery cell at scale for the Lilium Jet. Utilizing Lilium's licensed technology, we expect CUSTOMCELLS to industrialize battery cells for high-quality series production at its Tübingen, Germany location. In 2023, we expanded our existing partnership with InoBat (supported by InoBat's investor and partner Gotion High-Tech) and expect production of battery cells for the Lilium Jet to commence at its plants in Voderady, Slovakia, in 2024.

We have an agreement with Palantir Technologies, Inc. for a Palantir Foundry cloud subscription that provides advanced data analytics capability, including support services, updates and related professional services.

Strategic Commercial Collaborations

As of the date of this Annual Report, Lilium had an order pipeline consisting of 42 binding orders (consisting of sales agreements, production slot reservations, and options for production slot reservations) in addition to potential sales of up to 690 Lilium Jets in the U.S., U.K., Brazil, Spain, France, Italy, Benelux, Norway, the Kingdom of Saudi Arabia, Cyprus, Israel and the UAE.

In 2023, we entered into dealership agreements regarding prospective sales of Lilium Jets by authorized dealers in certain markets, including with ArcosJet DMCC (regarding private sales in the UAE, Israel and Cyprus) and EMCJET (regarding private sales in the U.S.).

On July 31, 2021, we executed a term sheet in which we agreed to enter into negotiations with Azul to establish a strategic collaboration whereby Azul is expected to commit to purchase 220 Lilium Jets for an aggregate value of up to \$1.0 billion, subject to completion of aircraft certification activities and receipt of any required regulatory approvals. As part of the anticipated agreement, we would provide an aircraft health monitoring platform to assist in the maintenance of the Lilium Jets sold to Azul, and Azul would operate the Lilium Jets; in addition, Azul would assist us in pursuing type certification of the Lilium Jet in Brazil and by marketing the service in Brazil, subject to obtaining the requisite type certification for the Lilium Jet from the applicable regulatory authorities. Both parties would also support the setup of a local Vertiport network in Brazil. The parties have further agreed to work with one another with respect to the establishment of eVTOL products or services in Brazil until the earlier of the execution and delivery of definitive agreements or the expiration of the term sheet, subject to earlier termination for certain non-performance events. Further, we granted Azul a limited right of first refusal on any firm offer Lilium receives from private operators to purchase Lilium products or services in Brazil.

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In consideration of the strategic commercial collaboration, on October 22, 2021, we issued fully vested Azul Warrants to purchase 1,800,000 Class A Shares at an exercise price of €0.12 per share, and we agreed, subject to the execution of definitive agreements for the strategic commercial collaboration, to issue Azul warrants to purchase up to an additional 6,200,000 Class A Shares at an exercise price of €0.12 per share, which, upon issuance, would vest in three tranches. We entered into a registration rights agreement with Azul pursuant to which we registered the future resale of the 1,800,000 Class A Shares issuable upon exercise of the Azul Warrants and agreed to register the future resale of the 6,200,000 Class A Shares issuable upon the exercise of any of such warrants issued to Azul in the future.

Completion of the strategic collaboration and the final commercial terms thereof are subject to further negotiation and execution of definitive agreements, and the operation of a joint eVTOL service in Brazil is subject to obtaining the requisite type certification for the Lilium Jet. In January 2023, Azul and Lilium agreed to extend the period in which the definitive agreements are to be finalized by one year and in December 2023 agreed to further extend the period by an additional six months. There can be no assurance that definitive agreements for the contemplated strategic collaboration with Azul will be entered into on the anticipated timeline or at all or that the final commercial terms for the proposed collaboration with Azul will not differ, including materially, from the terms currently contemplated by the parties.

Lilium has also entered into a non-binding MOU with NetJets, the world's largest private aviation company. Pursuant to the MOU, we expect to work with NetJets to expand our product and commercial offerings. The proposed intent of the parties in the MOU is for NetJets to have the right to order up to 150 Lilium Jets for its fractional ownership program in the U.S. and Europe. Furthermore, NetJets would prospectively support Lilium Jet sales to private individuals whose aircraft would then be managed by NetJets or its affiliates. The proposed arrangement with NetJets remains subject to the parties negotiating final commercial terms and entering into definitive agreements for the contemplated arrangements. Furthermore, Lilium has also entered into an agreement with NetJets' affiliate FlightSafety International Inc. ("FSI") to provide products and services, such as courseware, immersive and mixed reality training devices, and crew training to support Lilium Jet operations.

Also in 2022, U.S.-based operator, Bristow Group Inc., selected the Lilium Jet to develop its eVTOL business line, obtaining rights to order up to 50 Lilium Jets. Bristow also intends to cooperate on maintenance for the Lilium Florida network. In addition, Lilium signed MOU agreements with AAP in Scandinavia, covering up to 40 Lilium Jets, with the ASL Group in the Benelux, for up to six Lilium Jets, and Helicity Copter Airlines in Southern Spain, for up to five Lilium Jets. GlobeAir, an innovative business jet operator based in Austria, signed a memorandum of understanding ("MOU") with Lilium with the intention to purchase 12 aircraft to operate in Northern Italy and the French Riviera.

In October 2022, we entered into an MOU with SAUDIA, the national flag carrier of Saudi Arabia, which contemplates the purchase of up to 100 Lilium Jets alongside yearly support services and the proposed development of an eVTOL network across Saudi Arabia. The proposed arrangement between SAUDIA and Lilium is subject to the parties completing a feasibility assessment, agreeing to commercial terms and entering into definitive agreements with respect thereto and satisfaction of certain conditions.

In December 2022, we launched the Lilium Pioneer Edition Jet for sale to private individuals. In conjunction with the launch of the Pioneer Edition, we signed a binding contract with eVolare, a subsidiary of Volare Aviation, one of the United Kingdom's largest helicopter and private jet operators, for the sale of Lilium Pioneer Edition Jets in the U.K. With its base in Oxford, U.K., eVolare opens access to prime locations around the U.K. including London. In February 2024, we extended our partnership with eVolare and entered into sale and purchase agreements for the purchase of four Lilium Pioneer Edition Jets with pre-delivery payments and expected deliveries starting in 2026 and for the commitment to constructing vertiports at priority sites in and around London. Additionally, in 2023, we entered into binding contracts with ArcosJet for the purchase of ten Lilium Pioneer Edition Jets and with EMCJET for the reservation of the production slots for five Lilium Pioneer Edition Jets, with pre-delivery payments and expected deliveries starting in 2026.

In December 2023, we signed an MOU with the Lufthansa Group to explore a strategic partnership on eVTOL aircraft operations in Europe, including identifying innovation opportunities in aviation, discussing areas such as ground and flight operations, future aircraft maintenance, as well as crewing and flight training. In a possible strategic partnership, both companies also want to analyze the opportunities for collaboration with third parties like airports and regional partners, for instance on the advancement of infrastructure such as vertiports, airspace integration and the definition of required operation processes.

In January 2024, we announced a strategic collaboration with airport operator Fraport to explore required planning and approval steps for state-of-the-art infrastructure for the implementation of commercial eVTOL operations at airports. The partnership will start by preparing Germany and the industry for the introduction of regional electric air mobility through working with industry groups and the German government to jointly discuss and accelerate necessary regulatory work. Fraport and Lilium plan to analyze future mobility concepts for Vertiport networks that are suitable for electric aircraft. Fraport and Lilium will also examine how future Vertiport concepts for this type of mobility could look, especially at and around airports. The Fraport partnership will complement Lilium's existing partnerships at airports across Germany including the airports of Stuttgart, Munich, Nuremberg, Cologne-Bonn and Düsseldorf.

Aftermarket Services and Maintenance Plans

We have recently introduced the eVTOL industry's first customer service organization, named "Lilium POWER-ON." Our customer service organization is intended to offer operators of the Lilium Jet the full aircraft manufacturer services portfolio, including training services, maintenance operations, material management and global distribution, flight operations support, ground service equipment, and digital solutions. Our success depends, in part, upon our ability to service and maintain the global fleet of Lilium Jets. We expect to rely on a combination of utilizing aftermarket material sales and service providers plus service offerings we will develop in-house. With our planned network of exclusive training, material distribution service providers, authorized service centers, and licensed ground support equipment providers, we intend to control access to and use of our proprietary technology, thereby helping to insulate our company from unauthorized aftermarket competition. As the Lilium Jet enters into service and the global fleet size grows, we expect material profit contribution in recurring revenue from our aftermarket services business. We estimate the services market for the Lilium Jet will reach at least \$5 billion by 2035.

To support our aftermarket services, we signed an agreement with AJW Group, an independent aircraft component parts, repair, and supply chain solutions provider, to develop global material services and distribution to support the Lilium Jet's global aircraft operations and our aftermarket services business. The agreement provides that AJW Group will manage our eVTOL spares inventory, serving as the exclusive parts distributor for our worldwide customers, and provide warehouse and logistics services, repair and asset management.

We also have agreements with ground support equipment suppliers whose equipment is designed to perform maintenance, ground operations, towing, charging (i.e., Star Charge), and other necessary activities.

We intend to work with authorized aviation maintenance, repair and overhaul service providers ("MROs") to service and support the Lilium Jet. MROs provide the necessary repair, service, or inspection of an aircraft or aircraft component to ensure the safety and airworthiness of aircrafts. Our business model contemplates that we will authorize and license these MROs to establish support networks to adequately cover all operating regions of the Lilium Jet. We anticipate that some of the MROs in our planned network may be exclusive to the Lilium Jet, or they may be operators of the Lilium Jet who have fleets large enough to support the investment needed to provide in-house services and support for that operator's Lilium Jets.

We are internally developing the customer support and engineering solutions services to provide helpdesk, customer portal, account management and technical publications support for operators of the Lilium Jet. Additionally, we expect to offer flight hour rate service contracts to cover the costs of maintenance and repair of covered systems (e.g., energy system and other rotables), and fee-based in-house digital solutions for aircraft health management.

We are continuously working with aftermarket services and materials organizations to conduct scoping studies and to explore the business case for building a global support network for the Lilium Jet, focusing on regions where we believe eVTOL adoption will be prevalent.

Software

We are targeting to deliver the first Lilium Jets with certain software capabilities, including flight planning, flight data monitoring, and aircraft health management, among other capabilities.

Flight Crew and Maintenance Training

We have entered into a framework services agreements with Lufthansa Aviation Training and FlightSafety International (“FSI”) to develop educational materials to train pilots to operate and mechanics to maintain the Lilium Jet. Under the first phase of the program, we intend to collaborate on the creation of a Lilium-specific type rating training course for qualified commercial pilots that is currently being developed specifically for the Lilium Jet. We intend to design the materials and training to leverage technologies, including mixed and virtual reality, facilitating worldwide deployment of the course. The requirement for regular training to remain up to date on how to operate and maintain the Lilium Jet is an ongoing obligation of any operator or servicer of the Lilium Jet.

Additionally, we intend to partner with flight operations service providers to license the use of our proprietary information for the development of digital flight planning and electronic flight bags for use by pilots of the Lilium Jet.

Regulation

The Lilium Jet and our operations are designed to comply with the regulations, policies, and procedures of the aviation authorities, such as flight operations, crew training, airspace integration and landing site requirements, in jurisdictions where we expect the Lilium Jet to operate. In the first years after the Lilium Jet enters into service and as long as no new or changed relevant regulatory framework becomes applicable, the Lilium Jet is expected to operate under the existing aviation rules.

In August 2023, EASA published a series of proposed rules for the operation of eVTOL aircraft in cities, which was the first comprehensive proposal for such regulations to be issued globally, as well as accompanying acceptable means of compliance (AMCs) and guidance materials (GMs). These rules establish clear requirements for many aspects of eVTOL operation including, for example, energy planning and management, pre-flight planning, flight crew licensing. Lilium has pro-actively contributed to the making of these rules and materials as part of relevant working groups and believes the proposed framework strikes a balance between the high levels of safety while allowing for flexibility for innovative air mobility concepts to efficiently come to market.

In June 2023, the FAA proposed a Special Federal Aviation Regulation (“SFAR”) for pilot certification and operations for eVTOL aircraft, to which Lilium provided comments. It is expected that the SFAR may not be finalized until the end of 2024.

Meanwhile, many countries (e.g. Italy, Germany, the UK, and multiple countries in the Middle East) have started developing strategies and are amending their regulatory frameworks to allow for the introduction and operation of eVTOL in their respective jurisdictions. We continue to interact with and provide input to regulators in those countries to support the process of creating new or amending existing regulations.

Aircraft Certification

We are designing and producing the Lilium Jet to industry aeronautical standards and applicable regulatory requirements. EASA, who is our primary airworthiness authority, has been a pioneer of eVTOL standards, being the first aviation safety agency worldwide to develop and communicate a comprehensive ruleset for eVTOL aircraft. In July 2019, EASA published a novel set of rules for the certification of eVTOL aircraft, “Special Conditions for Small-Category VTOL 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. In August 2023, in Opinion No. 03/2023, EASA announced that SC-VTOL would be extended to maximum certificated take-off mass of 5,700kg or less. We intend that the Lilium Jet will be first certified by EASA under SC-VTOL, which currently represent the highest safety objectives globally for eVTOL aircraft.

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 (examples may, but are not guaranteed to include, certain countries within the Middle East, China, Southeast Asia, and major parts of Central and South America). As a result, we believe that our Lilium Jet will be allowed to operate in any country that recognizes and accepts the EASA regulatory standard, which would potentially enable us near-global market access. While there is no guarantee that regulatory authorities in any other country will accept these standards, airlines regularly rely on bilateral agreements to operate internationally. Further, to help ensure the Lilium Jet will be able to operate in key regions, in 2022, we started concurrent certification of the Lilium Jet through validation with Brazil's National Civil Aviation Agency, and, in 2023, with the United Kingdom's Civil Aviation Authority and the UAE's General Civil Aviation Authority. We have also started discussions with the Kingdom of Saudi Arabia's General Authority of Civil Aviation for certification of the Lilium Jet.

We are also pursuing concurrent certification of the Lilium Jet through validation of the Lilium Jet by the FAA under the provisions of the Bilateral Aviation Safety Agreement between the EU and U.S. ("BASA"). We applied for the Type Certification in 2017 and for concurrent FAA Type Certification validation in 2018 through provisions provided by the BASA. In 2018, both EASA and the FAA accepted our application for certification, and we have been in frequent interaction with both authorities since then. A multitude of general and technical familiarization activities have been performed to engage EASA and the FAA in the development of the Lilium Jet.

EASA certification process

In December 2020, EASA issued the initial Type Certification Basis, CRI A-01 for the Lilium Jet. The CRI A-01 includes EASA's SC-VTOL in addition to a published Special Condition for Electric and Hybrid Propulsion Systems among other applicable airworthiness criteria. The CRI A-01 is the equivalent to the G-1 issue paper from the FAA. 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. Initial aircraft and system certification plans have been released to EASA.

A detailed certification program, including all MoCs, was defined over the course of 2022. In 2024, we will work to agree remaining MoCs and the regulator's level of involvement within our certification activities. The certification program sets the stage for the design and compliance demonstration process. After successful verification by EASA, the Lilium Jet would receive Type Certification in accordance with stated regulatory standards, which certifies compliance to the certification basis for the Lilium Jet.

We also initiated the process to obtain a Design Organization Approval ("DOA") issued by EASA for the design and certification of the Lilium Jet and a Production Organization Approval ("POA") issued by the German Aviation Authority (Luftfahrt-Bundesamt (LBA)) for the Lilium Jet's manufacture.

In 2017, the DOA program was initiated with the Type Certification application. We prepared and submitted all DOA processes for engineering and airworthiness certification to EASA for the initial investigation activity. We started process roll-out, training and proper application in 2020 and performed the first comprehensive set of EASA on-site audits in 2021. In 2022 and 2023, Lilium successfully completed three further DOA audits with EASA that culminated in EASA awarding DOA to Lilium in November 2023. According to our DOA, we are qualified to design and be a type certificate holder for aircraft developed according to the SC-VTOL standard. The DOA will de-risk our Type Certification activities as it supports speeding up type certification process as we have delegated authority for certain certification tasks allowing more independence from EASA resources. Additionally, the DOA will enable us to conform our type conforming prototype aircraft for ground and flight-testing activity. As of the date of this Annual Report, we are the only eVTOL manufacturer globally that is authorized to design and build under the SC-VTOL standard.

The POA program started with the application to the LBA in May 2020. The Production Management System to demonstrate compliance to EASA regulations has been filed with the LBA for review. Fast prototyping capabilities supporting design development, validation and verification are in place. The first audits by the LBA are scheduled to occur in the second half of 2024. We expect to receive our POA concurrently with our Type Certification.

FAA certification process

In May 2022, the FAA announced they were modifying their approach to eVTOL certification so that most eVTOL aircraft, including the Lilium Jet, will be certified by the FAA as a special class powered-lift aircraft pursuant to 14 CFR Section 21.17(b). The FAA's first publication of these Special Class Airworthiness Criteria for eVTOL's was published on the Federal Register in November 2022 and attracted substantial comments from industry and other Civil Aviation Authorities. As reported in June 2023 by the Inspector General for the U.S. Department of Transportation, it appears significant regulatory challenges remain that could impact eVTOL manufacturers whose primary regulator is the FAA.

Due to the FAA's modified approach to eVTOL certification, a new set of operating rules were required for powered-lift aircraft operating in the U.S. In June 2023, the FAA issued a Notice of Proposed Rulemaking proposing a SFAR for pilot certification and operations for eVTOL aircraft, which attracted substantial comments from the AAM industry. We provided comments in line with other eVTOL OEMs. Finalization of the SFAR is a necessary precursor for the introduction of commercial eVTOL operations in the U.S., however, it is expected that the SFAR may not be finalized until the end of 2024. Given these developments, we believe the FAA will likely trail EASA in promulgating a complete set of certification standards and operating rules for eVTOL entrants, which could delay the introduction of commercial eVTOL operations in the U.S.

Notwithstanding, in June 2023, the FAA issued its G-1 certification basis necessary for the FAA Type Certification of the Lilium Jet. Internal analysis of the G-1 certification basis issued for the Lilium Jet and feedback from EASA have indicated significant alignment by the FAA to EASA's SC-VTOL standard. We are, at present, the only eVTOL manufacturer with both an EASA and FAA certification basis for a powered lift eVTOL. However, as the FAA is developing its standards, entrants into the eVTOL industry, including us, may need to adjust their certification approach with the FAA in accordance with such developing standards.

We believe that after securing Type Certification from EASA (which has promulgated the highest safety objectives globally for eVTOL aircraft), the Lilium Jet will secure concurrent Type Certification from the FAA under the BASA allowing the Lilium Jet to operate in the U.S.

Our Marketing

Our marketing strategy is intended to build industry and consumer readiness for our technology and services. Short term, we plan to develop industry credibility and recruiting success by establishing Lilium as a front-runner in electric aerospace. Longer term, we plan to build affinity by developing a purpose-based product experience that will be rooted in social and environmental responsibility and customer centricity. We believe that we will articulate our areas of value and differentiation through educational and customer outreach campaigns. We intend to attract, retain and scale customers in preparation for our initial commercial launch by focusing on the customer journey, being transparent and factual about our technological and commercial progress and the overall benefits of our service to society and the environment. Our marketing strategy will be supported through marketing campaigns on our website, through content marketing channels, social media platforms and thought leadership arenas. Communications will be a critical part of our strategy, as we clearly explain our business case and commercial operating model through interviews, podcasts, social media posts and engagement, press releases and events to build awareness and positive perception.

Competition

We believe that our primary competitors for our eVTOL services are other eVTOL players, ground-based mobility solutions and local and regional incumbent aircraft charter services.

Among the eVTOL companies, we consider Joby Aviation, Archer Aviation, Vertical Aerospace and Beta Technologies as some of our key competitors. With the exception of Beta Technologies, which has chosen a five-passenger lift and push concept, these companies are developing differing four passenger eVTOL aircraft with electric-powered tilt rotors that we expect will have lower payload potential than our Lilium Jet. Joby Aviation and Archer Aviation in particular focus on shorter routes, with an average trip length of approximately 25-50 miles. Joby Aviation has reported a projected range of up to 100 miles on a single charge, and Archer Aviation has reported a projected range of up to 100 miles at up to 150 miles per hour. Vertical Aerospace targets a range of 100 miles at 150 miles per hour. Beta Technologies projects a range of 250 nautical miles.

The majority of our competitors use “open propeller” eVTOL architectures. We employ our own proprietary DEVT technology, a differentiated propulsion system refined over many years, which provides four mission critical advantages:

- **Low Noise:** the presence of ducts around the fans stops noise from radiating freely into the environment. Furthermore, we will employ acoustic liners within the fan duct, which will lower the noise further. We estimate that our noise footprint at take-off will be meaningfully lower than open propeller eVTOL configurations of similar weight, which we expect will permit Lilium Jets to land more often and in more locations (that have communal noise restrictions) than competitor aircraft, increasing our potential network density and market potential.
- **Highest Market Penetration for Ducted Fans in Commercial Aviation:** ducted fans are standard in the aviation industry — with a vast majority of commercial airliners and business jets employing ducted fan propulsion systems. Fan ducts improve aircraft and passenger safety by mitigating damage to the aircraft that can be caused by blade failure and loss. Ducted fans also generate less vibration than open propellers, improving the passenger experience. Further, we believe passengers prefer ducted fans to open rotors as over 95% of all global airplanes use ducted fans.
- **Payload Capacity:** electric turbo fans have a smaller footprint than open propeller eVTOL propulsion systems, which means that aircraft using ducted fans need commensurately less rotor surface area than an open propeller aircraft of the same weight to provide the necessary thrust. Consequently, use of ducted fans allows us to make heavier aircraft with higher passenger/cargo capacity while still meeting the maximum size limit of a standard helipad. Greater passenger/cargo capacity is expected to directly translate into higher revenue potential per jet and higher margins, because approximately 50% of the operating costs (pilot, landing fees) are fixed (per aircraft) and do not scale with increased passenger/cargo capacity.
- **Footprint and Scalability:** we expect open propeller eVTOL configurations will be very difficult to scale to heavier aircraft with more payload without significantly increasing rotor tip-to-tip span (footprint) or noise levels. In contrast, the smaller footprint of DEVT enables greater flexibility to scale to, for example, an equivalent larger eVTOL aircraft while still being able to take off and land on most standard helipads. This increased payload would translate into higher revenue and margins per jet or, if necessary to address competitive pressures, to drive down prices for consumers in the long term.

Capital Resources and Liquidity Requirements

Since our founding, we have relied on external financing for our operations, including research and development activities, as well as for the organizational processes and resources required for these activities. Prior to the Business Combination, we had raised approximately \$375 million from our investors through preferred share and convertible loan issuances. Pursuant to the Business Combination and related 2021 PIPE Financing, we received approximately \$464 million in net proceeds. The Company also received aggregate gross proceeds of approximately \$12.6 million from the sale of Class A Shares pursuant to an equity line of credit, which was terminated by the Company in November 2022. In November 2022, the Company completed an approximately \$119 million capital raise pursuant to which it sold Class A Shares and 2022 Warrants in the Registered Direct Offering and 2022 PIPE. In 2023, Lilium raised approximately \$292 million through the partial pre-funding of the Aceville Warrants, the sale of Class A Shares in a public offering and the sale of Class A Shares and the 2023 Warrants in the 2023 PIPE.

Given our development stage and operating structure, most of our expenses to date are tied to headcount and development of our prototypes. We expect to continue to incur significant expenses in the foreseeable future in connection with our ongoing activities, particularly for completing the Type Certification process, building our serial production factory, launching commercial operations and ensuring all infrastructure and talent resources are in place. In addition, 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 Lilium Jet targeted to occur in late 2024, following which we anticipate substantial pre-delivery payments that we have included and intend to continue 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. In view of the foregoing, in the future, the Company is expected to generate cash from pre-delivery payments 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 pre-delivery payments is subject to several risks and uncertainties, many of which are outside of the control of the Company. See “*Item 5. Operating and Financial Review and Prospects — B. Liquidity and Capital Resources.*”

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 — D. Risk Factors,*” and we may encounter unforeseen expenses, difficulties, complications, delays and other unknown factors that may adversely affect our business. We expect that we will need to obtain additional financing to fund our future operations as we grow our production capabilities, expand into a global business and establish the right footprint for our customer services and infrastructure. Furthermore, our operating plans may change in the future, and we may need additional funds to meet operational needs and capital requirements associated with such operating plans. Based on our recurring losses from operations since inception, expectation of continuing operating losses in the future and the need to raise additional capital to finance our future operations, we have concluded that there is substantial doubt about our ability to continue as a going concern. See also “*Item 5. Operating and Financial Review and Prospects — B. Liquidity and Capital Resources — Substantial Doubt about the Company’s Ability to Continue as a Going Concern.*”

Employees and Consultants

We believe that our employees are crucial to the success of our business, which depends on our human capital and a strong leadership team. We aim to attract, retain and develop staff with the skills, experience and potential necessary to implement our growth strategy. Our human capital resources objectives include identifying, recruiting, retaining, incentivizing and integrating our existing and new employees. As of December 31, 2021, we had 964 employees, comprised of 745 internal employees as well as 219 full- or part-time contractors. As of December 31, 2022, we had 947 employees, comprised of 838 internal employees as well as 109 full- or part-time contractors. As of December 31, 2023, we had 864 employees and 91 full- or part-time contractors. Many of our employees and contractors have had prior experience working for a wide variety of reputed aerospace, airline, jet design and customer service organizations. We have not experienced any work stoppages, and we consider our relationship with our employees to be good. None of our employees is represented by a labor union or covered by collective bargaining agreements.

ESG Management

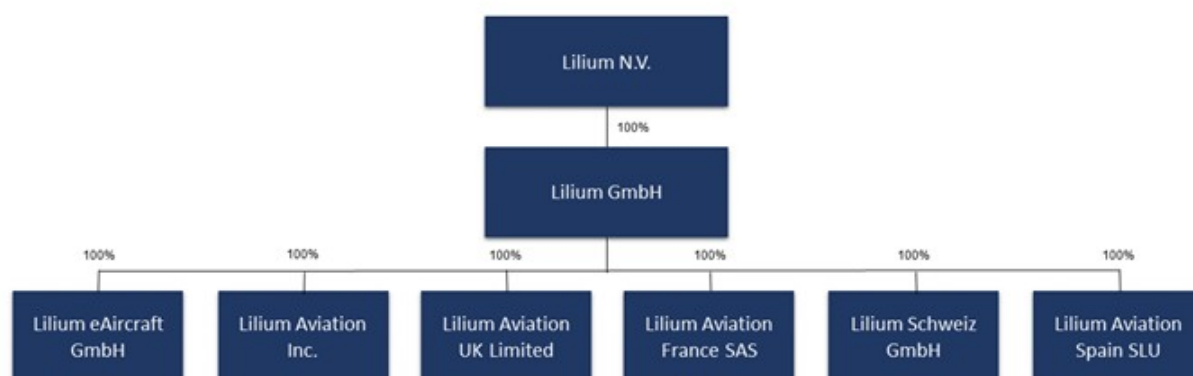
Sustainability is at the core of Lilium’s mission: creating radically better ways of moving. We believe that building a culture that values respect for the environment and respect for people within Lilium and across the wider ecosystem of Lilium’s partners and suppliers is both consistent with our values and important for the long-term success of our business.

At the Board level, until November 16, 2022, our Nominating and Corporate Governance Committee was responsible for overseeing our policies, programs and practices that relate to Environmental, Social and Governance (“ESG”) (except those explicitly delegated to other committees or employees of Lilium) and recommending to the Board Lilium’s overall general strategy with respect to ESG matters. In April 2022, the Board formed a special Sustainability Committee that oversaw and monitored the implementation of Lilium’s sustainability program. On November 16, 2022, the Board established a standing Sustainability Committee to assist the Board in overseeing corporate practices relating to corporate sustainability, including environmental, health and safety, human rights and social matters for the Company.

We intend to continue to examine the sustainability topics that are most relevant for our business and stakeholders as we further develop and advance our sustainability strategy. Liliium has established company policies—including our Code of Business Conduct, our Code of Conduct for Suppliers and our Sustainability Statement—that support Liliium’s efforts to operate sustainably by guiding our employees, partners and suppliers in their business dealings and require compliance with applicable laws and regulations. These company policies address practices and requirements that Liliium has established with respect to environmental protection, responsible sourcing, human rights, labor standards and ethics and compliance, among other topics.

C. Organizational Structure

The following diagram depicts our organizational structure as of the date of this Annual Report:



D. Property, Plant and Equipment

We have an approximately 175,000 square foot manufacturing and testing facility at the Oberpfaffenhofen airfield at our headquarters near Munich, Germany. In 2022 and 2023, we expanded our footprint at the Oberpfaffenhofen airfield by approximately 50,000 square feet by building our battery assembly building and logistics hub. Construction on these expanded facilities began in early 2022 and was completed in the second quarter of 2023. This manufacturing and testing facility is leased from the Special Airport Oberpfaffenhofen, which was responsible for the related construction and expansion activities.

At our headquarters site, we have developed and built our technology demonstrators, where in December 2023 we started production of the Liliium Jet. Facilities at our headquarters include our manufacturing and testing center, propulsion and aerostructures facility, final assembly building, and the newly constructed battery assembly building and logistics hub, where aircraft parts are readied for integration into the Liliium Jet on our final assembly line. These facilities are all co-located on our headquarters campus at the Oberpfaffenhofen airfield, which supports efficiency and connectivity between our engineering, operations, supply chain, and production teams.

Our current manufacturing capability covers almost all aspects of assembling the Lilium Jet, including assembling the battery packs for the Lilium Jet, aerostructures pre-assembly, and the final assembly line. We have also installed a composite center for repair and replacement capability to support our final assembly line. To support continuing research and design work, including testing of various aspects of the Lilium Jet, we have also established a tech lab for fast prototype manufacturing, including a computer numerical control machine shop, metrology lab, special processes testing facilities, and a 3D-print shop.

Our initial goal is to achieve an annual production capacity sufficient to meet demand for the Lilium Jet at our headquarters facility. To keep the initial investment low and production flexible, we plan to use a balanced approach of adequate automation and manual assembly for high volume operations and aircraft production. This includes employing a digital planning and execution approach throughout the internal production lifecycle, utilizing, to the highest extent where possible, electric-powered machinery and equipment.

Thereafter, in due course depending on the ramp-up of our business yet well in advance of reaching full capacity at our headquarter production facility, we intend to implement a larger scale production system, potentially across various locations globally, using the scalable production blueprint established at our HQ production facility. For this phase, we may collaborate with experienced aerospace or automotive manufacturers, key suppliers and strategic partners to scale our production capacity.

Additionally, we have ownership of specialized machinery necessary to produce the parts for our Lilium Jet, which are located at certain of Tier 1 aerospace suppliers' premises.

ITEM 4A. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

A. Operating Results

The following discussion and analysis provides information that our management believes is relevant to an assessment and understanding of Lilium's consolidated results of operations and financial condition. The discussion should be read together with the consolidated audited financial statements for the years ended December 31, 2023, 2022 and 2021 and the related notes that are included elsewhere in this Annual Report. The following discussion is based on the consolidated financial information of Lilium N.V. prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and related interpretations issued by the IFRS Interpretations Committee. Some of the information contained in this section or set forth elsewhere in this Annual Report, including information with respect to our plans and strategy for our business, includes forward-looking statements that involve assumptions, risks and uncertainties. You should review the sections titled "Item 3. Key Information — D. Risk Factors" and "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. Our historical results are not necessarily indicative of the results that may be expected for any period in the future.

This section of this Annual Report generally discusses the financial statement line items and year-to-year comparisons between the years ended December 31, 2023 and 2022. Discussions of financial statement line items for the year ended December 31, 2021 and year-to-year comparisons between the years ended December 31, 2022 and 2021 that are not included in this Annual Report can be found in "Item 5. Operating and Financial Review and Prospects" of the Company's Annual Report on Form 20-F for the year ended December 31, 2022.

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 finalizing 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 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 aircraft 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 aircraft operators 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 and certification of our Lilium Jets and the commercialization of our Private and Fractional Sales and Turnkey Enterprise business solutions.

Given our development stage and operating structure, most of our expenses to date are tied to headcount 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, building our serial production factory, launching commercial operations and ensuring all infrastructure and talent resources are in place. In addition, 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 Lilium Jet. We anticipate substantial pre-delivery payments 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 pre-delivery payments from customers, the issuance of additional equity and/or debt 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 pre-delivery payments is subject to several risks and uncertainties, many of which are outside of our control. See “*Item 5. Operating and Financial Review and Prospects — B. Liquidity and Capital Resources.*”

Preliminary Design Review & Critical Design Review

In late 2021, we opened our PDR, an important milestone in traditional aerospace product development. PDR has now been successfully concluded. This process consisted of a comprehensive 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 rates. The PDR process has helped us to refine and optimize the aircraft’s design, as well as to identify and mitigate program and certification risks.

Further, we commenced CDR in 2023 and will continue to evaluate our overall program and launch timeline. Going from PDR to CDR means developing further the detailed design ahead of first production of the type conforming aircraft, making key detailed technical trade-off decisions and understanding how these will impact the key attributes of the aircraft program, such as schedule, 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.

We continue working in close alignment with EASA toward the next major milestone on the Lilium Jet's path to Type Certification. 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 the Lilium Jets and related technology, such as battery technology or electric motors, may adversely impact our business, financial condition and results of operations."*

COVID-19 Risks and Uncertainties, War in Ukraine and Geopolitical Conflicts

Uncertainty regarding the consequences of the COVID-19 pandemic and the possibility of emergent variants thereof causing an increase in global infection rates 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, including the duration and spread of new and emerging variants and their severity, the actions to contain such variants and treat their impact, restrictions on shared or air transport and the effect of such variants on economic conditions and commercial activity. Based on the latest developments, we are expecting business operations to continue.

We continue to closely monitor any effects of COVID-19, and while the pandemic has not resulted 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 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. COVID-19 could also affect the operations of our suppliers and business partners, which has resulted and may continue to result in delays or disruptions in the supply chain of our components, parts and materials and which could delay the development and rollout of Vertiport networks and our commercial operations. We will 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 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 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."*

We are also actively monitoring the impact of the war in Ukraine. 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 Jets, could be adversely affected by the conflict between Russia and 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 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.

Finally, we are also actively monitoring other 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 our 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.

We continue to closely monitor the possible effects of the conflict in Europe and general economic factors, including the impact of inflation, changing interest rate environment, and the access to capital or debt at a favorable cost, on our business and planning. These factors put pressure on our costs for employees, raw materials and other parts and services we procure from our suppliers, as well as affect other stakeholders and regulatory agencies.

For additional information on risks posed by the conflict in Europe 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*” 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.*”

Going Concern

Our financial statements for the year ended December 31, 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 as described in “— *B. Liquidity and Capital Resources*” below.

Fundraising Activities

In May 2023, the Company issued the Aceville Warrants to purchase an aggregate of up to 184,210,526 Class A Shares at an exercise price of \$1.00 per Class A Share. The exercise price of the Aceville Warrants was partially pre-funded in May and July 2023, resulting in aggregate gross proceeds to the Company of \$175 million and a remaining exercise price of \$0.05 per Class A Share. The holder of the Aceville Warrants is not entitled to the return or refund any portion of this pre-paid exercise price under any circumstance. In July and August 2023, the holder exercised a portion of the Aceville Warrants by paying the remaining \$0.05 exercise price per Class A Share to purchase an aggregate of 24,007,607 Class A Shares, resulting in additional gross proceeds to the Company of approximately \$1.2 million. As a result and as of the date of this Annual Report, the Aceville Warrants are exercisable for up to 160,202,919 Class A Shares. The Aceville Warrants when held by Aceville Pte. Limited (“Aceville”) will not be exercisable to the extent such exercise would result in Aceville (together with its affiliates or other similarly related parties) beneficially owning in excess of 19.8% of the outstanding voting power of the shares in the Company’s capital immediately after giving effect to the issuance of Class A Shares issuable upon exercise of such Aceville Warrants, unless certain governmental approvals are obtained or not required. Aceville Warrants held by any holder will not be exercisable to the extent their exercise would result in such holder (together with such holder’s affiliates or similarly related parties) beneficially owning in excess of 19.99% of either the number of or the voting power of the ordinary shares immediately after giving effect to the issuance of Class A Shares issuable upon exercise of such Aceville Warrants or if certain government approvals would be required, in each case, unless certain approvals are obtained or not required.

In July 2023, the Company consummated a public offering of 57,692,308 Class A Shares for aggregate gross proceeds of approximately \$75 million. In July and August 2023, the Company consummated the 2023 PIPE for the sale of 32,146,147 Class A Shares and 2023 Warrants to purchase an aggregate of up to 8,036,528 Class A Shares at an exercise price of \$2.00 per Class A Share.

Key Components of Operating Results

Research and Development Expense

Research and development activities are primarily in the fields of engineering, prototyping (including our Phoenix demonstrator aircraft), 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. See Note 3 to our consolidated financial statements included elsewhere in this Annual Report. 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 Liliium 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 RAM services, enabling Liliium to commence commercial operations 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

In 2023, finance income consisted primarily of: change in the fair value of our warrants; interest income primarily earned from fixed-term deposits and cash at bank; and the change in the fair value of the over-allotment option of the underwriters in a Confidentially Marketed Public Offering (“CMPO”) following the expiration of such options. The CMPO underwriters’ over-allotment option is described in Note 21 to our consolidated financial statements included in Item 18 of this Annual Report. In 2022, finance income consisted primarily of the change in the fair value of our warrants.

Finance Expense

Finance expenses in 2023 consisted primarily of the change in the fair value of our warrants. In 2022, finance expenses consisted primarily of: negative interest paid on cash held at bank and short-term fixed deposits; implied interest expense associated with lease obligations under IFRS 16; and a reduction of the fair value of the ELOC purchased put option. The ELOC purchased put option is described in Note 21 to our consolidated financial statements included in Item 18 of this Annual Report.

Share of loss in a joint venture / associated company

On March 10, July 15 and September 27, 2021, Liliium entered into a series of share purchase agreements according to which Liliium acquired 34.8% of the shares of Ionblox, Inc. (formerly Zenlabs Energy, Inc.) (“Ionblox”) for a purchase price of €15.9 million. Ionblox is a development partner of Liliium in battery technology.

In 2022, Ionblox received equity investments from Temasek and Catalus Capital. After such investments, Liliium owns 27.7% of the shares of Ionblox on a non-diluted basis.

Lilium’s investment in Ionblox is accounted for as an “investment under the equity method.” Under the equity method, the investment in an associate 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 associate since the acquisition date. In 2022, Lilium acquired joint control of Ionblox with another preferred stock investor. Lilium subsequently accounted for Ionblox as a joint venture but continued to apply the equity method of accounting.

Results of Operations

Comparison of the year ended December 31, 2023 to the year ended December 31, 2022

in € thousand	Year Ended December 31,		Change	
	2023	2022	(Absolute)	(%)
Revenue	—	—	—	—
Cost of sales	—	—	—	—
Gross profit	—	—	—	—
Research and development expenses	(183,760)	(175,618)	(8,142)	5 %
General and administrative expenses	(81,280)	(93,887)	12,607	(13)%
Selling expenses	(10,759)	(12,929)	2,170	*n.m %
Other income	8,136	6,808	1,328	*n.m %
Other expenses	(3,028)	(3,268)	240	*n.m %
Operating loss	(270,691)	(278,894)	8,203	(3)%
Finance income	15,335	30,322	(14,987)	(49)%
Finance expenses	(131,059)	(1,995)	(129,064)	6,469 %
Financial result	(115,724)	28,327	(144,051)	(509)%
Share of loss of a joint venture / associate	(2,370)	(2,823)	453	*n.m %
Loss before income taxes	(388,785)	(253,390)	(135,395)	53 %
Income tax benefits / (expense)	(334)	326	(660)	*n.m %
Net loss for the year	(389,119)	(253,064)	(136,055)	54 %

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

Research and Development Expenses

Research and development expenses increased by €8.2 million to €183.8 million during the year ended December 31, 2023, from €175.6 million for the year ended December 31, 2022. Professional services, which include consulting, supply-chain development costs and contractor services in relation to research and development activities conducted with suppliers and partners in readiness for entry into service (EIS), increased by €2.7 million due to a large increase in purchased services related to program spend on industrialisation and R&D services at suppliers. Depreciation, amortization and impairment increased by €4.1 million during the year.

The remaining increase of €1.4 million accounted for a combination of consumables of raw materials, social security and staff costs, occupancy costs, IT and communication expenses, and travel costs.

General and Administrative Expenses

General and administrative expenses decreased by €12.6 million to €81.3 million during the year ended December 31, 2023, from €93.9 million during the year ended December 31, 2022. The decrease was primarily attributable to €9.5 million decrease in professional services primarily due to a reduction in external contractors and consultants.

The remaining decrease of €3.1 million is mainly due to decrease in insurance premium relating to our directors’ and officers’ liability insurance and IT expenses.

Financial Result

The financial result decreased by €144.0 million from a gain of €28.3 million for the year ended December 31, 2022, to a loss of €115.7 million for the year ended December 31, 2023. This is due to higher finance expense during the year of €129.1 million primarily consisting of fair value changes of unexercised warrants of €113.8 million and the fair value changes of exercised May 2023 Warrants amounting to €15.8 million. The lower financial result during the year is further contributed by the decrease in finance income of €15.0 million which is mainly caused by a decrease of €23.5 million in income from fair value changes from warrant liabilities, offset by an increase in interest income of €5.4 million and the fair value changes of over-allotment option of €3.3 million.

B. 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 €270.7 million and €278.9 million for the years ended December 31, 2023 and 2022, respectively. We expect to continue to incur losses and negative operating cash flows during 2024 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, the Company issued the Aceville Warrants to purchase an aggregate of up to 184,210,526 Class A Shares at an exercise price of \$1.00 per Class A Share. The exercise price of the Aceville Warrants was partially pre-funded in May and July 2023, resulting in aggregate gross proceeds to the Company of \$175 million and a remaining exercise price of \$0.05 per Class A Share. The holder of the Aceville Warrants is not entitled to the return or refund any portion of this pre-paid exercise price under any circumstance. In July and August 2023, the holder exercised a portion of the Aceville Warrants by paying the remaining \$0.05 exercise price per Class A Share to purchase an aggregate of 24,007,607 Class A Shares, resulting in additional gross proceeds to the Company of approximately \$1.2 million. As a result and as of the date of this Annual Report, the Aceville Warrants are exercisable for up to 160,202,919 Class A Shares. If the remaining Aceville Warrants are exercised in full, we would receive additional gross proceeds of approximately \$8.0 million.

In July 2023 the Company consummated a public offering of 57,692,308 Class A Shares for aggregate gross proceeds of approximately \$75 million (the “2023 Public Offering”). In July and August 2023 the Company consummated the 2023 PIPE for the sale of 32,146,147 Class A Shares and 2023 Warrants to purchase an aggregate of up to 8,036,528 Class A Shares at an exercise price of \$2.00 per Class A Share. If the 2023 Warrants are exercised in full, we would receive additional gross proceeds of approximately \$16.1 million.

In December 2022, the Company entered into a share issuance agreement with one of its vendors for the issuance on January 5, 2023 of 3,101,523 Class A Shares against the settlement of a \$4.5 million payable due to such vendor pursuant to a commercial agreement. In May 2023 and October 2023, the Company entered into two share issuance agreements with the aforementioned vendor for the issuance of 4,672,897 Class A Shares and 5,000,000 Class A Shares, respectively, against, in each case, the settlement of a \$5 million payable due to such vendor pursuant to the same commercial agreement.

As of December 31, 2023 and 2022, we had cash and cash equivalents and other financial assets of €203.1 million and €205.6 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 December 31, 2023 and 2022, we had current other financial assets of €111.6 million and €22.6 million, respectively, as well as non-current financial assets of €8.0 million and €3.4 million, respectively. In 2023, other financial assets included our €4.7 million investment in equity instrument.

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

The financial statements for the year ended December 31, 2023, included elsewhere in this Annual Report, have been prepared on a basis that we will continue as a going concern and that contemplates the realization of assets and satisfaction of liabilities and commitments in the ordinary course of business. Management assessed the Company'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 our 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, 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 €1,359.3 million as of December 31, 2023). We expect to continue generating operating losses and negative cash flow from operations for the foreseeable future.

Our financing plan shows substantial financing needs for the foreseeable future. Based on our business plan, we depend on substantial financing to fund development activities and operations, which is not assured.

Additionally, we must reach several milestones, including completion of our research and development program, and 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 raise additional funds in the near future through a combination of debt financing, equity offerings, partnerships and grant funding. We plan to raise additional capital in the next 12 months and beyond through a variety of means, including the issuance of equity offerings, grants or debt securities or a combination of these financing measures in order to continue on as a going concern.

There is no certainty that we will be successful in obtaining sufficient funding through any or a combination of these financing measures. If we are unsuccessful in raising the sufficient capital, we will be required to undertake, and are committed to undertaking, additional significant cost-cutting measures, including significant headcount reductions that could mean that we would be forced to curtail or discontinue our operations.

Based on our recurring losses from operations since inception, expectation of continuing operating losses for the foreseeable future and the need to raise 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, we are continuing to take actions to secure sufficient financing and thus believe that the application of the going concern assumption for the preparation of these consolidated financial statements is appropriate.

Debt

We have no outstanding debt obligations.

Cash Flows

The following table summarizes our cash flows for each period presented (in € thousands):

in € thousand	Year Ended December 31	
	2023	2022
Net cash (used in) / provided by:		
Operating activities	(231,989)	(257,585)
Investing activities	(119,749)	190,294
Financing activities	254,874	117,084
Cash-based changes in cash and cash equivalents	(96,862)	49,793
Effect of foreign exchange rate changes on cash and cash equivalents	789	(13)
Effect of change in expected credit loss provisions	—	(55)
Net (decrease) increase in cash and cash equivalents	(96,073)	49,725

Cash flow used in operating activities

Net cash used in operating activities for the year ended December 31, 2023 was €232.0 million. This consists primarily of a net loss for the year of €389.1 million, offset by non-cash adjustments of €120.6 million in fair value changes of financial instruments and expected credit losses, €22.5 million share-based compensation expense, €12.7 million in depreciation, amortization and impairment expenses and €5.2 million due to changes in trade and other payables and changes in other assets and liabilities. The net cash used in operating activities is further increased by a €4.8 million decrease in net interest.

Cash flow used in 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 year ended December 31, 2023 was €119.7 million, primarily due to payments for short-term investments of €200.0 million and purchases of and advance payments on property, plant and equipment of €28.7 million, as well as investment in an equity instrument of €5.2 million. These cash used in investment activities are partially offset by €110.0 million of proceeds from short-term investments and €4.2 million of interest received.

Cash flow from financing activities

Net cash provided by financing activities for the year ended December 31, 2023 was €254.9 million primarily due to the receipt of €159.2 million for the issuance of the May 2023 Warrants, as well as €104.4 million proceeds from the CMPO and 2023 PIPE transaction. The increase is partially offset by the payment for €6.1 million in transaction costs incurred for capital raising and €3.4 million of principal elements of lease payments.

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 Liliium Jets and the commercialization of our Private and Fractional Sales and Turnkey Enterprise solutions.

Given our development stage and operating structure, most of our expenses to date are tied to headcount and our Liliium 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, 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 Liliium Jets and our services, as further discussed in “*Item 3. Key Information — Risk Factors*,” 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 Liliium Jet targeted to occur in late 2024, following which we anticipate substantial pre-delivery payments that we have included and intend to continue to include in our binding contracts to become available for our use towards the significant additional costs of securing type certification of the Liliium Jet. In view of the foregoing, in the future, the Company is expected to generate cash from pre-delivery payments 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 pre-delivery payments is subject to several risks and uncertainties, many of which are outside of our control.

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 and related components in house and at our partners, 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 operations, increasing marketing efforts, extending relationships for development of Vertiport infrastructure and commercial 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. As of the date of this Annual Report, we continue to evaluate our overall program, including our launch timeline and 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.*” 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 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 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. Until we can generate material revenue to finance our cash requirements, we expect to finance our future cash needs through a combination of equity offerings, debt financings and partnerships, as well as potentially grant funding, which funding may in any such case have certain covenants or restrictions on our business.

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 €11.2 million and €11.0 million in lease-related liabilities as of December 31, 2023 and 2022, respectively. We do not have any lease contracts that had not yet commenced as of December 31, 2023. In addition, we have non-cancellable commitments under operating contracts. As of December 31, 2023, the future payments for the operating contracts were €82.7 million within one year, €100.8 million between one and five years and €0.2 million thereafter. Further, as of December 31, 2023, we had commitments of €5.4 million to acquire items of property, plant & equipment. In 2023, we entered into a success fee arrangement with a third-party entity with a contractual term until December 2024 with a percentage of gross proceeds as a success fee in the event of any fundraising transaction during the contractual term. The arrangement also includes a retainer payment of €45,000 (\$50,000) per month for five months, of which €181,000 (\$200,000) remained committed as of December 31, 2023.

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 pre-delivery payments from customers, equity offerings, debt financings, partnerships and/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. In addition, 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.

C. Research and Development, Patents and Licenses

Description of our Proprietary Technology and Intellectual Property

For information about our proprietary technology and intellectual property, please see “*Item 4. Information on the Company — B. Business Overview.*”

Research and Development

For information about our research and development expenses and our capital expenditures over the past two years, as well as our current capital expenditure plan and how we intend to finance our research and development expenses and our capital expenditures, see “*Item 4. Information on the Company — B. Business Overview*” and “*Item 5. Operating and Financial Review and Prospects — A. Operating Results.*”

D. Trend Information

See “*Item 5. Operating and Financial Review and Prospects — A. Operating Results.*”

E. Critical Accounting Estimates

Our consolidated financial statements are prepared in conformity with IFRS, as issued by the IASB. In preparing our consolidated financial statements, we make judgements, estimates and assumptions about the application of our accounting policies that affect the reported amounts of assets, liabilities, revenue and expenses. Our critical accounting judgements and sources of estimation uncertainty are described in Note 4 to our consolidated financial statements, which are included in Item 18 of this Annual Report.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

Executive Officers and Board of Directors

The following table lists the names, ages and positions of those individuals serving as our directors and executive officers as of the date of this Annual Report. As of the date of this Annual Report, the Board is comprised of ten directors, consisting of two executive directors and eight non-executive directors.

Name	Age	Position
Executive Officers		
Klaus Roewe	59	Chief Executive Officer and Executive Director
Oliver Vogelgesang	56	Chief Financial Officer
Daniel Wiegand	38	Chief Engineer for Innovation and Future Programs and Executive Director
Board		
Barry Engle	59	Non-executive Director
Dr. Thomas Enders	65	Non-executive Director
David Wallerstein	49	Non-executive Director
Niklas Zennström	58	Non-executive Director
Gabrielle Toledano	57	Non-executive Director
Henri Courpron	61	Non-executive Director
David Neeleman	64	Non-executive Director
Margaret M. Smyth	60	Non-executive Director

Executive Officers

Klaus Roewe. Mr. Roewe joined Lilium in August 2022 and has served as our Chief Executive Officer and an executive director on our Board since his appointment was confirmed at our October 2022 General Meeting. Prior to joining Lilium, Mr. Roewe had a 30-year career with Airbus SE since 1992. He held a number of positions, including Head of Customer Services, from July 2019 to June 2022, Head of A320 Family Program from March 2015 to June 2019, Head of A320neo Program from 2011 to 2015 and Senior Vice President of Cabin & Cargo Engineering from 2008 to 2010, responsible for the interiors of all Airbus aircraft, ranging from A318 to A380. He has also held various positions in the A320 Family Program Management, Composites Production and A320 Family Chief Engineering at Airbus from 1992 to 2008. Mr. Roewe has served eight years as an officer in the German Federal Armed Forces. He holds a mechanical engineering degree from Helmut Schmidt Universität - Universität der Bundeswehr Hamburg.

Oliver Vogelgesang. Mr. Vogelgesang has served as our Chief Financial Officer since January 2023 and previously served as our Senior Vice President Finance & Controlling, tasked with building the Controlling and Investor Relations function, since July 2021. Prior to joining Lilium, Mr. Vogelgesang served as Managing Director Finance Airbus Germany and Senior Vice President Finance & Controlling of the A320 Family program. Mr. Vogelgesang also held a number of positions at Airbus Group, including Vice President Investor Relations and additional roles in Finance, Program Management and Restructuring Programs. Mr. Vogelgesang studied aerospace engineering at TU Munich and holds an MBA from the University of Saarbrücken.

Daniel Wiegand. Mr. Wiegand has served as Chief Engineer for Innovation and Future Programs since October 2022 and as an executive director of our Board since September 2021. Mr. Wiegand served as our Chief Executive Officer from September 2021 to October 2022, and previously served as a member of the Lilium GmbH board from February 2015 to September 2021. Mr. Wiegand is a Lilium co-founder and also served as Lilium GmbH's Chief Executive Officer from February 2015 to September 2021. Mr. Wiegand holds a degree in Aerospace Engineering from Technische Universität München.

The Board

See “— Executive Directors” for Messrs. Roewe’s and Wiegand’s biographies.

Dr. Thomas Enders. Dr. Enders has served on our Board since September 2021 and previously served as a member of the Liliium GmbH board from January 2021. Since 2023, Dr. Enders has also served as an independent director on the Board of General Electric. Dr. Enders has served as a member of the Executive Committee and Audit Committee of the board of directors of Linde plc, a global industrial gases and engineering company, since 2018 and currently serves on the boards of Lufthansa AG, Germany's flag carrier, and Helsing GmbH, a young German AI company. Prior to joining the Liliium GmbH board, Dr. Enders held a number of positions at Airbus SE, a European multinational aerospace corporation, including Chief Executive Officer of Airbus SE from June 2012 to April 2019 and Chief Executive Officer of Airbus' Commercial Aircraft Division from 2007 to 2012. Dr. Enders also held a number of positions at European Aeronautic Defense and Space Company (EADS) (rebranded as Airbus Group), including co-Chief Executive Officer from 2005 to 2007 and Head of Defense Division from 2000 to 2005. Dr. Enders served as a member of the Executive Committee of Airbus S.E. from its creation in 2000 until 2019. Dr. Enders studied Economics, Political Science and History at the University of Bonn and the University of California, Los Angeles. He holds a degree as Dr. Phil from University of Bonn.

David Wallerstein. Mr. Wallerstein has served as a member of our Board since September 2021 and previously served as a member of the Liliium GmbH board from September 2017. Mr. Wallerstein has held a number of positions at Tencent Holdings Limited, a Chinese multinational technology conglomerate holding company providing Internet-related services and products, including Chief eXploration Officer from 2014 to 2023, Senior Executive Vice President from 2001 to 2023 and Senior Advisor since 2024. Mr. Wallerstein holds a Master's degree from the University of California, Berkeley and a B.A. from the University of Washington.

Niklas Zennström. Mr. Zennström has served as a member of our Board since September 2021 and previously served as a member of the Liliium GmbH advisory board from December 2016. Mr. Zennström has served as Chief Executive Officer and Founding Partner at Atomico, a European venture capital firm investing in innovative technology companies around the world, since 2007. Prior to founding Atomico, Mr. Zennström co-founded and served as the Chief Executive Officer of Skype, a proprietary telecommunications application specializing in voice and video communications, acquired by Microsoft, from 2002 to 2007. Prior to Skype, Mr. Zennström co-founded and served as Chief Executive Officer of Kazaa B.V., a peer-to-peer content distribution provider, from 2000 to 2002. Mr. Zennström also co-founded and served as the Chief Executive Officer of Joltid Ltd., a provider of peer-to-peer technologies for content distributors, Internet Service Providers, websites and software developers, from 2001 to 2003. Prior to Joltid, Mr. Zennström served in various General Manager positions at Tele2 AB, a European telecommunications operator, from 1996 to 1999. Mr. Zennström holds a Master of Science degree in Engineering Physics and a Bachelor of Science degree in Business Administration from Uppsala University. Mr. Zennström also currently serves on the boards of H&M Hennes & Mauritz AB, Zennström Philanthropies, Orbital Systems, Rekki and Neko Health.

Gabrielle B. Toledano. Ms. Toledano has served as a member of our Board since September 2021. Since January 2020, Ms. Toledano has served as Chief Operating Officer at Keystone Strategy LLC, a strategy and economics consulting firm. From January 2021 to March 2021, Ms. Toledano served as Chief Talent Officer of ServiceNow Inc., a software company. From May 2017 to October 2018, Ms. Toledano served as the Chief People Officer of Tesla Inc., a manufacturer of electric vehicles and energy storage products. From February 2006 to May 2017, Ms. Toledano served as Chief Talent Officer and Advisor at Electronic Arts Inc., a video game company. Ms. Toledano has served as a director of Velo3D since July 2021 and Vaxxinity since February 2023. Previously, Ms. Toledano served on the boards of Better.com from April 2021 to April 2022, Namely, Inc. from February 2019 to October 2022, Bose Corporation since June 2020 to August 2022, Glu Mobile, Inc. from December 2017 to April 2021, Visier Inc from May 2014 to January 2021, TalentSky Inc from January 2015 to January 2019, Jhana from November 2016 to July 2017, Jive Software, Inc. from November 2015 to June 2017, Big City Mountaineers from May 2011 to September 2014, Rocket Fuel Inc. from January 2013 to January 2014 and Society of Human Resource Management from February 2009 to July 2011. Ms. Toledano holds a B.A. in Modern Thought and Literature and an M.A. in Education from Stanford University.

Henri Courpron. Mr. Courpron has served as a member of our Board since September 2021. Mr. Courpron is Vice Chairman of Seabury Aviation Partners, a strategic advisory firm for aviation and aerospace management and investments. Seabury Aviation Partners merged with Plane View Partners, LLC in 2023, which Mr. Courpron co-founded and has managed since 2014. Mr. Courpron was the Chief Executive Officer of International Lease Finance Corporation (ILFC), one of the largest aircraft financing firms in the world, from May 2010 to May 2014. Prior to joining ILFC, Mr. Courpron was President of the Aerospace Division of Seabury Aviation & Aerospace, an advisory and investment banking firm in New York focused on the aviation industry, from 2007 to 2010. Prior to that, Mr. Courpron had a 20-year career with Airbus where he reached the position of Executive Vice President, Procurement at Airbus headquarters in Toulouse, France and held a number of other executive positions, including President and Chief Executive Officer of Airbus, North America. Mr. Courpron has also served as a director of Breeze Airways since September 2020 and previously served as a director of Azul Linhas Aéreas Brasileiras from May 2015 to April 2020 and TAP Portugal from November 2015 to July 2017. Mr. Courpron earned his degree in Computer Science in 1985 from Ecole Nationale Supérieure d'Electrotechnique d'Electronique d'Informatique et d'Hydraulique (ENSEEIHT) in Toulouse, where he specialized in artificial intelligence.

Barry Engle. Mr. Engle has served as a member of our Board since September 2021. Mr. Engle has experience in operational, financial and managerial roles within the international automotive sector, as well as growth-oriented companies across various industries. He was the founder and CEO of Qell. He previously spent five years serving in senior executive roles at General Motors ("GM"). Most recently, Mr. Engle served as EVP & President of GM North America, the company's largest segment with over \$100+ billion in sales during the year ended December 31, 2019. Under his leadership, GM frequently beat analysts' expectations, including during the unprecedented COVID-19 pandemic. Before this, Mr. Engle served as the EVP & President of GM International, where he successfully worked with various stakeholders to improve the segment's profitability. Mr. Engle joined GM in September 2015 as EVP & President of South America, leading the business unit through the region's economic recession and achieving market leadership in Brazil for 50+ months while restructuring the business to improve its profitability. Prior to joining GM, Mr. Engle spent time leading high growth, private equity and venture capital-backed companies, serving as Chief Executive Officer of Agility Fuel Systems, a leading provider of clean fuel solutions for medium- and heavy-duty commercial vehicles, and electric vehicle manufacturer Think Holding AS, a Norwegian company, which, subsequent to his departure from the company, entered into Norwegian bankruptcy proceedings in June 2011. Before joining Think Holdings AS, Mr. Engle spent two years as President and CEO of New Holland Agricultural Equipment in Turin, Italy. Mr. Engle also spent a number of years with Ford Motor Company, where he served as President & CEO of Ford Canada, President of Ford Brazil and Head of North American Marketing. Finally, Mr. Engle has also led entrepreneurial endeavors of his own; he previously purchased and operated Barry Engle Chrysler-Plymouth-Jeep, near Salt Lake City, from 1997 to 2000. Mr. Engle earned a bachelor's degree from Brigham Young University and holds an MBA from the Wharton School at the University of Pennsylvania.

David Neeleman. Mr. Neeleman has served as a member of our Board since September 2021. Since he founded Azul Brazilian Airlines in 2008, Mr. Neeleman has served as the Chairman of its board of directors and served as its Chief Executive Officer until July 2017. Previously, Mr. Neeleman founded JetBlue, where he held the position of Chief Executive Officer from 1998 to 2007 and Chairman of and served on the board of directors from 2002 to 2008. Mr. Neeleman's career in the airline industry began in 1984, when he co-founded Morris Air. As president of Morris Air, he implemented the industry's first electronic ticketing system and pioneered a home reservationist system that is now the foundation of JetBlue's call center. Mr. Neeleman sold Morris Air in 1993 and took the electronic ticketing to Open Skies. He sold Open Skies to Hewlett Packard in 1999. Mr. Neeleman was also co-founder of WestJet Airlines and served as a member of its board of directors from 1996 to 1999. Mr. Neeleman was also part of a consortium that initially acquired a controlling interest in Tap Air Portugal ("TAP") through TAP's privatization in 2015 and was a member of the board of directors of TAP from 2015 to 2020.

Margaret M. Smyth. Ms. Smyth has served as a member of our Board since September 2021. Having been a Senior Advisor Global Infrastructure of QIC Global Infrastructure (“QIC”) since July 2021, Ms. Smyth is currently a Partner of QIC since July 2022 and also serves as chair of CenTrio, QIC’s subsidiary and the largest pure-play U.S. district energy provider, since July 2021 and of Renewa, Inc., QIC’s subsidiary and a renewables land finance company, since February 2022. Previously, Ms. Smyth served as the Chief Financial Officer of National Grid USA from October 2014 to June 2021, where she oversaw all finance, accounting, transactional and property services for National Grid. Prior to joining National Grid, Ms. Smyth served as Vice President of Finance for Consolidated Edison, Inc. from August 2012 to September 2014. Ms. Smyth previously served as Vice President and Chief Financial Officer of Hamilton Sundstrand, which is part of the former United Technologies Corp., from October 2010 to June 2011. Ms. Smyth also served as Vice President and Corporate Controller of United Technologies Corp. from August 2007 to September 2010 and Vice President and Chief Accounting Officer of 3M Corporation from April 2005 to August 2007. Ms. Smyth is currently a board member of two subsidiaries of Mutual of America since February 2005, a board member and chair of the Audit Committee of Etsy, Inc. since June 2016, a board member and chair of the Audit Committee of Remitly, Inc. since May 2021 and a board member and chair of the Audit Committee of Frontier Communications Parent, Inc. since June 2021.

There are no family relationships among any of our executive officers or directors.

Board Diversity

The table below provides certain information regarding the diversity of the Board as of the date of this Annual Report.

Board Diversity Matrix

Country of Principal Executive Offices:	Germany
Foreign Private Issuer	Yes
Disclosure Prohibited under Home Country Law	No
Total Number of Directors	10

	Female	Male	Non-Binary	Did Not Disclose Gender
Part I: Gender Identity				
Directors	2	8	0	0

Part II: Demographic Background
Underrepresented Individual in Home Country Jurisdiction
LGBTQ+
Did Not Disclose Demographic Backgrounds

Leadership Diversity

As of December 31, 2023, we estimated that our Company leadership team consisted of 48 persons, comprised of a mix of 40 males and eight females (83% / 17% respectively). In making this calculation we define our leadership team as consisting of our Senior Leadership Team and their direct reports.

B. Compensation

Historical Compensation of Executive Officers

The amount of compensation, including benefits in kind, accrued or paid to our executive officers with respect to the year ended December 31, 2023 is described in the table below:

	Klaus Roewe	Daniel Wiegand	All other Executives ^{*(1)}
Periodically-paid remuneration	€ 590,000	€ 330,000	€ 415,908
Bonuses	189,888	15,272	52,000
Share-based compensation expense	994,150	265,127	445,331
Additional benefit payments	14,807	14,927 ⁽²⁾	18,782 ⁽³⁾
Total compensation	€ 1,788,845	€ 625,326	€ 932,021

* Amounts paid in U.S. dollars have been converted to euros using an annual exchange rate for 2023 of €0.925 to one U.S. dollar.

(1) Geoffrey Richardson resigned as Chief Financial Officer of Lilium effective January 15, 2023. Oliver Vogelgesang was appointed as our Chief Financial Officer effective January 15, 2023. The information in this column reflects Mr. Richardson's and Mr. Vogelgesang's compensation for the year ended December 31, 2023.

(2) Reflects car allowance and social security expenses paid to Mr. Wiegand during 2023.

(3) Reflects social security expenses paid during 2023.

Compensation of Non-Executive Board Members

The amount of compensation, including benefits in kind, accrued or paid to our non-executive Board members with respect to the year ended December 31, 2023 is described in the table below:

Name	Periodically-paid Remuneration*	Share based Compensation Expense ⁽¹⁾	Additional Benefit Payments ^{*(2)}	Total
Henri Courpron	€ —	€ 365,882	€ 3,700	€ 369,582
Dr. Thomas Enders	106,375	508,023	—	614,398
Barry Engle	31,450	282,692	3,700	317,842
David Neeleman	55,500	189,467	3,700	248,667
Margaret M. Smyth	24,975	329,436	3,700	358,111
Gabrielle Toledano	29,600	364,129	3,700	397,429
David Wallerstein ⁽³⁾	—	—	—	—
Niklas Zennström ⁽³⁾	—	189,030	—	189,030
Total Compensation	€ 247,900	€ 2,228,660	€ 18,500	€ 2,495,060

* Amounts paid in U.S. dollars have been converted to euros using an annual exchange rate for 2023 of €0.925 to one U.S. dollar.

(1) Reflects the grant date fair value of the equity awards granted to each non-executive director in the form of RSUs in 2023, including the annual equity grants pursuant to the Non-Executive Director Compensation Policy (granted on July 7, 2023), a one time additional RSU grant to non-executive directors who received equity grants at the time of and/or after their appointment at the September 21, 2021 annual General Meeting and who were still serving as such as of September 11, 2023 (granted on September 11, 2023) and RSUs paid in lieu of annual cash retainers to the Non-Executive Directors who have elected to do so. These amounts were calculated in accordance with IFRS accounting principles. Please see “—Equity Awards” and “—Non-Executive Director Compensation” below for more information regarding the equity awards granted to each non-executive director during 2022.

(2) Reflects a tax stipend paid to each non-executive director.

- (3) Mr. Wallerstein waived all compensation that he was otherwise entitled to receive under the Non-Executive Director Compensation Policy in respect of his service during 2023, per a waiver agreement executed with the Company in October 2021. As of November 14, 2023, Mr. Zennström also waived compensation that he was otherwise entitled to receive under the Non-Executive Director Compensation Policy in respect of his service during 2023, per a waiver agreement executed with the Company in November 2023.

Equity Awards

Our directors and executive officers held the following Liliium stock options and restricted stock units (“RSUs”) (both vested and unvested) as of March 15, 2024:

Beneficiary	Grant date	Number of shares subject to stock options and RSUs Outstanding ⁽¹⁾	Exercise price per stock option or purchase price per RSU
Henri Courpron	November 18, 2021	10,834 ⁽²⁾	€ 0.01
	July 7, 2023	120,689 ⁽³⁾	€ 0.01
	September 11, 2023	241,228 ⁽⁴⁾	€ 0.01
Dr. Thomas Enders	January 1, 2021	48,569 ⁽⁵⁾⁽⁶⁾	1.00 ⁽⁷⁾
	September 1, 2021	82,853 ⁽⁸⁾⁽⁶⁾	1.00 ⁽⁷⁾
	November 18, 2021	10,834 ⁽²⁾	€ 0.01
Barry Engle	September 11, 2023	241,228 ⁽⁴⁾	€ 0.01
	November 18, 2021	10,834 ⁽²⁾	€ 0.01
	July 7, 2023	120,689 ⁽³⁾	€ 0.01
David Neeleman	September 11, 2023	241,228 ⁽⁴⁾	€ 0.01
	November 18, 2021	10,834 ⁽²⁾	€ 0.01
	July 7, 2023	120,689 ⁽³⁾	€ 0.01
Klaus Roewe	September 11, 2023	241,228 ⁽⁴⁾	€ 0.01
	October 27, 2022	1,430,671 ⁽⁹⁾	\$ 2.38
	October 27, 2022	162,551 ⁽¹⁰⁾	€ 0.01
Margaret M. Smyth	July 18, 2023	224,339 ⁽¹⁵⁾	€ 0.01
	July 18, 2023	90,090 ⁽¹⁶⁾	€ 0.01
	July 18, 2023	673,019 ⁽¹⁷⁾	€ 0.01
Gabrielle Toledano	November 18, 2021	10,834 ⁽²⁾	€ 0.01
	July 7, 2023	120,689 ⁽³⁾	€ 0.01
	September 11, 2023	241,228 ⁽⁴⁾	€ 0.01
Daniel Wiegand	November 18, 2021	1,006,367 ⁽¹¹⁾	\$ 10.00
Oliver Vogelgesang	July 1, 2021	85,710 ⁽⁵⁾⁽⁶⁾	€ 1.00 ⁽⁷⁾
	January 17, 2023	180,353 ⁽¹²⁾	€ 0.01
	July 18, 2023	76,047 ⁽¹⁵⁾	€ 0.01
	July 18, 2023	90,090 ⁽¹⁶⁾	€ 0.01
Niklas Zennström ⁽¹⁴⁾	July 18, 2023	228,142 ⁽¹⁷⁾	€ 0.01
	—	—	—

- (1) Stock options granted before consummation of the Business Combination were converted into options to purchase Class A Shares by using the following conversion method (simplified): the number of shares of Liliium GmbH subject to the options as of immediately prior to the Business Combination was multiplied by the conversion ratio used for purposes of the Business Combination as agreed in the Business Combination Agreement. The number of shares in this column reflect the post-conversion amounts.

- (2) This amount reflects transitional equity awards granted in the form of RSUs pursuant to the Non-Executive Director Compensation Policy. 32,500 of the RSUs vest in three equal annual installments from the date of grant, and 13,125 of the RSUs vested on the date immediately preceding the 2022 annual General Meeting, in each case, subject to the applicable non-executive director's continuous service through the applicable vesting date.
- (3) This amount reflects the annual grant of RSUs for continuing non-executive Board members in accordance with the Non-Executive Director Compensation Policy. The RSUs vest on the earlier of (i) the day before the next annual General Meeting or (ii) the one-year anniversary of the grant date, subject to the applicable non-executive director's continuous service through the applicable vesting date.
- (4) At the General Meeting on September 11, 2023, Liliium's shareholders approved a one time additional RSU grant to non-executive directors who received equity grants at the time of and/or after their appointment at the September 21, 2021 annual General Meeting and who were still serving as such as of September 11, 2023. These RSUs will vest ratably over the two-year period from the date of grant, with 50% vesting on September 11, 2024 and the remaining 50% vesting in four equal quarterly installments during 2025, subject to each recipient continuing to serve as a member of our Board through each vesting date.
- (5) This amount reflects vested but unexercised stock options issued pursuant to the ESOP.
- (6) The stock options become vested and exercisable based on the satisfaction of the service-based vesting conditions applicable to such stock options as of immediately prior to the Business Combination. Vested stock options generally must be exercised during certain exercise windows during each quarter of Liliium's fiscal year (with the exact dates during each such quarterly period to be determined by Liliium). Such stock options will generally expire on the tenth anniversary of the applicable date the stock options become exercisable. Please see "*— Our Legacy Employee Stock Option Program*" below for more information, including certain exceptions to the foregoing.
- (7) The strike price shown for these stock options reflects the strike price applicable to such stock options as of immediately prior to the Business Combination, which remained the same following the consummation of the Business Combination. Following the consummation of the Business Combination, 2,857 Class A Shares are subject to each stock option.
- (8) The stock options vested 4% in the year 2021, 11% in the year 2022, 40% in the year 2023 and will vest 45% in the year 2024, in each case, in equal monthly installments within each such year on the last date of each month, subject to Dr. Enders' continuous service through the applicable vesting date.
- (9) On the grant date, the options were granted subject to time-based vesting (occurring ratably over four years starting retroactively on August 1, 2022) and a performance-based condition that would have been satisfied on the date Liliium earns its first dollar or any equivalent currency of revenue recognized in Liliium's financial statements directly from providing service to a customer by the operation of its own developed and certified aircraft by either EASA or the FAA, as determined by Liliium in its sole discretion, and the customer has also paid for such services. In December 2022, the Compensation Committee reviewed Mr. Roewe's compensation package and recommended that the Board remove the performance-based vesting condition based on Mr. Roewe's strong performance and the conclusion that this would provide greater incentive than conditioning vesting on an event expected to occur two or more years in the future. The Board approved removal of the performance-based vesting condition with retroactive effect from the grant date and, as a result, the award is only subject to time-based vesting.
- (10) The RSUs vest ratably over four years starting from August 1, 2022 (Mr. Roewe's start date with Liliium GmbH).
- (11) The stock options will become vested and exercisable upon the satisfaction of both (i) certain service-based vesting criteria and (ii) a performance-based vesting condition set forth below. The service-based vesting criterion will be satisfied in 17 quarterly installments commencing on December 31, 2021 until December 31, 2025, subject to Mr. Wiegand's continuous service through the applicable service-based vesting date. The performance-based vesting condition will be satisfied on the date Liliium earns its first dollar or any equivalent currency of revenue recognized in Liliium's financial statements directly from providing service to a customer by the operation of its own developed and certified aircraft by either EASA or the FAA, as determined by Liliium in its sole discretion, and the customer has also paid for such services.

- (12) The RSUs will vest ratably on each of January 16, 2024, January 21, 2025, January 21, 2026 and January 19, 2027 subject to Mr. Vogelgesang's continuous service through the applicable vesting date.
- (13) Mr. Wallerstein waived all compensation that he was otherwise entitled to receive under the Non-Executive Director Compensation Policy in respect of his service during 2023, per a waiver agreement executed with the Company in October 2021.
- (14) Mr. Zennström waived his right to receive any unvested portion of his prior grants and waived all other compensation he was otherwise entitled to receive under the Non-Executive Director Compensation Policy in respect of his service during 2023, per a waiver agreement executed with the Company in November 2023.
- (15) The RSUs will vest in an amount determined by reference to a total shareholder return metric in relation to a cohort of Liliium's peers, tested for the three-year period ending on July 20, 2027, with vesting occurring one year following satisfaction of the foregoing performance condition, subject to the recipient's continuous service through the applicable vesting date.
- (16) The RSUs will vest upon satisfaction of both service-based and performance-based conditions. The performance-based vesting criterion was satisfied on September 1, 2023 based on the Company having cash of at least €245 million as of that date. The service-based vesting criterion provides that one-third of the awards vested on October 18, 2023 and the remaining awards will vest in two equal installments on September 1, 2024 and September 1, 2025, subject to the recipient's continued service through the applicable vesting date. The third installment will accelerate vesting upon the first manned flight of the Liliium Jet.
- (17) The RSUs will vest in three equal annual installments on July 18, 2024, July 18, 2025 and July 18, 2026, subject to the recipient's continued service through the applicable vesting date.

Share Ownership of Executive Officers and Non-Executive Directors

See the section entitled "*Item 7. Major Shareholders and Related Party Transactions*" below.

Our Legacy Employee Stock Option Program

Prior to the Business Combination, certain beneficiaries were given the opportunity to participate in an Employee Stock Option Program (the "Legacy Stock Option Program") as part of a long-term equity incentive scheme. The Legacy Stock Option Program was implemented by Liliium GmbH in 2017 (and subsequently clarified and amended for certain purposes in December 2020 and November 2021), and the settlement of the awards granted under the Legacy Stock Option Program was approved by our shareholders in the context of the Business Combination.

Under the Legacy Stock Option Program, prior to the Business Combination, the beneficiaries generally received stock options to purchase Liliium GmbH shares at a per share exercise price equal to €1.00, provided that certain stock options granted to U.S. taxpayers are treated as RSUs for U.S. tax purposes while other stock options granted to U.S. taxpayers were priced with an exercise price per stock option equal to \$28,570. Stock options granted under the Legacy Stock Option Program generally vest over a 4-year period, with 25% vesting on the first anniversary of the grant date and the remaining 75% vesting in equal monthly installments on the last day of each calendar month thereafter, subject to deviating arrangements in the individual case. Employees who terminate employment with us may retain any stock options vested as of the applicable termination date, unless such termination of employment is a termination by us for cause or for person-related or conduct-related reasons under German labor law.

The stock options (including any stock options treated as RSUs for U.S. tax purposes) will become vested and exercisable, as applicable, based on the satisfaction of the service-based vesting conditions applicable to such stock options as of immediately prior to the Business Combination. Any stock options treated as RSUs for U.S. tax purposes may not be exercised and will instead be settled no later than March 15th of the calendar year immediately following the calendar year during which such RSUs become vested. The 180-day lock-up period following the consummation of the Business Combination expired, and the vested stock options subject to such 180-day lock-up period became exercisable as of March 14, 2022.

Vested stock options generally must be exercised during certain exercise windows during each quarter of Liliium's fiscal year (with the exact dates during each such quarterly period to be determined by Liliium). The stock options will generally expire on the tenth anniversary of the applicable date the stock options become exercisable. A participant's vested stock options will expire on the later of (i) the last day of the 90-day period commencing on the day after the date of the participant's termination of service and (ii) the end of the next available exercise window if such participant is legally prohibited from exercising the option or there is no exercise window available, in each case, during such 90-day period.

2021 Equity Incentive Plan

The 2021 Equity Incentive Plan (the "2021 Plan") was adopted in connection with the Business Combination in order to facilitate the grant of equity awards to attract, retain and incentivize employees (including executive officers), independent contractors and directors of the Company and its affiliates, which is essential to the Company's long-term success.

Administration. The 2021 Plan is administered by our Compensation Committee, except with respect to matters that are not delegated to the Compensation Committee by the Board. The Compensation Committee (or the Board, as applicable) will have, among other things, the discretionary authority to interpret the 2021 Plan and any awards granted under it, determine eligibility for and grant awards, determine the exercise price, base value from which appreciation is measured or purchase price, if any, applicable to any award, determine, modify, accelerate and waive the terms and conditions of any award, determine the form of settlement of awards, prescribe forms, rules and procedures relating to the 2021 Plan and awards and otherwise to do all things necessary or desirable to carry out the purposes of the 2021 Plan or any award; provided that, other than in connection with certain corporate transactions or changes to our capital structure, shareholder approval will be required to reprice, amend or substitute stock options granted under the 2021 Plan with new stock options having a lower exercise price and to pay any consideration upon the cancellation of any stock options that have a per share exercise price greater than the fair market value of a share on the date of such cancellation. The Compensation Committee (or the Board, as applicable) may delegate such of its duties, powers and responsibilities as it may determine to one or more of its members, members of the Board and, to the extent permitted by law, our officers and may delegate to employees and other persons such ministerial tasks as it deems appropriate. Further, to the extent permitted by applicable law, the Compensation Committee (or the Board, as applicable) may delegate the authority to do anything permitted by applicable law, including without limitation, delegating to the board of directors or the relevant equivalent body of a subsidiary or an officer of Liliium or a subsidiary the authority to grant awards under the 2021 Plan on behalf of Liliium or a subsidiary or take any and all actions on behalf of the Board or the Compensation Committee (other than any actions that (i) affect the amount or form of compensation of any individual subject to Section 16 of the Exchange Act or persons who have been designated Senior Leadership Team members by the Board or (ii) have material tax, accounting, financial, human resource or legal consequences to Liliium or its subsidiaries or affiliates, in each case, unless so directed by the Compensation Committee (or the Board, as applicable)). Liliium has delegated such authority to Liliium GmbH. As used in this summary, the term "EIP Administrator" refers to the Compensation Committee (or the Board, as applicable) and its authorized delegates, as applicable.

Eligibility. Our employees and independent contractors (including employees and independent contractors of our subsidiaries and, to the extent permitted under applicable law, our affiliates) are eligible, as are our non-employee directors (collectively, the "service providers") to participate in the 2021 Plan. Eligibility for stock options intended to be incentive stock options, or ISOs, is limited to our employees or employees of certain of our affiliates. Eligibility for nonstatutory stock options and stock appreciation rights is limited to service providers who are providing direct services to us or certain of our affiliates on the date of grant of the award.

Authorized Shares. Subject to adjustment as described below, the maximum number of shares that may be delivered in satisfaction of awards under the 2021 Plan is 42,501,586 shares, which will be increased by that number of shares underlying legacy options that are unallocated under the Legacy Stock Option Program, taking into account (i) any increases or adjustments to the share reserve of the Legacy Stock Option Program prior to, or at, the consummation of the Business Combination and (ii) forfeitures of options previously issued under the Legacy Stock Option Program following the consummation of the Business Combination. The share pool may be increased on the first day of each fiscal year of the Company by such number of shares determined by the Board on or prior to the date of any increase that will not exceed 5% of the outstanding shares on the last day of the immediately preceding fiscal year. The number of shares delivered in satisfaction of awards under the 2021 Plan is determined (i) by excluding shares withheld by us in payment of the exercise price or purchase price of the award or in satisfaction of tax withholding requirements with respect to the award, (ii) by including only the number of shares delivered in settlement of a SAR any portion of which is settled in shares and (iii) by excluding any shares underlying awards settled in cash or that expire, become unexercisable, terminate or are forfeited to us without the delivery (or retention, in the case of restricted stock) of shares. The maximum number of shares that may be delivered in satisfaction of awards under the 2021 Plan reflects the “evergreen” feature that became effective as of December 31, 2023 that provides for an annual increase of 3.5% in the number of shares available under the 2021 Plan.

Director Limits. The aggregate value of all compensation granted or paid to any of our non-employee directors with respect to any fiscal year, including awards under the 2021 Plan, for his or her services as a director during such calendar year, may not exceed \$1,000,000 in total value for any non-employee director serving as the lead director of the Board or chair of the Board and \$750,000 for any other non-employee director, with the value of any awards under the 2021 Plan calculated based on their grant date fair value and assuming maximum payout. Such limits will include the value of any stock awards that are received in lieu of all or a portion of any annual committee cash retainers or other similar cash-based payments but will not include stock awards granted to an individual while he or she was serving in a service-provider capacity other than as a non-employee director.

Stock Options. The EIP Administrator may grant stock options, which is a right entitling the holder to acquire Class A Shares upon payment of the applicable exercise price. Each stock option will be designated in the award agreement as either an incentive stock option, or ISO, or a nonstatutory stock option. The exercise price per share of each stock option granted under the 2021 Plan may be no less than 100% of the fair market value of a Class A Share on the date of grant (110% in the case of certain ISOs), except that stock options may be granted with an exercise price per Class A Share of less than 100% of the fair market value of a Class A Share on the date of grant in certain circumstances consistent with Section 424(a) of the Code, Section 409A of the Code and other applicable law, to the extent applicable. Each stock option will have a maximum term of not more than ten years from the date of grant (or five years, in the case of certain ISOs).

Restricted Stock. The EIP Administrator may grant awards of restricted stock, which are Class A Shares subject to restrictions requiring that they be forfeited, redelivered or offered for sale to us if specified performance or other vesting conditions are not satisfied. During the period of restriction, individuals holding shares of restricted stock may exercise full voting rights, and will be entitled to receive all dividends and other distributions paid, with respect to those shares, unless the EIP Administrator determines otherwise. During the period of restriction, any such dividends or distributions will be subject to the same restrictions and risk of forfeiture as the shares of restricted stock with respect to which the dividends accrue and will not be paid or distributed unless and until such related shares have vested and been earned.

Stock Appreciation Rights. The EIP Administrator may grant stock appreciation rights, which is a right entitling the holder upon exercise to receive an amount (payable in cash or shares of equivalent value) equal to the excess of the fair market value of the Class A Shares subject to the right over the per share exercise price from which appreciation is measured. The per share exercise price for the Class A Shares to be issued pursuant to the exercise of a stock appreciation right will be determined by the EIP Administrator and will be no less than 100% of the fair market value of a Class A Share on the date of grant.

Stock Units. The EIP Administrator may grant awards of stock units, which is a bookkeeping entry representing an amount equal to the fair market value of one Class A Share. The EIP Administrator may settle earned stock units in cash, Class A Shares or a combination of both. The EIP Administrator may award dividend equivalents in connection with the grant of stock units that may be settled in cash, in Class A Shares of equivalent value or in some combination thereof. Absent a contrary provision in an award agreement, such dividend equivalents will be subject to the same restrictions and risk of forfeiture as the restricted stock units with respect to which the dividends accrue and will not be paid or settled unless and until the related restricted stock units have vested and been earned. The form of stock unit award agreement includes an additional requirement that the participant must pay the nominal purchase price per share as a condition to settlement of the stock units.

Stock Bonuses. The EIP Administrator may grant stock bonus awards, which are awards of Class A Shares without a purchase price that are not subject to any restrictions.

Substitute Awards. The EIP Administrator may grant substitute awards in connection with certain corporate transactions, which may have terms and conditions that are inconsistent with the terms and conditions of the 2021 Plan.

Adjustment Provisions. In the event of a stock dividend, stock split or combination of shares (including a reverse stock split), recapitalization or other change in our capital structure, the EIP Administrator will make appropriate adjustments to the maximum number of Class A Shares that may be delivered under the 2021 Plan, the individual award limits, the number and kind of securities subject to and, if applicable, the exercise or purchase prices (or base values) of, outstanding awards and any other provisions affected by such event.

Effect of Certain Corporation Transactions. In the event of certain corporate transactions, the EIP Administrator may, with respect to the outstanding awards, provide for any one or more of the following, without the participant's consent (in each case, on such terms and subject to such conditions as it deems appropriate): (i) the assumption, substitution or continuation of some or all awards (or any portion thereof) by the acquiror or surviving entity; (ii) the acceleration of exercisability or delivery of Class A Shares in respect of any award, in full or in part; (iii) the opportunity to exercise options prior to the occurrence of the corporate transaction; (iv) the cancellation of some or all of the awards in exchange for a payment equal to the difference between the fair market value of the Class A Shares subject to the award and its exercise or base price, if any; or (v) the cancellation of outstanding awards in exchange for no consideration. The EIP Administrator need not treat all outstanding awards (or any portion thereof) in an identical manner.

Clawback. The EIP Administrator may provide that any outstanding award, the proceeds of any award or Class A Shares acquired thereunder and any other amounts received in respect of any award or Class A Shares acquired thereunder will be subject to reduction, cancellation, forfeiture or recoupment upon the occurrence of specified events. In addition, awards are subject to our clawback policy, as may be amended from time to time. The EIP Administrator may require a participant to forfeit, return to or reimburse the Company for all or any portion of the award or Class A Shares issued under any award, any amounts paid under an award and any payments or proceeds paid or provided upon the disposition of Class A Shares issued under the award, pursuant to the terms of such Company policy or as required by applicable law.

Amendments and Termination. The EIP Administrator may at any time amend the 2021 Plan or any outstanding award and may at any time suspend or terminate the 2021 Plan as to future grants. However, except as expressly provided in the 2021 Plan or applicable award agreement, the EIP Administrator may not alter the terms of an award so as to materially and adversely affect a participant's rights without the participant's consent. Any amendments to the 2021 Plan will be conditioned on shareholder approval to the extent required by applicable law, regulations or stock exchange requirements. Any termination of the 2021 Plan will not affect the EIP Administrator's ability to exercise the powers granted to it with respect to awards granted prior to the date of such termination.

2021 Employee Share Purchase Plan

The Liliium 2021 Employee Share Purchase Plan (the "ESPP") was adopted in connection with the Business Combination to permit eligible employees and eligible service providers the opportunity to purchase Class A Shares. The ESPP promotes employee retention and incentivizes such persons to exert maximum efforts for the success of the Company and its affiliates.

Qualified and Non-qualified Offerings. The ESPP consists of two components: a 423 component and a non-423 component. The 423 component is designed to qualify as an employee stock purchase plan under section 423 of the Code. The non-423 component need not satisfy the requirements applicable to the 423 component, but except as otherwise determined by the Board, the non-423 component will operate and be administered in the same manner as the 423 component. Eligible service providers (who may or may not be eligible employees) will only be able to participate in the non-423 component of the ESPP.

Administration. The Board has delegated the administration of the ESPP to the Compensation Committee (the "ESPP Administrator"), which has the power and discretionary authority to interpret the ESPP, determine eligibility under the ESPP, prescribe forms, rules and procedures relating to the ESPP and otherwise do all things necessary or desirable to carry out the purposes of the ESPP.

Shares Subject to the ESPP. Subject to adjustment as described below, zero shares are currently available for purchase pursuant to the exercise of options under the ESPP. The share pool may be increased on the first day of each fiscal year of the Company by such number of shares determined by the Board on or prior to the date of any increase that will not exceed the lesser of (i) 1% of the number of shares outstanding as of the close of business on the last day of the immediately preceding fiscal year and (ii) the number of shares equal to 1% of the number of shares of the Company immediately after the Business Combination. If any option granted under the ESPP expires or terminates for any reason without having been exercised in full or ceases for any reason to be exercisable in whole or in part, the unpurchased shares subject to such option will again be available for purchase under the ESPP.

Eligibility. Participation in the ESPP is generally limited to our employees and service providers and employees and service providers of our subsidiaries and affiliates (i) who have completed at least two years of service since the employee's or service provider's last hire date, (ii) whose customary employment with us or one of our subsidiaries or affiliates, as applicable, is for more than five months per calendar year, (iii) who customarily work 20 hours or more per week, (iv) who are not highly compensated employees within the meaning of section 423 of the Code and (v) who satisfy the requirements set forth in the ESPP or such other criteria as the Board may determine consistent with section 423 of the Code. Any employee who owns (or is deemed under statutory attribution rules to own) shares possessing 5% or more of the total combined voting power or value of all classes of shares of us or our parent or subsidiaries, if any, is not eligible to participate in the ESPP. Purchase rights granted pursuant to any offering under the ESPP will terminate immediately if the participant either (i) is no longer an eligible employee or eligible service provider for any reason or for no reason or (ii) is otherwise no longer eligible to participate. As soon as practicable, the ESPP Administrator will distribute to such individual all of his or her accumulated but unused contributions without interest.

General Terms of Participation. The ESPP allows eligible employees and service providers to purchase shares during specified offering periods. Offerings may be comprised of one or more purchase periods. The maximum length for an offering under the ESPP is 27 months. During each offering period, eligible employees and service providers will be granted an option to purchase shares on each purchase date within the offering (up to certain statutory limits), each corresponding to the end of a purchase period within such offering. In connection with each offering, the ESPP Administrator may specify a maximum number of shares that may be purchased by any participant or all participants.

The purchase price of each share issued pursuant to the exercise of an option under the ESPP on an exercise date will be 85% (or such greater percentage as specified by the ESPP Administrator) of the lesser of: (a) the fair market value of a Class A Share on the date the option is granted, which will be the first day of the offering period, and (b) the fair market value of a Class A Share on the exercise date, which will be the last business day of the offering period.

Participants in our ESPP will pay for shares purchased under the ESPP through payroll deductions to the extent permitted by applicable law. Participants may elect to authorize payroll deductions between 1% and 15% of the participant's eligible compensation each payroll period. To the extent permitted in the offering document, a participant may increase, reduce or terminate his or her payroll deductions. All payroll deductions made on behalf of a participant are credited to his or her account under the ESPP and deposited with our general funds. To the extent permitted in the offering document, a participant may make additional payments into such account. If required under applicable laws or regulations or if specifically provided in the offering, in addition to or instead of making contributions by payroll deductions, a participant may make contributions through a payment by cash, check or wire transfer prior to a purchase date, in a manner the ESPP Administrator directs.

Restart. To the extent more than one purchase period is provided during an offering, the ESPP Administrator will have the discretion to structure such offering so that, if the fair market value of a share on the first trading day of a new purchase period within that offering is less than or equal to the fair market value of a share on the offering date for that offering, then (i) that offering will terminate as of the purchase date specified with respect to such purchase period, after giving effect to such purchase on the applicable purchase date, (ii) all contribution amounts not applied to the purchase of shares after giving effect to such purchase on the applicable purchase date will be refunded to the applicable participants and (iii) the participants in such terminated offering will be automatically enrolled in a new offering beginning on the first trading day of such new offering period and purchase period.

Adjustments. In the event of a stock dividend, stock split or combination of shares (including a reverse stock split), recapitalization or other change in our capital structure that constitutes an equity restructuring, the ESPP Administrator will make appropriate adjustments to the aggregate number and type of shares available for purchase under the ESPP, the number and type of shares by which the share reserve may be increased each year, the number and type of shares granted under any outstanding options, the maximum number and type of shares purchasable under any outstanding option or the purchase price per share under any outstanding option.

Corporate Transactions. In the event of certain corporate transactions, the ESPP Administrator may provide that each outstanding option will be assumed or continued or substituted for or, if any surviving or acquiring corporation (or its parent company) does not agree to assume or continue such options or does not substitute similar rights, then participants' accumulated contributions will be used to purchase shares prior to the corporate transaction, and the options will terminate immediately after such purchase.

Amendments and Termination. The Board has discretion to amend the ESPP to any extent and in any manner it may deem advisable, provided that shareholder approval will be required for any amendment of the ESPP for which shareholder approval is required by applicable laws.

Arrangements with Executive Officers

Wiegand Service Agreements

On December 1, 2015, Lilium GmbH entered into a managing director service agreement with Mr. Wiegand, which was later amended on September 20, 2017 and September 14, 2021. The service agreement, as amended, provided for, among other things, a €200,000 annual base salary. On September 14, 2021, Lilium also entered into a contract for services with Mr. Wiegand, which provided for, among other things, an annual base salary of €300,000. In October 2022, Mr. Wiegand's contracts with Lilium and Lilium GmbH for his services as Chief Executive Officer and Managing Director ceased with the appointment of Mr. Roewe as our Chief Executive Officer and executive director, and Mr. Wiegand was appointed as our Chief Engineer for Innovation and Future Programs pursuant to a service agreement with Lilium GmbH that provides for, among other things, an annual salary of €330,000. Mr. Wiegand is also eligible to earn an annual bonus which, in the event of 100% target achievement, amounts to 26% of his annual salary.

Wiegand Performance Option

On November 18, 2021, Mr. Wiegand received an option grant to purchase 4,341,375 Class A Shares. In connection with the appointment of Mr. Wiegand as our Chief Engineer for Innovation and Future Programs, Mr. Wiegand's option was modified to an option grant to purchase 1,006,367 Class A Shares subject to the same terms and conditions, as described below (the "Performance Option").

The Performance Option, or any portion thereof, will become vested and exercisable upon the satisfaction of both (i) the service-based vesting criteria set forth below (the "Service-Based Vesting Criteria") and (ii) the performance-based vesting condition set forth below (the "Performance-Based Vesting Condition"). The Service-Based Vesting Criteria will be satisfied in 17 quarterly installments commencing on December 31, 2021 until December 31, 2025 (each, a "Service-Based Vesting Date"), subject to Mr. Wiegand's continuous service through the applicable Service-Based Vesting Date. The Performance-Based Vesting Condition will be satisfied on the date Lilium earns its first dollar or any equivalent currency of revenue recognized in Lilium's financial statements directly from providing service to a customer by the operation of its own developed and certified aircraft by either EASA or the FAA, as determined by Lilium in its sole discretion, and the customer has also paid for such services. If the Performance-Based Vesting Condition is satisfied prior to any Service-Based Vesting Date, any portion of the Performance Option with respect to which the Service-Based Vesting Criteria have not been satisfied as of such date (and not otherwise forfeited) will remain subject to satisfaction of such Service-Based Vesting Criteria.

Notwithstanding the foregoing, if Mr. Wiegand's service is terminated without cause (including the termination or expiration of Mr. Wiegand's service agreement), then, as of the last day of the quarterly vesting period in which the termination occurs, the Service-Based Vesting Criteria will be deemed satisfied with respect to a prorated portion of the next quarterly tranche of the Performance Option scheduled to vest following the date of termination. If Mr. Wiegand's service is terminated due to Mr. Wiegand's death, then, as of the last day of the quarterly vesting period in which the termination occurs, the Service-Based Vesting Criteria will be deemed satisfied with respect to the portion of the Performance Option scheduled to vest during the 12-month period immediately following the date of termination.

Further, if Mr. Wiegand's continuous service is terminated without cause or due to Mr. Wiegand's death, in each case, prior to satisfaction of the Performance-Based Vesting Condition, the Performance-Based Vesting Condition will be waived with respect to the portion of the Performance Option that has satisfied the Service-Based Vesting Criteria as of the date of termination (after giving effect to any prorated vesting).

Roewe Services Agreement

On March 24, 2022, and with effect from the appointment of Mr. Roewe as Chief Executive Officer and executive director on October 27, 2022, Lilium entered into a contract for services with Mr. Roewe, which provides for, among other things, an annual base salary of €590,000. As an executive director of the Company, in the event of 100% target achievement, Mr. Roewe is also eligible to earn an annual cash bonus up to a maximum amount of €453,000.

On July 28, 2022 and with effect from August 1, 2022, Lilium GmbH entered into a Managing Director Service Agreement with Mr. Roewe that references the March 24, 2022 contract for services with Lilium mentioned above with respect to annual base salary and bonus. The Managing Director Service Agreement between Lilium GmbH and Mr. Roewe ceased upon Mr. Roewe's appointment as Chief Executive Officer on October 27, 2022.

Roewe 2022 RSUs and Option Grant

On October 27, 2022, Mr. Roewe received a grant of 256,410 RSUs and an option grant to purchase 1,430,671 Class A Shares (the "Roewe Options"). Mr. Roewe's RSUs and the Roewe Options each vest ratably over four years commencing retroactively on August 1, 2022 until August 1, 2026 (each, a "Service-Based Vesting Date"), subject to Mr. Roewe's continuous service through the applicable Service-Based Vesting Date. At grant, the Roewe Options were also subject to a performance-based vesting condition that would have been satisfied on the date Lilium earns its first dollar or any equivalent currency of revenue recognized in Lilium's financial statements directly from providing service to a customer by the operation of its own developed and certified aircraft by either EASA or the FAA, as determined by Lilium in its sole discretion, and the customer has also paid for such services (the "Roewe Performance-Based Vesting Condition"). In December 2022, the Compensation Committee reviewed Mr. Roewe's compensation package and recommended that the Board remove the Roewe Performance-Based Vesting Condition based on Mr. Roewe's strong performance and the conclusion that this would provide greater incentive than conditioning vesting on an event expected to occur two or more years in the future. The Board approved removal of the Roewe Performance-Based Vesting Condition with retroactive effect from the grant date, and as a result, the Roewe Options are only subject to the aforementioned service-based vesting condition.

Notwithstanding the foregoing, if Mr. Roewe's service is terminated without cause (including the termination or expiration of Mr. Roewe's service agreement), then, as of the last day of the annual vesting period in which the termination occurs, the Roewe Options' service-based vesting criteria will be deemed satisfied with respect to a prorated portion of the next annual tranche of the Roewe Options scheduled to vest following the date of termination. If Mr. Roewe's service is terminated due to Mr. Roewe's death, then, as of the last day of the annual vesting period in which the termination occurs, the Roewe Options' service-based vesting criteria will be deemed satisfied with respect to the portion of the Roewe Options scheduled to vest during the 12-month period immediately following the date of termination.

Further, notwithstanding the foregoing, in the event that Mr. Roewe's service is terminated (x) without cause (including the termination or expiration of Mr. Roewe's service agreement), (y) due to Mr. Roewe's voluntary resignation or (z) due to disability, vesting will cease and all unvested RSUs will be forfeited, in each case, as of the effective date of the termination. Further, in the event that Mr. Roewe's service is terminated due to death, the portion of the RSUs scheduled to vest during the 12 - month period immediately following the date of termination will vest upon the last day of the quarterly vesting period during which such termination occurs.

Roewe 2023 RSU Grants

On July 18, 2023, Mr. Roewe received grants of (i) 224,339 RSUs (the “2023 Performance-Based RSUs”) and (ii) 673,019 RSUs (the “2023 Time-Based RSUs”).

The 2023 Performance-Based RSUs will vest in an amount determined by reference to a total shareholder return metric in relation to a cohort of Lilium’s peers, tested for the three-year period ending on July 20, 2027, with vesting occurring one year following satisfaction of the foregoing performance condition, subject to Mr. Roewe’s continuous service through the applicable vesting date.

The 2023 Time-Based RSUs will vest in three equal annual installments on July 18, 2024, July 18, 2025 and July 18, 2026, subject to Mr. Roewe’s continuous service through the applicable vesting date.

Notwithstanding the foregoing, in the event that Mr. Roewe’s service is terminated (x) without cause (including the termination or expiration of Mr. Roewe’s service agreement), (y) due to Mr. Roewe’s voluntary resignation or (z) due to disability, vesting will cease and all unvested RSUs will be forfeited, in each case, as of the effective date of the termination. Further, in the event that Mr. Roewe’s service is terminated due to death, the portion of the RSUs scheduled to vest during the 12-month period immediately following the date of termination will vest upon the last day of the quarterly vesting period during which such termination occurs.

Roewe Recognition and Retention Grant

On July 18, 2023, Mr. Roewe received a special recognition and retention grant of 90,090 RSUs. The RSUs will vest upon satisfaction of both service-based and performance-based conditions. The performance-based vesting criterion was satisfied on September 1, 2023 based on the Company having cash of at least €245 million as of that date. The service-based vesting criterion provides that one-third of the awards vested on October 18, 2023, and the remaining awards will vest in two equal installments on September 1, 2024 and September 1, 2025, subject to Mr. Roewe’s continued service through the applicable vesting date. The third installment will accelerate vesting upon first manned flight of the Lilium Jet.

Richardson Severance Agreement

Effective January 15, 2023, Mr. Richardson, the Company’s former Chief Financial Officer, entered into separation agreements with Lilium and Lilium’s U.S. subsidiary that provided for an aggregate cash payment of \$1,500,000, the sum of all bonus payments due to Mr. Richardson, in addition to payments for regular salary and benefits owed through January 15, 2023, in full satisfaction of all compensation due and owing to Mr. Richardson for his service to Lilium.

Vogelgesang Employment Agreement

On January 15, 2023, and with effect from the appointment of Mr. Vogelgesang as Chief Financial Officer on such date, Lilium entered into an employment agreement with Mr. Vogelgesang, which provides for, among other things, an annual cash base salary of €400,000. Mr. Vogelgesang is also eligible to earn an annual bonus which, in the event of 100% target achievement, amounts to 40% of his annual salary.

Non-Executive Director Compensation

In connection with the Business Combination, Lilium adopted a Board member compensation policy, as amended, which governs the compensation of Lilium’s executive and non-executive directors. The terms and conditions of the Board member compensation policy that are applicable to non-executive directors (referred to herein as the “Non-Executive Director Compensation Policy”) are designed to attract and retain high quality non-executive Board members by providing competitive compensation and aligning their interests with the interests of shareholders through equity awards.

Cash Retainers

The Non-Executive Director Compensation Policy provides for annual cash retainers, which will be payable quarterly in arrears and pro-rated for partial quarters of service and certain other benefits. Each non-executive Board member may also elect to convert all or a portion of his or her annual Board member service retainer (which excludes any annual retainer that a non-executive director may receive for serving as a chair or member of a committee) into RSUs. Following a timely election to receive RSUs in lieu of the cash retainer, on the first calendar day following the end of a quarter of the calendar year to which such election applies, such non-executive director will automatically be granted a number of fully vested RSUs equal to the amount of the related cash retainer divided by the volume-weighted average price of a Class A Share over the 30 trading days preceding the grant date (rounded down to the nearest whole share), subject to proration in case of a partial quarter of service. Any portion of the RSUs that vests in respect of a partial quarter of service will be pro-rated based on the number of days of service that the non-executive Board member provided in such quarter. In addition, subject to the approval of Liliium and applicable law, prior to a cash retainer being earned, a non-executive Board member may elect to defer such cash retainer into fully-vested deferred stock units (“DSUs”), which will be granted after such retainer is earned and will be settled in Class A Shares upon the earlier of (i) the date chosen on the applicable election form and (ii) a separation from service. Subject to the approval of Liliium and applicable law, a non-executive Board member may also elect to defer RSUs into DSUs with a settlement date that occurs at least one year after the applicable vesting date and up to the time the non-executive Board member has a separation from service.

Equity

Compensation Additionally, as amended, the Non-Executive Director Compensation Policy provides that non-executive directors will receive RSU grants under the 2021 Plan on the date of each annual General Meeting (beginning at the 2022 General Meeting) and upon the beginning of service, which will vest, subject to continuous service through the applicable vesting date:

- RSUs initially valued at \$165,000 upon initial election or appointment to the Board, which will vest in three equal annual installments from the date of grant; and
- additional RSUs initially valued at \$175,000 annually, which will vest upon the earlier of the first anniversary of the date of grant or the next annual General Meeting, pro-rated for the initial year of service.

All vesting is subject to the non-executive Board member’s continued service as a member of the Board through each applicable vesting date. Notwithstanding the foregoing, if a non-executive Board member remains in continuous service as a member of the Board until immediately prior to: (a) the non-executive Board member’s death; (b) the termination of the non-executive Board member’s service due to the non-executive Board member’s disability; or (c) the closing of a change in control (as defined in the 2021 Plan) (each a “Director Acceleration Event”), any unvested RSUs will vest in full immediately prior to, and contingent upon, the applicable Director Acceleration Event.

Notwithstanding the above, each non-executive Board member may elect to waive any or all of his or her compensation under the Non-Executive Director Compensation Policy prior to the payment of such compensation, provided that such election is permitted by the tax laws and regulations applicable to such non-executive director.

One Time Additional RSU Grant

Non-executive directors who were elected or appointed to the Board on September 21, 2021 and who were still in office as of the September 11, 2023 General Meeting and who received RSU grants during the period of their appointment as non-executive directors, received a one time additional RSU grant under the 2021 Plan with a value of \$275,000. This one time additional RSU grant occurred on September 11, 2023 and the related RSUs will vest ratably over the two-year period following the grant date, with 50% vesting on the first anniversary of the grant date and the remaining 50% vesting in four equal quarterly installments during 2025, subject to each recipient’s continued services as a director through each vesting date. The one time additional RSU grants were made in recognition of the recipients’ personal investment into the future of the organization and to provide competitive compensation to retain the top-tier talent and expertise required to effectively supervise the execution of Liliium’s objectives in accordance with Liliium’s long-term strategy creating long-term value and sustainable growth in the best interests of Liliium and its shareholders.

C. Board Practices

Board Structure

Subject to our articles of association, the Board is charged with the management of the Company. In fulfilling their duties, our directors serve the interest of the Company and the business connected with it. Supervision of the fulfillment of duties by the executive directors and of the general course of our affairs and our business are primarily carried out by the non-executive directors. The executive directors must in due time provide the non-executive directors with the information they need to carry out their duties.

The Board consists of two executive directors and eight non-executive directors. The total number of directors, including the number of executive directors and non-executive directors, may be increased or decreased pursuant to a resolution of the Board approved by a majority vote of all of the executive directors, and a majority vote of all of the non-executive directors, then in office. The Board is a one-tier board.

Under our articles of association, our executive and non-executive directors will be appointed by the General Meeting at the binding nomination of the non-executive directors and for such term as proposed by the non-executive directors, provided that a director must retire at the close of the first annual General Meeting following the expiry of the term of their appointment. A director may be reappointed one or more times.

For our initial Board, Barry Engle was appointed for a term of three years and the other non-executive directors were appointed to one year terms. Each of the non-executive directors will retire at the first annual General Meeting following the expiry of their current term. If the General Meeting is postponed to a date that is after the first anniversary of the date upon which the non-executive directors were appointed, the reappointment of the non-executive directors will be added to the agenda of the General Meeting to be considered by the shareholders of the Company. If the annual General Meeting is held before the first anniversary of the date upon which the non-executive directors were appointed, such re-appointment will occur at the subsequent annual General Meeting.

The General Meeting may at all times overrule the binding nature of each nomination by at least a two-thirds (2/3) majority of the votes cast, provided such majority represents more than half of the issued share capital of the Company (a “General Meeting Supermajority”). If the General Meeting overrules a binding nomination, the non-executive directors will make a new nomination and a new General Meeting will be called at which the resolution for appointment of a director will require at least a General Meeting Supermajority. If a nomination for such a director has not been made or has not been made in due time, this will be stated in the notice of the General Meeting, and the General Meeting will be free to appoint a director at its discretion by the resolution of a General Meeting Supermajority.

Under our articles of association, the General Meeting may at any time suspend or dismiss a non-executive director or executive director. The General Meeting may only adopt a resolution to suspend or dismiss a director by a General Meeting Supermajority, unless the resolution is adopted on the basis of a proposal by the Board; in that case, the resolution may be adopted by an absolute majority of the votes cast, representing more than half of the issued share capital of the Company.

Director and Officer Qualifications

We have not established any specific, minimum qualifications that must be met by each of our directors and officers. However, we generally evaluate the following qualities: educational background, diversity of professional experience, including whether the person is a current or was a former chief executive officer or chief financial officer of a public company or the head of a division of a prominent international organization, knowledge of our business (including understanding of the specific markets where Liliu is active and expertise in the aerospace, manufacturing and/or technology industries), integrity, professional reputation, independence, wisdom and ability to represent the best interests of our shareholders and stakeholders.

The Nominating Committee of the Board considers the criteria set forth in the Corporate Governance Guidelines and the Diversity Policy for all directors and, with respect to the non-executive directors, the Profile for Non-Executive Directors (adopted in November 2022 pursuant to best practice provision 2.1.1 of the DCGC) is also considered, regarding director qualification requirements and the process for identifying and evaluating director candidates for adoption by the Board.

Committees of the Board of Directors

The Board has established four standing committees comprised of independent, non-executive directors: the Audit Committee, the Compensation Committee, the Nominating and Corporate Governance Committee and the Sustainability Committee. Each committee operates under a charter approved by the Board. Copies of each committee charter are available on our website.

Audit Committee

Audit Committee members include Barry Engle, Margaret M. Smyth and Gabrielle Toledano, with Mr. Engle serving as chair of the Audit Committee. Each member of the Audit Committee is financially literate, and each of Mr. Engle and Ms. Smyth is an “Audit Committee financial expert” as defined in the applicable SEC rules. The Audit Committee’s responsibilities include, among other things, oversight of:

- our accounting and financial reporting and related processes and disclosures;
- the adequacy and effectiveness of our internal control over financial reporting;
- audits of the consolidated financial statements of the Company and our subsidiaries;
- the public accounting firm engaged as our independent auditor, including with respect to its appointment, qualifications, independence, performance, compensation and retention, and related matters;
- our internal audit function, including with respect to its performance, resources and retention; and
- the assessment and management of risks, including financial risks and risks related to information security.

The Audit Committee charter also provides that the Audit Committee will be responsible for pre-approving all audit services, internal control-related services and non-audit services (other than de minimis non-audit services) and establishing and maintaining the necessary approval procedures.

Compensation Committee

Compensation Committee members include Gabrielle Toledano, Barry Engle and David Wallerstein, with Ms. Toledano serving as the chair of the Compensation Committee. The Compensation Committee’s responsibilities include, among other things:

- reviewing and making recommendations to the Board regarding the compensation of our non-executive directors;
- reviewing and making recommendations to our non-executive directors regarding the compensation of executive officers serving on the Board;
- approving the compensation of our senior management;
- recommending changes to the Company’s compensation policy, which governs the compensation of our non-executive directors and executive directors;
- reviewing and reporting to the Board, development and succession plans for our executive directors; and
- overseeing the Company’s equity incentive and benefit plans and human capital management function.

The Compensation Committee charter also provides that the Compensation Committee may, in its sole discretion, retain or obtain the advice of a compensation consultant, legal counsel or other adviser and is directly responsible for the appointment, compensation and oversight of the work of any such adviser. However, before engaging or receiving advice from a compensation consultant, external legal counsel or any other adviser, the Compensation Committee will consider the independence of each such adviser, including in accordance with applicable regulations and Nasdaq listing standards.

Nominating and Corporate Governance Committee

Nominating and Corporate Governance Committee members include David Wallerstein, Thomas Enders and Niklas Zennström, with Mr. Wallerstein serving as the chair of the Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee's responsibilities include, among other things:

- identifying and recommending nominees for election by the Board;
- evaluating the Board on its performance; and
- recommending changes to our corporate governance framework and guidelines to the Board.

Sustainability Committee

On November 16, 2022, the Board established a Sustainability Committee to assist the Board in overseeing corporate practices relating to corporate sustainability, including environmental, health and safety, human rights and social matters for the Company. Members of the Sustainability Committee include Margaret M. Smyth, Dr. Thomas Enders and Niklas Zennström, with Ms. Smyth serving as the chair. The Sustainability Committee's responsibilities include, among other things:

- considering and recommending to the Board policies and practices that help establish and advance our corporate sustainability vision, including with respect to environmental, health and safety, human rights and social matters;
- overseeing our policies, programs and practices that relate to corporate sustainability; and
- monitoring developments, trends and best practices in managing corporate sustainability matters.

D. Employees

We believe that our employees are crucial to the success of our business, which depends on our human capital and a strong leadership team. We aim to attract, retain and develop staff with the skills, experience and potential necessary to implement our growth strategy. Our human capital resources objectives include identifying, recruiting, retaining, incentivizing and integrating our existing and new employees. As of December 31, 2021, we had 964 employees, comprised of 745 internal employees as well as 219 full- or part-time contractors. As of December 31, 2022, we had 838 employees and 109 full or part time contractors. As of December 31, 2023, we had 864 employees and 91 full-or part-time contractors. Many of our employees and contractors have had prior experience working for a wide variety of reputed aerospace, airline, jet design, aerospace and customer service organizations. We have not experienced any work stoppages, and we consider our relationship with our employees to be good. None of our employees are represented by a labor union or covered by collective bargaining agreements.

E. Share Ownership

Information regarding the ownership of our shares by our directors and executive officers is set forth in Item 7.A of this Annual Report.

F. Disclosure of a Registrant's Action to Recover Erroneously Awarded Compensation

Not applicable.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

The following table sets forth information relating to the beneficial ownership of our ordinary shares as of March 15, 2024 by:

- each person, or group of affiliated persons, known by us to beneficially own more than 5% of our outstanding ordinary shares;
- each of our directors;
- each of our executive officers; and
- all of our directors and executive officers as a group.

The SEC has defined “beneficial ownership” of a security to mean the possession, directly or indirectly, of voting power and/or investment power over such security. A shareholder is also deemed to be, as of any date, the beneficial owner of all securities that such shareholder has the right to acquire within 60 days after that date through (i) the exercise of any option, warrant or right, (ii) the conversion of a security, (iii) the power to revoke a trust, discretionary account or similar arrangement, or (iv) the automatic termination of a trust, discretionary account or similar arrangement.

In computing the number of shares beneficially owned by a person and the percentage ownership of that person, ordinary shares subject to options or other rights (as set forth above) held by that person that are currently exercisable, or will become exercisable within 60 days thereafter, are deemed outstanding, while such shares are not deemed outstanding for purposes of computing percentage ownership of any other person. The percentage of our ordinary shares beneficially owned is computed on the basis of 504,734,148 Class A Shares and 23,113,065 Class B Shares issued and outstanding as of March 14, 2024, which share amounts do not include the 12,649,946 Class A Shares issuable upon exercise of the Public Warrants, 7,060,000 Class A Shares issuable upon exercise of the SPAC Private Warrants, 1,800,000 Class A Shares issuable upon exercise of the Azul Warrants, 45,762,461 Class A Shares issuable upon exercise of the 2022 Warrants, 160,202,919 Class A Shares issuable upon exercise of the Aceville Warrants, 8,036,528 Class A Shares issuable upon exercise of the 2023 Warrants, any Class A Shares issuable upon exercise of outstanding stock options or the settlement of outstanding RSUs. Other than Daniel Wiegand, who holds Class B Shares, the Class A Shares owned by the persons named in the table below have the same voting rights as the other holders of our Class A Shares. Class B Shares have 3 votes per share and Class A Shares have 1 vote per share on any matter submitted for shareholder approval.

Unless otherwise indicated, we believe that all persons named in the table below have sole voting and investment power with respect to all shares beneficially owned by them. To our knowledge, no shares beneficially owned by any executive officer, director or director nominee have been pledged as security.

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Unless otherwise indicated, the address of each person named below is c/o Liliium N.V., Galileostraße 335, 82131 Gauting, Germany.

Beneficial Owner	Class A Shares	Class B Shares	% Voting Power⁽¹⁾%	% Share Ownership
Executive Officers and Directors				
Henri Courpron ⁽²⁾	227,773	—	*	*
Dr. Thomas Enders ⁽³⁾	332,082	—	*	*
Barry Engle ⁽⁴⁾	5,700,273	—	*	1.1 %
David Neeleman ⁽⁵⁾	86,331	—	*	*
Klaus Roewe ⁽⁶⁾	770,360	—	*	*
Margaret M. Smyth ⁽⁷⁾	123,299	—	*	*
Gabrielle Toledano ⁽⁸⁾	123,299	—	*	*
Oliver Vogelgesang ⁽⁹⁾	204,020	—	*	*
David Wallerstein ⁽¹⁰⁾	2,227,308	—	*	*
Daniel Wiegand ⁽¹¹⁾	285,000	23,113,065	12.1 %	4.4 %
Niklas Zennström ⁽¹²⁾	41,138,053	—	7.2 %	7.8 %
<i>All executive officers and directors of Liliium as a group (11 persons)</i>	51,217,798	23,113,065	20.8 %	14.0 %
5% and Greater Shareholders (Not Included Above)				
Atomico Entities ⁽¹³⁾	40,943,742	—	7.1 %	7.8 %
Tencent Entities ⁽¹⁴⁾	117,511,913	—	20.3 %	22.0 %
LGT/Lightrock ⁽¹⁵⁾	75,983,068	—	13.2 %	14.4 %

* Less than 1%

- (1) Percentage of total voting power represents voting power with respect to all Class A Shares and Class B Shares, as a single class. The holders of Class B Shares are entitled to three times as many votes per share as holders of Class A Shares.
- (2) Consists of (i) 206,620 Class A Shares and (ii) 21,153 Class A Shares issuable upon exercise of a warrant exercisable within 60 days following March 15, 2024.
- (3) Consists of (i) 225,516 Class A Shares, (ii) 100,352 Class A Shares issuable upon exercise of options that are exercisable or will become exercisable within 60 days following March 15, 2024 and (iii) 6,214 Class A Shares issuable upon exercise of options issued pursuant to the ESOP and that will become exercisable within 60 days of March 15, 2024.
- (4) Consists of (i) 2,113,580 Class A Shares and (ii) 3,586,693 Class A Shares issuable upon exercise of warrants exercisable within 60 days of March 15, 2024. Mr. Engle's business address is c/o Qell Partners LLC, 505 Montgomery Street, Suite 1100, San Francisco, CA 94111 USA.
- (5) Consists of 86,331 Class A Shares.
- (6) Consists of (i) 109,186 Class A Shares, (ii) 16,026 Class A Shares issuable upon settlement of RSUs granted under the 2021 Plan vesting within 60 days following March 15, 2024, (iii) 536,501 Class A Shares issuable upon exercise of vested options granted under the 2021 Plan, (iv) 89,417 Class A Shares issuable upon exercise of options granted under the 2021 Plan that will become exercisable within 60 days of March 15, 2024 and (v) 19,230 Class A Shares issuable upon exercise of a warrant exercisable within 60 days following March 15, 2024.
- (7) Consists of 123,299 Class A Shares.
- (8) Consists of 123,299 Class A Shares.
- (9) Consists of (i) 128,639 Class A Shares, (ii) 59,997 Class A Shares issuable upon exercise of options granted under the 2021 Plan that are exercisable or will become exercisable within 60 days following March 15, 2024 and (iii) 15,384 Class A Shares issuable upon exercise of a warrant exercisable within 60 days following March 15, 2024.

- (10) Consists of (i) 1,900,386 Class A Shares and (ii) 326,922 Class A Shares underlying warrants exercisable within 60 days following March 15, 2024, in each case held by the David Wallerstein and Jun Yu Living Trust for the benefit of Mr. Wallerstein.
- (11) Consists of (i) 285,000 Class A Shares and (ii) 23,113,065 Class B Shares convertible into 23,113,065 Class A Shares.
- (12) Consists of (i) 155,850 Class A Shares, (ii) 38,461 Class A Shares issuable upon exercise of a warrant exercisable within 60 days of March 15, 2024, (iii) 33,419,323 Class A Shares held of record by Atomico IV L.P. (“Atomico IV”) and (iv) 7,524,419 Class A Shares held of record by Atomico IV (Guernsey) L.P. (“Atomico IV (Guernsey)” and, together with Atomico IV, the “Atomico Entities”). Atomico Advisors IV, Ltd. (“Atomico Advisors IV”) is the general partner of each of Atomico IV and Atomico IV (Guernsey). Niklas Zennström, Mark Dyne, Nicole Ramroop and Claris Ruwende, the members of the board of directors of Atomico Advisors IV, may be deemed to have shared voting and dispositive power over the shares held by each of Atomico IV and Atomico IV (Guernsey). The business address of Atomico IV and Atomico Advisors IV is One Capital Place, Grand Cayman, KY1-1103 Cayman Islands. The business address of Atomico IV (Guernsey) is Old Bank Chambers, La Grande Rue St. Martin’s, Guernsey, GY4 6RT, Channel Islands.
- (13) Consists of (i) 33,419,323 Class A Shares held of record by Atomico IV and (ii) 7,524,419 Class A Shares held of record by Atomico IV (Guernsey). Atomico Advisors IV, Ltd. (“Atomico Advisors IV”) is the general partner of each of Atomico IV and Atomico IV (Guernsey). Niklas Zennström, Mark Dyne, Nicole Ramroop and Claris Ruwende, the members of the board of directors of Atomico Advisors IV, may be deemed to have shared voting and dispositive power over the shares held by each of Atomico IV and Atomico IV (Guernsey). The business address of Atomico IV and Atomico Advisors IV is One Capital Place, Grand Cayman, KY1-1103 Cayman Islands. The business address of Atomico IV (Guernsey) is Old Bank Chambers, La Grande Rue St. Martin’s, Guernsey, GY4 6RT, Channel Islands.
- (14) Tencent Holdings Limited stated in its Schedule 13D filing with the SEC on August 2, 2023 (the “Tencent 13D filing”) that it has shared voting and dispositive power with respect to 117,511,913 Class A Shares, consisting of (i) 87,735,076 Class A Shares held of record by Tencent, (ii) 5,769,230 Class A Shares underlying a warrant held of record by Tencent exercisable within 60 days following March 15, 2024 and (iii) 24,007,607 Class A Shares held of record by Aceville Pte. Limited. Tencent is a wholly-owned subsidiary of Tencent Mobility Limited, a company limited by shares incorporated in Hong Kong. Tencent Mobility Limited is a direct wholly-owned subsidiary of Tencent Holdings Limited. Aceville Pte. Limited is a direct wholly-owned subsidiary of TCH Delta Limited, which in turn is a direct wholly-owned subsidiary of Tencent Holdings Limited. Tencent Holdings Limited is a publicly traded company. According to the Tencent 13D filing, the business address of Tencent, Tencent Mobility Limited, TCH Delta Limited, Aceville Pte. Limited and Tencent Holdings Limited (collectively, the “Tencent Entities”) is Level 29/F, Three Pacific Place, No. 1 Queen’s Road East, Wanchai, Hong Kong. The Tencent 13D filing states that as a result of the beneficial ownership limitation of 19.8% applicable to the Aceville Warrants, the Tencent Entities would only be considered to be beneficial owners of the Class A Shares underlying the Aceville Warrants to the extent the Aceville Warrants are exercisable. As Liliu issues additional Class A Shares, portions of the Aceville Warrants may automatically become exercisable, up to the beneficial ownership limitation. As the Aceville Warrants become exercisable, the Tencent Entities will be deemed to have beneficial ownership of the Class A Shares underlying such exercisable portion of the Aceville Warrants.
- (15) H.S.H. Reigning Prince Hans-Adam II. von und zu Liechtenstein (“H.S.H. Prince Hans-Adam II”) stated in his 13G filing with the SEC on February 2, 2023 (the “LGT/Lightrock filing”) that he has shared voting and dispositive power with respect to 75,983,068 Class A Shares. Of the 75,983,068 Class A Shares beneficially owned by H.S.H. Prince Hans-Adam II, (i) 24,192,821 Class A Shares and a warrant to purchase 7,692,307 Class A Shares exercisable within 60 days following March 15, 2024 are held by LGT Global Invest Ltd, (ii) 10,828,711 Class A Shares and a warrant to purchase 1,923,076 Class A Shares exercisable within 60 days following March 15, 2024 are held by Lightrock Growth Fund I S.A., SICAV-RAIF (“Lightrock Growth Fund I”), and (iii) 21,730,769 Class A Shares and a warrant to purchase 9,615,384 Class A Shares exercisable within 60 days following March 15, 2024 are held of record by Lumen Investments Ltd. (collectively with LGT Global Invest Ltd and Lightrock Growth Fund I, the “LGT/Lightrock”). According to the LGT/Lightrock filing, H.S.H. Prince Hans-Adam II is the ultimate beneficial owner of LGT Global Invest Ltd, Lightrock Growth Fund I S.A., SICAV-RAIF and Lumen Investments Ltd. According to the LGT/Lightrock filing, the business address of LGT Global Invest Ltd is Grand Pavilion Commercial Centre, 1st Floor, 802 West Bay Road, Grand Cayman KY1-1203, Cayman Islands, the business address of Lightrock Growth Fund I is 8, rue Lou Hemmer, L-1748 Senningerberg, Grand Duchy of Luxembourg, the business address of Lumen Investments Ltd. is Grand Pavilion Commercial Centre, 1st Floor, 802 West Bay Road, Grand Cayman KY1-1203, Cayman Islands, and the business address of H.S.H. Prince Hans-Adam II is Fürst-Franz-Josef-Strasse 150, FL-9490, Vaduz, Liechtenstein.

Ownership of Liliium Shares

Due to the fact that some of our Class A Shares are held by brokers and other nominees, the number of Class A Shares held by, and the number of, beneficial holders with addresses in the U.S. is not fully ascertainable. As of March 14, 2024, according to the records of our transfer agent Continental Stock Transfer & Trust Company, approximately 188,991,125 Class A Shares (approximately 37% of our outstanding Class A Shares) were held by 29 record holders in the U.S., and no Class B Shares were held by record holders in the U.S. These estimates do not include 315,743,023 Class A Shares (approximately 63% of our outstanding Class A Shares) held by Cede & Co., the nominee of The Depository Trust Company, in whose name all shares held in “street name” are held in the U.S. We believe that the Class A Shares held by Cede & Co. include Class A Shares beneficially owned by both U.S. and non-U.S. beneficial owners. As a result, these numbers may not accurately represent the number of beneficial owners of our Class A Shares in the U.S.

B. Related Party Transactions

The following is a summary of transactions since January 1, 2023 to which we have been a party and in which any members of the Board or senior management had or will have a direct or indirect material interest, other than compensation arrangements and the share ownership described under “*Item 6. Directors, Senior Management and Employees — B. Compensation*” and “*— Major Shareholders*” above. See also Note 30 of our financial statements included elsewhere in this Annual Report for a description of certain transactions with related parties required to be disclosed under IFRS.

Aceville Warrants

On May 1, 2023, the Company entered into a securities purchase agreement (the “Aceville SPA”) with Aceville for the issuance and pre-funding, in a private placement, of the Aceville Warrants with an initial exercise price of \$1.00 per Class A Share. Upon issuance, Aceville pre-funded \$100 million of the aggregate exercise price payable to the Company and in July 2023 Aceville pre-funded to the Company an additional \$75 million of the exercise price payable upon the Company securing more than \$75 million in additional third-party funding. Aceville is a direct wholly-owned subsidiary of TCH Delta Limited, which in turn is a direct wholly - owned subsidiary of Tencent Holdings Limited, an affiliate of our shareholder Tencent. Our non-executive director, David Wallerstein, is an employee of an affiliate of Tencent.

The Aceville Warrants when held by Aceville will not be exercisable to the extent such exercise would result in Aceville (together with its affiliates or other similarly related parties) beneficially owning in excess of 19.8% of the outstanding voting power of the shares in the Company’s capital immediately after giving effect to the issuance of Class A Shares issuable upon exercise of such Aceville Warrants, unless certain governmental approvals are obtained or not required. Aceville Warrants held by any holder will not be exercisable to the extent their exercise would result in such holder (together with such holder’s affiliates or similarly related parties) beneficially owning in excess of 19.99% of either the number of or the voting power of the ordinary shares immediately after giving effect to the issuance of Class A Shares issuable upon exercise of such Aceville Warrants or if certain government approvals would be required, in each case, unless certain approvals are obtained or not required.

Shareholders of the Company representing approximately 65% of the voting power as of May 1, 2023, including LGT/Lightrock, Tencent, our founder, director and Chief Engineer for Innovation and Future Programs, Daniel Wiegand, and our other founders, Dr. Patrick Nathen, Matthias Meiner and Sebastian Born, entered into letter agreements, irrevocably and unconditionally agreeing to vote at the General Meeting held on May 25, 2023 in favor of (i) the designation of our Board to (a) issue Class A Shares and grant rights to subscribe for Class A Shares up to a maximum of 30% of the issued share capital of the Company and (b) amend the nominal value of the Class A Shares to €0.01 per share, Class B Shares to €0.03 per share and Class C Shares to €0.02 per share and (ii) any other matters necessary or reasonably requested by the Company for consummation of the matters described in clause (i) (including authorization for purposes of Nasdaq Listing Rule 5635 (b) to issue Class A Shares that would result in a beneficial ownership in excess of 19.99% of the Company’s ordinary shares outstanding upon the potential future exercise of the Aceville Warrants). All proposals tabled at the General Meeting on May 25, 2023 were approved by the Company’s shareholders.

2023 PIPE

In connection with the 2023 PIPE, we entered into a securities purchase agreement with a number of investors, including Barry Engle, David Wallerstein (who is affiliated with Tencent) and Henri Courpron, three of our non-executive directors, and Oliver Vogelgesang, our Chief Financial Officer, for the purchase and sale of 1,530,768 Class A Shares and warrants to purchase up to 382,690 Class A Shares for aggregate gross proceeds of approximately \$1.9 million. The Company's sales to Messrs. Courpron, Engle, Wallerstein and Vogelgesang resulted in gross proceeds of approximately \$0.1 million, \$1.3 million, \$0.5 million and \$0.08 million, respectively.

Seabury Engagement

Commencing in December 2023, Liliium engaged Seabury Securities (UK) Limited and Seabury Capital Management LLC (collectively, "Seabury") for the provision of financial advisory services with a focus on developing strategic relationships in the Middle East, subject to customary terms and conditions for an engagement of this nature (the "Engagement"). Our director, Henri Courpron, is vice chairman of Seabury Aviation Partners, an affiliate of Seabury, which provides airline advisory and investment banking services. The Engagement will continue until December 1, 2024. Seabury will be entitled to receive customary retainer fees and success fees upon the closing of qualifying transactions.

Qell Engagement

Effective beginning in December 2023, Liliium engaged Qell Capital Management L.P. ("Qell") for the provision of certain strategic and management advisory services, subject to customary terms and conditions for consulting services of this nature. Our director, Barry Engle, is a managing partner of Qell. The consulting engagement will continue for a period of six months and will continue month-to-month thereafter, subject to earlier termination by either party with ten days' advance written notice. Qell will be entitled to receive monthly consulting fees customary for an engagement of this nature, and Liliium's board of directors, in its sole discretion, may elect to pay a bonus to Qell if satisfied with its performance, payable in cash or, at the mutual agreement of Qell and Liliium, in Liliium's Class A Shares.

Strategic Collaboration with Azul

On July 31, 2021, we executed a term sheet in which we agreed to enter into negotiations with Azul to establish a strategic collaboration whereby Azul is expected to commit to purchase from Liliium 220 Liliium Jets for an aggregate value of up to \$1.0 billion, subject to completion of aircraft certification activities and receipt of any required regulatory approvals. In December 2023, Liliium and Azul extended the term of the term sheet. In consideration of the strategic commercial collaboration, on October 22, 2021, we issued fully vested Azul Warrants to purchase 1,800,000 Class A Shares at an exercise price of €0.12 per share, and we agreed, subject to the execution of definitive agreements for the strategic commercial collaboration, to issue Azul warrants to purchase up to an additional 6,200,000 Class A Shares at an exercise price of €0.12 per share which, upon issuance, would vest in three tranches. We entered into a registration rights agreement with Azul on March 8, 2022 pursuant to which we registered the future resale of the 1,800,000 Class A Shares issuable upon the exercise of the Azul Warrants and agreed to register the future resale of the 6,200,000 Class A Shares issuable upon the exercise of any of such warrants issued to Azul in the future. In January 2023, Azul and Liliium agreed to extend the period in which the definitive agreements are to be finalized by one year and in December 2023 agreed to further extend the period by an additional six months. David Neeleman, the founder and controlling shareholder of Azul, is one of our non-executive directors. Additional information regarding our arrangement with Azul is described above under the section titled "*Item 4. Information on the Company — B. Business Overview — Commercial and Business Operations — Strategic Commercial Collaborations.*"

Remuneration Agreements with Board Members and Senior Management

For a description of our remuneration agreements with members of the Board and senior management, see the section titled "*Item 6. Directors, Senior Management and Employees — B. Compensation.*"

On May 17, 2022, we entered into a success fee letter with Mr. Geoffrey Richardson, our then Chief Financial Officer, pursuant to which we agreed to pay Mr. Richardson a success fee upon successful completion of certain equity, debt, joint venture or merger transactions prior to December 31, 2025. Mr. Richardson and Liliu agreed that such success fee is no longer applicable to equity and debt transactions. Liliu and Mr. Richardson further agreed that for 2022 and until December 31, 2025, semi-annually, Mr. Richardson would be entitled to receive a bonus payable in cash in an amount that would be determined by the Compensation Committee based on certain agreed liquidity targets being achieved consisting of the amount of cash and cash equivalents held by the Company as of an agreed date for each semi-annual period. Mr. Richardson resigned as Chief Financial Officer effective January 15, 2023. In connection with his resignation, Mr. Richardson entered into separation agreements with Liliu and Liliu's U.S. subsidiary that provided for an aggregate cash payment of \$1,500,000, the sum of all bonus payments due to Mr. Richardson, in addition to payments for regular salary and benefits owed through January 15, 2023, in full satisfaction of all compensation due and owing to Mr. Richardson for his service to Liliu.

Indemnification Agreements

Our articles of association provide for certain indemnification rights for our directors and executive officers, and we have entered into an indemnification agreement with several of our directors and executive officers providing for procedures for indemnification and advancements by Liliu of certain expenses and costs relating to claims, suits or proceedings arising from his or her service to Liliu or, at our request, service to other entities, as directors or officers to the maximum extent permitted by Dutch law.

Review, Approval or Ratification of Transactions with Related Persons

We have adopted a code of business conduct that prohibits directors and executive officers from engaging in the decision-making process relating to transactions in which such director or officer has a conflict of interest. Consistent with Dutch law, if the Board must approve a transaction in which a director has a conflict of interest, such transaction can only be effected if it has been approved by a majority of the Board (including a majority of independent directors) not otherwise interested in the transaction and such transaction must be fair and reasonable to the Company and on terms not less favorable to the Company than those available from unaffiliated third parties. In addition, we have adopted a policy requiring that our Audit Committee review and approve any transaction that would require disclosure under Item 7.B. of Form 20-F.

C. Interests of Experts and Counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

Financial Statements

See Item 18 of this Annual Report for consolidated financial statements and other financial information.

Legal Proceedings

On April 18, 2022, a putative class action was filed against Liliu N.V., Daniel Wiegand, Geoffrey Richardson and Barry Engle for purported violations of United States securities laws (the "Lawsuit"). The Lawsuit was filed in the U.S. District Court for the Central District of California, but was later transferred to the U.S. District Court for the Southern District of Florida. The Lawsuit is presently captioned as: *Maniraj Ashirwad Gnanaraj v. Liliu N.V. et al.*, 23-CV-80232-Rosenberg/Reinhart. On March 10, 2023, the Lead Plaintiff filed an amended complaint, which Defendants moved to dismiss. On January 3, 2024, the court granted Defendants' motion to dismiss but allowed the Lead Plaintiff to file a second amended complaint. On January 24, 2024, the Lead Plaintiff filed a second amended complaint, which Defendants have moved to dismiss. The Company's management believes the claims are without merit and intend to vigorously defend this litigation. The Lawsuit is currently at a preliminary stage and Liliu cannot predict its outcome, so the Company therefore cannot determine the likelihood of loss or estimate a range of possible loss.

In addition to the above, we may be subject to various claims, lawsuits and other legal and administrative proceedings arising in the ordinary course of business. Some of these claims, lawsuits and other proceedings may involve highly complex issues that are subject to substantial uncertainties and could result in damages, fines, penalties, non-monetary sanctions or relief. As of the date of this Annual Report, we do not believe that we are party to any claim or litigation, the outcome of which would, individually or in the aggregate, be reasonably expected to have a material adverse effect on our business.

Dividend Policy

We have never declared or paid any cash dividends on our shares and we do not anticipate paying any dividends on our shares for the foreseeable future. We currently intend to retain any earnings for future operations.

Under Dutch law, we may only pay dividends to the extent our shareholders' equity (*eigen vermogen*) exceeds the sum of the paid-up and called-up share capital plus the reserves required to be maintained by Dutch law or by our articles of association and (if it concerns a distribution of profits) after adoption of the annual accounts by our General Meeting from which it appears that such distribution is allowed. At the time of the adoption of the annual accounts, our Board will make a proposal to the General Meeting as to what amount of the profits of the Company, if any, will be allocated to the Company's profit reserves and what amount of such profit will be available for distribution. Our Board is permitted, subject to certain requirements, to declare interim dividends without the approval of the General Meeting.

Subject to such restrictions, any future determination or recommendation to pay (interim) dividends will depend on a number of factors, including our results of operations, earnings, cash flow, financial condition, future prospects, contractual restrictions, capital investment requirements, restrictions imposed by applicable law and other factors considered relevant by the Board.

Our Board may decide that all or part of our remaining profits shall be added to our reserves. After such reservation, any remaining profit will be at the disposal of the General Meeting at the proposal of our Board, subject to the applicable restrictions of Dutch law. Dividends and other distributions shall be made payable not later than the date determined by the corporate body that declares the (interim) dividend. Claims to dividends and other distributions not made within five years from the date that such dividends or distributions became payable will lapse and any such amounts will be considered to have been forfeited to us (*verjaring*).

B. Significant Changes

None.

ITEM 9. THE OFFER AND LISTING

A. Offer and Listing Details

The Class A Shares and Public Warrants are listed on Nasdaq under the symbols LILM and LILMW, respectively. Holders of Class A Shares and Public Warrants should obtain current market quotations for their securities. There can be no assurance that the Class A Shares and/or Public Warrants will remain listed on Nasdaq. If the Company fails to comply with the Nasdaq listing requirements, including that a company's listed shares do not trade for 30 consecutive business days below a minimum closing bid price of \$1.00, the Class A Shares and/or Public Warrants could be delisted from Nasdaq (see "*Item 3.D — Key Information — Risk Factors*"). Particularly, Nasdaq requires us to have at least 400 round lot holders of Class A Shares and 100 round lot holders of Public Warrants. A delisting of the Class A Shares and/or Public Warrants will likely affect the liquidity of the Class A Shares and/or Public Warrants and could inhibit or restrict the ability of the Company to raise additional financing.

B. Plan of Distribution

Not applicable.

C. Markets

The Class A Shares and Public Warrants are listed on Nasdaq under the symbols LILM and LILMW, respectively.

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of The Issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

The information set forth in Exhibit 2.1 “*Description of Securities*” is incorporated herein by reference.

C. Material Contracts

Except as otherwise disclosed in this Annual Report (including the exhibits thereto), we are not currently, and have not been in the last two years, party to any material contract, other than contracts entered into in the ordinary course of business.

D. Exchange Controls

Under Dutch law, there are no exchange controls applicable to the transfer to persons outside of the Netherlands of dividends or other distributions with respect to, or of the proceeds from the sale of, shares of a Dutch company, subject to applicable restrictions under sanctions and measures, including those concerning export control, pursuant to applicable resolutions adopted by the United Nations, regulations of the European Union, the Sanctions Act 1977 (*Sanctiewet 1977*), national emergency legislation or other legislation, applicable anti-boycott regulations and similar rules. Pursuant to the Dutch Foreign Financial Relations Act 1994 (*Wet financiële betrekkingen buitenland 1994*) entities could be obliged to provide certain financial information to the Dutch Central Bank for statistical purposes only. The European Directive Mandatory Disclosure Rules (2011/16/EU) in relation to cross-border tax arrangements can provide for future notification requirements.

Under German law, there are no exchange controls restricting the transfer of funds between Germany and other countries or individuals subject to applicable restrictions concerning import or export control or sanctions and measures against certain persons, entities and countries subject to embargoes in accordance with German law and applicable resolutions adopted by the United Nations and the European Union.

Under German foreign trade regulation, with certain exceptions, every corporation or individual residing in Germany must report to the German Central Bank on any payment received from or made to a non-resident corporation or individual if the payment exceeds €12,500 (or the equivalent in a foreign currency). Additionally, corporations and individuals residing in Germany must report to the German Central Bank on any claims of a resident against, or liabilities payable to, a non-resident corporation or individual exceeding an aggregate of €5 million (or the equivalent in a foreign currency) at the end of any calendar month. Resident corporations and individuals are also required to report annually to the German Central Bank on any stakes of 10% or more they hold in the equity of non-resident corporations with total assets of more than €3 million. Corporations residing in Germany with assets in excess of €3 million must report annually to the German Central Bank on any stake of 10% or more in the company held by an individual or a corporation located outside Germany.

E. Taxation

Material U.S. Federal Income Tax Considerations for U.S. Holders

The following is a description of the material U.S. federal income tax consequences to the U.S. Holders (as defined below) described below of acquiring, owning and disposing of our Class A Shares and Warrants, which we refer to collectively as our securities. It is not a comprehensive description of all tax considerations that may be relevant to a particular person's decision to acquire our securities. This discussion applies only to a U.S. Holder that acquires our securities and that holds our securities as a capital asset (generally, property held for investment). In addition, this discussion does not describe all of the tax consequences that may be relevant in light of a U.S. Holder's particular circumstances, including state and local tax consequences, estate tax consequences, alternative minimum tax consequences, the potential application of the Medicare contribution tax and tax consequences applicable to U.S. Holders subject to special rules, such as:

- banks, insurance companies and certain other financial institutions;
- pension plans;
- U.S. expatriates and certain former citizens or long-term residents of the United States;
- dealers or traders in securities who use a mark-to-market method of tax accounting;
- persons holding Class A Shares or Warrants as part of a hedging transaction, "straddle," "hedge," "conversion," "synthetic security," "constructive ownership transaction," "constructive sale" or other integrated transaction for U.S. federal income tax purposes;
- persons whose "functional currency" is not the U.S. dollar;
- brokers, dealers or traders in securities, commodities or currencies;
- tax-exempt entities (including private foundations) or government organizations;
- S corporations, partnerships, or other entities or arrangements classified as partnerships or S corporations for U.S. federal income tax purposes;
- regulated investment companies or real estate investment trusts;
- trusts and estates;
- persons who acquired our Class A Shares pursuant to the exercise of any employee stock option or otherwise as compensation;
- persons subject to special tax accounting rules as a result of any item of gross income with respect to our Class A Shares or Warrants being taken into account in an applicable financial statement;
- persons holding our Class A Shares or Warrants in connection with a trade or business, permanent establishment or fixed base outside the United States; and
- persons who own (directly or through attribution) 10% or more (by vote or value) of our outstanding Class A Shares.

If an entity that is classified as a partnership for U.S. federal income tax purposes acquires our securities, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. Partnerships acquiring our securities and partners in such partnerships are encouraged to consult their tax advisors as to the particular U.S. federal income tax consequences of acquiring, holding and disposing of our securities.

The discussion is based on the Internal Revenue Code of 1986, as amended (the “Code”), administrative pronouncements, judicial decisions and final, temporary and proposed Treasury Regulations, all as of the date hereof, changes to any of which may affect the tax consequences described herein — possibly with retroactive effect.

For purposes of this discussion, a “U.S. Holder” is a beneficial owner of securities that is, for U.S. federal income tax purposes:

- (a) an individual who is a citizen or individual resident of the United States;
- (b) a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- (c) an estate the income of which is subject to U.S. federal income tax without regard to its source; or
- (d) a trust if (1) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust or (2) the trust has a valid election to be treated as a U.S. person under applicable U.S. Treasury Regulations.

PERSONS CONSIDERING AN INVESTMENT IN OUR SECURITIES SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES APPLICABLE TO THEM RELATING TO THE ACQUISITION, OWNERSHIP AND DISPOSITION OF OUR SECURITIES, INCLUDING THE APPLICABILITY OF U.S. FEDERAL, STATE AND LOCAL TAX LAWS.

Distributions

Subject to the discussion below under “— *Passive Foreign Investment Company Rules*,” the gross amount of distributions paid on our Class A Shares, other than certain pro rata distributions of Class A Shares or rights to acquire Class A Shares, will generally be treated as dividends to the extent paid out of our current or accumulated earnings and profits (as determined under U.S. federal income tax principles as of the end of the taxable year in which each distribution is made). Distributions in excess of our current and accumulated earnings and profits will constitute a return of capital that will be applied against and reduce (but not below zero) the U.S. Holder’s adjusted tax basis in its Class A Shares. Any remaining excess will be treated as gain realized on the sale of Class A Shares and will be treated as described below under “— *Sale or Other Taxable Dispositions*.” The amount of any such distribution will include any amounts of foreign taxes withheld by us (or another applicable withholding agent). The gross amount of the dividend will be treated as foreign-source dividend income to U.S. Holders and will not be eligible for the dividends-received deduction generally available to U.S. corporations. Subject to applicable limitations, dividends received by certain non-corporate U.S. Holders that satisfy a minimum holding period and certain other requirements may be taxable at preferential rates applicable to “qualified dividend income” if we qualify for the benefits of the income tax treaty between the United States and Germany (the “U.S.-Germany Treaty”) and we are not a PFIC (as defined below) with respect to the U.S. Holder in the taxable year of distribution or the preceding taxable year.

Dividends will generally be included in a U.S. Holder’s income on the date of the U.S. Holder’s receipt of the dividend. Dividends paid in a currency other than U.S. dollars will be included in income by a U.S. Holder in a U.S. dollar amount calculated by reference to the exchange rate in effect on the date of receipt, whether or not the currency received is in fact converted into U.S. dollars at that time. If the dividend is converted into U.S. dollars on the date of receipt, a U.S. Holder should not be required to recognize foreign currency gain or loss in respect of the dividend income. A U.S. Holder’s tax basis in non-U.S. currency that is not converted into U.S. dollars on the date of receipt will equal the U.S. dollar amount included in income. A U.S. Holder would generally have foreign currency gain or loss if the non-U.S. currency received is converted into U.S. dollars after the date of receipt for a different U.S. dollar amount. Such gain or loss would generally be treated as U.S.-source ordinary income or loss. The amount of any distribution of property other than cash (and other than certain pro rata distributions of Class A Shares or rights to acquire Class A Shares) will be the fair market value of such property on the date of distribution.

Subject to generally applicable limitations and provided that German tax withheld from dividends constitutes a “covered withholding tax” within the meaning of final regulations recently adopted by the U.S. Internal Revenue Service (the “IRS”) and the U.S. Treasury Department (the “Regulations”), a U.S. Holder may claim credit for German tax withheld at the appropriate rate against the U.S. Holder’s U.S. federal income tax liability. However, a U.S. Holder will not be allowed a foreign tax credit for withholding tax it could have reasonably avoided by claiming benefits under the U.S.-Germany Treaty through appropriate procedures. Each U.S. Holder should consult its own tax advisor about its eligibility for a reduced rate of German withholding tax. For foreign tax credit limitation purposes, dividends received with respect to the Class A Shares will generally constitute “passive category income.” In computing foreign tax credit limitations, non-corporate U.S. Holders eligible for the preferential tax rate applicable to qualified dividend income may take into account only the portion of the dividend effectively taxed at the highest applicable marginal rate. In lieu of claiming a foreign tax credit, a U.S. Holder may deduct foreign taxes in computing their taxable income, subject to generally applicable limitations under U.S. law. An election to deduct foreign taxes instead of claiming foreign tax credits applies to all foreign taxes paid or accrued in the taxable year. The rules governing eligibility for foreign tax credits or deductions are complex and the Regulations have imposed additional requirements that must be met for a foreign tax to be creditable (including requirements that a “covered withholding tax” be imposed on non-residents in lieu of a generally applicable tax that satisfies the definition of an “income tax,” as provided in the Regulations, which may be unclear or difficult to determine). Accordingly, U.S. Holders are urged to consult their tax advisor regarding the availability of foreign tax credits or deductions for foreign taxes withheld with respect to dividends or other distributions on Class A Shares in their particular circumstances.

Sale or Other Taxable Dispositions

Subject to the discussion below under “— *Passive Foreign Investment Company Rules*,” gain or loss realized on the sale or other taxable disposition of Class A Shares or Warrants will be capital gain or loss and will be long-term capital gain or loss if the U.S. Holder held the Class A Shares or Warrants sold or disposed for more than one year at the time of sale or other taxable disposition. The amount of gain or loss realized will be equal to the difference, if any, between the amount realized on the sale or other taxable disposition of the Class A Shares or Warrants and the U.S. Holder’s adjusted tax basis in the Class A Shares or Warrants sold or disposed, in each case as determined in U.S. dollars. Long-term capital gains recognized by certain non-corporate U.S. Holders (including individuals) will generally be subject to tax at preferential reduced rates. The deductibility of capital losses is subject to limitations.

A U.S. Holder’s adjusted tax basis in its Class A Shares or Warrants generally will be equal to the U.S. Holder’s acquisition cost for the Class A Shares or Warrants, which will be the U.S. dollar value of any non-U.S. dollar purchase price paid for the Class A Shares or Warrants determined on the date of purchase, less, in the case of Class A Shares, the U.S. dollar value of any prior distributions treated as a return of capital. A U.S. Holder that receives a currency other than U.S. dollars on the sale or other taxable disposition of Class A Shares or Warrants will realize an amount equal to the U.S. dollar value of the currency received at the spot rate on the date of sale or other taxable disposition. However, if the securities disposed of are treated as traded on an “established securities market” at the time of sale or other taxable disposition, a cash basis U.S. Holder or an accrual basis U.S. Holder that has made a special election, which must be applied consistently from year to year and cannot be changed without the consent of the IRS, will determine the U.S. dollar value of the amount realized by translating the amount of non-U.S. currency received at the spot rate on the settlement date. An accrual basis taxpayer that is not eligible to or does not elect to determine the amount realized using the spot rate on the settlement date, will recognize foreign currency gain or loss to the extent of any difference between the U.S. dollar amount realized on the date of sale or disposition and the U.S. dollar value of the currency received at the spot rate on the settlement date. A U.S. Holder will have a tax basis in the currency received equal to its U.S. dollar value at the spot rate on the settlement date. Any currency gain or loss realized on the settlement date or on a subsequent conversion of the non-U.S. currency for a different U.S. dollar amount generally will be U.S. source ordinary income or loss.

Exercise or Lapse of a Warrant

A U.S. Holder generally will not recognize taxable gain or loss upon the exercise of a Warrant for cash. The U.S. Holder’s initial tax basis in our Class A Shares received upon exercise of the Warrant will generally be an amount equal to the sum of the U.S. Holder’s acquisition cost of the Warrant and the exercise price of such Warrant. It is unclear whether a U.S. Holder’s holding period for the Class A Shares received upon exercise of the Warrant would commence on the date of exercise of the Warrant or the day following the date of exercise of the Warrant; however, in either case the holding period will not include the period during which the U.S. Holder held the Warrants. If a Warrant is allowed to lapse unexercised, a U.S. Holder generally will recognize a capital loss equal to such holder’s tax basis in the Warrant.

Cash received in lieu of a fractional share of Class A Shares should be treated as a payment in exchange for such fractional share of Class A Shares resulting in gain or loss in an amount equal to the difference between the amount of cash received and such U.S. Holder's tax basis in the fractional share of Class A Shares.

Possible Constructive Distributions

The terms of each Warrant provide for an adjustment to the number of Class A Shares for which the Warrant may be exercised or to the exercise price of the Warrant in certain events. An adjustment which has the effect of preventing dilution generally is not taxable. A U.S. Holder would, however, be treated as receiving a constructive distribution from us if, for example, the adjustment increases such U.S. Holder's proportionate interest in our assets or earnings and profits (e.g., through an increase in the number of common shares that would be obtained upon exercise) as a result of a distribution of cash to the holders of Class A Shares which is taxable to the U.S. Holders of such shares as described under "*Distributions*" above. Such constructive distribution would be subject to tax as described under that section in the same manner as if a U.S. Holder received a cash distribution from us equal to the fair market value of such increased interest.

Passive Foreign Investment Company Rules

If we are classified as a passive foreign investment company (a "PFIC") in any taxable year, a U.S. Holder will be subject to special rules generally intended to reduce or eliminate any benefits from the deferral of U.S. federal income tax that a U.S. Holder could derive from investing in a non-U.S. company that does not distribute all of its earnings on a current basis.

A non-U.S. corporation is classified as a PFIC for any taxable year in which, after applying certain look-through rules and taking into account a pro rata portion of the income and assets of 25% or more owned subsidiaries, either:

- at least 75% of its gross income is passive income (the "Income Test"); or
- at least 50% of the average quarterly value of its gross assets is attributable to assets that produce, or are held to produce, passive income or that do not produce income (the "Asset Test").

It is uncertain whether we or any of our subsidiaries will be treated as a PFIC for U.S. federal income tax purposes for the current or any subsequent tax year. Whether the Company is a PFIC is a factual determination made annually based on principles and methodologies that in some circumstances are unclear and subject to varying interpretation. Under the Income Test, our status as a PFIC depends on the composition of our income, which will depend on the transactions we enter into in the future and our corporate structure. The composition of our income and assets is also affected by the spending of the cash we raise in any offering. Under the Asset Test, the Company's status as a PFIC will generally depend on the amount of the Company's goodwill that is characterized as an active asset. The rules for characterizing a corporation's goodwill as active or passive assets are uncertain. However, one reasonable approach for determining the character of goodwill for purposes of the Asset Test requires identifying goodwill with specific income producing activities and characterizing goodwill as active or passive based on the income derived from each activity. Because PFIC status is based on our income, assets and activities for the entire taxable year, it is not possible to determine whether we will be classified as a PFIC for the current taxable year or any subsequent year until after the close of the relevant taxable year.

If we are classified as a PFIC for any taxable year in which a U.S. Holder owns our securities, such U.S. Holder would, in that and all subsequent taxable years, be subject to additional taxes on any (i) distributions exceeding 125% of the average amount received during the three preceding taxable years (or, if shorter, the U.S. Holder's holding period) (such distributions, "excess distributions") and (ii) gain recognized from the sale or other taxable disposition (including, under certain circumstances, a pledge) of such U.S. Holder's securities (regardless of whether the Company continued to be a PFIC under either of the tests above) unless (a) such U.S. Holder makes a QEF Election (as defined below) or (b) our securities constitute "marketable" securities and such U.S. Holder makes a mark-to-market election as discussed below. To compute the tax on excess distributions or any gain, (i) the excess distribution or gain is allocated ratably over the U.S. Holder's holding period in the securities, (ii) the amount allocated to the current taxable year and any year before we became a PFIC is taxed as ordinary income in the current year and (iii) the amount allocated to each other taxable year is taxed at the highest tax rate in effect for such year for individuals or corporations, as appropriate, and an interest charge is imposed to recover the deemed benefit from the deferred payment of the resulting tax attributable to each such year. The tax liability for amounts allocated to years prior to the year of the excess distribution or disposition cannot be offset by any net operating losses for such years, and gains (but not losses) realized on the sale of the securities cannot be treated as capital, even if a U.S. Holder holds the securities as capital assets. In addition, dividends on the Class A Shares would not be eligible for the preferential tax rate applicable to qualified dividend income received by individuals and certain other non-corporate persons.

If we are classified as a PFIC, a U.S. Holder will generally be subject to similar rules with respect to distributions we receive from, and our dispositions of the stock of, any of our direct or indirect subsidiaries that also are PFICs (such PFIC subsidiaries, "lower-tier PFICs"), as if such distributions were indirectly received by, and/or dispositions were indirectly carried out by, such U.S. Holder. U.S. Holders should consult their tax advisors regarding the application of the PFIC rules to our subsidiaries.

If we are classified as a PFIC in any taxable year in which a U.S. Holder owns our securities, we will continue to be treated as a PFIC with respect to such U.S. Holder in all succeeding years during which the U.S. Holder owns our securities, regardless of whether we continue to meet either of the tests described above for any succeeding year, unless (i) we cease to be a PFIC and the U.S. Holder has made a "deemed sale" election with respect to our securities or (ii) the U.S. Holder makes a valid QEF Election with respect to all taxable years in such U.S. Holder's holding period during which we are a PFIC. If the "deemed sale" election is made, a U.S. Holder will be deemed to have sold its securities at their fair market value and any gain from such deemed sale would be subject to the rules described above. After the deemed sale election, so long as we do not become a PFIC in a subsequent taxable year, the U.S. Holder's securities with respect to which such election was made will not be treated as shares in a PFIC, and the U.S. Holder will not be subject to the rules described above with respect to any "excess distribution" the U.S. Holder receives from us or any gain from an actual sale or other taxable disposition of the securities. U.S. Holders should consult their tax advisors as to the possibility and consequences of making a deemed sale election if we have been classified as a PFIC in any taxable year in which a U.S. Holder owns securities and subsequently cease to be a PFIC.

Certain elections exist that may alleviate some of the adverse consequences of PFIC status and would result in alternative U.S. federal income tax consequences for U.S. Holders owning and disposing of our Class A Shares. A U.S. Holder may avoid the general tax treatment for PFICs described above by electing to treat us as a "qualified electing fund" under Section 1295 of the Code (a "QEF," and such election, a "QEF Election") for each of the taxable years during the U.S. Holder's holding period that we are a PFIC. If a QEF Election is not in effect for the first taxable year in the U.S. Holder's holding period in which we are a PFIC, a QEF Election generally can only be made if the U.S. Holder elects to make an applicable deemed sale or deemed dividend election on the first day of its taxable year in which we became a QEF pursuant to the QEF Election. The deemed gain or deemed dividend recognized with respect to such an election would be subject to the general tax treatment of excess distributions and disposal gains discussed above. In order to comply with the requirements of a QEF Election, a U.S. Holder must receive a PFIC Annual Information Statement from us. If we determine that we are a PFIC for any taxable year, upon written request, we will endeavor to provide to a U.S. Holder such information with respect to the Company as the IRS may require, including a PFIC Annual Information Statement, in order to enable the U.S. Holder to make and maintain a QEF election, but there is no assurance that we will timely provide such required information. Further, there is no assurance that we will have timely knowledge of our status as a PFIC in the future or of all of the information required to be provided. A QEF Election may not be available for the Warrants regardless of whether we provide such information.

If a U.S. Holder makes a QEF Election with respect to its Class A Shares, it will be taxed currently on its pro rata share of our ordinary earnings and net capital gain (at ordinary income and capital gain rates, respectively) for each taxable year that we are a PFIC, even if no distributions are received. Any distributions we make out of our earnings and profits that were previously included in such a U.S. Holder's income as a result of making the QEF Election would not be taxable to such U.S. Holder. Such U.S. Holder's tax basis in its Class A Shares would be increased by an amount equal to any income included under the QEF Election and decreased by any amount distributed on the Class A Shares that is not included in its income. In addition, a U.S. Holder will recognize capital gain or loss on the disposition of its Class A Shares in an amount equal to the difference between the amount realized and its adjusted tax basis in the Class A Shares, each as determined in U.S. dollars. Once made, a QEF Election remains in effect unless invalidated or terminated by the IRS or revoked by the shareholder. A QEF Election can be revoked only with the consent of the IRS. A U.S. Holder that has made a QEF Election will not be currently taxed on our ordinary income and net capital gain for any taxable year for which we are not classified as a PFIC. A separate QEF Election is required for any equity interests in any lower-tier PFICs that we own. There can be no assurance that we will have timely knowledge of the PFIC status of any equity interests in any non-U.S. corporation that we may own or that we will be able to provide all of the information required to make a valid QEF Election for any lower-tier PFIC that we may own. Each U.S. Holder should consult its tax advisor regarding the availability of, and procedure for making, any deemed gain, deemed dividend or QEF Election.

Alternatively, U.S. Holders can avoid the interest charge on excess distributions or gain relating to such U.S. Holder's Class A Shares and certain other of the adverse impacts of the PFIC rules described above by making a mark-to-market election with respect to such Class A Shares, provided that the Class A Shares constitute "marketable stock." "Marketable stock" is, generally, stock that is "regularly traded" on certain U.S. stock exchanges or on a foreign stock exchange that meets certain conditions. For these purposes, stock is considered regularly traded during any calendar year during which shares are traded, other than in de minimis quantities, on at least 15 days during each calendar quarter. Any trades that have as their principal purpose meeting this requirement will be disregarded. Our Class A Shares are listed on Nasdaq, which is a qualified exchange for these purposes. Consequently, if our Class A Shares remain listed on Nasdaq and are regularly traded, and you are a U.S. Holder of Class A Shares, we expect the mark-to-market election would be available to you if we are classified as a PFIC. No assurance can be given that the Class A Shares will be traded in sufficient frequency and quantity to be considered "marketable stock." Each U.S. Holder should consult its tax advisor as to whether a mark-to-market election is available or advisable with respect to the securities.

A U.S. Holder that makes a mark-to-market election with respect to its Class A Shares must include in ordinary income for each year an amount equal to the excess, if any, of the fair market value of the Class A Shares at the close of the taxable year over the U.S. Holder's adjusted tax basis of such Class A Shares. An electing holder may also claim an ordinary loss deduction for the excess, if any, of the U.S. Holder's adjusted basis in its Class A Shares over their fair market value at the close of the taxable year, but this deduction is allowable only to the extent of any unreversed mark-to-market gains included in income in prior taxable years. Gains from an actual sale or other disposition of the Class A Shares will be treated as ordinary income, and any losses incurred on a sale or other disposition of the Class A Shares will be treated as an ordinary loss to the extent of any unreversed mark-to-market gains previously included in income. Once made, a mark-to-market election cannot be revoked without the consent of the IRS, unless our Class A Shares cease to be marketable.

However, a mark-to-market election generally cannot be made for equity interests in any lower-tier PFICs that we own, unless shares of such lower-tier PFIC are themselves "marketable." As a result, even if a U.S. Holder validly makes a mark-to-market election with respect to our Class A Shares, the U.S. Holder may continue to be subject to the PFIC rules (described above) with respect to its indirect interest in any of our investments that are treated as an equity interest in a PFIC for U.S. federal income tax purposes. U.S. Holders should consult their tax advisors to determine whether any of these elections would be available and if so, what the consequences of the alternative treatments would be in their particular circumstances.

Unless otherwise provided by the IRS, each U.S. shareholder of a PFIC is required to file an annual report containing such information as the IRS may require. A U.S. Holder's failure to file the annual report will cause the statute of limitations for such U.S. Holder's U.S. federal income tax return to remain open with regard to the items required to be included in such report until three years after the U.S. Holder files the annual report, and, unless such failure is due to reasonable cause and not willful neglect, the statute of limitations for the U.S. Holder's entire U.S. federal income tax return will remain open during such period. Furthermore, recently proposed Treasury Regulations related to PFICs (which will not be effective until finalized) may affect the taxation and reporting obligations of partners of certain U.S. partnerships that invest in PFICs. U.S. Holders should consult their tax advisors regarding the requirements of filing such information returns under these rules.

WE STRONGLY URGE YOU TO CONSULT YOUR TAX ADVISOR REGARDING THE IMPACT OF OUR PFIC STATUS ON YOUR INVESTMENT IN THE SECURITIES AS WELL AS THE APPLICATION OF THE PFIC RULES TO YOUR INVESTMENT IN THE SECURITIES.

Information Reporting and Backup Withholding

Payments of dividends (including constructive dividends) on Class A Shares and sales proceeds from the sale or other disposition of our securities, that are made by a U.S. paying agent or other U.S. intermediary or to an account in the United States, will be reported to the IRS and to the U.S. Holder unless the holder is a corporation or otherwise establishes a basis for exemption. Backup withholding may apply to payments subject to information reporting if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from a payment to a U.S. Holder will be refunded (or credited against such U.S. Holder's U.S. federal income tax liability, if any), provided the required information is furnished to the IRS. Prospective investors should consult their own tax advisors as to their qualification for exemption from backup withholding and the procedure for establishing an exemption.

Certain U.S. Holders may be required to report information relating to their ownership of securities to the IRS, subject to certain exceptions (including an exception for securities held in accounts maintained by certain U.S. financial institutions), by filing IRS Form 8938 (Statement of Specified Foreign Financial Assets) with their federal income tax return. U.S. Holders who fail to timely furnish the required information may be subject to a penalty. Additionally, if a U.S. Holder does not file the required information, the statute of limitations with respect to tax returns of the U.S. Holder to which the information relates may not close until three years after such information is filed. U.S. Holders should consult their tax advisors regarding their information reporting obligations with respect to their ownership and disposition of securities.

THE DISCUSSION ABOVE IS A GENERAL SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE OF IMPORTANCE TO A PARTICULAR INVESTOR. ALL PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF OWNING THE SECURITIES, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL, NON-U.S. AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

Material Dutch Tax Considerations

The following summary outlines certain material Dutch tax consequences in connection with the acquisition, ownership and disposal of Class A Shares and/or the acquisition, ownership, disposal and exercise of Warrants. All references in this summary to the Netherlands and Dutch law are to the European part of the Kingdom of the Netherlands and its law, respectively, only. The summary does not purport to present any comprehensive or complete picture of all Dutch tax aspects that could be of relevance to the acquisition, ownership and disposal of Class A Shares and/or the acquisition, ownership, disposal and exercise of Warrants by a (prospective) holder of Class A Shares and/or Warrants who may be subject to special tax treatment under applicable law. The summary is based on the tax laws and practice of the Netherlands as in effect on the date of this Annual Report, which are subject to changes that could prospectively or retrospectively affect the Dutch tax consequences.

For purposes of Dutch income and corporate income tax, shares, warrants or certain other assets, which may include depository receipts in respect of shares, legally owned by a third party such as a trustee, foundation or similar entity or arrangement (a "Third Party"), may under certain circumstances have to be allocated to the (deemed) settlor, grantor or similar originator (the "Settlor") or, upon the death of the Settlor, such Settlor's beneficiaries (the "Beneficiaries") in proportion to their entitlement to the estate of the Settlor of such trust or similar arrangement (the "Separated Private Assets").

This summary does not address the Dutch tax consequences for a holder of Class A Shares and/or Warrants that is considered to be affiliated (*gelieerd*) to the Company within the meaning of the Dutch Withholding Tax Act 2021 (*Wet bronbelasting 2021*). Generally, a holder of Class A Shares and/or Warrants is considered to be affiliated to the Company for these purposes if (i) it has a qualifying interest in the Company, (ii) the Company has a qualifying interest in such party or (iii) a third party has a qualifying interest in both the Company and such party. A party is equated with any collaborating group of parties of which it forms part. A qualifying interest is an interest that allows the holder to have a decisive influence over the other party's decisions in such a way that it is able to determine the activities of the other party. A party is in any case considered to have a qualifying interest in another party if it (directly or indirectly) owns more than 50% of the voting rights in such other party.

This summary does not address the Dutch tax consequences of a holder of Class A Shares and/or Warrants who is an individual and who has a substantial interest (*aanmerkelijk belang*) in the Company. Generally, a holder of Class A Shares and/or Warrants will have a substantial interest in the Company if such holder of Class A Shares and/or Warrants, whether alone or together with such holder's spouse or partner and/or certain other close relatives, holds directly or indirectly, or as Settlor or Beneficiary of Separated Private Assets (i) (x) the ownership of, (y) certain other rights, such as usufruct, over or (z) rights to acquire (whether or not already issued, including by way of the Warrants) shares (including Class A Shares) representing 5% or more of the total issued and outstanding capital (or the issued and outstanding capital of any class of shares) of the Company or (ii) (x) the ownership of or (y) certain other rights, such as usufruct, over profit participating certificates (*winstbewijzen*) that relate to 5% or more of the annual profit of the Company or to 5% or more of the liquidation proceeds of the Company.

Additionally, a holder of Class A Shares and/or Warrants has a substantial interest in the Company if such holder, whether alone or together with such holder's spouse or partner and/or certain other close relatives, has the ownership of, or other rights over, shares, or depositary receipts in respect of shares, in, or profit certificates issued by, the Company that represent less than 5% of the relevant aggregate that either (a) qualified as part of a substantial interest as set forth above and where shares, or depositary receipts in respect of shares, profit certificates and/or rights there over have been, or are deemed to have been, partially disposed of or (b) have been acquired as part of a transaction that qualified for non-recognition of gain treatment.

Furthermore, this summary does not address the Dutch tax consequences of a holder of Class A Shares and/or Warrants who:

- (a) is an individual and receives income or realizes capital gains in respect of Class A Shares and/or Warrants in connection with such holder's employment activities or in such holder's capacity as a (former) board member or (former) supervisory board member; or
- (b) is a resident of any non-European part of the Kingdom of the Netherlands.

PROSPECTIVE HOLDERS OF CLASS A SHARES AND/OR WARRANTS SHOULD CONSULT THEIR OWN PROFESSIONAL ADVISER WITH RESPECT TO THE DUTCH TAX CONSEQUENCES OF ANY ACQUISITION, OWNERSHIP OR DISPOSAL OF CLASS A SHARES AND/OR THE ACQUISITION, REDEMPTION, DISPOSAL OR EXERCISE OF WARRANTS IN THEIR INDIVIDUAL CIRCUMSTANCES.

Dividend Withholding Tax

General

Pursuant to Dutch domestic law, and subject to tax treaty relief, the Company is generally required to withhold dividend withholding tax imposed by the Netherlands at a rate of 15% on dividends distributed by the Company in respect of Class A Shares and/or Warrants. For so long as the German and Dutch competent authorities consider the Company to be solely resident in Germany for purposes of the DE — NL tax treaty (See "*Item 3. Key Information — D. Risk Factors — Risks Related to Ownership of Our Class A Shares and Warrants — The Company intends to operate so as to be treated as exclusively resident in Germany for tax purposes, but the relevant tax authorities may treat it as also being tax resident elsewhere*"), however, dividends distributed by the Company to a holder of Class A Shares and/or Warrants will not be subject to Dutch dividend withholding tax, unless such holder of Class A Shares and/or Warrants is resident or deemed to be resident in the Netherlands or such holder of Class A Shares and/or Warrants has an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment (*vaste inrichting*) or a permanent representative (*vaste vertegenwoordiger*) in the Netherlands and to which enterprise or part of an enterprise, as the case may be, Class A Shares and/or Warrants are attributable.

The expression "dividends distributed by the Company" as used herein includes, but is not limited to:

- (a) distributions in cash or in kind, deemed and constructive distributions and repayments of paid-in capital (*gestort kapitaal*) not recognized for Dutch dividend withholding tax purposes;
- (b) liquidation proceeds, proceeds of redemption of Class A Shares or, as a rule, consideration for the repurchase of Class A Shares by the Company in excess of the average paid-in capital recognized for Dutch dividend withholding tax purposes;

- (c) the par value of Class A Shares issued to a holder of Class A Shares or an increase of the par value of Class A Shares, to the extent that it does not appear that a contribution, recognized for Dutch dividend withholding tax purposes, has been made or will be made;
- (d) partial repayment of paid-in capital, recognized for Dutch dividend withholding tax purposes, if and to the extent that there are net profits (*zuivere winst*), unless (i) the shareholders at the General Meeting have resolved in advance to make such repayment and (ii) the par value of the Class A Shares concerned has been reduced by an equal amount by way of an amendment of our articles of association;
- (e) potentially, payments upon the exercise of Warrants if the exercise price paid in cash plus the purchase price initially paid for the relevant Warrants is lower than the par value of Class A Shares issuable upon exercise of such Warrants, unless and to the extent the par value of Class A Shares issuable upon exercise of such Warrants is charged against the Company's share premium reserve recognized for Dutch dividend withholding tax purposes; and
- (f) potentially, proceeds of the redemption or repurchase of Warrants.

Holders of Class A Shares and/or Warrants Resident in the Netherlands or with a Permanent Establishment (vaste inrichting) or a Permanent Representative (vaste vertegenwoordiger) in the Netherlands

Dividends distributed by the Company to a holder of Class A Shares and/or Warrants that is resident or deemed to be resident in the Netherlands or that has an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment (*vaste inrichting*) or a permanent representative (*vaste vertegenwoordiger*) in the Netherlands and to which enterprise or part of an enterprise, as the case may be, Class A Shares and/or Warrants are attributable, will in principle be subject to Dutch dividend withholding tax at a rate of 15%.

A holder of Class A Shares and/or Warrants that is an individual that is resident or deemed to be resident in the Netherlands for Dutch tax purposes is generally entitled, subject to the anti-dividend stripping rules described below, to a full credit against its income tax liability, or a full refund, of the Dutch dividend withholding tax.

A holder of Class A Shares and/or Warrants that is a legal entity that is resident or deemed to be resident in the Netherlands for Dutch tax purposes is generally entitled, subject to the anti-dividend stripping rules described below, to a full credit against its corporate income tax liability of the Dutch dividend withholding tax. If and to the extent such legal entity cannot credit the full amount of Dutch dividend withholding tax in a given year, the Dutch dividend withholding tax may be carried forward and credited against its corporate income tax liability in subsequent years (without any time limitation).

The two previous paragraphs generally apply to holders of Class A Shares and/or Warrants that are neither resident nor deemed to be resident in the Netherlands for Dutch tax purposes if the Class A Shares and/or Warrants are attributable to a permanent establishment (*vaste inrichting*) or a permanent representative (*vaste vertegenwoordiger*) in the Netherlands of such non-resident holder of Class A Shares and/or Warrants.

A holder of Class A Shares and/or Warrants that is a legal entity that is resident or deemed to be resident in the Netherlands for Dutch tax purposes that is exempt from Dutch corporate income tax but that is not a qualifying exempt investment institution (*vrijgestelde beleggingsinstelling*) is generally entitled, subject to the anti-dividend stripping rules described below, to an exemption at source (subject to the completion of certain necessary procedural formalities) or a full refund of Dutch dividend withholding tax on dividends received.

According to the anti-dividend stripping rules, no exemption, reduction, credit or refund of Dutch dividend withholding tax will be granted if the recipient of the dividend paid by the Company is not considered the beneficial owner (*uiteindelijk gerechtigde*) of the dividend as defined in these rules. A recipient of a dividend is not considered the beneficial owner of the dividend if, as a consequence of a combination of transactions and tested at group level, (i) a person (other than the holder of the dividend coupon), directly or indirectly, partly or wholly benefits from the dividend, (ii) such person directly or indirectly retains or acquires a comparable interest in Class A Shares and/or Warrants and (iii) such person is entitled to a less favorable exemption, refund or credit of dividend withholding tax than the recipient of the dividend distribution. The term “combination of transactions” includes transactions that have been entered into in the anonymity of a regulated stock market, the sole acquisition of one or more dividend coupons and the establishment of short-term rights or enjoyment on Class A Shares and/or Warrants (e.g., usufruct). The burden of proof to demonstrate that the recipient of a dividend qualifies as the beneficial owner of such dividend lies with the recipient, unless the amount of the withheld dividend withholding tax in respect of such recipient in the relevant calendar year is €1,000 or less.

Holders of Class A Shares and/or Warrants Resident Outside the Netherlands

Dividends distributed by the Company to a holder of Class A Shares and/or Warrants not resident or deemed to be resident in the Netherlands for (corporate) income tax purposes and that does not have an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment (*vaste inrichting*) or a permanent representative (*vaste vertegenwoordiger*) in the Netherlands and to which enterprise or part of an enterprise, as the case may be, Class A Shares and/or Warrants are attributable will not be subject to any Dutch dividend withholding tax.

The Company will, however, in principle be required to withhold Dutch dividend withholding tax on dividends distributed by the Company to holders of Class A Shares and/or Warrants that are resident or deemed to be resident in the Netherlands (or to holders of Class A Shares and/or Warrants that have an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment (*vaste inrichting*) or a permanent representative (*vaste vertegenwoordiger*) in the Netherlands and to which enterprise or part of an enterprise, as the case may be, Class A Shares and/or Warrants are attributable). As a result, upon the distribution of a dividend on Class A Shares and/or Warrants, the Company will be required to identify the residency of holders of Class A Shares and/or Warrants (as the case may be), which may not always be possible in practice. In such a scenario, a holder of Class A Shares and/or Warrants not resident or deemed to be resident in the Netherlands for (corporate) income tax purposes and that does not have an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment (*vaste inrichting*) or a permanent representative (*vaste vertegenwoordiger*) in the Netherlands and to which enterprise or part of an enterprise, as the case may be, Class A Shares and/or Warrants are attributable can submit a digital application for a refund of Dutch dividend withholding tax via <http://belastingdienst.nl/refunddividendtax>.

Taxes on Income and Capital Gains

Holders of Class A Shares and/or Warrants Resident in the Netherlands: Individuals

A holder of Class A Shares and/or Warrants who is an individual resident or deemed to be resident in the Netherlands for Dutch tax purposes will be subject to regular Dutch income tax on the income derived from Class A Shares and/or Warrants and the gains realized upon the acquisition, redemption and/or disposal of Class A Shares and/or the acquisition, redemption, disposal or exercise of Warrants by the holder thereof, if:

- (a) such holder of Class A Shares and/or Warrants has an enterprise or an interest in an enterprise, to which enterprise Class A Shares and/or Warrants are attributable; and/or
- (b) such income or capital gain forms “a benefit from miscellaneous activities” (*“resultaat uit overige werkzaamheden”*) that, for instance, would be the case if the activities with respect to Class A Shares and/or Warrants exceed “normal active asset management” (*“normaal, actief vermogensbeheer”*) or if income and gains are derived from the holding, whether directly or indirectly, of (a combination of) shares, debt claims or other rights (together, a “lucrative interest” (*“lucratief belang”*)) that the holder thereof has acquired under such circumstances that such income and gains are intended to be remuneration for work or services performed by such holder (or a related person), whether within or outside an employment relation, where such lucrative interest provides the holder thereof, economically speaking, with certain benefits that have a relation to the relevant work or services.

If either of the abovementioned conditions (a) or (b) applies, income derived from Class A Shares and/or Warrants and the gains realized upon the acquisition, redemption and/or disposal of Class A Shares and/or the acquisition, redemption, disposal or exercise of Warrants will in general be subject to Dutch income tax at the progressive rates up to 49.5%.

If the abovementioned conditions (a) and (b) do not apply, a holder of Class A Shares and/or Warrants who is an individual, resident or deemed to be resident in the Netherlands for Dutch tax purposes will not be subject to taxes on income and capital gains in the Netherlands. Instead, such individual is generally taxed at a flat rate of 36% on deemed income from “savings and investments” (“*sparen en beleggen*”), which deemed income is determined on the basis of the amount included in the individual’s “yield basis” (“*rendementsgrondslag*”) at the beginning of the calendar year (minus a tax-free threshold; the yield basis minus such threshold being the tax basis (“*grondslag sparen en beleggen*”). For the 2024 tax year, the deemed income derived from savings and investments will be a percentage of the tax basis up to 6.04% that is determined based on the actual allocation of (i) savings, (ii) other investments and (iii) debts/liabilities within the individual’s yield basis. The tax-free threshold for 2024 is €57,000. The percentages to determine the deemed income will be reassessed every year. These rules are subject to litigation and may therefore change. You may need to file (protective) appeals to any assessments based on these rules to benefit from any beneficial case law.

Holders of Class A Shares and/or Warrants Resident in the Netherlands: Corporate Entities

A holder of Class A Shares and/or Warrants that is resident or deemed to be resident in the Netherlands for corporate income tax purposes and that is:

- a corporation;
- another entity with a capital divided into shares;
- a cooperative (association); or
- another legal entity that has an enterprise or an interest in an enterprise to which Class A Shares and/or Warrants are attributable,

but that is not:

- a qualifying pension fund;
- a qualifying investment institution (*fiscale beleggingsinstelling*) or a qualifying exempt investment institution (*vrijgestelde beleggingsinstelling*); or
- another entity exempt from corporate income tax,

will in general be subject to regular Dutch corporate income tax, generally levied at a rate of 25.8% (19% over profits up to and including €200,000) over income derived from Class A Shares and/or Warrants and the gains realized upon the acquisition, redemption and/or disposal of Class A Shares and/or the acquisition, redemption, disposal or exercise of Warrants, unless, and to the extent that, the participation exemption (*deelnemingsvrijstelling*) applies.

Holders of Class A Shares and/or Warrants Resident Outside the Netherlands: Individuals

A holder of Class A Shares and/or Warrants who is an individual not resident or deemed to be resident in the Netherlands will not be subject to any Dutch taxes on income derived from Class A Shares and/or Warrants and the gains realized upon the acquisition, redemption and/or disposal of Class A Shares and/or the acquisition, redemption, disposal or exercise of Warrants, unless:

- (a) such holder has an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment (*vaste inrichting*) or a permanent representative (*vaste vertegenwoordiger*) in the Netherlands and to which enterprise or part of an enterprise, as the case may be, Class A Shares and/or Warrants are attributable; or

- (b) such income or capital gain forms a “benefit from miscellaneous activities in the Netherlands” (“*resultaat uit overige werkzaamheden in Nederland*”), which would for instance be the case if the activities in the Netherlands with respect to Class A Shares and/or Warrants exceed “normal active asset management” (“*normaal, actief vermogensbeheer*” or if such income and gains are derived from the holding, whether directly or indirectly, of (a combination of) shares, debt claims or other rights (together, a “lucrative interest” (“*lucratief belang*”)) that the holder thereof has acquired under such circumstances that such income and gains are intended to be remuneration for work or services performed by such holder (or a related person), in whole or in part, in the Netherlands, whether within or outside an employment relation, where such lucrative interest provides the holder thereof, economically speaking, with certain benefits that have a relation to the relevant work or services.

If either of the abovementioned conditions (a) or (b) applies, income or capital gains in respect of dividends distributed by the Company or in respect of any gains realized upon the acquisition, redemption and/or disposal of Class A Shares and/or the acquisition, redemption, disposal or exercise of Warrants will in general be subject to Dutch income tax at the progressive rates up to 49.5%.

Holders of Class A Shares and/or Warrants Resident Outside the Netherlands: Legal and Other Entities

A holder of Class A Shares and/or Warrants that is a legal entity, another entity with a capital divided into shares, an association, a foundation or a fund or trust, not resident or deemed to be resident in the Netherlands for corporate income tax purposes, will not be subject to any Dutch taxes on income derived from Class A Shares and/or Warrants and the gains realized upon the acquisition, redemption and/or disposal of Class A Shares and/or the acquisition, redemption, disposal or exercise of Warrants, unless:

- (a) such holder has an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment (*vaste inrichting*) or a permanent representative (*vaste vertegenwoordiger*) in the Netherlands and to which enterprise or part of an enterprise, as the case may be, Class A Shares and/or Warrants are attributable; or
- (b) such holder has a substantial interest (*aanmerkelijk belang*) in the Company that (i) is held with the avoidance of Dutch income tax of another person as (one of) the main purpose(s) and (ii) forms part of an artificial structure or series of structures (such as structures that are not put into place for valid business reasons reflecting economic reality).

If one of the abovementioned conditions applies, income derived from Class A Shares and/or Warrants and the gains realized upon the acquisition, redemption and/or disposal of Class A Shares and/or the acquisition, redemption, disposal or exercise of Warrants will, in general, be subject to Dutch regular corporate income tax levied at a rate of 25.8% (19% over profits up to and including €200,000), unless, and to the extent that, with respect to a holder as described under (a), the participation exemption (*deelnemingsvrijstelling*) applies.

Gift, Estate and Inheritance Taxes

Holders of Class A Shares and/or Warrants Resident in the Netherlands

Gift tax may be due in the Netherlands with respect to an acquisition of Class A Shares and/or Warrants by way of a gift by a holder of Class A Shares and/or Warrants who is resident or deemed to be resident of the Netherlands at the time of the gift.

Inheritance tax may be due in the Netherlands with respect to an acquisition or deemed acquisition of Class A Shares and/or Warrants by way of an inheritance or bequest on the death of a holder of Class A Shares and/or Warrants who is resident or deemed to be resident of the Netherlands, or in case of a gift by an individual who at the date of the gift was neither resident nor deemed to be resident in the Netherlands, such individual dies within 180 days after the date of the gift, while that individual, at the time of the individual's death, is resident or deemed to be resident in the Netherlands.

For purposes of Dutch gift and inheritance tax, an individual with the Dutch nationality will be deemed to be resident in the Netherlands if such individual has been resident in the Netherlands at any time during the ten years preceding the date of the gift or such individual's death. For purposes of Dutch gift tax, an individual not holding the Dutch nationality will be deemed to be resident of the Netherlands if such individual has been resident in the Netherlands at any time during the twelve months preceding the date of the gift.

Holders of Class A Shares and/or Warrants Resident Outside the Netherlands

No gift, estate or inheritance taxes will arise in the Netherlands with respect to an acquisition of Class A Shares and/or Warrants by way of a gift by, or on the death of, a holder of Class A Shares and/or Warrants who is neither resident nor deemed to be resident of the Netherlands, unless, in the case of a gift of Class A Shares and/or Warrants by an individual who at the date of the gift was neither resident nor deemed to be resident in the Netherlands, such individual dies within 180 days after the date of the gift, while being resident or deemed to be resident in the Netherlands.

Certain Special Situations

For purposes of Dutch gift, estate and inheritance tax, (i) a gift by a Third Party will be construed as a gift by the Settlor and (ii) upon the death of the Settlor as a rule, such Settlor's Beneficiaries will be deemed to have inherited directly from the Settlor. Subsequently, such Beneficiaries will be deemed the settlor, grantor or similar originator of the Separated Private Assets for purposes of Dutch gift, estate and inheritance tax in the case of subsequent gifts or inheritances.

For the purposes of Dutch gift and inheritance tax, a gift that is made under a condition precedent is deemed to have been made at the moment such condition precedent is satisfied. If the condition precedent is fulfilled after the death of the donor, the gift is deemed to be made upon the death of the donor.

Value Added Tax

No Dutch value added tax will arise in respect of or in connection with the subscription, issue, placement, allotment or delivery of Class A Shares and/or the exercise of Warrants.

Other Taxes and Duties

No Dutch registration tax, capital tax, custom duty, transfer tax, stamp duty or any other similar documentary tax or duty, other than court fees, will be payable in the Netherlands in respect of or in connection with the subscription, issue, placement, allotment or delivery of Class A Shares and/or the exercise of Warrants.

Residency

A holder of Class A Shares and/or Warrants will not be treated as a resident, or a deemed resident, of the Netherlands for tax purposes by reason only of the acquisition, or the holding, of Class A Shares and/or Warrants or the performance by the Company under Class A Shares and/or Warrants.

Material German Tax Considerations

The following section is a description of the material German tax considerations that become relevant when acquiring, owning and/or disposing of Class A Shares and Warrants as from the date of this Annual Report. It is based on the German tax law applicable as of the date of this Annual Report without prejudice to any amendments introduced at a later date and implemented with or without retroactive effect.

This section is intended as general information only and does not purport to be a comprehensive or complete description of all potential German tax effects of the acquisition, ownership or disposal of Class A Shares or Warrants and does not set forth all German tax considerations that may be relevant to a particular person's decision to acquire Class A Shares or Warrants. It cannot be ruled out that the German tax authorities or courts may consider an alternative interpretation or application to be correct that differs from the one described in this section.

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This section does not describe any German tax considerations or consequences that may be relevant to the acquisition, ownership or disposal of Class A Shares or Warrants by a shareholder (i) for whom or for a direct or indirect shareholder or beneficiary of whom the income or capital gains derived from the Class A Shares or Warrants are attributable to employment, trade or freelancing activities, the income from which is taxable in Germany, or (ii) who exchanges, or has exchanged, other German taxable assets for Class A Shares or Warrants (or vice versa) under a German tax deferral transaction of the German reorganization tax act (*Umwandlungssteuergesetz*).

This section does not constitute particular German tax advice and potential purchasers of Class A Shares or Warrants are urged to consult their own tax advisors regarding the tax consequences of the acquisition, ownership and/or disposal of Class A Shares or Warrants in light of their particular circumstances with regard to the application of German tax law to their particular situations, in particular with respect to the procedure to be complied with to obtain a relief of withholding tax on dividends and on capital gains (*Kapitalertragsteuer*) and with respect to the influence of provisions of any applicable income tax treaty on the mitigation of double taxation (each a “tax treaty”), as well as any tax consequences arising under the laws of any state, local or other non-German jurisdiction. A shareholder or holder of Warrants may include an individual who or an entity that does not have the legal title to the Class A Shares or Warrants, but to whom nevertheless the Class A Shares or Warrants are attributed for German tax purposes, based either on such individual or entity owning a beneficial interest in the Class A Shares or Warrants or based on specific statutory provisions.

All of the following is subject to change as from the date of this Annual Report. Such changes could apply retroactively and could affect the consequences set forth below. This section does neither refer to any German filing, notification or other German tax compliance aspects nor to foreign account tax compliance act (“FATCA”) aspects.

Lilium’s Tax Residency Status

We have our statutory seat in the Netherlands and our sole place of management in Germany and are therefore tax resident in Germany as from the date of this Annual Report (both under German domestic law and for purposes of the German-Dutch tax treaty). Thus, we qualify as a corporation subject to German unlimited liability for corporate income tax purposes and are treated as a resident of Germany under the Dutch-German tax treaty. However, because our tax residency depends on future facts regarding our place of management, the German unlimited liability for corporate income tax purposes may change in the future.

We assume for all purposes herein that we shall be tax resident in Germany at all relevant points in time when taxable events may occur. For the avoidance of doubt, any tax effects in relation to the Warrants or Class A Shares (other than as regards withholding tax as addressed below) are out of the scope of this Annual Report.

German Taxation of Holders of Class A Shares

Taxation of Dividends

Withholding Tax on Dividend Payments

Dividends distributed from Lilium to our shareholders are generally subject to German withholding tax, except for certain scenarios in which a dividend is either excluded from the scope of German withholding tax (for example, repayments of capital from the tax contribution account (*steuerliches Einlagekonto*)) or fully or partially withholding tax exempt, as further described. The withholding tax rate is 25% plus a 5.5% solidarity surcharge (*Solidaritätszuschlag*) thereon, totaling 26.375% of the gross dividend amount and potentially church withholding tax for shareholders who are private individuals in certain cases (see below). Withholding tax is to be withheld and passed on for the account of the shareholders, depending on the specific circumstances, by a domestic branch of a domestic or foreign credit or financial services institution (*Kredit- oder Finanzdienstleistungsinstitut*) or by the domestic securities institution (*inländisches Wertpapierinstitut*) that keeps and administers the Class A Shares and disburses or credits the dividends or disburses the dividends to a foreign agent, or by the securities custodian bank (*Wertpapiersammelbank*) to which the Class A Shares were entrusted for custody if the dividends are distributed to a foreign agent by such securities custodian bank (each of which is referred to as the “Dividend Paying Agent”), or, in case the Class A Shares are not held in deposit with a Dividend Paying Agent, Lilium is responsible for withholding and remitting the tax to the competent tax office. Such withholding tax is generally levied and withheld irrespective of whether and to what extent the dividend distribution is taxable at the level of the shareholder and whether the shareholder is a person residing in Germany or in a foreign country.

In the case of dividends distributed to a parent company within the meaning of Art. 3 para. 1 lit. a of the amended EU Directive 2011/96/EU of the Council of November 30, 2011 (the “EU Parent Subsidiary Directive”) domiciled in another Member State of the European Union, withholding tax may be refunded or not levied upon application and subject to further conditions (as set out below). This also applies to dividends distributed to a permanent establishment located in another Member State of the European Union of such a parent company or of a parent company tax resident in Germany if the participation in Lilium is effectively connected with and actually attributed to this permanent establishment. The key prerequisite for the application of the EU Parent Subsidiary Directive is that the shareholder has held a direct participation in the share capital of Lilium of at least 10% for an uninterrupted period of at least twelve months. Further, the foreign resident shareholder must be eligible for purposes of the EU Parent Subsidiary Directive (as set out above) to invoke the reduction, and in addition, no German anti-directive/ treaty shopping provision of Section 50d paragraph 3 of the German Income Tax Act (*Einkommensteuergesetz*) must be applicable.

The withholding tax on dividends distributed to other foreign resident shareholders may be refunded or not levied upon application (as set out below) in accordance with an applicable tax treaty (to 15%, 5% or 0% depending on certain prerequisites) if Germany has concluded such tax treaty with the country of residence of the shareholder and if the shareholder does not hold the Class A Shares either as part of the assets of a permanent establishment or a fixed place of business in Germany or as business assets for which a permanent representative has been appointed in Germany. Further, the foreign resident shareholder must be eligible for tax treaty purposes, and in addition, no limitation of benefits provision in a tax treaty and no German anti-directive/treaty shopping provision of Section 50d paragraph 3 of the German Income Tax Act (*Einkommensteuergesetz*) must be applicable.

In the case of dividends received by corporate bodies (*Körperschaften*) who are not tax resident in Germany, i.e., corporate bodies with no registered office or place of management in Germany and if the shares neither belong to the assets of a permanent establishment or fixed place of business in Germany nor are part of business assets for which a permanent representative in Germany has been appointed, two-fifths of the withholding tax deducted and remitted may be refunded or not levied upon application (as set out below) without the need to fulfill all prerequisites required for such refund under the EU Parent Subsidiary Directive or under a tax treaty or if no tax treaty has been concluded between the state of residence of the shareholder, however, likewise subject to the conditions of the aforementioned German anti-directive/treaty shopping provision.

The application for a refund of withholding tax under the EU Parent Subsidiary Directive, a tax treaty or the aforementioned option for foreign corporate bodies is to be filed with the German Federal Central Tax Office (*Bundeszentralamt für Steuern*) within four years following the end of the calendar year in which the dividends were received. The application shall be made by submitting a completed form for refund (available at the website of the Federal Central Tax Office (<http://www.bzst.de>) as well as at the German embassies and consulates) together with a withholding tax certificate (*Kapitalertragsteuerbescheinigung*) issued by the institution that deducted the respective withholding tax. In this case, the refund of deducted withholding tax is procedurally granted in such a manner that the difference between the total amount withheld, including the solidarity surcharge, and the tax liability determined on the basis of the EU Parent Subsidiary Directive (0) % or on the basis of the tax rate set forth in the applicable tax treaty (15%, 5% or 0) % is refunded by the German Federal Central Tax Office.

If, under fulfillment of the prerequisites of the EU Parent Subsidiary Directive or a tax treaty, withholding tax is not to be levied at all, the relevant shareholder must apply to the German Federal Central Tax Office for the issuance of an exemption certificate (*Freistellungsbescheinigung*) that documents that the prerequisites for the application of the reduced withholding tax rates have been met. Dividends covered by the exemption certificate of the shareholder are then only subject to the reduced withholding tax rates stipulated in the exemption certificate.

The aforementioned refunds of (or exemptions from) withholding tax are further restricted if (i) the applicable tax treaty provides for a tax reduction resulting in an applicable tax rate of less than 15% and (ii) the shareholder is not a corporation that directly holds at least 10% in the equity capital of Lilium and is subject to tax on its income and profits in its state of residence without being exempt. In this case, the refund of (or exemption from) withholding tax is subject to the following three cumulative prerequisites: (i) the shareholder must qualify as beneficial owner of the shares in a company for a minimum holding period of 45 consecutive days occurring within a period of 45 days prior and 45 days after the due date of the dividends; (ii) the shareholder has to bear (taking into account claims of the shareholder from transactions reducing the risk of changes of the market value of the shares and corresponding claims of related parties of the shareholder) at least 70% of the change in value risk related to the shares in a company during the minimum holding period; and (iii) the shareholder must not be required to fully or largely compensate directly or indirectly the dividends to third parties.

In the absence of the fulfillment of all of the three prerequisites, three-fifths of the withholding tax imposed on the dividends must not be credited against the shareholder's (corporate) income tax liability but may, upon application, be deducted from the shareholder's tax base for the relevant assessment period. Furthermore, a shareholder that has received gross dividends without any deduction of withholding tax due to a tax exemption without qualifying for such a full tax credit has (i) to notify the competent local tax office accordingly, (ii) to declare according to the officially prescribed form and (iii) to make a payment in the amount of the omitted withholding tax deduction.

However, these special rules on the restriction of withholding tax credit do not apply to a shareholder whose overall dividend earnings within an assessment period do not exceed €20,000 or that has been the beneficial owner of the shares in a company for at least one uninterrupted year upon receipt of the dividends.

For individual or corporate shareholders tax resident outside Germany not holding the Class A Shares through a permanent establishment (*Betriebsstätte*) in Germany or as business assets (*Betriebsvermögen*) for which a permanent representative (*ständiger Vertreter*) has been appointed in Germany, the remaining and paid withholding tax (if any) is then final (i.e., not refundable) and settles the shareholder's limited tax liability in Germany. For individual or corporate shareholders tax resident in Germany (for example, those shareholders whose residence, domicile, registered office or place of management is located in Germany) holding their Class A Shares as business assets, as well as for shareholders tax resident outside of Germany holding their Class A Shares through a permanent establishment in Germany or as business assets for which a permanent representative has been appointed in Germany, the withholding tax withheld (including solidarity surcharge) can be credited against the shareholder's personal income tax or corporate income tax liability in Germany. Any withholding tax (including solidarity surcharge) in excess of such tax liability will be refunded upon receipt of the relevant tax assessment. For individual shareholders tax resident in Germany holding Class A Shares as private assets, the withholding tax is a final tax (*Abgeltungsteuer*), subject to the exceptions described in the following section.

Taxation of Dividend Income of Shareholders Tax Resident in Germany Holding Class A Shares as Private Assets (Private Individuals)

For individual shareholders (individuals) resident in Germany holding Class A Shares as private assets, dividends are subject to a flat rate tax, which is satisfied by the withholding tax actually withheld (*Abgeltungsteuer*). Accordingly, dividend income will be taxed at a flat tax rate of 25% plus 5.5% solidarity surcharge thereon totaling 26.375% and church tax (*Kirchensteuer*) in case the shareholder is subject to church tax because of his or her personal circumstances. An automatic procedure for deduction of church tax by way of withholding will apply to shareholders being subject to church tax, unless the shareholder has filed a blocking notice (*Sperrvermerk*) with the German Federal Tax Office (details related to the computation of the specific tax rate, including church tax, are to be discussed with the individual tax advisor of the relevant shareholder). Except for an annual lump sum savings allowance (*Sparer-Pauschbetrag*) of up to €1,000 (for individual filers) or up to €2,000 (for married couples and for partners in accordance with the registered partnership law (*Gesetz über die Eingetragene Lebenspartnerschaft*) filing jointly), private individual shareholders will not be entitled to deduct expenses incurred in connection with the capital investment from their dividend income.

The income tax owed for the dividend income is satisfied by the withholding tax withheld by the Dividend Paying Agent or Lilium. However, if the flat tax results in a higher tax burden as opposed to the private individual shareholder's personal income tax rate, the private individual shareholder can opt for taxation at his or her personal income tax rate. In that case, the final withholding tax will be credited against the income tax. The option can be exercised only for all capital income from capital investments received in the relevant assessment period uniformly, and married couples as well as partners in accordance with the registered partnership law filing jointly can only jointly exercise the option.

Exceptions from the flat rate tax (satisfied by withholding the tax at source, *Abgeltungswirkung*) may apply — that is, only upon application — (i) for shareholders who have a shareholding of at least 25% in Lilium and (ii) for shareholders who have a shareholding of at least 1% in Lilium and work for the Company in a professional capacity, each within the assessment period for which the application is first made. In such a case, the same rules apply as for sole proprietors holding Class A Shares as business assets (see below “— Taxation of Dividend Income of Shareholders Tax Resident in Germany Holding Class A Shares as Business Assets — Sole Proprietors”). Further, the flat rate tax does not apply if and to the extent dividends reduced Lilium taxable income.

Taxation of Dividend Income of Shareholders Tax Resident in Germany Holding Class A Shares as Business Assets

If a shareholder holds Class A Shares as business assets, the taxation of the dividend income depends on whether the respective shareholder is a corporation, a sole proprietor or a partnership.

Corporations

Dividend income of corporate shareholders is exempt from corporate income tax, provided that the corporation holds a direct participation of at least 10% in the share capital of a company at the beginning of the calendar year in which the dividends are paid (participation exemption). The acquisition of a participation of at least 10% in the course of a calendar year (in one instance) is deemed to have occurred at the beginning of such calendar year. Participations in the share capital of the Company that a corporate shareholder holds through a partnership, including co-entrepreneurships (*Mitunternehmensschaften*), are attributable to such corporate shareholder only on a pro rata basis at the ratio of the interest share of the corporate shareholder in the assets of the relevant partnership. However, 5% of the tax-exempt dividends are deemed to be non-deductible business expenses for tax purposes and therefore are effectively subject to corporate income tax (plus solidarity surcharge); i.e., tax exemption of 95%. Business expenses incurred in connection with the dividends received are entirely tax deductible. The participation exemption does not apply if and to the extent dividends reduced Liliu's taxable income.

For trade tax purposes, the entire dividend income is subject to trade tax (i.e., the tax-exempt dividends must be added back when determining the trade taxable income), unless the corporate shareholder holds at least 15% of the Company's registered share capital at the beginning of the relevant tax assessment period (*Erhebungszeitraum*). In such case, the dividends are not subject to trade tax. However, trade tax is levied on the amount considered to be a non-deductible business expense (amounting to 5% of the dividend). Trade tax depends on the municipal trade tax multiplier applied by the relevant municipal authority. In the case of an indirect participation via a partnership, please refer to the section “— *Partnerships*” below.

If the shareholding is below 10% in the share capital, dividends are taxable at the applicable corporate income tax rate of 15% plus 5.5% solidarity surcharge thereon and trade tax (the rate of which depends on the applicable municipality levy rate determined by the municipality in which the corporate shareholder has its place of management and permanent establishments, respectively, to which the Class A Shares are attributed).

Special regulations apply that abolish the 95% tax exemption, if Class A Shares are held (i) as trading portfolio (*Handelsbestand*) assets in the meaning of Section 340e paragraph 3 of the German Commercial Code (*Handelsgesetzbuch*) by a (a) credit institution (*Kreditinstitut*), (b) securities institution (*Wertpapierinstitut*) or (c) financial service institution (*Finanzdienstleistungsinstitut*) or (ii) as current assets (*Umlaufvermögen*) by a financial enterprise (*Finanzunternehmen*) within the meaning of the German Banking Act (*Kreditwesengesetz*), in case more than 50% of the shares of such financial enterprise are held directly or indirectly by a credit institution, a securities institution or a financial service institution, or (iii) by a life insurance company, a health insurance company or a pension fund in case the shares are attributable to the capital investments, resulting in fully taxable income (any shareholder falling under (i), (ii) or (iii), a “Non-Exempt Corporation”).

Sole proprietors

For sole proprietors (individuals) resident in Germany holding Class A Shares as business assets, dividends are subject to the partial income rule (*Teileinkünfteverfahren*). Accordingly, only (i) 60% of the dividend income will be taxed at his/her personal income tax rate plus 5.5% solidarity surcharge thereon and (ii) 60% of the business expenses related to the dividend income are deductible for tax purposes. This does not apply to church tax (if applicable). In addition, the dividend income is entirely subject to trade tax if the Class A Shares are held as business assets of a permanent establishment in Germany within the meaning of the German Trade Tax Act (*Gewerbsteuergesetz*), unless the shareholder holds at least 15% of the Company's registered share capital at the beginning of the relevant assessment period. In this latter case, the net amount of dividends, i.e., after deducting directly related expenses, is exempt from trade tax. The trade tax levied will be eligible for credit against the shareholder's personal income tax liability based on the applicable municipal trade tax rate and the individual tax situation of the shareholder limited to currently up to 4.0 times the trade tax measurement amount (*Gewerbsteuer-Messbetrag*).

Partnerships

In case Class A Shares are held by a partnership, the partnership itself is not subject to corporate income tax or personal income tax. In this regard, corporate income tax or personal income tax (and church tax, if applicable) as well as solidarity surcharge are levied only at the level of the partner with respect to their relevant part of the partnership's taxable income and depending on their individual circumstances:

- if the partner is a corporation, the dividend income will be subject to corporate income tax plus solidarity surcharge (see above "*—Corporations*");
- if the partner is a sole proprietor, the dividend income will be subject to the partial income rule (see above "*—Sole Proprietors*"); or
- if the partner is a private individual – only possible if the partnership is not a (operative or deemed) commercial partnership, the dividend income will be subject to the flat tax rate (see above "*—Private Individuals*").

In case the partnership is a (operative or deemed) commercial partnership with its place of management in Germany, the dividend income is subject to German trade tax at the level of the partnership, unless the partnership holds at least 15% of a company's registered share capital at the beginning of the relevant assessment period. In such case, the dividend income is 95% exempt from trade tax to the extent the partners of the partnership are corporations and 40% exempt from trade tax to the extent the partners of the partnership are sole proprietors. Any trade tax levied on the level of the partnership will be eligible for credit against an individual shareholder's personal income tax liability based on the applicable municipal trade tax rate, depending on the individual tax situation of the shareholder and further circumstances and limited to currently 4.0 times the partial trade tax measurement amount allocable to such individual shareholder.

Partnerships can opt to be treated as a corporation for purposes of German income taxation. If the shareholder is a partnership that has validly exercised such option right, any dividends from shares or subscription rights are subject to corporate income tax (and, for the avoidance of doubt, trade tax).

Taxation of Dividend Income of Shareholders Tax Resident Outside of Germany

For foreign individual or corporate shareholders tax resident outside of Germany not holding the Class A Shares through a permanent establishment in Germany or as business assets for which a permanent representative has been appointed in Germany, the deducted withholding tax (possibly reduced by way of a tax relief under a tax treaty or domestic tax law, such as in connection with the EU Parent Subsidiary Directive) is final (that is, not refundable) and settles the shareholder's limited tax liability in Germany, unless the shareholder is entitled to apply for a withholding tax refund or exemption (as set out above in "*— Withholding Tax on Dividend Payments*").

In contrast, individual or corporate shareholders tax resident outside of Germany holding the Company's Class A Shares through a permanent establishment in Germany or as business assets for which a permanent representative has been appointed in Germany are subject to the same rules as applicable (and described above) to shareholders resident in Germany holding the Class A Shares as business assets. The withholding tax withheld (including solidarity surcharge) will generally be credited against the shareholder's personal income tax or corporate income tax liability in Germany if the prerequisites set out above (see "*— Withholding Tax on Dividend Payments*") are fulfilled.

Taxation of Capital Gains

Withholding Tax on Capital Gains

Capital gains realized on the disposal of Class A Shares are only subject to withholding tax if a domestic branch of a domestic or foreign credit or financial services institution (*Kredit- oder Finanzdienstleistungsinstitut*) or a domestic securities institution (*inländisches Wertpapierinstitut*) (each of which is referred to as the “German Disbursing Agent”) stores or administrates or carries out the disposal of the Class A Shares and pays or credits the capital gains. In those cases, the institution (and not the Company) is required to deduct the withholding tax at the time of payment for the account of the shareholder and to pay the withholding tax to the competent tax authority.

In case the Class A Shares are held (i) as business assets by a sole proprietor, a partnership or a corporation and such shares are attributable to a German business or (ii) in case of a corporation being subject to unlimited corporate income tax liability in Germany, the capital gains are not subject to withholding tax. In case of the aforementioned exemption under (i), the withholding tax exemption is subject to the condition that the paying agent has been notified by the beneficiary (*Gläubiger*) that the capital gains are exempt from withholding tax. The respective notification has to be filed with the tax office competent for the beneficiary by using the officially prescribed form.

Taxation of Capital Gains Realized by Shareholders Tax Resident in Germany Holding Class A Shares as Private Assets (Private Individuals)

For individual shareholders (individuals) resident in Germany holding Class A Shares as private assets, capital gains realized on the disposal of Class A Shares are subject to final withholding tax (*Abgeltungsteuer*). Accordingly, capital gains will be taxed at a flat tax rate of 25% plus 5.5% solidarity surcharge thereon totaling 26.375% and church tax in case the shareholder is subject to church tax because of his or her personal circumstances. An automatic procedure for deduction of church tax by way of withholding will apply to shareholders being subject to church tax unless the shareholder has filed a blocking notice (*Sperrvermerk*) with the German Federal Central Tax Office (details related to the computation of the specific tax rate, including church tax, are to be discussed with the personal tax advisor of the relevant shareholder). The taxable capital gain is calculated by deducting the acquisition costs of the Class A Shares and the expenses directly and materially related to the disposal from the proceeds of the disposal. Apart from that, except for an annual lump sum savings allowance (*Sparer-Pauschbetrag*) of up to €1,000 (for individual filers) or up to €2,000 (for married couples and for partners in accordance with the registered partnership law (*Gesetz über die Eingetragene Lebenspartnerschaft*) filing jointly), private individual shareholders will not be entitled to deduct expenses incurred in connection with the capital investment from their capital gain.

In case the flat tax results in a higher tax burden as opposed to the private individual shareholder’s personal income tax rate, the private individual shareholder can opt for taxation at his or her personal income tax rate. In that case, the withholding tax (including solidarity surcharge) withheld will be credited against the income tax. The option can be exercised only for all capital income from capital investments received in the relevant assessment period uniformly and married couples as well as for partners in accordance with the registered partnership law filing jointly may only jointly exercise the option.

Capital losses arising from the disposal of the Class A Shares can only be offset against other capital gains resulting from the disposition of the Class A Shares or shares in other stock corporations during the same calendar year. Offsetting of overall losses with other income (such as business or rental income) and other capital income is not possible. Such losses are to be carried forward and to be offset against positive capital gains deriving from the disposal of shares in stock corporations in future years. The constitutionality of such limitation on the offsetting of losses is currently the subject of a pending procedure at the German Federal Constitutional Court.

The final withholding tax (*Abgeltungsteuer*) will not apply if the seller of the Class A Shares or in case of gratuitous transfer, its legal predecessor, has held, directly or indirectly, at least 1% of the Company’s registered share capital at any time during the five years prior to the disposal. In that case, capital gains are subject to the partial income rule (*Teileinkünfteverfahren*). Accordingly, only (i) 60% of the capital gains will be taxed at his or her personal income tax rate plus 5.5% solidarity surcharge thereon and church tax (if applicable) and (ii) 60% of the business expenses related to the capital gains are deductible for tax purposes. The withholding tax withheld (including solidarity surcharge) will be credited against the shareholder’s personal income tax liability in Germany.

Taxation of Capital Gains Realized by Shareholders Tax Resident in Germany Holding Class A Shares as Business Assets

If a shareholder holds Class A Shares as business assets, the taxation of capital gains realized on the disposal of such shares depends on whether the respective shareholder is a corporation, a sole proprietor or a partnership:

Corporations

Capital gains realized on the disposal of Class A Shares by a corporate shareholder are generally exempt from corporate income tax and trade tax. However, 5% of the tax-exempt capital gains are deemed to be non-deductible business expenses for tax purposes and therefore are effectively subject to corporate income tax (plus solidarity surcharge) and trade tax; i.e., tax exemption of 95%. Business expenses incurred in connection with the capital gains are entirely tax deductible.

Capital losses incurred upon the disposal of Class A Shares or other impairments of the share value are not tax deductible. A reduction of profit is also defined as any losses incurred in connection with a loan or security in the event the loan or the security is granted by a shareholder or by a related party thereto or by a third person with the right of recourse against the before mentioned persons and the shareholder holds directly or indirectly more than 25% of the Company's registered share capital.

Special regulations apply, which may exclude aforementioned tax exemptions, if the Class A Shares are held by a Non-Exempt Corporation.

Sole Proprietors

If the Class A Shares are held by a sole proprietor, capital gains realized on the disposal of the Class A Shares are subject to the partial income rule (*Teileinkünfteverfahren*). Accordingly, only (i) 60% of the capital gains will be taxed at his or her personal income tax rate plus 5.5% solidarity surcharge thereon and church tax (if applicable) and (ii) 60% of the business expenses related to the dividend income are deductible for tax purposes. In addition, 60% of the capital gains are subject to trade tax if the Class A Shares are held as business assets of a permanent establishment in Germany within the meaning of the German Trade Tax Act (*Gewerbsteuergesetz*). The trade tax levied will be eligible for credit against the shareholder's personal income tax liability based on the applicable municipal trade tax rate and the individual tax situation of the shareholder limited to currently up to 4.0 times the trade tax measurement amount.

Partnerships

In case the Class A Shares are held by a partnership, the partnership itself is not subject to corporate income tax or personal income tax as well as solidarity surcharge (and church tax) since partnerships qualify as transparent for German income tax purposes. In this regard, corporate income tax or personal income tax as well as solidarity surcharge (and church tax, if applicable) are levied only at the level of the partner with respect to their relevant part of the partnership's taxable income and depending on their individual circumstances:

- If the partner is a corporation, the capital gains will be subject to corporate income tax plus solidarity surcharge (see above "*— Corporations*"). Trade tax will be levied additionally at the level of the partner insofar as the relevant profit of the partnership is not subject to trade tax at the level of the partnership. However, with respect to both corporate income and trade tax, the 95%-exemption rule as described above applies. With regard to corporations as partners, special regulations apply if they are held by a Non-Exempt Corporation, as described above.
- If the partner is a sole proprietor (individual), the capital gains are subject to the partial income rule (see above "*—Sole Proprietors*").

In addition, if the partnership is liable to German trade tax, 60% of the capital gains are subject to trade tax at the level of the partnership, to the extent the partners are individuals, and 5% of the capital gains are subject to trade tax, to the extent the partners are corporations. However, if a partner is an individual, any trade tax paid on the level of the partnership will be eligible for credit against an individual partner's personal income tax liability based on the applicable municipal trade tax rate and depending on the individual tax situation of the individual and further circumstances, limited to currently 4.0 times of the partial trade tax measurement (*Gewerbsteuer-Messbetrag*).

Partnerships can opt to be treated as a corporation for purposes of German income taxation. If the shareholder is a partnership that has validly exercised such option right, any capital gains from the disposal of shares or subscription rights are subject to corporate income tax (and, for the avoidance of doubt, trade tax).

Taxation of Capital Gains Realized by Shareholders Tax Resident Outside of Germany

Capital gains realized on the disposal of the Class A Shares by a shareholder tax resident outside of Germany are subject to German taxation provided that (i) the Class A Shares are held as business assets of a permanent establishment or as business assets for which a permanent representative has been appointed in Germany or (ii) the shareholder or, in case of a gratuitous transfer, its legal predecessor has held, directly or indirectly, at least 1% of the Company's share capital at any time during a five years period prior to the disposal.

In these cases, capital gains are generally subject to the same rules as described above for shareholders resident in Germany. However, if capital gains are realized in case (ii) above by corporations tax resident outside of Germany that are not Non-Exempt Corporations, these capital gains are fully tax exempt under German tax law according to the case law of the German Federal Fiscal Court (*Bundesfinanzhof*). Additionally, except for the cases referred to in (i) above, most tax treaties concluded by Germany provide for a full exemption from German taxation except if the Company is considered a real estate holding entity for treaty purposes.

German Taxation of Holders of Warrants

General

Holders of Warrants are likely to be taxed in particular upon certain forms of the exercise, sale or disposal of Warrants (taxation of capital gains) and the gratuitous transfer of Warrants (inheritance and gift tax).

Taxation of Holders of Warrants Not Tax Resident in Germany

The capital gains from the disposition of the Warrants realized by a non-German tax resident holder of the Warrants would not be treated as German source income and not be subject to German income tax provided that (i) such non-German resident holder does not maintain a permanent establishment or other taxable presence in Germany that the Warrants form part of and (ii) the income does not otherwise constitute German-source income (such as income from the letting and leasing of certain German-situs property or income from certain capital investments directly or indirectly secured by German-situs real estate). If either requirement (i) or (ii) above is not met, a non-German tax resident holder will be subject to German taxation on the aforementioned capital gains corresponding to the taxation of holders of Warrants tax resident in Germany holding the Warrants as business assets, as set out below.

In this case, non-German resident holders of the Warrants are, in general, exempt from German withholding tax on capital gains. However, if capital gains derived from the Warrants are paid out or credited to the holder of the Warrants by a German Disbursing Agent, withholding tax may be levied under certain circumstances both in the case of business and non-business holders of Warrants. The withholding tax may be refunded based on an assessment to tax or under an applicable tax treaty, depending on the individual circumstances of the holder.

Taxation of Holders of Warrants Tax Resident in Germany

Withholding Tax on Capital Gains

The capital gains from the disposition (i.e., the difference between the proceeds from the disposal, redemption, repayment or assignment after deduction of expenses directly related to the disposal, redemption, repayment or assignment and the cost of acquisition) or (if applicable pursuant to the warrant agreement underlying the Warrants)

a cash settlement (i.e., the cash amount received minus directly related costs and expenses, e.g., the acquisition costs) of the Warrants received by a German resident holder of Warrants holding the Warrants as private assets will be subject to German withholding tax if the Warrants are kept or administered in a custodial account with a German Disbursing Agent. The tax rate is 25% (plus a 5.5% solidarity surcharge thereon, resulting in an aggregate rate of 26.375%; plus church tax, if applicable). For individual holders who are subject to church tax, the church tax generally has to be withheld by the German Disbursing Agent based on an automatic data access procedure, unless the shareholder has filed a blocking notice (*Sperrvermerk*) with the Federal Central Tax Office.

In case the Warrants have not been kept or administered in a custodial account with the same German Disbursing Agent since the time of their acquisition, the withholding tax rate will be applied to 30% of the (disposal) proceeds (the so called “Lump Sum Substitute Basis”), unless the current German Disbursing Agent has been notified of the actual acquisition costs of the Warrants by the previous German Disbursing Agent or by a statement of a bank or financial services institution from another member state of the European Union or the European Economic Area or from certain other countries (e.g., Switzerland or Andorra).

In the event of delivery of Class A Shares upon exercise of the Warrants, the tax consequences are not entirely clear under German tax law. In principle, the acquisition costs of the Warrants plus any additional sum paid upon exercise should be regarded as acquisition costs of the Class A Shares received upon physical settlement. Consequently and subject to the following, no capital gain and no withholding tax may result from such exercise and delivery of Class A Shares upon exercise. Withholding tax may in this case only apply to any gain resulting later from the subsequent disposal, redemption or assignment of the Class A Shares received under certain circumstances.

Please note, however, that the German tax authorities have not confirmed the above treatment for the exercise of U.S. warrants, but only for the exercise of convertible bonds (*Wandelschuldverschreibungen, Optionsscheine*), wherefore, uncertainty remains regarding its application on the exercise of the Warrants. Therefore, there is a relevant risk that the delivery of Class A Shares upon exercise of the Warrants may constitute a taxable event and may attract withholding tax (as regards the latter, in case a German Disbursing Agent is involved as per the above). Generally, capital gains are determined as the difference between (a) the proceeds of the sale or other disposition and (b) the acquisition costs plus the expenses directly connected to the sale or other disposition. It is unclear how exactly such capital gain would have to be determined in case of delivery of Class A Shares upon exercise of the Warrants; possibly, the fair market value of the Class A Shares at the time of the exercise would be deemed relevant.

In computing any German tax to be withheld, the German Disbursing Agent generally deducts from the basis of the withholding tax, subject to certain limitations, negative investment income realized by a non-business holder of the Warrants via the German Disbursing Agent (e.g., losses from the sale of other securities with the exception of shares). The German Disbursing Agent also deducts accrued interest on other securities (if any) paid separately upon the acquisition of the respective security by a non-business holder of Warrants via the German Disbursing Agent. In addition, subject to certain requirements and restrictions, the German Disbursing Agent may credit foreign withholding taxes levied on investment income in a given year regarding securities held by a non-business holder of Warrants in the custodial account with the German Disbursing Agent.

Non-business holders of the Warrants are entitled to an annual saver’s allowance of €1,000 for an individual or €2,000 for a married couple or registered civil union filing taxes jointly for all investment income received in a given year. Upon the non-business holder of the Warrants filing an exemption certificate (*Freistellungsauftrag*) with the Disbursing Agent, the Disbursing Agent will take the allowance into account when computing the amount of tax to be withheld.

No withholding tax will be deducted if the holder of the Warrants has submitted to the Disbursing Agent a certificate of non-assessment (*Nichtveranlagungs-Bescheinigung*) issued by the competent local tax office. The deduction of expenses related to the investment income (including gains with respect to the Warrants) is generally not possible for private investors.

German withholding tax should not apply to gains from the disposal, redemption, repayment or assignment of Warrants held by a German tax resident corporation. The same may apply to sole proprietors or partners of partnerships, where the Warrants form part of a trade or business or are related to income from letting and leasing of property, subject to further requirements being met (compare with “— *Corporations, Sole Proprietors and Partnerships*” below). However, there is a risk that losses resulting from the sale, other disposition or lapse of the Warrants may be ring-fenced and only offsetable against income from forward transactions (*Termingeschäfte*) in both of the aforementioned cases. Please note that for corporations, sole-proprietors or partnerships that or who are not tax resident in Germany, withholding tax may be levied, as set out above (compare with “— *Taxation of Holders of Warrants Not Tax Resident in Germany*”).

Taxation of Capital Gains

Individuals as the Holders of the Warrants

The personal income tax liability of a holder of the Warrants holding the Warrants as private assets deriving income from capital investments under the Warrants is, in principle, settled by the tax withheld (unless for example the income from Warrants qualifies as income from the letting and leasing of property). To the extent withholding tax has not been levied, such as in the case of Warrants kept in custody abroad or if no German Disbursing Agent is involved in the payment process, the non-business holder of Warrants must report his or her income and capital gains derived from the Warrants (through disposition or cash settlement, if applicable pursuant to the warrant agreement underlying the Warrants) on his or her tax return and then will also be taxed at a rate of 25% (plus solidarity surcharge of 5.5% thereon, resulting in an aggregate rate of 26.375%; and church tax, if applicable).

In the event of delivery of Class A Shares upon exercise of the Warrants, the tax consequences are not entirely clear under German tax law. As per the above, there is a relevant risk that the delivery of Class A Shares upon exercise of the Warrants may constitute a taxable event and may attract withholding tax (as regards the latter, in case a German Disbursing Agent is involved as per the above). Generally, capital gains are determined as the difference between (a) the proceeds of the sale or other disposition and (b) the acquisition costs plus the expenses directly connected to the sale or other disposition. It is unclear how exactly such capital gains would have to be determined in case of delivery of Class A Shares upon exercise of the Warrants; possibly, the fair market value of the Class A Shares at the time of the exercise would be deemed relevant. For more detail, cf. above under the general comments.

If the withholding tax has been calculated on the basis of a Lump Sum Substitute Basis, a non-business holder of the Warrants may and in case the actual gain is higher than 30% of the proceeds must also apply for an assessment on the basis of his or her actual acquisition costs. Further, a non-business holder may request that all investment income of a given year is taxed at his or her lower individual tax rate based upon an assessment to tax with any amounts over withheld being refunded. In each case, the deduction of expenses (other than transaction costs) on an itemized basis is not permitted.

With regard to non-business holders of Warrants, there is a relevant risk that such losses may only be applied against profits from income from capital investments derived in the same or, subject to certain limitations, in subsequent years. For assessment periods beginning after December 31, 2020, such losses incurred by non-business holders of the Warrants may only be applied against income from other forward/future or option transactions derived in the same or, subject to certain limitations, in subsequent years and the deductibility of such losses is limited to €20,000 per year.

In addition, losses of non-business holders arising from a bad debt loss (*Forderungsausfall*), a waiver of a receivable (*Forderungsverzicht*) or a transfer of an impaired receivable to a third party or from any other default can only be offset against other income from capital investments and only up to an amount of €20,000 per year. The same rules may apply if the Warrants expire worthless or lapse.

Corporations, Sole Proprietors and Partnerships

Where Warrants form part of a trade or business, the withholding tax, if any, will not settle the personal or corporate income tax liability. The respective holder of Warrants (or the partner of the partnership holding the Warrants) will have to report income and related (business) expenses resulting from the disposition or (if applicable) cash settlement of the Warrants or, potentially, from a

delivery of Class A Shares on the tax return and the balance will be taxed at the holder's (or the partner of the partnership holding the Warrants) applicable tax rate. Withholding tax levied, if any, will be credited against the personal or corporate income tax of the holder (or the partner of the partnership holding the Warrants). Capital gains resulting from a disposal, redemption, repayment, assignment, cash settlement (if applicable) or, potentially, from a delivery of Class A Shares upon exercise of the Warrants may also be subject to German trade tax, if the Warrants form part of a German trade or business. A corporate income tax or trade tax exemption should, in this case, not be applicable.

With regard to business holders of Warrants, there is a risk that losses resulting from the sale, other disposition or lapse of the Warrants may generally only be applied against profits from other forward/future or option transactions derived in the same or, subject to certain restrictions, the previous year. Otherwise these losses can be carried forward indefinitely and, within certain limitations, applied against profits from forward/future or option transactions in subsequent years. Further special rules apply to credit institutions, financial services institutions and finance companies within the meaning of the German Banking Act.

In the case of physical settlement of the Warrants, please see the above sections on disposal of Class A Shares for German taxation of the disposal or other transaction involving a resulting Class A Share.

Solidarity Surcharge

The solidarity surcharge has been partially abolished or reduced as of the assessment period 2021 for certain German taxpayers. The solidarity surcharge continues, however, to apply for corporate income tax and capital investment income and, thus, on withholding taxes levied. In case the individual income tax burden for an individual holder is lower than 25%, the holder can apply for his or her capital investment income being assessed at his or her individual tariff-based income tax rate, in which case solidarity surcharge would be refunded.

Inheritance and Gift Tax

The transfer of Class A Shares or Warrants to another person by way of succession or donation is subject to German inheritance and gift tax (*Erbschaft-und Schenkungsteuer*) if at the time of transfer:

- (i) the decedent, the donor, the heir, the donee or any other beneficiary has his/her/its residence, domicile, registered office or place of management in Germany, or is a German citizen who has not stayed abroad for more than five consecutive years without having a residence in Germany; or
- (ii) (irrespective of the personal circumstances) the Class A Shares or Warrants are held by the decedent or donor as business assets for which a permanent establishment in Germany is maintained or a permanent representative is appointed in Germany; or
- (iii) (irrespective of the personal circumstances) at least 10% of the registered share capital of Lilium is held directly or indirectly by the decedent or person making the gift, himself or together with a related party in terms of Section 1 (2) German Foreign Tax Act (*Außensteuergesetz*).

Special regulations apply to German citizens who maintain neither a residence nor their domicile in Germany but maintain a residence or domicile in a low tax jurisdiction and to former German citizens, also resulting in inheritance and gift tax. The few tax treaties on inheritance and gift tax that Germany has entered into may limit the German right to inheritance and gift tax to the case described under (i) above and, with certain restrictions, in case of (ii).

Value Added Tax (VAT)

No German value added tax (*Umsatzsteuer*) will arise in respect of any acquisition, ownership and/or disposal of the Class A Shares or Warrants unless in certain cases where a waiver of an applicable VAT exemption occurs. Any such waiver would require a supply of shares from one person taxable for VAT purposes to the enterprise of another VAT taxable person.

Transfer Taxes

No German capital transfer tax (*Kapitalverkehrsteuer*) or stamp duty (*Stempelgebühr*) or similar taxes are levied when acquiring, owning or disposing the Class A Shares or Warrants. Net wealth tax (*Vermögensteuer*) is currently not levied in Germany. German real estate transfer tax (*Gründerwerbsteuer*) may only be attracted by the acquisition (including by way of exercise of Warrants) or sale of Class A Shares or certain comparable transactions under very specific circumstances if Lilium, or a subsidiary entity to Lilium, own German situs real estate at such time, with “ownership” and “real estate” both having an extended meaning under the German Real Estate Transfer Tax Act (*Gründerwerbsteuergesetz*).

The European Commission has published a proposal for a directive for a common financial transactions tax (“FTT”) in certain participating member states of the European Union, including Germany. The proposed FTT has a very broad scope and could, if introduced in the form of the proposal, apply to certain dealings in the Class A Shares (including secondary market transactions) in certain circumstances. However, the proposed FTT remains subject to negotiations between the participating member states, and it is currently unclear in what form and when an FTT would be implemented, if at all. Prospective holders of the Class A Shares are advised to monitor future developments closely and to seek their own professional advice in relation to the FTT.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

Documents concerning the Company referred to in this Annual Report may be inspected at the principal executive offices of the Company at Galileostraße 335, 82131 Gauting, Germany.

The Company is subject to certain of the informational filing requirements of the Exchange Act. Since the Company is a “foreign private issuer,” it is exempt from the rules and regulations under the Exchange Act prescribing the furnishing and content of proxy statements, and the officers, directors and principal shareholders of the Company are exempt from the reporting and “short-swing” profit recovery provisions contained in Section 16 of the Exchange Act with respect to their purchase and sale of shares. In addition, the Company is not required to file reports and financial statements with the SEC as frequently or as promptly as U.S. public companies whose securities are registered under the Exchange Act. However, the Company is required to file or furnish reports and other information with the SEC, including Annual Reports on Form 20-F containing financial statements audited by an independent accounting firm and reports on Form 6-K. The SEC also maintains a website at <http://www.sec.gov> that contains reports and other information that the Company files with or furnishes electronically to the SEC.

I. Subsidiary Information

Not applicable.

J. Annual Report to Security Holders

If we are required to provide an annual report to security holders in response to the requirements of Form 6-K, we will submit the annual report to security holders in electronic format in accordance with the EDGAR Filer Manual.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company’s consolidated financial statements have been prepared in accordance with the IFRS as issued by the IASB and related interpretations issued by the IFRS Interpretations Committee.

A. Quantitative Information About Market Risk

As of December 31, 2023, we had other current financial assets in the amount of €111.6 million, mainly comprising fixed-term deposits that will convert into cash over the course of 2024, meaning that the Company is exposed to credit quality and credit default risks with respect to such investments and interest rate risks until maturity. See Note 29.2 to the Company’s consolidated financial statements included elsewhere in this Annual Report.

B. Qualitative Information About Market Risk

Market risk at Liliium is defined as the accumulation (individually or in combination) of credit default, interest rate, currency, liquidity and inflation risks.

We mitigate market risk by investing only in short-term deposits and investment-grade credit instruments, and do not believe that these risks are material. We do not engage in the trading of financial assets for speculative purposes as the Company's priority lies in preservation of capital and providing access to capital to maintain liquidity levels that are appropriate for the Company's short-term requirements and long-term strategy.

Credit default risk is reduced by not investing in money market instruments with low credit quality or in investments excluded by our Company's investment policy and by generally diversifying across different counterparties/issuers. Currency risk is reduced by investing in currencies only according to the respective future cash needs in these currencies. Interest rate risk on the investment value is reduced by investing in fixed-interest assets or holding the assets until maturity; interest cash flow risk cannot generally be avoided over time due to the short-term nature of the Company's investments but we expect to balance this risk by applying an appropriate maturity profile of investments according to the future liquidity needs. Liquidity risk is reduced by investing in assets with maturities that mirror the liquidity needs of the Company. Inflation risk is reduced by investing in a diversified portfolio over several asset classes and maturities with higher returns, but the mitigation potential is limited due to the low-risk investment objectives of the Company.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. Debt Securities

Not applicable.

B. Warrants and Rights

See Exhibit 2.1 "Description of Securities."

C. Other Securities

Not applicable.

D. American Depositary Shares

Not applicable.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Not applicable.

ITEM 15. CONTROLS AND PROCEDURES

A. Disclosure Controls and Procedures

As required by Rule 13a-15 under the Exchange Act, management, including our CEO and CFO, has evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Annual Report. Based on the material weakness described below, our chief executive officer and our chief financial officer have concluded that, as of December 31, 2023, our disclosure controls and procedures were not effective. Disclosure controls and procedures refer to controls and other procedures designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. Disclosure controls and procedures include, without limitations, controls and procedures designed to ensure that information required to be disclosed by us in our reports that we file or submit under the Exchange Act is accumulated and communicated to management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding our required disclosures. Notwithstanding the identified material weaknesses, the CEO and CFO have concluded that the consolidated financial statements in this Annual Report on Form 20-F fairly present, in all material respects, our financial condition, results of operations and cash flows for the periods presented.

B. Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company, as such term is defined in Rule 13a-15(f) under the Exchange Act. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with generally accepted accounting principles and includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of a company's assets, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that a company's receipts and expenditures are being made only in accordance with authorizations of a company's management and directors, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of a company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. In addition, projections of any evaluation of effectiveness of our internal control over financial reporting to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As required by Section 404 of the Sarbanes-Oxley Act of 2002 and related rules promulgated by the SEC, our management assessed the effectiveness of internal control over financial reporting as of December 31, 2023 using the criteria set forth in the report "Internal Control-Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, our management concluded that our internal control over financial reporting as of December 31, 2023 was not effective due to the presence of material weaknesses in our internal control over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

As of December 31, 2023, the Company concluded that the following material weaknesses, which were initially identified in connection with the preparation and audit of our consolidated financial statements for the financial years ended December 31, 2020 and 2021 (and previously disclosed in our Annual Report on Form 20-F for the year ended December 31, 2022), remain:

- (i) lack of consistent and proper application of accounting processes and procedures and segregation of duties,
- (ii) insufficient operation of the information technology general controls for information systems that are significant to the preparation of our financial statements.

Remediation of Previously Identified Material Weaknesses

In connection with the preparation and audit of our consolidated financial statements for the financial year ended December 31, 2020, 2021 and 2022, we previously identified a material weakness related to lack of review and supervision. During 2023, we continued to make progress in addressing the control deficiencies that led to this material weakness by implementing a number of measures, including:

- updating automated workflows in our enterprise resource planning system to enforce review activities; and
- designing additional review steps, including formally documenting the performance of the review, into control activities that support our higher-risk business processes.

As a result of these measures, management has concluded that this material weakness was remediated as of December 31, 2023.

Remediation Plans and Activities (Related to Previously Identified Material Weaknesses)

We previously identified a material weakness related to lack of consistent and proper application of accounting processes and procedures, effectively designed control processes and segregation of duties. During 2023, we implemented a number of measures to address this material weakness, including:

- designing a new suite of controls to support human resources, finance and procurement related processes, including review and supervision activities as mentioned above, to prevent or detect material misstatements in our financial statements;
- embedding these new controls into business processes and procedures to support their consistent and proper performance; and
- reorganizing activities performed by the finance function to embed segregation of duties into their processes and procedures.

While we believe these measures have improved our internal control over financial reporting, we have not been able to confirm their effective operation for a sufficiently long period of time prior to December 31, 2023 to conclude that this material weakness has been fully remediated as of December 31, 2023. We have, however, updated the wording to describe this material weakness, removing the wording related to the ineffective design of the controls, as they are now designed effectively.

We have also made progress in addressing the control deficiencies that led to the material weakness related to information technology general controls. More specifically, the following measures were implemented during 2023:

- designing and implementing a new suite of information technology controls for the systems used in preparing our financial statements, specifically in the areas of user access management, change management, incident management and information security;
- improving existing policy, process and control documentation within our information technology department, particularly in the areas of access control procedures for our enterprise resource planning environment and updating the change enablement policy to improve guidance on the evidence required to confirm the effective testing of changes; and

- enhancing governance and oversight activities within the information technology department, in particular, the introduction of regular meetings with senior management, including the chief information officer, to review control activities and address any shortcomings in their performance.

Similar to the business process controls above, while we believe these measures have improved our internal control over financial reporting, we have not been able to confirm their effective operation for a sufficiently long period of time prior to December 31, 2023 to conclude that this material weakness has been fully remediated as of December 31, 2023. However, we have updated the wording to describe this material weakness to remove the wording related to the ineffective design and implementation of the information technology controls, as they are now designed effectively and have also been implemented in ongoing processes and procedures.

C. Attestation Report of the Registered Public Accounting Firm

This Annual Report does not include a report of the Company’s registered independent public accounting firm because we are an emerging growth company under the JOBS Act.

D. Change in Internal Control Over Financial Reporting

We are taking actions to remediate the material weakness relating to our internal control over financial reporting. Except as otherwise described above, there were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the year ended December 31, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our Board has determined that each of Barry Engle and Margaret M. Smyth is an “audit committee financial expert” as defined in Item 16A of Form 20-F under the Exchange Act. Our Board has also determined that each member of the Audit Committee satisfies the “independence” requirements set forth in Rule 10A-3 under the Exchange Act and Nasdaq standards.

ITEM 16B. CODE OF ETHICS

We have adopted a code of business conduct that applies to all of our employees, officers and directors, including those officers responsible for financial reporting. The code of business conduct is available on our website. We intend to disclose any amendment, as described in Item 16B(d), to the code or any waivers of its requirements, as described in Item 16B(e), on our website (www.lilium.com).

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Principal Accounting Fees and Services

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (“PricewaterhouseCoopers”) was our auditor for the years ended December 31, 2023 and 2022. The following table sets forth the aggregate fees by the categories specified below in connection with certain professional services rendered by PricewaterhouseCoopers for the period indicated. We did not pay any other fees to our auditor during the periods indicated below.

	For the Year Ended	
	December 31, 2023	December 31, 2022
Audit Fees ⁽¹⁾	€ 2,156,758	2,255,899
Audit-Related Fees ⁽²⁾	113,636	211,300
Total Fees	€ 2,270,394	2,467,199

(1) *Audit Fees.* “Audit Fees” represent the aggregate fees billed for professional services rendered by our auditor for the audit of our consolidated financial statements and review of documents filed with the SEC.

(2) *Audit-Related Fees.* “Audit-Related Fees” represent the aggregate fees billed for professional services rendered by our auditor for the assurance and related services, which are not included under “Audit Fees” above.

Audit Committee Pre-Approval Policies and Procedures

Our audit committee pre-approves our engagement of PricewaterhouseCoopers to render audit or non-audit services in terms of its audit committee pre-approval policy. All of the services described above were approved in terms of the Company's delegation of authority framework and the audit committee pre-approval policy.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

Not applicable.

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE

As a "foreign private issuer," as defined by the SEC, we are permitted to follow home country corporate governance practices, instead of certain corporate governance standards required by Nasdaq for U.S. companies. Accordingly, we follow Dutch corporate governance rules in lieu of certain of Nasdaq's corporate governance requirements. The DCGC applies to all Dutch companies listed on a government-recognized stock exchange, whether in the Netherlands or elsewhere. The DCGC is based on a "comply or explain" principle. Accordingly, companies are required to disclose in their Dutch annual reports whether or not they are complying with the various rules of the DCGC that are addressed to the board of directors or, if any, the supervisory board of a listed company and, if a company does not apply those provisions, to provide the reasons for such non-application. The DCGC contains principles and best practice provisions for managing boards, supervisory boards, shareholders and general meetings of shareholders, financial reporting, auditors, disclosure, compliance and enforcement standards.

The significant differences between our Dutch corporate governance rules and Nasdaq's corporate governance requirements are set forth below:

- *Shareholder Approval for Certain Share Issuances.* Under Nasdaq Listing Rule 5635(d), shareholder approval is required when a company proposes entering into any transaction, other than a public offering, involving the sale, issuance or potential issuance of the company's shares (or securities convertible into or exercisable for such shares) equal to 20% or more of the outstanding share capital of such company or 20% or more of the voting power outstanding before the issuance for less than the greater of book or market value of such shares. Dutch law does not have an equivalent limitation. Under Dutch law, shareholders have the power to issue shares or rights to subscribe for shares (and exclude or limit pre-emptive rights) at a company's general meeting of shareholders unless such power has been delegated to the board of directors. Our Board has in the past and from time to time received delegations for up to 30% of the Company's issued share capital as of the date of the applicable General Meeting and for a period specified in connection with such delegation (including the exclusion or limitation of pre-emptive rights), and we expect to continue in the future to ask shareholders for additional delegations as required. Accordingly, under Dutch law, additional shareholder approval is not required for any share issuance made within the delegated parameters.
- *Solicitation of Proxies.* Although we must provide shareholders with an agenda and other relevant documents for the General Meeting, and proxy solicitation is permitted (though not required) under Dutch law, Dutch law does not have a regulatory regime for the solicitation of proxies and the solicitation of proxies is not a common business practice in the Netherlands, thus our practice will vary from the requirement of Nasdaq Listing Rule 5620(b).

- *Quorum Requirements.* In accordance with Dutch law and generally accepted business practices, our articles of association do not provide quorum requirements generally applicable to general meetings of shareholders in the United States. To this extent, our practice varies from the requirement of Nasdaq Listing Rule 5620(c), which requires an issuer to provide in its bylaws for a generally applicable quorum and that such quorum may not be less than one-third of the issuer's outstanding voting stock.
- *Equity Compensation Arrangements.* Nasdaq requires shareholder approval prior to the issuance of securities when a stock option or purchase plan is to be established or materially amended or other equity compensation arrangement made or materially amended, pursuant to which stock may be acquired by officers, directors, employees or consultants. Under Dutch law and the DCGC, shareholder approval is only required for equity compensation plans (or changes thereto) for members of the board of directors and not for equity compensation plans for other groups of employees. However, under Dutch law, shareholders have the power to issue shares or rights to subscribe for shares at a general meeting unless such power has been delegated to the board of directors. Effective on September 14, 2021, our General Meeting empowered our Board to issue additional Class A Shares and grant rights to subscribe for Class A Shares to the extent committed by the Company in connection with the Legacy Stock Option Program and the 2021 Plan and to restrict or exclude preemptive rights in relation thereto, for a period of five years from September 14, 2021.
- *Nominations.* Nasdaq requires us to adopt a nominations committee charter or a board resolution addressing the nominations process. In accordance with the DCGC, we have adopted the Nominating and Corporate Governance Committee's charter. However, the nominations process has been set out in our articles of association and Board rules.
- *Cancellation of Binding Nominations.* Pursuant to the DCGC, the General Meeting is empowered to cancel binding nominations of candidates for the Board, and to dismiss members of the Board by a simple majority of votes of those in attendance, although the Company may require a quorum of at least one-third of the voting rights outstanding. If such quorum is not represented, but a majority of those in attendance vote in favor of the proposal, a second meeting may be convened and its vote will be binding, even without a one-third quorum. Our articles of association currently state that the General Meeting may at all times overrule a binding nomination by a resolution adopted by at least a two-thirds majority of the votes cast, if such majority represents more than half of the issued share capital. Although a deviation from the DCGC, we hold the view that these provisions will enhance the continuity of the Company's management and policies.
- *Distribution of Annual Reports.* We do not comply with Nasdaq Listing Rule 5250(d), which requires companies to make available copies of their annual reports containing audited financial statements to their shareholders. The distribution of our annual reports to shareholders is not required under Dutch corporate law or Dutch securities laws. Furthermore, it is generally accepted business practice for Dutch companies not to distribute annual reports. Instead, we make our annual report available at our corporate head office in Germany no later than at the date of the convocation of any annual General Meeting. In addition, we post a copy of our annual reports on our website prior to our annual General Meeting.

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

ITEM 16I. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

ITEM 16J. INSIDER TRADING POLICIES

Our Board has adopted a written insider trading policy governing the transactions involving Liliium's securities by our directors, officers, employees, and certain contractors, as well as certain of their respective family members and affiliates, that are designed to promote compliance with applicable insider trading laws, rules and regulations. A copy of our insider trading policy can be found at our website (www.lilium.com). Information contained in our website is not a part of, nor incorporated by reference into, this Annual Report.

ITEM 16K. CYBERSECURITY

Information Security Risk Management and Strategy

Our approach to risk management is designed to identify, assess, prioritize and manage major risk exposures that could affect our ability to execute our corporate strategy and fulfill our business objectives. Our enterprise risk management (“ERM”) program with respect to information security follows a standardized established process based on Liliium’s internally established framework for identifying, assessing and managing risk in accordance with the ISO 27001 for information security. We perform risk assessments with the respective “risk owners” in which we map and prioritize information security risks identified through the processes described below, including risks associated with our use of third-party service providers, based on probability, immediacy and potential magnitude. These assessments inform our ERM strategies and oversight processes, and we view information security risks as one of the key risk categories we face. We are at risk for interruptions, outages and breaches of the following systems, which are either owned by us or operated by our third-party vendors or suppliers: (a) operational systems, including business, financial, accounting, enterprise resource, product development, data processing or production processes; (b) facility security systems; (c) aircraft technology, including powertrain and avionics and flight control software; (d) the integrated software in the Liliium Jet; (e) personal data of customers, employees, suppliers, or others; or (f) our digital software. As of the date of this Annual Report we are not aware of any information security threats that have or are reasonably likely to affect our business strategy, results of operations or financial condition.

Our processes for preventing, identifying, assessing and managing information security risks and vulnerabilities are embedded across our business as part of our ERM program. Among other things, we: (a) conduct regular audits and tests of our information systems (including annual maturity assessments according to the guidelines established by the National Institute of Standards and Technology, conducted by independent third-party advisors who assess and report on our internal incident response preparedness and help identify areas for continued focus and improvement); (b) engage third-party service providers to identify vulnerabilities and threats in our information technology environment, to conduct cybersecurity-related exercises, to enhance our security capabilities and protect Liliium’s information technology; (c) review information security threat information published by government entities (such as the German Federal Office for Information Security) and other organizations in which we participate (such as the Aviation ISAC); (d) adopt third-party tools for detecting and monitoring threats in our environment; (e) and provide regular information security awareness training for all employees and enhanced training for information security and other specialized personnel. We use the findings from these and other processes to improve our information security practices, procedures and technologies. We also have implemented and maintain information security incident response plans, which include processes to triage, assess severity for, escalate, contain, investigate and remediate information security incidents, as well as to comply with potentially applicable legal obligations and mitigate brand and reputational damage. Additionally, while we maintain cybersecurity insurance, the costs related to cybersecurity threats or disruptions may not be fully insured. See “*Item 3. Key Information — D. Risk Factors — Risks Related to Our Business and Financial Position — We are subject to cybersecurity risks to our operational systems, security systems, infrastructure, integrated software used in our company and in our aircraft and data, both personal and proprietary, processed by us or third-party vendors.*”

Information Security Governance and Oversight

Our ERM program enables the Board to establish a mutual understanding with management of the effectiveness of our information security risk management practices and capabilities, including the division of responsibilities for reviewing our information security risk exposure and risk tolerance, tracking emerging information risks and ensuring proper escalation of certain key risks for periodic review by the Board and its committees. As part of its broader risk oversight activities, the Board oversees risks from information security threats, both directly and through the Audit Committee. As reflected in its charter, the Audit Committee assists the Board in its management and assessment of information security, including cybersecurity and data privacy, and oversees our ERM program, including governance structure, risk assessment and risk management practices and our guidelines, policies and processes for risk assessment and risk management. The Audit Committee also oversees our internal control over financial reporting, including with respect to financial reporting-related information systems.

As an element of its ERM oversight activities, the Audit Committee reviews semi-annually the results of our enterprise risk assessments, including information security risk assessments, as well as management’s strategies to prevent, detect, monitor and manage such risks and related risk assessment and risk management policies. The Audit Committee discusses these risks with our Chief Information Officer (“CIO”) and Chief Information Security Officer (“CISO”) and reports to the Board on the substance of these reviews and discussions. Margaret Smyth, a member of our Audit Committee, holds a cybersecurity certificate obtained through the National Association of Corporate Directors, issued by Carnegie Mellon University, Software Engineering Institute, and a Cybersecurity Fundamentals for Finance and Accounting Professionals Certificate from the Association of International Certified Professional Accountants.

Lilium also maintains a Cybersecurity Steering committee that meets monthly, with Lilium’s Chief Operating Officer, CIO, CISO and Chief Legal Officer participating, to discuss information security risks and related assessments and remediation in order to ensure visibility and management oversight of information security processes and decisions. In addition to these regularly scheduled updates, the CIO and CISO also report to the Audit Committee or the Board, as appropriate, on how certain information security risks are being managed and provide updates regarding progress towards agreed mitigation goals, as well as any potential material risks from cybersecurity threats that have been detected by the information security team.

The CISO, who leads our information security team, is responsible for day-to-day prevention, identification, assessment and management of the information security risks we face. Our CISO, in collaboration with our Cybersecurity Steering committee (as well as the Audit Committee and Board when appropriate), is also responsible for prioritizing risks and risk mitigation activities and developing a culture of risk-aware practices. Our CISO has over 16 years of cybersecurity leadership experience working at various large multinational public and private companies across multiple industries headquartered in Germany, the United Kingdom and India. Our information security team is comprised of numerous cybersecurity professionals of varying experience and expertise including governance, risk compliance, architecture, threat intelligence, incident response, and malware analysis.

In addition to the ordinary course Board and Audit Committee reporting and oversight described above, we also maintain disclosure controls designed for prompt reporting to the Board and timely public disclosure, as appropriate, of material events covered by our risk management framework, including information security risks.

PART III

ITEM 17. FINANCIAL STATEMENTS

See Item 18.

ITEM 18. FINANCIAL STATEMENTS

Financial statements are filed as part of this Annual Report beginning on page F-1.

ITEM 19. EXHIBITS

The Exhibits listed in the Exhibit Index at the end of this Annual Report are filed as Exhibits to this Annual Report.

EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION OF EXHIBIT
1.1	English Translation of Amended Articles of Association of Lilium N.V. (Unofficial Translation) (incorporated by reference to Exhibit 99.7 to the Report of Private Issuer on Form 6-K (File No. 001-40736), furnished to the SEC on August 8, 2023).
2.1†	Description of Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934.
2.2	Warrant Agreement, dated as of September 29, 2020, by and among Qell Acquisition Corp. and Continental Stock Transfer & Trust (incorporated by reference to Exhibit 4.1 of Qell Acquisition Corp.'s Current Report (File No. 000-39571) filed with the SEC on October 5, 2020).
2.3	Warrant Assignment, Assumption and Amendment Agreement, between Continental Stock Transfer & Trust Company, Lilium B.V. and Qell Acquisition Corp. (incorporated by reference to Exhibit 4.1 to the Registration Statement on Form F-4 (Reg. No. 333-255800), filed with the SEC on May 5, 2021).
2.4	Form of RDO Warrant (incorporated by reference to Exhibit 4.2 to the Report of Foreign Private Issuer on Form 6-K (File No. 001-40736), furnished to the SEC on November 22, 2022).
2.5	Form of 2022 PIPE Warrant (incorporated by reference to Exhibit 4.1 to the Report of Foreign Private Issuer on Form 6-K (File No. 001-40736), furnished to the SEC on November 22, 2022).
2.6	Form of Aceville Warrant (incorporated by reference to Exhibit 4.1 to the Report of Foreign Private Issuer on Form 6-K (File No. 001-40736), furnished to the SEC on May 15, 2023).
2.7	Form of 2023 PIPE Warrant (incorporated by reference to Exhibit 4.1 to the Report of Foreign Private Issuer on Form 6-K (File No. 001-40736), furnished to the SEC on July 18, 2023).
4.1	Form of Sponsor Letter Agreement (incorporated by reference to Exhibit 10.2 to the Registration Statement on Form F-4 (Reg. No. 333-255800), filed with the SEC on May 5, 2021).
4.2	Business Combination Agreement, dated as of March 30, 2021, by and among Qell Acquisition Corp., Lilium GmbH, Lilium B.V. and Queen Cayman Merger LLC (incorporated by reference to Exhibit 2.1 to the Registration Statement on Form F-4 (reg. No. 333-255800), filed with the SEC on May 5, 2021).
4.3	Amendment No. 1, dated as of July 14, 2021, to Business Combination Agreement, by and among Qell Acquisition Corp., Lilium GmbH, Lilium B.V. and Queen Cayman Merger LLC (incorporated by reference to Exhibit 2.2 to the Registration Statement on Form F-4 (Reg. No. 333-255800), filed with the SEC on July 14, 2021).
4.4	Plan of Merger (incorporated by reference to Exhibit 2.3 to the Registration Statement on Form F-4 (Reg. No. 333-255800), filed with the SEC on May 5, 2021).
4.5	Registration Rights Agreement, dated September 13, 2021 (incorporated by reference to Exhibit 4.5 to the Shell Company Report on Form 20-F (File No. 001-40736), filed with the SEC on September 20, 2021).

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4.6	Form of Subscription Agreement (incorporated by reference to Exhibit 10.1 to the Registration Statement on Form F-4 (Reg. No. 333-255800), filed with the SEC on May 5, 2021).
4.7*	Form of Director and Officer Indemnity Agreement (incorporated by reference to Exhibit 10.3 to the Registration Statement on Form F-4 (Reg. No. 333-255800), filed with the SEC on May 5, 2021).
4.8*	Lilium N.V. 2021 Equity Incentive Plan (incorporated by reference to Exhibit 4.8 to the Shell Company Report on Form 20-F (File No. 001-40736), filed with the SEC on September 20, 2021).
4.9*	Lilium N.V. Employee Share Purchase Plan (incorporated by reference to Exhibit 4.9 to the Shell Company Report on Form 20-F (File No. 001-40736), filed with the SEC on September 20, 2021).
4.10*	Lilium N.V. Employee Share Option Program, as amended (incorporated by reference to Exhibit 99.3 to the Registration Statement on Form S-8 (Reg. No. 333-261175), filed with the SEC on November 18, 2021).
4.11*	Amended Compensation Policy of Lilium N.V. (incorporated by reference to Exhibit 99.2 to the Report of Foreign Private Issuer on Form 6-K (File No. 001-40736), furnished to the SEC on December 21, 2022).
4.12	Registration Rights Agreement, dated March 8, 2022, by and between Lilium N.V. and Azul Linhas Aéreas Brasileiras S.A. (incorporated by reference to Exhibit 4.12 to the Company's annual report on Form 20-F, filed with the SEC on March 30, 2022).
4.13	Share Purchase Agreement, dated as of June 3, 2022, by and between Lilium N.V. and Tumim Stone Capital LLC (incorporated by reference to Exhibit 4.1 to the Report of Foreign Private Issuer on Form 6-K (File No. 001-40736), furnished to the SEC on June 6, 2022).
4.14	Registration Rights Agreement, dated as of June 3, 2022, by and between Lilium N.V. and Tumim Stone Capital LLC (incorporated by reference to Exhibit 4.2 to the Report of Foreign Private Issuer on Form 6-K (File No. 001-40736), furnished to the SEC on June 6, 2022).
4.15	Form of Registered Direct Offering Securities Purchase Agreement (incorporated by reference to Exhibit 10.3 to the Report of Foreign Private Issuer on Form 6-K (File No. 001-40736), furnished to the SEC on November 22, 2022).
4.16	Form of 2022 PIPE Securities Purchase Agreement (incorporated by reference to Exhibit 10.2 to the Report of Foreign Private Issuer on Form 6-K (File No. 001-40736), furnished to the SEC on November 22, 2022).
4.17	Form of Warrant Agency Agreement regarding the PIPE Warrants and RDO Warrants (incorporated by reference to Exhibit 10.1 to the Report of Foreign Private Issuer on Form 6-K (File No. 001-40736), furnished to the SEC on November 22, 2022).
4.18	Securities Purchase Agreement, dated as of May 1, 2023, by and between Lilium N.V. and Aceville Pte. Limited (incorporated by reference to Exhibit 10.1 to the Report of Foreign Private Issuer on Form 6-K (File No. 001-40736), furnished to the SEC on May 2, 2023).
4.19	Warrant Agency Agreement, dated as of May 15, 2023, by and between Lilium N.V. and Continental Stock Transfer & Trust Company regarding the Aceville Warrants (incorporated by reference to Exhibit 10.1 to the Report of Foreign Private Issuer on Form 6-K (File No. 001-40736), furnished to the SEC on May 15, 2023).
4.20	Form of 2023 PIPE Securities Purchase Agreement (incorporated by reference to Exhibit 10.2 to the Report of Foreign Private Issuer on Form 6-K (File No. 001-40736), furnished to the SEC on July 18, 2023).
8.1†	List of Subsidiaries of Lilium N.V.
12.1†	Certification of Principal Executive Officer pursuant to Rule 13a-14(a)/15d-14(a).
12.2†	Certification of Principal Financial Officer pursuant to Rule 13a-14(a)/15d-14(a).
13.1††	Certification of Principal Officers pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
15.1†	Consent of PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft
97.1†	Clawback Policy of Lilium N.V.
101.INS	Inline XBRL Instance Document—the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document

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101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

† Filed herewith

†† Furnished herewith

* Indicates a management contract or compensatory plan, contract or arrangement

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

March 15, 2024

LILIUM N.V.

By: /s/ Klaus Roewe

Name: Klaus Roewe

Title: Chief Executive Officer and Executive Director

Lilium N.V.

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Report of Independent Registered Public Accounting Firm

To the Supervisory Board and Shareholders of Liliium N.V.

Opinion on the Financial Statements

We have audited the accompanying consolidated statement of financial position of Liliium N.V. and its subsidiaries (the “Company”) as of December 31, 2023 and 2022, and the related consolidated statements of operations and other comprehensive income (loss), of changes in equity and of cash flows for each of the three years in the period ended December 31, 2023, including the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has incurred recurring losses from operations since its inception and expects to continue to generate operating losses that raise substantial doubt about its ability to continue as a going concern.

Management’s plans in regard to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these consolidated financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

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Munich, Germany
March 15, 2024

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

/s/ Holger Graßnick
Wirtschaftsprüfer
(German Public Auditor)

/s/ppa. Sylvia Eichler
Wirtschaftsprüferin
(German Public Auditor)

We have served as the Company's auditor since 2019.



CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2023 and 2022 and for the
years ended December 31, 2023, 2022 and 2021

Lilium Group – Consolidated Statements of Operations and Other Comprehensive (Loss) / Income for the years ended December 31, 2023, 2022 and 2021

in € thousand	Note	2023	2022	2021
Revenue	5	—	—	47
Cost of sales	5	—	—	(11)
Gross profit		—	—	36
Research and development expenses	6	(183,760)	(175,618)	(144,558)
General and administrative expenses	7	(81,280)	(93,887)	(239,093)
Selling expenses	8	(10,759)	(12,929)	(17,189)
Other income	9	8,136	6,808	2,274
Other expenses	10	(3,028)	(3,268)	(2,036)
Operating loss		(270,691)	(278,894)	(400,566)
Finance income	11	15,335	30,322	11,288
Finance expenses	11	(131,059)	(1,995)	(20,201)
Financial result	11	(115,724)	28,327	(8,913)
Share of loss in a joint venture / associate	17	(2,370)	(2,823)	(848)
Loss before income tax		(388,785)	(253,390)	(410,327)
Income tax (expense) / benefit	12	(334)	326	(709)
Net loss for the year		(389,119)	(253,064)	(411,036)

Other comprehensive (loss) / income

in € thousand (except per share data)	Note	2023	2022	2021
Other comprehensive (loss) / income that may be reclassified to profit or loss		(60)	33	44
Exchange differences on translation of foreign business units		(60)	33	44
Items that will not be subsequently reclassified to profit or loss		22	28	162
Remeasurement of defined pension benefit obligation	26	22	28	162
Other comprehensive (loss) / income		(38)	61	206
Total consolidated comprehensive loss for the year		(389,157)	(253,003)	(410,830)
Loss per share (basic and diluted) in €	13	(0.71)	(0.80)	(1.91)

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

**Lilium Group – Consolidated Statement of Financial Position as of
December 31, 2023 and 2022**

in € thousand	Note	12/31/2023	12/31/2022
ASSETS			
Intangible assets	14	494	870
Property, plant and equipment	15,16	63,991	36,699
Investment in a joint venture / associate	17	11,040	13,410
Other financial assets	18	7,991	3,386
Non-financial assets	19	9,769	13,487
Non-current assets		93,285	67,852
Other financial assets	18	111,616	22,581
Non-financial assets	19	22,781	18,648
Income tax receivable	12	751	169
Cash and cash equivalents	20	83,508	179,581
Current assets		218,656	220,979
Total Assets		311,941	288,831
SHAREHOLDERS' EQUITY AND LIABILITIES			
Subscribed capital	21	5,728	53,104
Share premium	21	1,008,759	843,074
Other capital reserves	21	381,778	277,654
Treasury shares	21	—	(279)
Accumulated loss		(1,359,317)	(970,198)
Accumulated other comprehensive income		110	148
Shareholders' equity		37,058	203,503
Other financial liabilities	23	17	21
Lease liabilities	16	8,224	8,353
Provisions	25,26	1,264	445
Trade and other payables	27	3,362	3,483
Deferred tax liabilities	12	—	10
Other non-financial liabilities	28	2,000	—
Non-current liabilities		14,867	12,312
Other financial liabilities	23	4	4
Lease liabilities	16	2,943	2,616
Shares-based payment liability	22	—	1,046
Provisions	25	311	730
Income tax payable	12	435	128
Warrants	24	205,013	26,267
Trade and other payables	27	44,601	33,658
Other non-financial liabilities	28	6,709	8,567
Current liabilities		260,016	73,016
Total Shareholders' Equity and Liabilities		311,941	288,831

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

Lilium Group – Consolidated Statement of Changes in Equity for the years ended December 31, 2023, 2022 and 2021

in € thousand	Note	Subscribed capital	Share premium	Other capital reserves	Treasury shares	Accumulated loss	Accumulated other comprehensive income		Total
							Currency translation reserve	Remeasurement of defined pension benefit obligation	
January 1, 2021		29,550	224,359	110,055	(25)	(306,098)	39	(158)	57,722
Loss for the year		—	—	—	—	(411,036)	—	—	(411,036)
Other comprehensive income		—	—	—	—	—	44	162	206
<i>Total comprehensive income / (loss)</i>		—	—	—	—	(411,036)	44	162	(410,830)
Share-based payment awards	22	—	—	53,350	—	—	—	—	53,350
Convertible loans	21	2,464	127,813	(34,084)	—	—	—	—	96,193
Reorganization	1,21	2,724	51,116	111,109	(81)	—	—	—	164,868
Share capital increase 2021 PIPE	21	5,400	375,808	—	—	—	—	—	381,208
Share buy-back	21	—	45	—	(45)	—	—	—	—
December 31, 2021		40,138	779,141	240,430	(151)	(717,134)	83	4	342,511
Loss for the year		—	—	—	—	(253,064)	—	—	(253,064)
Other comprehensive income		—	—	—	—	—	33	28	61
<i>Total comprehensive income / (loss)</i>		—	—	—	—	(253,064)	33	28	(253,003)
Share-based payment awards	22	—	—	27,380	—	—	—	—	27,380
Conversion of share-based payment awards into shares	21	1,303	207	(2,072)	—	—	—	—	(562)
Exercise of Reorganization warrants		0	0	—	—	—	—	—	0
Share capital increase – ELOC	21	674	12,520	—	—	—	—	—	13,194
Share capital increase – RDO & 2022 PIPE	21	10,983	50,095	11,916	—	—	—	—	72,994
Conversion of Class B shares	21	—	126	—	(126)	—	—	—	—
Repurchase of Class B shares	21	6	108	—	(108)	—	—	—	6
Sale of treasury shares held by consolidated entity	21	—	877	—	106	—	—	—	983
December 31, 2022		53,104	843,074	277,654	(279)	(970,198)	116	32	203,503
Loss for the year		—	—	—	—	(389,119)	—	—	(389,119)
Other comprehensive income / (loss)		—	—	—	—	—	(60)	22	(38)
<i>Total comprehensive income / (loss)</i>		—	—	—	—	(389,119)	(60)	22	(389,157)
Share-based payment awards	22	—	—	22,805	—	—	—	—	22,805
Conversion of share-based payment awards into shares	21	1,471	—	(1,510)	—	—	—	—	(39)
Initial recognition of May 2023 Warrants	21	—	—	82,829	—	—	—	—	82,829
Share capital increase – CMPO & 2023 PIPE	21	9,046	81,387	—	—	—	—	—	90,433
Exercise of May 2023 Warrants	21	2,453	24,231	—	—	—	—	—	26,684
Conversion of Class B shares	21	—	84	—	(84)	—	—	—	—
Cancellation of issued shares	21	(194)	—	—	194	—	—	—	—
Reduction in nominal value of Class A, B and C shares	21	(60,152)	59,983	—	169	—	—	—	—
December 31, 2023		5,728	1,008,759	381,778	—	(1,359,317)	56	54	37,058

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

Lilium Group – Consolidated Statement of Cash Flows
for the years ended December 31, 2023, 2022 and 2021

in € thousand	2023	2022	2021
Net loss for the year	(389,119)	(253,064)	(411,036)
Adjustments to reconcile consolidated net loss to net cash flows:			
Income tax expense / (benefits)	334	(326)	709
Net interest (income) / expense	(4,813)	958	4,289
Depreciation, amortization and impairment	12,694	8,267	6,476
Share listing expense	—	—	111,109
Expenses for other share-based payments	22,539	24,261	61,378
Net losses from the disposal of intangibles and PP&E	—	17	—
Share of loss in a joint venture / associate	2,370	2,823	848
Gain on dilution in investment in joint venture / associate	—	(1,179)	—
Fair value and foreign exchange changes of financial instruments and expected credit losses	120,592	(29,050)	4,625
Net exchange differences	(812)	—	—
Income tax paid	(617)	(266)	(196)
Change in provisions	(345)	(1,640)	2,392
Working capital adjustments:			
Changes in trade and other payables	10,633	(1,451)	20,517
Change in other assets and liabilities	(5,445)	(6,935)	(16,177)
Cash flow used in operating activities	(231,989)	(257,585)	(215,066)
Purchases of intangible assets	(79)	(200)	(1,597)
Purchases of and advance payments on property, plant and equipment	(28,671)	(8,942)	(17,099)
Disposals of intangible assets, property, plant and equipment	—	—	1
Proceeds from short-term investments	110,000	319,773	50,000
Payments for short-term investments	(200,000)	(120,000)	(220,006)
Payments for acquisition of an associate	—	—	(13,680)
Payment for acquisition of equity instruments	(5,159)	—	—
Payments for promissory notes	—	—	(1,051)
Interest paid	—	(466)	—
Interest received	4,160	129	6
Cash flow (used in) / from investing activities	(119,749)	190,294	(203,426)
Proceeds from share capital increase and issue of warrants – CMPO & 2023 PIPE	104,409	—	—
Proceeds from issue of May 2023 Warrants	159,227	—	—
Proceeds from share capital increase and issue of warrants - RDO & 2022 PIPE	—	113,971	—
Proceeds from other share capital increase - ELOC	—	12,498	—
Proceeds from the Reorganization	—	—	83,393
Proceeds from the 2021 PIPE capital increase	—	—	381,208
Proceeds from exercise of May 2023 Warrants	1,091	—	—
Proceeds from convertible loans	—	—	1,850
Proceeds from other share capital increase and capital contributions	290	288	7
Payments of transaction costs for capital contributions	(6,112)	(7,402)	(2,227)
Proceeds from sale of shares held in treasury	—	983	—
Payment for foreign exchange contract	—	—	(423,372)
Proceeds from foreign exchange contract	—	—	407,840
Principal elements of lease payments	(3,425)	(2,720)	(1,781)
Interest paid	(604)	(534)	(734)
Cash flow from financing activities¹	254,876	117,084	446,184
Cash-based changes in cash and cash equivalents	(96,862)	49,793	27,692
Effect of foreign exchange rate changes on cash and cash equivalents	789	(13)	20
Effect of change in expected credit loss provisions	—	(55)	—
Net (decrease) / increase in cash and cash equivalents	(96,073)	49,725	27,712
Cash and cash equivalents at the beginning of the year	179,581	129,856	102,144
Cash and cash equivalents at the end of the year	83,508	179,581	129,856

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

¹ Please refer to note 29.3.

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1. Corporate Information

Lilium N.V. (“the Company”), together with its consolidated entities (“Lilium” or the “Group”), is a start-up 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 self-developed 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. On February 1, 2024, the address, but not the physical location, of the Company’s principal executive office changed from Claude-Dornier Straße 1, Bldg. 335, 82234, Wessling, Germany to Galileostraße 335, 82131 Gauting, Germany. The Company is publicly listed and traded on Nasdaq under the symbols “LILM” for its Class A ordinary shares and “LILMW” for its listed redeemable warrants since September 15, 2021.

The consolidated financial statements of the Group for the year ended December 31, 2023, were authorized for issue by the Management Board on March 14, 2024.

The Reorganization

On September 14, 2021, Lilium GmbH consummated the Business Combination Agreement, with Qell Acquisition Corp (“Qell”), Lilium GmbH, Lilium N.V., and Queen Cayman Merger LLC. The transaction was accounted for as a capital reorganization (“Reorganization”) with Lilium GmbH being the accounting acquirer. Lilium N.V. acquired 100% of the share capital of Lilium GmbH in exchange for Class A and Class B shares of Lilium N.V., and Lilium N.V. acquired the net assets of Qell in exchange for the issuance of Class A shares of Lilium N.V. As of the date of Reorganization, Lilium N.V. succeeded Lilium GmbH as the parent company of the Group. The accounting impact of the Reorganization is described in note 21.

2. Basis of Preparation

The Group’s consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) and the related interpretations issued by the IFRS Interpretations Committee.

The 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.

Going Concern

The financial statements have been prepared on a basis that 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 €1,359.3 million as of December 31, 2023). The Group expects to continue generating operating losses and negative cash flow from operations for the foreseeable future. The outstanding 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 the foreseeable future. Based on its business plan, the Group depends on substantial financing to fund development activities and operations, which is not assured.

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 company 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 raise additional funds in the near future through a combination of debt financings, equity offerings, partnerships and grant funding. The Group plans to raise additional capital in the next 12 months and beyond through a variety of means, including equity offerings, pre-delivery payments ("PDPs"), grants, debt financing or a combination of these financing measures in order to continue as a going concern.

There is no certainty that the Group will be successful in obtaining sufficient funding through any or a combination of these financing measures. 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 mean that it would be forced to curtail or discontinue its operations.

Based on its recurring losses from operations since inception, expectation of continuing operating losses for the foreseeable 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.

Group information

Consolidated entities are as follows:

Name	Country of Incorporation	Date of incorporation	% equity interest owned	
			12/31/ 2023	12/31/ 2022
Lilium N.V.	Netherlands	March 11, 2021	100.0 %	100.0 %
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 %
Lilium Aviation France SAS	France	December 29, 2023	100.0 %	n/a

The Netherlands trust "Stichting JSOP" ("Stichting") has been fully consolidated, as Lilium has the right to appoint the members of the board of the trust and therefore controls the trust. Lilium is exposed to a variable return risk as it bears the responsibility for all operational costs associated with the trust.

Principles of consolidation

The consolidated financial statements incorporate the financial positions and the results of operations of the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of the subsidiaries are prepared for the same reporting period as Lilium N.V. using consistent accounting policies. Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated.

Segment

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. Regarding the geographical split of non-current assets, the investment in a joint venture is located in the United States, and the geographic location of property, plant and equipment is disclosed in note 15. Most of the remaining non-current assets are located in Germany.

Foreign currency

The Group's consolidated financial statements are presented using the Euro, which is the Group's functional currency. The functional currency of all foreign consolidated entities included in these consolidated financial statements is their local currency. Lilium translates the financial statements of these subsidiaries to Euro using year-end exchange rates for assets and liabilities, and average exchange rates for income and expenses. Adjustments resulting from translating foreign functional currency financial statements into Euro are recorded as a separate component in the consolidated statements of comprehensive income.

Monetary assets and liabilities that are denominated in currencies other than the respective functional currencies are initially recognized at the foreign exchange rate on recognition date and remeasured at the foreign currency rates as of the reporting date. Foreign currency transaction gains and losses from the remeasurement are included in other income, other expenses, financial income or financial expenses, as appropriate, in the consolidated statements of operations for the period.

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's 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 following standards, amendments and interpretations were adopted by the Group for the first time for its annual reporting period commencing January 1, 2023:

Standard/amendment/ interpretation	Effective date
IFRS 17, 'Insurance contracts' as amended in June 2020 by amendments to IFRS 17, Insurance Contracts	Annual periods on or after January 1, 2023
Amendment to IAS 1, 'Presentation of financial statements', IFRS Practice statement 2 and IAS 8, 'Accounting policies, changes in accounting estimates and errors'	Annual periods on or after January 1, 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	Annual periods on or after January 1, 2023
Amendments to IFRS 17: First-time Adoption of IFRS 17 and IFRS 9 - Comparative Information	Annual periods on or after January 1, 2023

The amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective (see below).

New Standards and Interpretations not yet adopted by the Group

Certain new accounting standards and amendments to accounting standards and interpretations have been published that are not mandatory for December 31, 2023 reporting periods and have not been early adopted by the Group. None of these standards are expected to have a material impact on the consolidated financial statements of the Group:

<u>Standard/amendment/ interpretation</u>	<u>Effective date</u>
Amendment to IAS 1, Non-current liabilities with Covenants	Annual periods on or after January 1, 2024
Amendment to IFRS 16 – Leases on sale and leaseback	Annual periods on or after January 1, 2024
Amendment to IAS 1, ‘Presentation of financial statements’, on classification of liabilities as current or non-current	Annual periods on or after January 1, 2024
Amendment to IAS 7 and IFRS 7, on supplier finance arrangements	Annual periods on or after January 1, 2024

3. Material Accounting Policies**Intangible assets**Research and development costs

In developing its novel eVTOL technology, the Group incurs significant research and development costs.

The costs for internally generated research and development are expensed when incurred. A portion of costs for internally generated development is capitalized if:

- the product or process is technically feasible;
- adequate resources are available to successfully complete the development;
- the benefits from the assets are demonstrated;
- the costs attributable to the projects are reliably measured; and
- the Group intends to produce and market or use the developed product or process and can demonstrate its market relevance.

Management recognizes there is interest for an air mobility service, especially within heavily populated urban areas; however, there is not yet an established market for this new industry. The self-developed eVTOL technology used in the development of the Lilium Jet is highly innovative and there are uncertainties related to successful completion of the development. Management believes that the ability to use the Lilium Jet to generate future economic benefit will be established once type certification is granted by the authorities. Consequently, the Group has not yet capitalized development costs. These costs are reflected in the consolidated statement of operations in the period in which the expenditure is incurred.

Purchased intangibles

Purchased intangible assets are initially measured and recorded at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Amortization on intangible assets with a limited useful life is calculated on a straight-line basis over the following periods:

	<u>Useful life</u>
Software	2 – 15 years
Purchased concessions, rights and other intangible assets	10 – 20 years

Impairment tests

At the end of each reporting period, the Group assesses whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. An asset's recoverable amount is the higher of an asset's or cash generating unit ("CGU")'s fair value less costs of disposal and its value in use. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Property, Plant and Equipment

Property, plant and equipment are measured at cost, net of accumulated depreciation and any accumulated impairment losses. Costs of construction recognized include all attributable direct costs including material and production overheads and, where applicable, an initial estimate of the cost of dismantling and removing the item and restoring the site on which it is located.

Borrowing costs are capitalized as part of the underlying asset under construction if there is a qualifying asset.

Subsequent expenditures on assets are capitalized only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. Repairs and maintenance are expensed in the period the costs are incurred.

If items of property, plant and equipment are sold or disposed of, the gain or loss arising from the disposal is recognized as other operating income or expense in the consolidated statement of operations and other comprehensive income (loss).

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

	<u>Useful life</u>
Rights to land and buildings including leasehold improvements	2 – 9 years
Technical equipment and machinery	3 – 25 years
Office and other equipment	3 – 13 years
Vehicles	5 – 11 years

Assets qualifying as low value assets with a value of up to €1 thousand are aggregated into groups and depreciated over a useful life of 5 years.

Leasehold improvements are amortized over the unexpired portion of the lease term or the estimated useful life of the improvements, whichever is shorter. The residual value, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Assets under construction are presented net of additions and transfers during the financial period in the property, plant and equipment movement schedule in the notes to the consolidated financial statements.

Leases

The Group's lease obligations primarily relate to rights to buildings mainly for its office and research and development premises. As lease contracts are negotiated on an individual basis, lease terms contain a range of different terms and conditions. Lease contracts are typically entered for a period of 2-9 years and regularly include renewal and termination options, which provide operational flexibility to Lilium.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

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

At the commencement date of the lease, which is the date at which the leased asset is available for use, the Group recognizes a right-of-use asset, which represents a right to use the underlying leased asset, and a corresponding lease liability, which represents the present value of future lease payments, in the consolidated statement of financial position. Short-term leases (leases with lease term of 12 months or less from lease commencement and that do not contain a purchase option) and leases of low value assets are not capitalized. Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the consolidated statement of operations.

Liabilities arising from a lease are initially measured at the present value of the remaining lease payments discounted using the interest rate implicit in the lease or the incremental borrowing rate in case the interest rate implicit in the lease is not readily determinable.

The main components of the lease payments included in the measurement of the lease liability comprise the following:

- fixed lease payments;
- variable lease payments that are linked to an index (consumer price index); and
- lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option.

Lease payments contain two elements, principal and interest. Interest expense is presented as part of finance costs in the consolidated statements of operations and other comprehensive income and measured using the effective interest method. Principal and interest portions of lease payments have been presented within financing activities in the consolidated statement of cash flows. The carrying amount of lease liabilities is remeasured if there is change in the future lease payments due to change in index or rate.

At lease commencement right-of-use assets are initially measured at cost and are subsequently measured at cost less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities recognized. Cost of right-of-use assets includes lease liabilities, initial direct costs, prepayments made on or before the commencement date and less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis from the commencement date to the earlier of the end of the useful life of the right-of-use asset and the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of the leased property and equipment. The right-of-use asset is periodically assessed for impairment. The Group has presented right-of-use assets within "Property, plant and equipment".

Assets related to retirement obligations for leased buildings are included in the cost of right-of-use assets for the respective underlying building lease.

The Group does not have any contracts as a lessor as of the date of the consolidated statement of financial position.

Investment in joint venture / associate company

Under the equity accounting method, the investment in a joint venture or an associate is initially recognized at cost. The carrying amount of the investment is subsequently adjusted to recognize changes in the Group's share of net assets of the joint venture or associate since the acquisition date.

On acquisition of the investment, any difference between the cost of the investment and the entity's share of the net fair value of the investee's identifiable assets and liabilities is accounted for as follows:

- (a) Goodwill relating to a joint venture or associate is included in the carrying amount of the investment. Amortization of that goodwill is not permitted.
- (b) Any excess of the entity's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the joint venture or associate's profit or loss in the period in which the investment is acquired.

The consolidated statement of operations and other comprehensive income (loss) reflects the Group's share of the results of operations of the joint venture or associate. Any change in other comprehensive income (loss) ("OCI") of those investees is presented as part of the Group's OCI. Gains and losses resulting from transactions between the Group and the joint venture or associate would be eliminated to the extent of the interest in the joint venture or associate.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in joint venture or associate. At each reporting date, the Group determines whether there is objective evidence that the investment in joint venture or associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture or associate and its carrying value, and then recognizes the loss within 'Share of profit/loss in a joint venture/ associate' in the consolidated statements of operations.

Upon loss of joint control or significant influence over the joint venture or the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the joint venture or associate upon loss of joint control or significant influence and the fair value of the retained investment and proceeds from disposal is recognized consolidated statements of operations.

Non-financial Assets

Insurance recoveries are recognized for virtually certain reimbursements for damaged assets from insurers. Other non-financial assets are recognized at cost.

Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statement of financial position and consolidated statement of cash flows comprise cash at banks and on hand and short-term highly liquid deposits with an initial maturity of three months or less that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value. Depending on the classification, these financial assets are measured at amortized cost or fair value with changes through profit or loss – see financial instruments, note 29.

Treasury Shares

The treasury shares represent the consideration paid or payable for own shares held in treasury. The nominal value of the shares is shown in the treasury share reserve, which is part of the capital reserves. Acquisition values higher or lower than the nominal value are reduced from or added to the share premium reserve.

Financial Instruments

Financial instruments are contracts that give rise to a financial asset for one entity and to a financial liability or equity instrument for another entity. Financial instruments are recognized when the Group becomes a counterparty to it. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the settlement date.

Financial assets and financial liabilities are offset, and the net amount is reported in the consolidated statement of financial position, if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. The Group has no such assets and liabilities.

Financial assets

The Group's financial assets include cash and cash equivalents and other financial assets. Other financial assets include security deposits, investment in equity instruments, fixed-term deposits and money market funds.

Financial assets are initially measured at fair value plus, in the case of a financial asset not measured at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. As an exception to this general rule, trade receivables are measured at their transaction price.

Transaction costs are expensed as incurred for financial assets initially measured at fair value through profit or loss ("FVTPL").

Financial assets are classified at initial recognition as either measured at amortized cost ("AC"), fair value through other comprehensive income ("FVOCI"), or FVTPL depending on the contractual cash flows and the Group's business model for managing them. For certain financial assets that are debt instruments, the Group has the objective to hold financial assets in order to collect the contractual cash flows. If the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding amount, the Group will measure these financial assets at AC under consideration of impairment (see following section). All of the Group's financial assets are measured at AC, with the exception of money market funds and investment in equity instruments. The money market funds are required to be measured at FVTPL because the cash flows are not solely payments of principal and interest on the principal outstanding amount.

The Group classifies its investment in equity instruments in FVTPL.

Gains and losses from financial assets measured at FVTPL are presented in the consolidated statements of operations in finance income and finance expense. Gains and losses from financial assets measured at AC including effects resulting from impairment are also presented in finance income and finance expense. Generally, the gains and losses from foreign currency translation effects are presented in other income and other expenses.

A financial asset is derecognized (i.e., removed from the Group's consolidated statement of financial position) when the rights to receive cash flows from the asset have expired or have been transferred.

Impairment of financial assets – expected credit losses (“ECL”)

All financial assets measured at AC are required to be impaired at initial recognition in the amount of their expected credit loss (“ECL”). ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. Lilium recognizes an allowance for ECLs for other financial assets according to the “general approach”. This means that ECLs are recognized in three stages. For credit exposures at initial recognition, ECLs are provided for credit losses that result from default events which may be possible within the next 12-months (Stage 1: a 12-month ECL). For credit exposures for which there has been a significant increase in credit risk since initial recognition (which is deemed to have occurred if a payment is more than 30 days past due), a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (Stage 2: a lifetime ECL). The same applies if objective indications exist that a default event has occurred (Stage 3: an incurred loss). In this case, any interest income is measured on the basis of the net carrying amount, while for Stage 1 and 2 the basis is the gross carrying amount. Examples of objective evidence are significant financial difficulties experienced by the debtor, payment default or delays, a lowering of the credit rating, insolvency or where measures are taken to secure a debtor’s financial situation, or if other observable data indicates that expected cash flows deriving from financial assets may be appreciably reduced.

For cash and cash equivalents as well as other financial assets, the simplification available for financial instruments with a low credit risk (“low credit risk exemption”) is applied as of the reporting date. Factors that can contribute to a low credit risk assessment are debtor-specific rating information and related outlooks. The requirement for classification with a low credit risk is deemed to be fulfilled for counterparties that have at least an investment grade rating; in this case there is no need to monitor credit risks for financial instruments with a low credit risk.

The default probabilities applied to determine the ECL for cash and cash equivalents and other financial assets are based on credit default swap spreads that are quoted on markets, which take future-oriented macroeconomic data into account.

In general, Lilium defines a default event as a situation in which the debt is no longer recoverable. If the financial instrument is perceived to be unrecoverable, then the expectation is that future contractual cash flows will not occur. At this point in time, the balance is written off after giving consideration to any possible collateral that is available.

Impairment losses (including reversals of impairment losses on financial assets) are not presented as a separate item in accordance with IAS 1.82(ba) as they are considered immaterial. Impairment losses or income from the reversal of impairment losses on financial assets are reported net under finance income or finance expenses.

Financial liabilities

The Group’s financial liabilities include warrants and other derivatives, lease liabilities (see note 16), trade and other payables, and other financial liabilities.

Financial liabilities are classified as measured at AC or FVTPL. All financial liabilities are recognized initially at fair value less, in the case of a financial liability not at FVTPL, directly attributable transaction costs. Transaction costs are expensed as incurred for financial liabilities initially measured at FVTPL.

Financial liabilities at FVTPL are measured at fair value and gains and losses resulting from changes in fair value are recognized in finance income and finance expenses. The Group only accounts for separated embedded derivatives of convertible loans and warrants as well as for other derivatives as a financial liability measured at FVTPL. All other financial liabilities are subsequently measured at AC using the effective interest rate (“EIR”) method. When applying the EIR method, the Group generally amortizes any fees, points paid or received, transaction costs and other premiums or discounts that are included in the calculation of the EIR over the expected life of the financial instrument. Gains and losses are recognized in interest expense when the liabilities are derecognized as well as through the EIR amortization process. For financial liabilities subsequently measured at AC, the foreign currency translation effects are presented in other income and other expenses. Foreign currency translation effects on financial liabilities at FVTPL are recognized in finance income or finance expenses.

Where there are hybrid instruments, transaction costs are apportioned between the liability and equity components based on the allocation of proceeds to the liability and equity components when the instruments are initially recognized.

An embedded derivative in a hybrid contract, with a financial liability or a non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at FVTPL. The assessment whether to separate an embedded derivative is done at initial recognition of the hybrid contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The resulting gain or loss is recognized in the consolidated statement of operations.

Convertible Loans

Convertible loans are assessed at issuance for any components of equity and liability. Convertible loans are bifurcated into a debt component and an equity instrument, if there is a conversion right that fulfils equity criteria. The conversion right of a convertible loan is classified as a liability if some conversion features of the loan lead to a conversion into a variable number of shares. Embedded derivatives resulting from conversion rights are assessed and, if needed, are separated from the host contract. The remaining host contract is measured at AC and the separated embedded derivative is measured at FVTPL until the loan is converted into equity or becomes due for repayment.

If there are other derivative features provided for in the contract besides the conversion right, they are treated as a combined embedded derivative if they share the same risk exposure and are interdependent.

Derivative Financial Instruments

The Group evaluates all of its financial instruments, including issued stock purchase warrants, to determine if such instruments are derivatives or contain features that qualify as embedded derivatives, pursuant to “IFRS 9 Financial Instruments” (“IFRS 9”).

Warrants are recognized as derivative financial instruments in accordance with IAS 32. Accordingly, the Group generally classifies warrants as financial liabilities at FVTPL. The liabilities are subject to re-measurement at each balance sheet date until exercised or expired, and any change in fair value is recognized in the finance income or finance expenses.

The Group recognizes all warrant liabilities as current liabilities as the date of settlement is outside of the Group’s control and can occur within twelve months from the balance sheet date.

Upon exercise of warrants the Group recognizes an increase in subscribed capital and share premium equal to the exercise price paid upon settlement and the fair value of the derivative warrant liability as at the date of exercise.

Income Taxes

Current income taxes

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred taxes

The Group uses the liability method of accounting for income taxes. Deferred income tax assets and liabilities represent temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and their corresponding tax basis used in the computation of taxable income. Deferred tax, however, is not recognized on the initial recognition of goodwill or the initial recognition of an asset or liability (other than in a business combination) in a transaction that affects neither tax nor accounting income.

Deferred tax assets are in principle recognized for all deductible temporary differences, carry forward of unused tax credits and any unused tax losses. However deferred tax assets are only recognized to the extent it is sufficiently probable that taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and the unused tax losses can be utilized.

Deferred tax liabilities are recognized for all taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax liabilities and assets are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax items are recognized similar to the underlying transaction either in profit or loss, other comprehensive income or directly in equity. Changes in deferred tax assets or liabilities are recognized as a component of tax expense (benefit) in the consolidated statement of operations, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively. Where deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Deferred tax assets and deferred tax liabilities are not discounted.

Deferred taxes are always classified as non-current.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Fair Values of Assets and Liabilities

Fair value is a market-based measurement. For some assets and liabilities, observable market transactions or market information is available. For other assets and liabilities, observable market transactions or market information might not be available. When a price for an identical asset or liability is not observable, another valuation technique is used. To increase consistency and comparability in fair value measurements, there are three levels of the fair value hierarchy that categorizes the inputs to valuation techniques used to measure fair value:

- Level 1: contains the use of unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2: using inputs other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly

- Level 3: inputs are based on unobservable data

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values of financial instruments is included in note 29.1.

In cases where a gain or loss arises on initial recognition of a financial asset or a financial liability because the fair value deviates from the transaction price and is neither evidenced by a quoted price in an active market for an identical asset or liability (i.e., a Level 1 input) nor based on a valuation technique that uses only data from observable markets (i.e., a Level 2 input), this gain or loss remains unrecognized until all market inputs become observable. In case such gain or loss results from a transaction with shareholders, this amount is to be considered as capital contribution to the Group and is therefore to be recognized in equity.

Share-based Payments

General accounting principles

The Group grants certain share-based payment awards to the Group's employees, advisors and vendors in exchange for their service.

These share-based payment awards qualify either as cash-settled or equity-settled transactions depending on the terms of settlement. When the settlement choice (i.e. cash versus shares) lies with the recipient, awards are classified as compound financial instruments. Only in the case the equity component is zero, the award is accounted for as a cash-settled option. When the settlement choice lies with the Group, the award is classified as an equity-settled grant unless the Group has a present obligation to settle in cash.

For cash-settled awards a liability is recognized at fair value. The fair value is measured initially and at each reporting date up to and including the settlement date, with changes in fair value recognized in profit or loss for the period.

An equity-settled award is measured based on the fair value determined at grant date. The fair value usually remains unchanged after the grant date. In case of a modification of an award after grant date, an incremental fair value is determined at the modification date for modifications that are beneficial to the recipients.

Goods or services received or acquired in an equity-settled share-based payment transaction with vendors is recognized when the goods are obtained or as the services are received with a corresponding increase in equity, are measured directly, at the fair value of the good or services received. When the goods or services received do not qualify for recognition as assets, they are recognized as expenses.

Refer to note 22 for the measurement approach of the fair value of share-based payments.

The expenses for services received are recognized when the recipient renders services over the applicable vesting period with a corresponding increase of either the liability or equity, depending on the classification of the awards. The related share-based payment awards expense is recorded in the functional cost category to which the recipient's costs are classified.

Non-financial liabilities

Non-financial liabilities are recognized at their nominal amounts.

Revenue Recognition

Revenues from contracts are recognized when the customer gains the ability to direct the use of and obtain substantially all the remaining benefits from the goods delivered or services performed. The consideration which the Group expects to receive is allocated to each of the performance obligations, using the relative stand-alone selling price method.

Revenue from sale of Lilium Jet

Revenue is recognized at a point in time (i.e. when the customer accepts the delivery of the aircraft). The Group identifies the performance obligations of the contract and allocates the transaction price to these performance obligations. Advances and customer deposits for aircraft are received in the normal course of business and are intended to protect the Group from the customer failing to complete its contractual obligations and therefore not considered to be a significant financing component. A contract liability for the Group's obligation to deliver the aircraft is recognized upon the receipt of customer deposits for aircraft.

The Group will continue to monitor the progress of contracts entered with customers and will recognize revenue when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Government Grants

Grants from governments are recognized at their fair value, when there is reasonable assurance that the grant will be received, and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognized gross in other operating income over the period necessary to match them with the costs that they are intended to compensate.

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the consolidated financial statements. In preparing these 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.

Key estimates and judgements that have a significant influence on the amounts recognized in the Group's consolidated financial statements are described below:

Leases – Lease Term

The Group has lease agreements for rental properties with material renewal options. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to extend or terminate the lease. The Group considers all relevant factors that create an economic incentive for it to exercise the respective extension option. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects whether the Group is reasonably certain to exercise or not to exercise the option to extend or terminate the lease (e.g., more than insignificant penalty, construction of significant leasehold improvements or significant customization to the leased asset).

Leases – Incremental Borrowing Rate

The Group cannot readily determine the interest rate implicit in the majority of its leases, therefore, it uses its incremental borrowing rate (“IBR”) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBRs used by the Group are calculated based on the risk-free rate, individual country risk premiums of underlying country and credit spread. The weighted average IBR in 2023 is 5.12% (2022: 3.53%).

Investment in joint venture/ associate – Purchase Price Allocation

The Group holds 27.7% of Ionblox, Inc (“Ionblox”), described in detail in note 17. Management calculated the goodwill acquired during purchase by performing a purchase price allocation, allocating the total consideration between the fair value of the identified net assets acquired and the goodwill acquired upon purchase. Assessing the fair value of the identified net assets acquired requires significant judgement. Management concluded that the fair value of the technology portfolio and the brand value acquired significantly exceeded their carrying value.

Management used the Multi-Period Excess Earnings Method (MPEEM) for the valuation of the technology portfolio. The MPEEM estimates the fair value of an intangible asset as a residual value after deducting charges for all other assets. It is assumed that the Group holds only the intangible asset to be valued and leases all other assets necessary to operate the business. Contributory asset charges (CACs) reflect all return on and of the supporting assets and are deducted for the use of all other assets. The Remaining Useful Life for the technology portfolio was estimated to be 15 years at the point of purchase.

Management used the Relief-from-Royalty (RfR) method for valuation of the Ionblox brand. This method is based on the assumption that if the Group did not own the brand, it would be willing to enter a licensing agreement for the brand. As part of this hypothetical licensing transaction, the licensee would have to pay royalty fees to the licensor. The value of the brand can thus be estimated as the present value of all future royalty payments in a hypothetical licensing transaction. Management has applied a hypothetical royalty rate of 0.93% based on comparable industry peers. The remaining useful life for the brand asset was estimated to be 15 years at the point of purchase.

Investment in equity instrument

The Group purchased a non-controlling interest in a supplier to the Group (investment in equity instrument).

Management calculated the fair value of the equity instrument in accordance with IFRS 13 based on the residual interest in the identified net assets acquired upon purchase. Assessing the fair value of the identified net assets acquired requires significant judgement as the instrument is not quoted on an open market. As this is the case, management will assess all available information at the period end to determine the most appropriate fair value. Management has deemed the most appropriate method of valuation to be either the purchase price used by a third party during a recent market transaction close to the relevant period end, or if there is no appropriate transaction, an income approach using discounted cash flow analysis which assesses the fair value of the asset based on its expected future cash flow.

As there has been a recent market transaction close to the end of the financial year, Management has used this method to determine the fair value of the investment in equity instrument as of December 31, 2023.

Share-based Payments

An option pricing model (Black-Scholes) has been used for the determination of the fair value of awards. A simplified approach has been used in cases where share options have been deep in the money, so that the intrinsic value could serve as an approximation for the value of the option.

Performance-based Stock Options “PSO”

For the performance-based stock options, the service-based vesting condition is predetermined and does not require any assumptions or estimates. For the performance-based vesting condition management must estimate when the Group will earn its first dollar or any equivalent currency of revenue recognized in the Group’s consolidated financial statements directly from providing service to a customer by the operation of its own developed and certified aircraft by either the European Union Aviation Safety Agency or the Federal Aviation Administration and the customer has also paid for such services. This date is reassessed at every reporting date.

Warrants

The Group has issued warrants to issue Class A shares. The terms and conditions and financial impact of the issued warrants are described in note 24, with the exception of the Azul Warrants which are accounted for as a share-based payment and disclosed in note 22.

For each of the warrants disclosed in note 24 the Group assessed that the warrants have the characteristics of a derivative financial instrument. The warrants are accounted at inception as a financial liability at FVTPL, with the exception of the May 2023 Warrants.

At initial recognition the May 2023 Warrants had a positive fair value to Lilium, considering the expected prefunding to be received, the market conditions at date of initial recognition and the exercise price. The Group concluded that the instrument is accounted at inception as a financial asset at FVTPL. The investor, Aceville Pte. Limited (“Aceville”) is an affiliate of Tencent Holdings Limited (“Tencent”), a major shareholder of the Group, and so the issue of the financial asset is recognized as an equity contribution from Tencent in other capital reserves. During the period the prefunding was received in full, and the May 2023 Warrants are subsequently accounted for as a financial liability at FVTPL.

Valuation of Level 2 warrants

The Reorganization warrants consist of the Private Warrants and the Public Warrants. The Public Warrants trade on the NASDAQ stock exchange (ticker: LILMW). The fair value of the Private Warrants is deemed to be equal to the fair value of the Public Warrants. The Private Warrants are identical to the Public Warrants, except that the Private Warrants were not transferable, assignable or salable until 30 days after the completion of the Business Combination. Additionally, the Private Warrants will not be redeemable by Lilium so long as they are held by the initial purchasers or such purchasers’ permitted transferees. If the Private Warrants are held by holders other than the initial purchaser or their permitted transferees, the Private Warrants will be redeemable by Lilium and exercisable by such holders on the same basis as the Public Warrants.

The Group has certain redemption rights depending on the share price of which one only relates to the Public Warrants, but given the other elements in the agreement, the Group has a certain economic incentive to call for redemption of all Warrants before a certain share price. Consequently, management has applied the same valuation to both the Private Warrants and Public Warrants. The Public Warrants are Level 1 and the Private Warrants are Level 2 in the fair value hierarchy.

Valuation of Level 3 warrants

The RDO & 2022 PIPE Warrants, May 2023 Warrants and 2023 PIPE Warrants are all Level 3 in the fair value hierarchy.

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 Lilium N.V. stock price as of the valuation date, expected stock price volatility, term, risk-free rate and dividend yield. The expected stock price volatility was based on Lilium N.V. implied volatilities calculated over a period matching the remaining life of these warrants. The term input is equal to the warrants’ remaining contractual term. The risk-free interest rate is based on interpolated US Dollar (“USD”) Secured Overnight Financing Rate (“SOFR”) swap rate for a maturity equal to the remaining life of the warrants. The dividend rate is based on the historical rate, which the Company anticipates remaining at zero.

Additionally, the May 2023 Warrants (issued to a related party as described in note 31) initially included the probability of the receipt of the Additional Funding Amount as an independent input factor. The Additional Funding Amount was received in July 2023, therefore this input factor is no longer required for subsequent measurements after July 2023.

Over-allotment option in Confidentially Marketed Public Offering (“CMPO”)

During the 2023 Public Offering as disclosed in note 21, the Company entered into an underwriting agreement for the purchase and sale of its Class A shares. The transaction includes an over-allotment option which grants the underwriter the right to purchase additional shares from the Company at a fixed price to cover any over-allotments at public offerings.

The Group has determined that the over-allotment option meets the criteria to be recognized at inception as a derivative financial liability. In accordance with IFRS 9, the Group classifies derivative financial liabilities at FVTPL.

The over-allotment option is recognized initially at fair value. The Level 3 fair value is determined using a Monte Carlo simulation in a risk neutral framework. The primary inputs into the simulation included the following: closing Lilium N.V. stock price as of initial recognition date, expected stock price volatility, term, risk-free rate and dividend yield. The expected stock price volatility was based on Lilium N.V. implied volatilities calculated over a period matching the remaining life of the option. The term input is equal to the option’s remaining term. The risk-free interest rate is based on interpolated USD SOFR swap rates for a maturity equal to the remaining life of the option. The dividend rate is based on the historical rate, which the Company anticipates remaining at zero.

Upon expiry of the over-allotment option, the carrying amount of the liability, after performing a last subsequent measurement, is derecognized against the profit or loss in line with the Group’s policy for financial liabilities.

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

The Board is actively monitoring the impact on the Group from 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.

Finally, the Board is also actively monitoring other 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. The Group continues to closely monitor the impact on general economic factors from the war in Ukraine, including the impact of inflation, changing interest rate environment, and the access to capital or debt at a favorable cost, as such puts pressure on the Group’s costs for employees, raw materials and other parts provided by suppliers.

5. Revenue from Contracts with Customers and Cost of Sales

During the year, the Group entered into revenue generating contracts to deliver aircraft. No revenue was recognized during the current year (2022: nil) as no goods or services were transferred to customers.

In 2021, revenue amounting to €47 thousand was recognized from one customer at a point in time upon receipt of acceptance in relation to provision of infrastructure and mobility consultation services provided to airport authorities. The geographic region which recognized revenues was Germany based on the Group's location which bills the customer. Related costs are captured in costs of sales and comprise of personnel expenses.

6. Research and Development Expenses

Research and development expenses consist of the following:

In € thousand	2023	2022	2021
Salaries and social security	76,453	77,455	75,672
Professional services	75,573	72,840	49,421
Materials	9,743	7,808	9,009
Depreciation/amortization/impairment	10,448	6,386	4,541
IT and communication expense	4,249	3,709	1,248
Other research and development expenses	7,294	7,420	4,667
Total research and development expenses	183,760	175,618	144,558

Expenses for salaries and social security mainly include salary, salary-related expenses and share-based payment awards recognized from the Group's share-based payment award programs (note 22).

Professional services include €66,217 thousand (2022: €54,734 thousand; 2021: €31,576 thousand) for consulting services and supply-chain development costs and €9,356 thousand (2022: €18,105 thousand; 2021: €17,845 thousand) for contractors. Consulting, supply-chain development, and contractor services are in relation to research and development activities being conducted with suppliers and partners in readiness for entry into service (EIS).

Materials include various components used in development of the Lilium Jet.

Other research and development expenses include occupancy costs, travel expenses and other operating expenses.

7. General and Administrative Expenses

General and administrative expenses consist of the following:

In € thousand	2023	2022	2021
Share listing expense	—	—	111,109
Professional services	19,383	28,851	70,380
Salaries and social security	31,742	30,187	35,395
IT and communication expense	19,457	20,374	12,391
Depreciation/amortization/impairment	2,057	1,816	1,870
Insurances	3,161	6,457	1,698
HR related expenses (training, recruitment)	492	1,466	1,617
Other administrative expenses	4,988	4,736	4,633
Total administrative expenses	81,280	93,887	239,093

Professional services related to general legal advice, external contractors, consultants, audit expense, staff lease and bookkeeping services. In 2021, professional services also included Lilium's consulting and legal fees in relation to the Reorganization which are not capitalizable, investor relations costs not deducted from capital reserves (in total €33,127 thousand), and €13,030 thousand for the issue of Azul Warrants (see note 22).

Expenses for salaries and social security include employee remunerations, benefits and share-based payment awards recognized from the Group's share-based payment award programs (note 22).

IT and communication expense relate to IT maintenance and development costs for general tools used by all functions in the Group. In 2023, these expenses include €8,895 thousand (2022: €13,527 thousand; 2021: €6,590 thousand) incurred for a cloud-based data analytics tool.

Insurance expenses mainly relate to Directors & Officers liability insurance.

Other administrative expenses include occupancy costs, travel expenses, membership fees and other operating expenses.

In 2021 the share listing expense was the fair value of the shares issued by Lilium N.V. in excess of the net assets acquired from Qell as a result of the Reorganization (see note 1 for details).

8. Selling Expenses

Selling expenses consist of the following:

In € thousand	2023	2022	2021
Salaries, social security	7,320	8,915	11,971
Professional services	291	1,690	1,983
Marketing	1,956	1,448	2,059
Travel	588	523	626
Depreciation/amortization/impairment	189	65	65
Other selling expenses	415	288	485
Total selling expenses	10,759	12,929	17,189

The Group recognizes costs related to the commercialization of the Lilium Jet as selling expenses. Expenses for salaries and social security mainly include employee remunerations, benefits and share-based payment awards recognized from the Group's share-based payment award programs (note 22). In 2021, marketing costs mainly related to the Reorganization.

9. Other Income

Other income consists of the following:

In € thousand	2023	2022	2021
Foreign currency gains	5,698	3,842	1,689
Insurance recoveries	22	483	456
Income received from grants	2,039	1,038	51
At-equity income from dilution	—	1,179	—
Other miscellaneous income	377	266	78
Total other income	8,136	6,808	2,274

Foreign currency gains of €5,698 thousand (2022: €3,842 thousand; 2021: €1,689 thousand) are primarily derived from favorable exchange rate movements on foreign trade payables and the Group's cash holdings denominated in USD.

Lilium has been granted government funds for conducting research on future mobility infrastructure and technology. The conditions connected with the grants have been fulfilled by the Group and therefore, have been recognized in other income.

At-equity income from dilution in 2022 of €1,179 thousand relates to the Group's gain on dilution in the investment in Ionblox (see note 17).

10. Other Expenses

Other expenses consist of the following:

In € thousand	2023	2022	2021
Foreign currency losses	3,027	3,264	1,054
Miscellaneous other items	1	4	982
Total other expenses	3,028	3,268	2,036

Foreign currency losses of €3,027 thousand in 2023 (2022: €3,264 thousand; 2021: €1,054 thousand) are primarily derived from unfavorable exchange rate movements on the Group's cash holdings denominated in US Dollar and from currency losses on foreign trade payables.

11. Financial Result

Financial result is comprised of the following:

In € thousand	2023	2022	2021
Finance income	15,335	30,322	11,288
thereof: fair value changes	9,565	29,922	11,280
thereof: impairment losses net of reversal	57	125	—
thereof: interest income	5,713	275	8
Finance expenses	(131,059)	(1,995)	(20,201)
thereof: fair value changes	(130,159)	(763)	(15,645)
thereof: interest portion of lease payments	(604)	(443)	(437)
thereof: other interest expense	(296)	(789)	(376)
thereof: impairment losses net of reversal	—	—	(260)
thereof: interest on convertible loans	—	—	(3,483)
Financial result	(115,724)	28,327	(8,913)

Finance Income

Fair value changes mainly resulted from changes in value of warrants of €6,219 thousand (2022: €29,688 thousand; 2021: €4,454 thousand) consisting of fair value changes of the 2023 PIPE Warrants of €2,599 thousand (2022: €30,196 thousand; 2021: €5,492 thousand) and the gain from the foreign exchange translation of warrants of €3,620 thousand (2022: (€508 thousand); 2021: (€1,038 thousand)).

As part of the CMPO financing transaction described in note 21, the underwriter had an over-allotment option to purchase additional shares within 30 days of the underwriting agreement. The option expired without being exercised, resulting in fair value changes of €3,346 thousand being recognized upon subsequent measurement in finance income.

Finance income also consists of interest income of €5,713 thousand (2022: €275 thousand; 2021: €8 thousand) primarily earned from fixed-term deposits and cash at bank.

In 2021, finance income further included €6,351 thousand from fair value changes of embedded derivatives of convertible loans.

Finance expense

Fair value changes mainly resulted from changes in fair value of warrants of €129,609 thousand (2022 and 2021: nil), consisting of realised fair value changes of €15,765 thousand (2022 and 2021: nil) from the exercise of 2023 May Warrants and changes in value of unexercised warrants of €113,844 thousand (2022 and 2021: nil), consisting of fair value changes of warrants of €113,733 thousand (2022 and 2021: nil) and the loss from the foreign exchange translation of 2023 PIPE Warrants of €111 thousand (2022 and 2021: nil).

In 2022, the finance expenses that resulted from fair value changes consisted of fair value changes in money market funds of €67 thousand (2021: €87 thousand) and fair value changes in the ELOC purchased put option of €696 thousand (2021: nil) (see note 21).

In 2021, fair value changes also included the loss from a foreign currency exchange contract of €15,532 thousand. The foreign currency exchange contract was related to the funds from the Reorganization expected to be received in USD.

12. Income Taxes

Income Tax Expenses/ (Benefits)

The expenses/ benefits for income taxes are comprised of the following:

In € thousand	2023	2022	2021
Current income tax charge	(363)	(169)	(556)
Current income tax related to prior years	19	495	(143)
Current taxes	(344)	326	(699)
Deferred taxes	10	—	(10)
Income tax benefits / (expense)	(334)	326	(709)

The income tax expenses/ (benefits) mainly relate to foreign subsidiaries.

At German companies, a corporate tax rate of 15% was used for the calculation of deferred taxes. In addition, a solidarity surcharge of 5.5% on corporate tax and a trade tax rate of 11.73% were taken into account. This resulted in an overall tax rate of 27.55% for German companies, which is also the group tax rate (previous year: 27.55%). At international group companies, the respective country-specific tax rates were used for the calculation of current and deferred taxes.

Tax Rate Reconciliation

The following table presents the reconciliation of expected tax expense and recorded tax expense. Expected tax expense is determined by multiplying consolidated loss before tax from continuing operations by the total group tax rate of 27.55%:

In € thousand	2023	2022	2021
Profit (Loss) before income tax	(388,785)	(253,390)	(410,327)
<i>Income tax rate</i>	27.55 %	27.55 %	27.55 %
Expected income taxes on this	107,110	69,809	113,045
Effects deriving from differences in foreign tax rates	54	9	40
Taxes for prior years	19	495	—
Other non-deductible expenses and taxes	(155)	(59)	(209)
Changes in the realization of deferred tax assets	(72,434)	(76,074)	(67,465)
Other	(34,928)	6,146	(46,120)
Income tax as per consolidated statement of operations	(334)	326	(709)
<i>Effective tax rate in %</i>	<i>(0.1)%</i>	<i>0.1 %</i>	<i>(0.2)%</i>

The other effects mainly relate to share-based payments (€10,444 thousand; resulting in a reconciliation effect of (€2,877 thousand)), change in value of warrants (€123,389 thousand; resulting in a reconciliation effect of (€33,994 thousand)), transaction costs deducted for equity (€6,112 thousand; resulting in a reconciliation effect of €1,683 thousand).

The other effects in 2022 mainly relate to share-based payments (€22,817 thousand; resulting in a reconciliation effect of (€6,286 thousand)), fair value adjustments of Reorganization Warrants and RDO & 2022 PIPE Warrants (€29,689 thousand; resulting in a reconciliation effect of €8,179 thousand) and transaction costs deducted from equity (€7,402 thousand; resulting in a reconciliation effect of €2,039 thousand).

The other effects in 2021 mainly relate to expenses resulting from non-cash share listing expense (€111,109 thousand; resulting in a reconciliation effect of €30,610 thousand), equity-settled share-based payments (€40,321 thousand; resulting in a reconciliation effect of €11,108 thousand) and fair value adjustments of the Azul Warrants (€13,030 thousand; resulting in a reconciliation effect of €3,590 thousand) as well as finance income resulting from the embedded derivatives of the convertible loans (€6,351 thousand; resulting in a reconciliation effect of €1,750 thousand) and fair value adjustments of Reorganization warrants (€4,454 thousand; resulting in a reconciliation effect of €1,227 thousand).

Deferred Taxes

Deferred taxes relate to the following:

In € thousand	Deferred tax assets		Deferred tax liabilities	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Non-current assets	2,669	2,378	3,106	2,913
Intangible assets	2,596	2,341	—	—
Property, plant and equipment	72	37	3,106	2,903
Financial assets	1	—	—	10
Current assets	478	149	—	—
Inventories	475	123	—	—
Receivables and other assets	3	26	—	—
Non-current liabilities	442	446	429	—
Provisions	—	10	—	—
Liabilities	442	436	429	—
Current liabilities	153	138	207	208
Provisions	—	—	—	47
Liabilities	153	138	207	161
Total value	3,742	3,111	3,742	3,121
Netting	(3,742)	(3,111)	(3,742)	(3,111)
Recognition in the consolidated statement of financial position	—	—	—	10

The Group has offset deferred tax asset and liabilities when it has the right to settle on a net basis.

As of December 31, 2023, and 2022, there were the following tax attributes (gross):

In € thousand	12/31/2023	12/31/2022
Corporation tax loss carryforwards	939,479	661,501
Trade tax loss carryforwards	935,268	659,161
Interest carryforwards	10,151	15,348

The reported tax loss and interest carryforwards mainly relate to the German Lilium entities and can be carried forward indefinitely. Tax loss carryforwards in the amount of €56,891 thousand can't be used during the time of the tax group between Lilium GmbH as controlling entity and Lilium eAircraft GmbH as controlled entity. German minimum taxation rules and interest stripping rules apply. These tax attributes may be subject to restrictions of the German change in ownership rules (Sec. 8c KStG) going forward. The closing of the de-SPAC transaction did not result in the forfeiture of the tax loss carryforwards.

These tax attributes relate to entities that have a history of losses which have been accumulated in the previous years. The respective entities neither have any taxable temporary difference exceeding the deductible temporary differences nor any tax planning opportunities and documentation available that could partly support the recognition of these tax attributes as deferred tax assets. On this basis, the Group has determined that it cannot recognize deferred tax assets on the tax attributes carried forward.

For the following deductible temporary differences and tax loss and interest carryforwards, no deferred tax assets were recognized in the consolidated financial statements:

In € thousand	Deferred tax assets on			
	Temporary differences	Tax losses	Interest carry forward	Total
Unrecognized deferred tax assets as of January 1, 2022	13,850	106,264	3,929	124,043
Addition	1,541	75,705	436	77,682
Deductions	—	—	(137)	(137)
Unrecognized deferred tax assets as of December 31, 2022	15,391	181,969	4,228	201,588
Addition	2,676	76,702	—	79,378
Deductions	—	(338)	(1,729)	(2,067)
Unrecognized deferred tax assets as of December 31, 2023	18,067	258,333	2,499	278,899

13. Loss per Share

Basic loss per share (LPS) is calculated by dividing the net loss for the year by the weighted average number of ordinary shares outstanding during the year. The weighted average number of ordinary shares is calculated inclusive of the prefunded 175,000,000 units of Class A shares issuable from the May 2023 Warrants as the shares will be issued either upon exercise by the warrant holder or otherwise at the end of the contractual term of the warrants.

Diluted LPS is calculated by dividing the net loss for the year by the weighted average number of ordinary shares outstanding during the year plus the ordinary shares that would be issued upon conversion of all outstanding employee stock options and warrants into ordinary shares.

For the periods included in these consolidated financial statements, the Group incurred net losses; therefore, anti-dilutive stock options, outstanding equity awards during the period (as described in note 22), the Reorganization Warrants, RDO & 2022 PIPE Warrants, the 2023 PIPE Warrants, the option component of the May 2023 Warrants and the Azul Warrants are excluded from the diluted LPS calculation.

The following table reflects the income and share data used in the basic and diluted LPS calculations:

	2023	2022	2021
Net loss for the year (in € thousand)	(389,119)	(253,064)	(411,036)
Weighted average number of shares outstanding			
Basic and diluted	547,391,640	316,474,576	214,858,203
Basic and diluted loss per share (in €)	(0.71)	(0.80)	(1.91)

14. Intangible Assets

Intangible assets comprise the following:

In € thousand	Software	Purchased concessions, rights and other intangible assets	Total
Costs of acquisition			
January 1, 2023	4,161	145	4,306
Additions	79	—	79
Disposal	(3,470)	(18)	(3,488)
December 31, 2023	770	127	897
Accumulated amortization/write downs			
January 1, 2023	3,411	25	3,436
Amortization	386	8	394
Disposal	(3,470)	(18)	(3,488)
Impairment	60	1	61
December 31, 2023	387	16	403
Carrying amount:			
December 31, 2022	750	120	870
December 31, 2023	383	111	494

In € thousand	Software	Purchased concessions, rights, and other in-tangible assets	Total
Costs of acquisition			
January 1, 2022	3,998	108	4,106
Additions	163	37	200
Transfer from property, plant and equipment	—	—	—
December 31, 2022	4,161	145	4,306
Accumulated amortization/write downs			
January 1, 2022	2,694	18	2,712
Amortization	717	7	724
December 31, 2022	3,411	25	3,436
Carrying amount:			
December 31, 2021	1,304	90	1,394
December 31, 2022	750	120	870

In 2023, 2022 and 2021 all amortization was recognized in the profit or loss in each given year.

During the year, an impairment loss of €61 thousand (2022: nil and 2021: nil) relating to assets that were obsolete was recognized in the consolidated statement of operations.

15. Property, Plant and Equipment

Property, plant and equipment is comprised of the following:

In € thousand	Rights to land and buildings and leasehold improvements	Vehicles	Technical equipment and machinery	Office and other equipment	Assets under construction	Total
Costs of acquisition or construction:						
January 1, 2023	22,887	139	19,520	9,683	2,887	55,116
Additions	5,060	14	15,185	1,026	16,984	38,269
Disposals	(795)	(20)	(3,646)	(5,725)	—	(10,186)
Transfers	819	—	458	38	(1,315)	—
Indexation impact	1,256	—	—	—	—	1,256
Foreign exchange	—	—	—	7	—	7
December 31, 2023	29,227	133	31,517	5,029	18,556	84,462
Accumulated depreciation:						
January 1, 2023	9,080	52	3,877	5,408	—	18,417
Depreciation	4,675	30	4,024	1,627	—	10,356
Disposals	(795)	(20)	(3,646)	(5,725)	—	(10,186)
Impairment	104	6	1,359	414	—	1,883
Foreign exchange	—	—	—	1	—	1
December 31, 2023	13,064	68	5,614	1,725	—	20,471
Carrying amount:						
December 31, 2022	13,807	87	15,643	4,275	2,887	36,699
December 31, 2023	16,163	65	25,903	3,304	18,556	63,991

In € thousand	Rights to land and buildings and leasehold improvements	Vehicles	Technical equipment and machinery	Office and other equipment	Assets under construction	Total
Costs of acquisition or construction:						
January 1, 2022	19,903	166	10,738	8,243	2,611	41,661
Additions	2,366	67	6,328	1,519	2,894	13,174
Disposals	—	(94)	(12)	(95)	—	(201)
Transfers	130	—	2,466	22	(2,618)	—
Indexation impact	488	—	—	—	—	488
Foreign exchange	—	—	—	(6)	—	(6)
December 31, 2022	22,887	139	19,520	9,683	2,887	55,116
Accumulated depreciation:						
January 1, 2022	5,438	82	1,669	3,862	—	11,051
Depreciation	3,642	64	2,168	1,617	—	7,491
Disposals	—	(94)	(12)	(68)	—	(174)
Impairment	—	—	52	—	—	52
Foreign exchange	—	—	—	(3)	—	(3)
December 31, 2022	9,080	52	3,877	5,408	—	18,417
Carrying amount:						
December 31, 2021	14,465	84	9,069	4,381	2,611	30,610
December 31, 2022	13,807	87	15,643	4,275	2,887	36,699

In 2023, 2022 and 2021 all depreciation was recognized in the profit or loss in each given year.

Property, plant and equipment includes right-of-use assets for an amount of €11,275 thousand as of December 31, 2023 (December 31, 2022: €10,499 thousand). For further information refer to note 16. The transfers from assets under construction mainly relate to leasehold improvements and equipment which are required for construction of the Lilium Jet. There are no security pledges.

The Group test for impairment on an annual basis. During the year, an impairment loss of €1,883 thousand (2022: €52 thousand and 2021: nil) relating to assets that were obsolete and in the process of being disposed of was recognized in the consolidated statement of operations.

Property, plant and equipment is distributed among geographical areas as follows:

In € thousand	12/31/2023	12/31/2022
Property, plant and equipment		
Germany	39,757	26,063
Spain	12,012	5
Rest of the World	947	132
Right-of-use assets		
Germany	11,083	10,033
Spain	192	466
Total	63,991	36,699

16. Leases

The Group has lease contracts for facilities, which contain variable lease payments and for vehicles, equipment and other assets which contain fixed-rate payment terms. The carrying amounts of right-of-use assets recognized and the movements during the period were as follows:

In € thousand	Rights to buildings	Vehicles	Technical equipment and machinery	Office and other equipment	Total
January 1, 2022	10,910	43	428	144	11,525
Additions to right-of-use assets	1,526	63	23	—	1,612
Transfer	—	—	—	(144)	(144)
Disposal of right-of-use assets	—	(3)	(1)	—	(4)
Depreciation	(2,889)	(49)	(39)	—	(2,977)
Indexation impact	488	—	—	—	488
December 31, 2022	10,034	54	411	—	10,499
Additions to right-of-use assets	3,126	—	17	—	3,143
Depreciation	(3,553)	(19)	(51)	—	(3,623)
Indexation impact	1,256	—	—	—	1,256
December 31, 2023	10,863	35	377	—	11,275

Some lease payments for rights to buildings are indexed to the German consumer price index, which is adjusted on a yearly basis. The carrying amounts of lease liabilities and the movements during the period were as follows:

In € thousand	Lease Liability
January 1, 2022	11,823
Additions	1,385
Accrued interest	(7)
Interest	443
Payments	(3,163)
Indexation impact	488
December 31, 2022	10,969
Additions	2,369
Accrued interest	(2)
Interest	604
Payments	(4,029)
Indexation impact	1,256
December 31, 2023	11,167

The current and non-current portion of lease liabilities are as follows:

In € thousand	12/31/2023	12/31/2022
Current	2,943	2,616
Non-current	8,224	8,353
Total lease liabilities	11,167	10,969

The consolidated statement of operations and other comprehensive income (loss) include the following amounts of lease related expense:

In € thousand	2023	2022	2021
Depreciation of right of-use-assets	3,623	2,977	1,941
Interest expense on lease liabilities	604	443	437
Short-term lease expenses	214	6	488
Lease expenses for low-value assets	94	137	220
Total amount recognized in expense	4,535	3,563	3,086

Variable lease payments result from indexed rental payments for facility leases and are included in lease liabilities. The following table provides further information about the composition of the lease payments as included in the above movement schedule of lease liabilities:

In € thousand	2023	2022
Fixed lease payments	1,502	1,212
Variable lease payments	2,527	1,951
Total amount of lease payments	4,029	3,163

The below table provides information on the total cash outflow from all leases during the year:

In € thousand	2023	2022	2021
Principal paid	3,425	2,720	1,781
Interest paid	604	443	437
Short term and low value leases	308	143	708
Total amount paid	4,337	3,306	2,926

17. Investment in a Joint Venture / Associate

Investment in Ionblox

On March 10, 2021, the Group entered into a Stock Purchase Agreement in which the Group acquired 25.7% of the shares of Ionblox for a purchase price of €8,502 thousand, including transactions costs (see note 4 for additional information on Ionblox). Ionblox is a supplier of battery technology for Lilium. The principal place of business for Ionblox is the United States of America.

On July 15, 2021, the Group entered into an additional Stock Purchase Agreement in which the Group acquired a further 9.1% of the shares of Ionblox across two transactions on July 16, 2021 and September 27, 2021, for a total consideration of €7,400 thousand. The consideration included the conversion of outstanding promissory notes at a fair value of €2,222 thousand, including a €1,051 thousand promissory note purchased on March 19, 2021.

Lilium holds preferred stock in Ionblox, which give Lilium preferred dividend rights as well as rights of preferential payments in certain events. Preferred dividends are not cumulative, and payment is at the discretion of the Board of Directors of Ionblox out of any funds and assets legally available. In a deemed liquidation event, which is defined in the preferred stock purchase agreement as mergers and consolidations and certain asset sales, Lilium is entitled to redeem cash or other assets from Ionblox which provides Lilium a share in Ionblox net assets. In the event of liquidation, dissolution or winding up or deemed liquidation event, Lilium is entitled to preferential payments if there are sufficient funds in Ionblox to pay the preferred stockholders. The preferred stocks carry the same shareholder voting rights as holders of equivalent common stock. The preferred stocks also entitle the Group to nominate two directors to the Board of Directors of Ionblox. As such, the Group is considered to have significant influence over Ionblox. The significant influence together with other features of the preferred stock result in Lilium participating in a share of gains or losses from Ionblox; as such, the investment was initially recognized as an investment in associate and accounted for at-equity under IAS 28 'Investment in associates and joint ventures'.

For each date of acquisition of Ionblox, the fair value of Ionblox's identifiable net assets and liabilities were identified, and the difference between the purchase price and the fair value of identified net assets has been accounted for as goodwill. The goodwill is included within the carrying value of the Investment in Associate. The total fair value of the identifiable net assets acquired is €8,344 thousand, generating goodwill upon purchase of €7,558 thousand. The fair value of the identifiable net assets acquired includes a carrying value of €2,248 thousand and a fair value step-up of €8,688 thousand for Ionblox's brand and technology portfolio, offset by €2,592 thousand for deferred taxation.

In 2022, the Group's share in Ionblox was diluted to 27.7% share of outstanding capital, representing 31.4% of the shareholder voting rights, through the issuance of 1,092,908 series B preferred stock by Ionblox to other investors, offset by a share buyback of 273,227 common stock, resulting in a gain on dilution of €1,179 thousand in other income. As part of the transactions, Lilium signed new Investors' Agreements in May and November 2022, under which management have concluded that Lilium has joint control of Ionblox with another Preferred Stock investor. Lilium subsequently accounts for Ionblox as a Joint Venture, continuing to apply the equity method of accounting.

As of December 31, 2023, there were no indicators that an impairment expense (2022: Nil) should be recognized on the carrying value of the investment in a joint venture.

Shares in Ionblox are currently unlisted, hence there is no quoted price to determine the fair value of the investment in Ionblox. The following table illustrates the movements in carrying value of the Group's investment in Ionblox:

In € thousand	Carrying Value	
	2023	2022
January 1	13,410	15,054
Gain on dilution	—	1,179
Share of loss in a joint venture/ associate	(2,370)	(2,823)
December 31	11,040	13,410

The following is the summarized financial information for Ionblox, based on their consolidated financial statements prepared in accordance with IFRS, modified for fair value adjustments on acquisition. The numbers presented reflect the amounts in Ionblox's IFRS consolidated financial statements, not of Lilium's ownership share in these amounts.

Ionblox, Inc. - Consolidated Statement of Operations for the year ended December 31, 2023

In € thousand	01/01/2023 – 12/31/2023	01/01/2022 – 12/31/2022
Revenue	2,789	1,927
Loss from continued operations	(9,022)	(7,777)
Net loss for the year	(8,478)	(7,369)

Ionblox, Inc. - Consolidated Statement of Financial Position as of December 31, 2023

In € thousand	12/31/2023	12/31/2022
Non-current assets	22,993	25,438
Current assets	9,944	13,487
Preferred stock reclassification ¹	21,434	21,619
Non-current liabilities	(29,965)	(31,482)
Current liabilities	(4,624)	(933)
Shareholders' equity	19,782	28,129

Reconciliation to carrying amounts of Lilium's Interest in Ionblox

Group's effective interest in the joint venture / associate	27.7 %	27.7 %
Group's share in shareholders' equity	5,480	7,780
Goodwill	8,079	8,370
Currency translation difference	(2,519)	(2,740)
Investment in a joint venture / associate	11,040	13,410

¹ Based on the Group's analysis of significant influence and investors' current access to returns, Lilium concluded that its investment in Ionblox is accounted for using the equity method under IAS 28 'Investment in associates and joint ventures'. However, in Ionblox's IFRS consolidated financial statements, the preferred stock owned by Lilium is accounted for as a financial liability based on its analysis under IAS 32 'Financial Instruments: Presentation' due to the features of preferred stock as explained above. In order to give effect to uniform accounting policies and consistency in accounting, the above-mentioned financial liability in Ionblox's consolidated financial statements is treated as equity in purchase price allocation and goodwill calculation.

18. Other Financial Assets

Other financials assets are as follows:

In € thousand	12/31/2023	12/31/2022
Security deposits	3,350	3,386
Investment in equity instrument	4,641	—
Total non-current financial assets	7,991	3,386
Fixed-term deposits	111,498	19,987
Security deposits	118	2,594
Total current other financial assets	111,616	22,581
Total other financial assets	119,607	25,967

Security deposits include €3,157 thousand (December 31, 2022: €2,941 thousand) pledged as collateral for facility leases, and nil (December 31, 2022: €2,530 thousand) for deposits to suppliers. The security deposits for facility leases are expected to be returned to the Group at the cessation of the lease contracts, provided that the Group have fulfilled all contractual obligations under the lease.

In 2023, the Group invested in an equity instrument with an initial fair value of €5,159 thousand. During the year ended December 31, 2023, the group recognized a fair value loss of €518 thousand. For further information see note 29.

As of December 31, 2023, the Group has invested in fixed-term deposits amounting to €110,000 thousand with a term of 3-7 months. The group recognized accrued interest income of €1,559 thousand and an expected credit loss of €61 thousand. The deposits were not redeemable before maturity.

As of December 31, 2022, the Group had invested in a fixed-term deposit amounting to €20,000 thousand with a term of 4 months. The group recognized accrued interest income of €17 thousand and an expected credit loss of €30 thousand. The deposits were not redeemable before maturity.

19. Non-Financial Assets

Non-financial assets are as follows:

In € thousand	12/31/2023	12/31/2022
Advance payments	7,998	4,069
Prepaid expenses	1,771	9,418
Total non-current non-financial assets	9,769	13,487
Value added tax claims	6,072	1,696
Prepaid expenses	16,299	16,241
Miscellaneous other current non-financial assets	410	711
Total current non-financial assets	22,781	18,648
Total non-financial assets	32,550	32,135

Advance payments are payments made for the acquisition of fixed assets amounting to €7,998 thousand (2022: €4,069 thousand). Non-current prepaid expenses of €1,771 thousand (2022: €9,418) mainly consist of multi-year supplier contracts. Current prepaid expenses of €16,299 thousand (2022: €16,241 thousand) mainly relate to prepaid supply-chain development costs and prepaid software costs.

20. Cash and Cash Equivalents

Cash and cash equivalents are as follows:

In € thousand	12/31/2023	12/31/2022
Short-term fixed-term deposits	—	49,385
Cash at banks	83,508	130,196
Total cash and cash equivalents	83,508	179,581

The Group invests in fixed-term deposits as part of its capital management strategy. As of December 31, 2023 the Group holds no (2022: €49,385 thousand) short-term fixed-term deposits with an initial maturity of 90 days or less. Fixed-term deposits with a term of greater than 90 days are classified as financial assets, please see note 18.

21. Shareholders' Equity

Class A shares have a nominal value of €0.01 (2022: €0.12) per share and are freely transferrable (subject to any lock-up as may be contractually agreed from time to time) and each Class A share confers the right to cast one (2022: twelve) votes in Lilium's shareholders meeting, subject to a so-called voting cap as defined in Article 1 of Lilium's articles of association and as may be elected by a certain shareholder to apply it.

Class B shares have a nominal value of €0.03 (2022: €0.36) per share and may only be transferred to (i) permitted transferees or (ii) Lilium. One Class B share will be converted into one Class A share and one Class C ordinary share, nominal value €0.02 (2022: €0.24) per share (a “Class C share”) upon the occurrence of certain conversion events. A conversion event is triggered in respect of Class B shares (i) at the discretion of the Class B holder or (ii) in case the holder of Class B shares is not qualified to hold such Class B shares anymore as defined in Lilium’s articles of association.

The result of the conversion of Class B shares is that a Lilium shareholder acquires one Class A share for each converted Class B share, and one Class C share is transferred immediately to Lilium treasury. The Class B share is immediately canceled. During the year the conversion of 350,000 (2022: 525,000) Class B shares and the transfer of 350,000 (2022: 525,000) Class C shares to the Group were conducted.

If a Class C share is held by anyone else other than Lilium (regardless of the consequence of conversion), such holder of Class C shares (a transferor) must notify Lilium of this fact by written notice within three days after the occurrence of such event, following the failure of which Lilium is irrevocably empowered and authorized to offer and transfer the relevant Class C shares. The transferor, other than Lilium itself, must transfer such Class C shares to Lilium for no consideration. As of year-end no (2022: 525,000) Class C shares were issued and held in treasury.

Each Class B share confers the right to cast three (2022: thirty-six) votes and each Class C share confers the right to cast two (2022: twenty-four) votes in Lilium’s shareholders meeting.

The holders of Class A shares and Class B shares shall be entitled *pari passu* to the profits of Lilium, *pro rata* to the total number of Class A shares and Class B shares held as a percentage of the total number of Class A shares and Class B shares issued and outstanding, provided that out of the profit of any fiscal year, the holders of Class C shares shall be entitled to a maximum amount per fiscal year equal to one-tenth of a percent (0.1 %) of the nominal value of one Class C share.

(in units)	Common shares (Class A)	Supervoting shares (Class B)	Ordinary shares (Class C)	Total
Issued at January 1, 2021	173,014,206	24,413,065	—	197,427,271
Issued shares – convertible loans	20,533,259	—	—	20,533,259
Reorganization as of September 14, 2021	22,697,450	—	—	22,697,450
Capital increase 2021 PIPE	45,000,000	—	—	45,000,000
Issued as of December 31, 2021	261,244,915	24,413,065	—	285,657,980
Treasury shares	(375,000)	—	—	(375,000)
Treasury shares (due to consolidation)	(879,691)	—	—	(879,691)
Outstanding as of December 31, 2021	259,990,224	24,413,065	—	284,403,289

(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 payment awards exercised	10,857,264	—	—	10,857,264
Exercise of Reorganization Warrants	10	—	—	10
Issued shares – ELOC	5,618,697	—	—	5,618,697
Capital increase RDO & 2022 PIPE	91,524,935	—	—	91,524,935
Conversion of Class B Shares	525,000	(525,000)	525,000	525,000
Repurchase of Class B Shares	50,000	—	—	50,000
Issued as of December 31, 2022	369,820,821	23,888,065	525,000	394,233,886
Treasury shares	—	(425,000)	(525,000)	(950,000)
Outstanding as of December 31, 2022	369,820,821	23,463,065	—	393,283,886

(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 payment awards	19,449,259	—	—	19,449,259
Issued shares – CMPO & 2023 PIPE	89,838,455	—	—	89,838,455
Exercise of May 2023 Warrants	24,007,607	—	—	24,007,607
Conversion of Class B shares	350,000	(350,000)	350,000	350,000
Cancellation of issued shares	—	(425,000)	(875,000)	(1,300,000)
Issued as of December 31, 2023	503,466,142	23,113,065	—	526,579,207
Treasury shares	—	—	—	-
Outstanding as of December 31, 2023	503,466,142	23,113,065	—	526,579,207

As of December 31, 2023, there were 130,664,910 (2022: 196,385,439) shares with a par value each of €0.01 (2022: €0.12) authorized for issue by the management.

Reduction in nominal value of Class A, B and C shares

In May 2023, an extraordinary general meeting (“EGM”) of shareholders was held and the shareholders approved the proposed reduction of subscribed 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. The reduction of subscribed 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 subscribed capital and treasury shares by €60,152 thousand and €169 thousand respectively and increase to share premium by €59,983 thousand.

2021 convertible loans and Reorganization

On March 26, 2021, the convertible loan of €85,900 thousand and the accrued interest were converted into shares. In order to facilitate the transaction, the Group issued 20,533,259 shares, subscribed capital increased by €2,464 thousand, share premium by €127,813 thousand and other capital reserves decreased by €34,084 thousand due to the conversion as described above.

On March 30, 2021, Lilium entered into the Business Combination Agreement leading to the Reorganization, as described in note 1. Concurrently, Lilium entered into Subscription Agreements with certain investors for PIPE Financing (“2021 PIPE”). As a result of the Reorganization and the 2021 PIPE, the Group has increased shareholders’ equity by €164,868 thousand and €381,208 thousand, respectively. Subscribed capital increased by €2,724 thousand, share premium by €51,116 thousand (net of €2,227 thousand transaction costs) and other capital reserves by the IFRS 2 share listing expense of €111,109 thousand. The amounts related to the Reorganization also reflect the impact of (i) the conversion of the convertible loan into 274,272 Lilium N.V. shares, which increased subscribed capital by €33 thousand and share premium by €2,023 thousand, and (ii) the additional 293,230 Lilium N.V. shares related to the success fee, which increased subscribed capital by €35 thousand and share premium by €1 thousand. Additionally, the reserve for treasury shares decreased by €81 thousand. From the 2021 PIPE capital increase, subscribed capital increased by €5,400 thousand and share premium by €375,808 thousand. For the Reorganization, Lilium’s total transaction costs amounted to €29,029 thousand.

Share Purchase Agreement (“ELOC”)

On June 3, 2022, the Group had entered into a Share Purchase Agreement and a Registration Rights Agreement with Tumim Stone Capital LLC (“Tumim Stone”), pursuant to which (a) the Group agreed to issue 262,697 (the “Commitment Shares”) of the Group’s Class A shares to Tumim Stone and (b) Tumim Stone had committed to purchase, subject to certain limitations, up to US\$75 million of Class A shares. While the Group had the right, but not the obligation, to sell the Class A shares to Tumim Stone, the latter was obligated to purchase the Class A shares up to the total committed amount as and when the Group required funding via a purchase notice to Tumim Stone. Under this Agreement, the Group issues Class A shares at a discount to the volume-weighted average price on the date of the purchase notice.

The Group determined that the right to issue Class A shares represents a freestanding purchased put option, and the purchased put option was classified as a derivative asset with a fair value at the inception of €696 thousand equal to the market value of the Commitment Shares paid as consideration. The issuance of the Commitment Shares resulted in a €31 thousand increase in subscribed capital and a €665 thousand increase in share premium.

As all shares were issued at a discount to the market value, the put option was immediately considered to have a fair value of nil and a €696 thousand fair value loss was recognized in financial expenses.

Between July 5, 2022, and October 31, 2022, Lilium N.V. issued 5,356,000 Class A shares under this Share Purchase Agreement for cash proceeds of €12,498 thousand. Lilium N.V. recorded the issued Class A shares at fair value net of equity issuance cost (represented by the discount) by increasing subscribed capital by €643 thousand and share premium by €11,855 thousand.

The agreement was terminated on November 17, 2022.

Registered Direct Offering (“RDO”)

In November 2022, the Group entered into securities purchase agreements (“RDO Securities Purchase Agreement”) with certain investors in a registered direct offering for the purchase and sale of 22,499,997 Class A shares and warrants to purchase up to 11,249,997 Class A shares at US\$1.30 per share for aggregate gross cash proceeds of €28,217 thousand (the “Registered Direct Offering”).

€8,541 thousand were recognized as a derivative liability for issued warrants. Details of the warrants (“RDO Warrants”) are disclosed in note 24.

2022 Private Placement (“2022 PIPE”)

In November 2022, the Group entered into securities purchase agreements (“2022 PIPE Securities Purchase Agreement”) with certain investors for the purchase and sale of 69,024,938 Class A shares and warrants to purchase up to 34,512,464 Class A shares at US\$1.30 per share for aggregate cash proceeds of €85,754 thousand and a non-cash contribution of €975 thousand. Each Class A Share sold in the 2022 PIPE will also be accompanied by a 2022 PIPE Warrant to purchase 0.5 Class A Share. Under the 2022 PIPE agreement, the 2022 PIPE transaction concluded concurrently with the RDO transaction and the purchase price of the 2022 PIPE transaction was determined in connection with the pricing of the RDO transaction. The terms and pricing of the 2022 PIPE transaction is similar with the RDO transaction.

The contribution from two investors, who are also suppliers of the Group, was accounted for as an IFRS 2 share-based payment in exchange for non-recurring cost (“NRC”) supplies. The share-based payments resulted in €11,916 thousand recognized in other capital reserves.

The closing of the 2022 PIPE occurred in November 2022. €26,009 thousand were recognized as a derivative liability for issued warrants. Details of the 2022 PIPE Warrants are disclosed in note 24.

May 2023 Warrants

During the year ended December 31, 2023, €82,829 thousand was recognized as an increase in other capital reserves in relation to the May 2023 Warrants derivative financial instrument, as described in note 24. The May 2023 Warrants were issued to Aceville as described in note 31. Management has concluded that the financial asset of €82,829 thousand recognized at inception of the contract represents an equity contribution from Tencent Holdings Limited.

During the year a total of 24,007,607 Class A shares were issued upon exercise of some May 2023 Warrants. Proceeds of €1,091 thousand were received from the payment of the strike price of US\$0.05 per share. The receipt of the strike price and the conversion of the remaining warrant liability (note 24) to equity resulted in an increase of €2,453 thousand in subscribed capital and €24,231 thousand in share premium.

Confidentially marketed public offering (“CMPO”)

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 confidentially marketed public offering (the “CMPO” or “2023 Public Offering”) of 57,692,308 Class A Shares at a price of US\$1.30 per share. The transaction includes an over-allotment option to purchase additional 8,653,846 Class A shares of Lilium at a purchase price of US\$1.30 per share exercisable within 30-days from the date of signing of underwriting agreement. The option expired without being exercised. The issue of CMPO shares were subject to a 6% underwriter’s fee.

Gross proceeds of €66,785 thousand were received from the transaction, of which €63,473 thousand was recognized in equity and €3,312 thousand recognized as a derivative financial liability in relation to the over-allotment option (refer to note 29). Transaction costs of €5,561 thousand were incurred, including the 6% underwriter’s fee, and were allocated proportionally between the issue of Class A Shares and the over-allotment option. €5,287 thousand transaction costs were recognized as deduction from share premium in relation to the issue of Class A shares, and €274 thousand were recognized in general and administrative expenses in relation to the over-allotment option.

The transaction resulted in an increase in subscribed capital of €6,923 thousand and a net increase in share premium of €51,263 thousand.

2023 Private Placement (“2023 PIPE”)

Concurrent with the CMPO, the Group also entered into securities purchase agreements with certain investors for the purchase and sale 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 expiry term of the 2023 PIPE Warrants (“2023 PIPE Warrants”) is 18 months from the date of issuance.

Gross proceeds of €37,624 thousand were received, of which €33,072 thousand were recognized in equity and €4,552 thousand recognized as a warrant liability (note 24). Transaction costs of €940 thousand were incurred and allocated proportionally between the issue of Class A shares and the issue of the 2023 PIPE Warrants. €825 thousand transaction costs were recognized as deduction from share premium in relation to the issue of Class A shares, and €115 thousand were recognized in general and administrative expenses in relation to the issue of 2023 PIPE Warrants.

The transaction resulted in an increase in subscribed capital of €2,123 thousand and a net increase in share premium of €30,124 thousand.

Share-based payments

During the year ended December 31, 2023, a total of 19,449,259 (2022: 10,857,264) shares have been issued due to the distribution or exercise of vested share-based payment awards; €1,471 thousand (2022: €1,303 thousand) have been added to subscribed capital, thereof €1,179 thousand (2022: €1,227 thousand) is transferred from other capital reserves, and nil (2022: €207 thousand) to share premium. A further €331 thousand (2022: €845 thousand) is deducted from other capital reserves in relation to net settlement of employee income taxation obligations.

During the year ended December 31, 2023, €22,805 thousand (2022: €27,380 thousand) was recognized in other capital reserves in relation to equity-settled share-based payment arrangements, as described in note 22.

Treasury Shares

The reserve for treasury shares represents the nominal amount of 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 years are as follows:

(in units)	Common shares (Class A)	Supervoting shares (Class B)	Ordinary shares (Class C)	Total
At January 1, 2022	1,254,691	—	—	1,254,691
Repurchase of Class B shares for Class A shares held in treasury	(375,000)	375,000	—	—
Repurchase of Class B shares for newly issued Class A shares	—	50,000	—	50,000
Conversion of Class B shares	—	—	525,000	525,000
Treasury shares sold by Stichting JSOP	(879,691)	—	—	(879,691)
At December 31, 2022	—	425,000	525,000	950,000
Conversion of Class B shares	—	—	350,000	350,000
Cancellation of issued shares	—	(425,000)	(875,000)	(1,300,000)
At December 31, 2023	—	—	—	—

During 2022, the Group repurchased 375,000 class B shares for no consideration against the transfer of 375,000 class A shares held in treasury, increasing the treasury share reserve by €90 thousand due to the difference in nominal capital between class B and class A shares. Additionally, the Group repurchased 50,000 Class B shares for no consideration and issued and transferred 50,000 Class A shares, increasing treasury reserve by € 18 thousand. As there was no consideration paid by the Group the share premium increased by €108 thousand and the subscribed capital increased by €6 thousand.

In December 2022, the Group sold 879,691 shares held in treasury resulting in total consideration of €983 thousand of which €877 thousand was recognized in share premium. The sale was triggered due to the settlement of JSOP with a related party. Further details are in note 30.

During 2023, a shareholder converted 350,000 (2022: 525,000) Class B shares into 350,000 (2022: 525,000) Class A shares and 350,000 (2022: 525,000) Class C shares and transferred the Class C shares back to the Group for no consideration in line with the articles of association, increasing treasury share reserve by €84 thousand (2022: €126 thousand). As no consideration was paid for these Class C shares by the Group, the nominal amount of €84 thousand (2022: €126 thousand) has been recorded in share premium.

During 2023 the Group cancelled 425,000 Class B shares and 875,000 Class C shares. All shares were held in treasury at the point of cancellation. The cancellation of the Class B and Class C shares resulted in a decrease of €194 thousand in subscribed capital and a reduction in treasury shares reserve by €194 thousand.

22. Share-based Payments

Overview

Lilium offers several share-based plans as summarized in the table below. All plans are equity-settled, except for success fees which are treated as cash-settled.

The table below summarizes the expense / (income) recorded for share-based payments in the year ended 31st December, 2023:

In € thousand	2023	2022	2021
Equity-settled			
General population and executives – Employee Stock Option Program (ESOP)	1,298	7,942	29,286
General population – Restricted stock units (RSU)	5,156	4,977	77
General population and executives – Retention and Recognition (RNR)	925	—	—
Executives – Employee Stock Option Program (ESOP) special vesting	598	1,101	2,135
Executives – Restricted stock units (RSU)	4,273	3,259	1,178
Executives – Performance-based stock awards	2,368	(375)	2,296
Executives – Time-based stock options (TSO)	932	2,200	3,505
Share-based payment – Vendors	5,632	9,726	—
Executives – Equity-based annual bonus	1,357	—	—
Cash-settled			
Executives - Success fees	—	(4,569)	9,872
Total expense	22,539	24,261	48,349

In August 2023, the nominal value of Lilium Class A shares was reduced from €0.12 to €0.01. Management chose to reduce the corresponding exercise price, where the exercise price equals the nominal value, accounted for as a modification of the affected awards. The modification resulted in additional expense of €495 thousand to the share-based payment reserve for the year. The modification to the agreements also details that where the exercise price is equal to the nominal amount, the exercise price will change in line with the change in the nominal amount.

The exercise price for new grants generally equals the nominal value and is thus significantly lower than the share price at grant date. Accordingly for new grants, the intrinsic value of the new shares granted has generally been used, i.e. the share price at grant date less the exercise price. Where another valuation method is used, the methodology is detailed below.

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

The Group maintains an Employee Stock Option Program (“ESOP”), originally established in 2017, which allows for the issuance of options to purchase Lilium shares to its employees, executives and certain advisors. Share options typically follow a vesting schedule over a four-year period. 25% will vest after the one-year anniversary of the applicable vesting commencement date (the “Cliff Period”) and then monthly thereafter on a graded vesting basis through the end of the vesting period. Individuals must continue to provide services to a Group entity to vest. Upon termination, all unvested options are forfeited. The options will expire on the 10th anniversary of the date on which vested options became exercisable. The Group has the right but no present obligation to settle the options in cash at its own discretion.

The expense recognized for participant services received during the year is shown in the following table:

In € thousand	2023	2022	2021
Expense arising from equity-settled share-based payment awards	1,298	7,942	29,286

This plan is now closed for new participants, therefore no options were granted during the year (2022: fair value of options granted of €17 thousand).

Movements during the year

The following table illustrates the number and weighted average exercise prices (“WAEP”) of, and movements in, Lilium N.V. share options during the years:

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 year	—	—	5,714	€ 0.00
Forfeited during the year	(657,381)	€ 0.00	(1,188,512)	€ 0.00
Exercised during the year	(2,577,144)	€ 0.00	(10,318,085)	€ 0.00
Transferred to cash-settled	—	—	(22,856)	€ 0.00
Outstanding at December 31	4,815,043	€ 0.00	8,049,568	€ 0.00

Under the ESOP program, two external consultants were offered cash-settled options. These plans were due to be settled during 2023 provided the participants remained in continuous service until 31 July, 2023. Both participants have now forfeited their remaining shares due to no longer remaining in continuous service with Lilium.

Cash-settled options:

(in units)	2023 Number of options	2023 WAEP	2022 Number of options	2022 WAEP
Outstanding at January 1	5,714	€ 0.00	—	—
Forfeited during the year	(5,714)	€ 0.00	—	—
Exercised during the year	—	—	(17,142)	€ 0.00
Transferred from equity-settled	—	—	22,856	€ 0.00
Outstanding at December 31	—	—	5,714	€ 0.00

The exact WAEP for all options is €1 divided by 2,857, which is 0.00035 and rounded to nil. The Group waived the employee’s liability for the share capital. The weighted-average remaining contractual life is 9.6 years.

Total options that vested during the year were 1,351,378 options (2022: 979,661 options). The weighted average share price for options exercised during 2023 was €0.99 (2022 : €2.52).

As of December 31, 2023, 4,661,231 options (2022: 7,043,620) are vested and are exercisable at the request of the employee with a WAEP of €0.00.

General population – Restricted Stock Units (“RSU”)

The Group started offering Restricted Stock Units to its employees in 2021 based on their grade. Upon vesting, the plan participants are eligible to acquire shares at a nominal value of €0.01 (until July 30, 2023: €0.12). There are several vesting schedules with differing installment periods. The RSU are settled in shares of Lilium N.V., and hence are accounted as equity-settled awards. The vesting periods are between 1 to 4 years depending on terms of the grant agreement, with a 12-month cliff period. Upon termination, the employee is entitled to the vested portion of the RSU. All unvested RSU are forfeited. The Group has the right but no present obligation to settle the options in cash at its own discretion.

The expense recognized for participant services received during the years is shown in the following table:

In € thousand	2023	2022	2021
Expense arising from equity-settled RSU	5,156	4,977	77

Movements during the year

The following table illustrates the number and weighted average exercise prices (“WAEP”) of, and movements in, RSU during the years ended December 31, 2023 and 2022:

(in units)	2023 Number of RSU	2023 WAEP	2022 Number of RSU	2022 WAEP
Outstanding at January 1	4,275,098	€ 0.12	162,800	€ 0.12
Assigned during the year	6,826,462	€ 0.01	4,886,077	€ 0.12
Exercised during the year	(2,473,089)	€ 0.05	(638,470)	€ 0.12
Forfeited during the year	(888,909)	€ 0.04	(135,309)	€ 0.12
Outstanding at December 31	7,739,562	€ 0.01	4,275,098	€ 0.12

6,826 thousand RSU (2022: 4,886 thousand) were granted during the year. As RSU are exercised on vesting, none of the RSU were exercisable as of December 31, 2023 (2022: None). The weighted average remaining contractual life of RSU outstanding at the end of 2023 is 1.03 years (2022: 0.58 years). During the year the exercise price was reduced from € 0.12 to € 0.01 resulting in additional expense of € 368 thousand for the period. The weighted average fair value of RSU granted during the year is €1.12 (2022: €1.92). The weighted average share price for options exercised during 2023 was €0.82 (2022: €2.40).

General population and Executives – Retention and Recognition (“RNR”)

The Group offered RNR plans to certain members of staff in 2023, both in the executive and general population pools. The participants were eligible to RSU subject to the group achieving certain liquidity targets in 2023. The targets were assessed at monthly intervals during 2023, with the last measurement of the liquidity position taking place on 1 January 2024. As a result of the final measurement, 50% of the RSU were granted and the remaining 50% were forfeited.

The granted RSU are subject to continuous service. The vesting is as follows; 33% as soon as practicable on the achievement of the targets, however, no sooner than October 2023, 33% on the first anniversary of the achievement of the targets, 34% at the earlier of the second anniversary of the achievement of the targets or the first manned flight of the Group’s type conforming aircraft. As for almost all grants under the executive incentive program, an alternative settlement in cash is at the discretion of the company.

The expense recognized for participant services received during the years is shown in the following table:

In € thousand	2023	2022	2021
Expense arising from equity-settled RNR	925	—	—

Movements during the year

The following table illustrates the number and weighted average exercise prices (“WAEP”) of, and movements in, RNR during the year ended December 31, 2023:

(in units)	2023 Number of RNR	2023 WAEP	2022 Number of RNR	2022 WAEP
Outstanding at January 1	—	—	—	—
Assigned during the year	2,432,424	€ 0.01	—	—
Exercised during the year	(405,401)	€ 0.01	—	—
Forfeited during the year	(1,216,207)	€ 0.01	—	—
Outstanding at December 31	810,816	€ 0.01	—	—

2,432 thousand RNR (2022: n/a) were granted during the year. As of December 31, 2023 no RNR are exercisable (2022: n/a). The weighted average remaining contractual life of RNR outstanding at the end of 2023 is 1.2 years (2022: n/a). The weighted average fair value of RNR granted during the year is €1.49 (2022: n/a). The weighted average share price for options exercised during 2023 was €0.61 (2022: n/a).

Executives – Employee Stock Option Program (“ESOP”) special vesting

Some executives have received ESOP 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 year is shown in the following table:

In € thousand	2023	2022	2021
Expense arising from equity-settled share-based payment awards	598	1,101	2,135

The following table illustrates the number and weighted average exercise prices (“WAEP”) of, and movements in, Lilium N.V. share options during the years:

(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 year	—	—	—	—
Forfeited during the year	(302,327)	€ 8.50	(1,160,457)	€ 8.50
Outstanding at December 31	425,693	€ 5.85	728,020	€ 6.94

Total options in Lilium N.V. shares vested during the year were 93,718 options (2022: 430,431 options). As of December 31, 2023, 322,840 (2022: 531,449) of the options granted under the ESOP plan have vested and are available to be exercised, with a WAEP of €0.00. The weighted average remaining contractual life of the ESOP option outstanding at the end of 2023 is 11.6 years (2022: 11.4 years). The range of exercise prices for the outstanding ESOPs are between €0.00-€8.47 in 2023 (2022: €0.00-€8.90).

Executives – Restricted Stock Units (“RSU”)

The Group offered RSU of Lilium N.V. to executives, they are accounted for as equity-settled awards. RSU are exercisable with a nominal amount of €0.01 (July 30, 2022: €0.12) per share. All RSU are subject to participants’ continuous service, additionally upon termination of employment, all unvested RSU are forfeited. The range for vesting periods for executive RSU’s are between 1-4 years. The Group has the right but no present obligation to settle the options in cash at its own discretion.

The expense recognized for participant services received during the year is shown in the following table:

In € thousand	2023	2022	2021
Expense arising from equity-settled RSU	4,273	3,259	1,178

Movements during the year

The following table illustrates the number and weighted average exercise prices (“WAEP”) of, and movements in, RSU during the years ended December 31, 2023 and 2022:

(in units)	2023 Number of RSU	2023 WAEP	2022 Number of RSU	2022 WAEP
Outstanding at January 1	2,324,725	€ 0.12	1,050,913	€ 0.12
Granted during the year	4,931,937	€ 0.01	1,699,411	€ 0.12
Forfeited during the year	(438,570)	€ 0.03	(134,400)	€ 0.12
Exercised during the year	(1,178,419)	€ 0.03	(291,199)	€ 0.12
Outstanding at December 31	5,639,673	€ 0.01	2,324,725	€ 0.12

There were 4,932 thousand shares (2022: 1,699 thousand) granted under the executive RSU plan during 2023. The weighted average remaining contractual life of RSU outstanding at the end of 2023 is 1.2 years (2022: 1.5 years).

During the year the exercise price was reduced from €0.12 to €0.01 resulting in additional expense of €127 thousand for the period. The weighted average fair value of options granted during the period was €1.37 (2022: €1.67). The weighted average share price for options exercised during 2023 was €1.30 (2022: €1.66).

Executives – Performance-based stock awards

The Group offers performance-based stock plans to executives. These options vest and are exercisable upon the satisfaction of both the service-based vesting condition and the performance-based vesting condition. The Group has the right but no present obligation to settle the options in cash at its own discretion.

The service-based vesting conditions are between 4-5 years. The maximum term of options granted is 10 years from the date of grant for PSO, PSU are exercised immediately on vesting.

For performance-based stock options (“PSO”), the performance-based vesting condition will be satisfied when the Group earns its first dollar or any equivalent currency of revenue recognized in the Group’s consolidated financial statements directly from providing service to a customer by the operation of its own developed and certified aircraft by either the European Union Aviation Safety Agency or the Federal Aviation Administration and the customer has also paid for such services. The fair value of PSO has been determined using the Black-Scholes option pricing model.

For performance-based stock units (“PSU”), the performance-based vesting condition is based on peer related performance, tested 3 years after grant date. The PSU have a performance objective based on total shareholder returns (TSR) against 34 peer group companies. To obtain 100% Lilium would have to finish in the top 8 of the peer group for TSR. Based on current market conditions and expected performance, Lilium expects to fully meet this target. As a result, the PSU were treated as 100% of granted amount. The performance test is completed at the end of the third year. The fair value of PSU are calculated using the intrinsic value, which is share price at grant minus exercise price (€0.01).

The expense / (income) recognized for participant services received during the years is shown in the following table:

In € thousand	2023	2022	2021
Expense / (income) arising from performance-based stock awards	2,368	(375)	2,296

Movements during the year

The following table illustrates the number and weighted average exercise prices (“WAEP”) of, and movements in, share awards during the years ended December 31, 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
Granted during the year	657,608	€ 0.01	1,272,059	€ 9.45
Forfeited during the year	—	—	(4,711,839)	€ 8.66
Outstanding at December 31	4,254,329	€ 6.71	3,596,721	€ 7.94

There were 657,608 new awards granted on this plan in 2023 (2022: 1,272 thousand). The awards in 2023 have been solely PSU (2022: solely PSO). No awards (2022: no awards) are exercisable as of December 31, 2023. The weighted average remaining contractual life of the performance-based plans outstanding at the end of 2023 is 8.5 years (2022: 9.5 years). The weighted average fair value of awards granted during 2023 was €1.54 (2022: €1.14). The range of exercise prices for the outstanding PSO are between €7.11-€9.71 in 2023 (2022: €7.11-€9.71). The exercise prices for the outstanding PSU are €0.01 in 2023 (2022: n/a).

Executives – Time-based stock options (“TSO”)

In 2022, the group offered time-based stock options for three participants. Time-based stock options are settled in shares of Lilium N.V. and are treated as equity-settled. The options vest in equal quarterly installments commencing April 19, 2022 (with one year cliff) or October 31, 2022 and ending April 1, 2026 or July 31, 2026, subject to participants’ continuous service in the Group. These options can be exercised until expiration or until 90 days after the participant ceases to be an employee. The maximum term of options granted is 10 years from date of grant. As for almost all grants under the executive incentive program, an alternative settlement in cash is at the discretion of the company.

Upon termination, the participants are entitled to the vested portion of the options. All unvested options are forfeited.

In 2023, one participant left the Company, and 31% of this participant’s options had vested by December 31, 2022 with the remainder forfeited in 2022 as it was known the participant was due to leave.

The expense recognized for participant services received during the years is shown in the following table:

In € thousand	2023	2022	2021
Expense arising from time-based stock options	932	2,200	3,505

Movements during the year

The following table illustrates the number and weighted average exercise prices (“WAEP”) of, and movements in, share options during the years ended December 31, 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 year	—	—	2,199,488	€ 2.76
Forfeited during the year	—	—	(2,043,000)	€ 7.25
Outstanding at December 31	3,107,488	€ 4.07	3,107,488	€ 4.07

There were no new options granted on this plan in 2023 (2022: 2,199 thousand). 1,643 thousand stock options (2022: 908 thousand options) are exercisable as of December 31, 2023. The weighted average remaining contractual life of time-based stock options outstanding at the end of 2023 is 8.5 years (2022: 9.5 years).

The range of exercise prices for the outstanding TSO are between €2.30-€7.25 in 2023 (2022: €2.30-€7.25). The weighted average fair value of options granted in 2022 was €1.21.

Executives – Success fees

The Group had granted success fees to certain key management personnel for successful fundraising. The success fees had been treated as cash-settled.

All success fee arrangements were terminated in the fourth quarter of 2022. The termination was a result of the participant’s completion of their service with the Group. No further share-based payment success fees were granted to executives in 2023.

The (income) / expense recognized for participant services received during the years is shown in the following table:

In € thousand	2023	2022	2021
(Income) / expense for success fees	—	(4,569)	9,872
Total (Income) / expense	—	(4,569)	9,872

The remaining liability of €1,003 thousand was paid in 2023. As of December 31, 2023, the liability is nil (2022: €1,003 thousand).

Share-based payment – Executive bonuses

During the year ended December 31, 2023, certain executives 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 were accrued in December 31, 2022, and in 2023 have been transferred to other capital reserves and subscribed capital.

In 2023, the Group offered a new bonus plan for the executives. The new plan is designed with a combination of financial, operational, and strategic measures which support the delivery of Group’s long term strategic plan. The targets and metric are set on an annual basis by the Chief Executive Officer and agreed with the Compensation Committee. The remuneration will either be cash-settled or equity-settled, subject to the discretion of the Group’s Compensation Committee. The Group has the final choice of settlement and there is no present obligation to settle in cash, therefore the bonus is recorded as an equity-settled share-based payment.

The Group considers the cash value of the bonus award to be the fair value of the award issued. Consequently, €1,357 thousand (2022: nil) was recorded in other capital reserves.

Share-based payment – Vendors

In November 2022, the Group entered into a Share Issuance Agreement with a third-party 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. The settlement by way of issuing 3,101,523 Class A shares occurred in 2023.

During 2023, the Group amended its contract with the same 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. 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 had the option to settle the remaining part of the annual subscription of US\$5,000 thousand in either cash or shares in second half of 2023. The Group issued 5,000 thousand Class A shares to settle the balance.

The amounts are accounted for as equity-settled share-based payments and expenditure of €5,632 thousand (2022: €9,726 thousand) has been recognized in the consolidated statement of operations.

In November 2022, the Group entered into share-based payment arrangements with two third-party vendors as part of the 2022 PIPE transaction in exchange for prepayment of the goods and services to the vendors amounting to €19,502 thousand. The prepayment value was deemed to be the fair value of the securities issued. There were no further share-based payment PIPE transactions during 2023.

Advisors – Strategic Collaboration Agreement (Azul Warrants)

In 2021 Lilium executed a term sheet in which Lilium agreed to enter into negotiations with Brazilian airline Azul S.A. and Azul Linhas Aereas Brasileiras S.A. (collectively, "Azul") to establish a strategic collaboration whereby Azul and Lilium will negotiate contracts to buy a certain number of Lilium Jets. The term was extended in 2023. Except for the up-front warrants ("Azul Warrants"), the term sheet is legally non-binding. As of the date these consolidated financial statements were approved, no contracts with respect to the acquisition of Lilium Jets or any other collaboration have been executed.

The Azul Warrants are within the scope of IFRS 2 Share-Based Payment as they were granted in contemplation of signing a service agreement to explore the feasibility of eVTOL in Brazil and are expected to be settled in our Class A shares. In consideration of the commercial collaboration, Lilium agreed to use all efforts to grant Azul the warrants to purchase up to 8,000,000 Class A shares at an exercise price of €0.12 per share, consisting of

- (i) Azul Warrants to purchase 1,800,000 Class A shares, which were issued on a fully vested basis on October 22, 2021, granted upon the signing of term sheet and
- (ii) subject to the execution of definitive agreements and legally non-binding, warrants to purchase additional 6,200,000 Class A shares ("Azul Additional Warrants"), which are expected to vest in three tranches. These warrants are subject to the execution of the above-mentioned definitive agreements and legally non-binding. As of December 31, 2023 they have not yet been granted.

The Azul Warrants entitle Azul to purchase 1,800,000 Class A shares at an exercise price of €0.12 per share. The Azul Warrants will expire on October 22, 2026 ("Expiration Date"), five years after their issuance. The warrants and any Class A shares issuable upon exercise of the warrants may not be transferred until the twelve-month anniversary of issuance (the "Lockup").

Lilium has the option to settle the awards in shares or cash. The Azul Warrants are accounted for as equity-settled awards, as Lilium had no present obligation to settle the awards in cash. They are considered fully vested once both parties signed the term sheet, which occurred on July 31, 2021. After that date, no services were required to be provided by Azul for the warrants to vest thereafter. Due to the unique nature of the services provided by Azul, Lilium considered direct measurement of the services provided unreliable and referred to the fair value of the Azul Warrants to indirectly measure the compensation arrangement. The 1,800,000 warrants have been expensed as of July 31, 2021 based on a hybrid valuations model, using different scenarios and a deduction of 5% for the lack of marketability at this point of time. For the valuation of the share price, multiple connected Black-Scholes models have been used and for the IPO scenario a simplified valuation based on past financing rounds. The General & Administration expense (professional fees) amount of €13,030 thousand was posted directly into other capital reserves in 2021.

The Azul Warrants have not been exercised by Azul as of December 31, 2023.

23. Other Financial Liabilities

Other financial liabilities relate to amounts for which the Group has a contractual obligation to deliver cash.

24. Warrants

Warrants are as follows:

in € thousand	12/31/2023	12/31/2022
Reorganization Warrants	2,854	1,811
RDO & 2022 PIPE Warrants	29,590	24,456
May 2023 Warrants	170,505	—
2023 PIPE Warrants	2,064	—
Warrants	205,013	26,267

The movements of the warrants were as follows:

in € thousand	2023	2022
At January 1	26,267	21,405
Initial recognition of RDO & 2022 PIPE Warrants	—	34,550
Initial recognition of 2023 PIPE Warrants	4,552	—
Initial recognition of May 2023 Warrants	(82,829)	—
Settlement of Initial Funding Amount on May 2023 Warrants	91,811	—
Settlement of Additional Funding Amount on May 2023 Warrants	67,416	—
Exercise of May 2023 Warrants	(25,593)	—
Foreign currency translation	(3,510)	508
Fair value changes to profit or loss	126,899	(30,196)
At December 31	205,013	26,267

The settlement of any exercise of the Warrants will be via the issuance of Class A shares against the applicable exercise price as determined by the terms of the respective warrant agreements.

Reorganization Warrants

Upon the Reorganization, 12,649,946 Public Warrants and 7,060,000 Private Warrants (collectively the “Reorganization Warrants”) were assigned from Qell to Lilium. The terms of the Reorganization Warrants remain unchanged following the assignment. During the year no (2022: 10) Public Warrants and no (2022: nil) Private Warrants were exercised. As of December 31, 2023, 12,649,936 Public Warrants (2022: 12,649,936) and 7,060,000 Private Warrants (2022: 7,060,000) were outstanding.

The Reorganization Warrants give the holder the right, but not the obligation, to subscribe to Lilium's shares at a fixed or determinable price for a specified period of time subject to the provision of the warrant agreement. The Reorganization Warrants became exercisable 30 days after the consummation of the Reorganization. The Reorganization Warrants will expire five years after the completion of the Reorganization or earlier upon redemption, liquidation or expiration in accordance with their terms.

Public Warrants are listed and publicly traded in USD on the Nasdaq stock exchange (ticker: LILMW). Private Warrants share the same characteristics as Public Warrants and the same price has been used to calculate the fair value as described in note 29.

RDO & 2022 PIPE Warrants

As part of the RDO & 2022 PIPE transaction as described in note 21, the Company also entered into a warrant agreement dated November 18, 2022, (the "RDO & 2022 PIPE Warrants") with each of the RDO & 2022 PIPE investors. The RDO & 2022 PIPE Warrants entitle each warrant holder to purchase 0.5 Class A share of the Company for US\$1.30 per share with a minimum of the USD equivalent of the nominal value of €0.01 (2022: €0.12) per share. The total units of RDO Warrants and 2022 PIPE Warrants issued was 11,249,997 and 34,512,464 respectively.

The RDO Warrants are identical to the 2022 PIPE Warrants as these share the same terms except that the RDO Warrants and the underlying shares are registered securities and the 2022 PIPE Warrants and the underlying shares are unregistered and would need an effective registration statement for resale. Subsequent to the issuance of the 2022 PIPE Warrants, the Group registered the securities underlying the 2022 PIPE Warrants on December 13, 2022. The RDO & 2022 PIPE Warrants are unlisted warrants.

The RDO & 2022 PIPE Warrants are exercisable for a four-year period at an exercise price of US\$1.30 per share and contain customary anti-dilution adjustments, including adjustments in connection with the issuance of Class A shares at a price below US\$1.30, subject to exceptions. Beginning on November 22, 2024, the Group can redeem the warrants for US\$0.01 per share if the market price of the Class A shares is equal or exceeds US\$2.60 per share as reported by Nasdaq, for at least twenty (20) trading days (whether or not consecutive) during a thirty (30) consecutive trading day period by giving at least twenty (20) trading days' prior written notice to the registered holders of the warrants.

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.

As of December 31, 2023, 11,249,997 (2022: 11,249,997) RDO Warrants and 34,512,464 (2022: 34,512,464) 2022 PIPE Warrants were outstanding.

May 2023 Warrants

In May 2023, the Group executed a Securities Purchase Agreement (the "2023 SPA") to issue to Aceville (an affiliate of Tencent Holdings Limited, a major shareholder of Lilium N.V.) 184,210,526 warrants (the "May 2023 Warrants") in a private placement to purchase one Class A share for an initial exercise price of US\$1.00 per warrant. The maturity of the May 2023 Warrants is ten years from the date of issuance with an automatic five-year extension that can be waived by the Group subject to the consent of Aceville. On the closing date, Aceville has partially prefunded the aggregate exercise price of the May 2023 Warrants in an amount of US\$100,000 thousand (the "Initial Funding Amount") and also committed to prefund to the Group an additional US\$75,000 thousand (the "Additional Funding Amount") of the aggregate exercise price, contingent upon the Group securing US\$75,000 thousand in additional funding from third parties. In July 2023, the Group satisfied the aforementioned condition by concluding the CMPO and 2023 PIPE (refer to note 21) and received the Additional Funding Amount.

Following the Group's receipt of the Initial Funding Amount and the Additional Funding Amount, the May 2023 Warrants are exercisable at the remaining unpaid exercise price of US\$0.05 per Class A share. Following the receipt of the Additional Funding Amount, Aceville has the right to cashless net settlement of remaining outstanding warrants.

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 21.

At the initial recognition date, the Group 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 initial fair value would have been (€7,706 thousand)/ €5,847 thousand.

During the year, 24,007,607 (2022: n/a) of the May 2023 Warrants were exercised. As of December 31, 2023, 160,202,919 (2022: n/a) May 2023 Warrants were outstanding.

2023 PIPE Warrants

As part of the 2023 PIPE transaction as described in note 21, each warrant holder is entitled to purchase a Class A share of the Company for US\$2.00 per share.

The Group issued 8,036,528 warrants exercisable for an 18-month period from the date of issue. The 2023 PIPE Warrants contain customary anti-dilution adjustments, including adjustments in connection with the issuance of Class A shares at a price below US\$1.00, subject to exceptions.

The table below shows the sensitivity analysis of the fair value for the 2023 PIPE Warrants at initial recognition:

in € thousand	Absolute shift in base volatility	Fair value of warrants	Effect on initial fair value
Base	—	(4,552)	—
Up	10 %	(5,089)	(537)
Down	(10)%	(3,998)	554

25. Provisions

The movement in provisions during the year is as follows:

In € thousand	01/01/2023	Additions	Reversals	Utilization	Discount Effects	Foreign Exchange	12/31/2023
Asset retirement obligations	302	765	—	—	58	—	1,125
Post-employment benefits (note 26)	75	—	—	—	—	5	80
Record retention obligations	68	—	—	(9)	—	—	59
Total non-current provisions	445	765	—	(9)	58	5	1,264
Legal Claims	420	384	—	(662)	—	(54)	88
Severance payments	114	—	(97)	(17)	—	—	—
Other	196	107	(63)	(18)	—	1	223
Total current provisions	730	491	(160)	(697)	—	(53)	311

In € thousand	01/01/2022	Additions	Reversals	Utilization	Discount Effects	Foreign Exchange	12/31/2022
Asset retirement obligations	233	66	—	—	3	—	302
Post-employment benefits (note 26)	84	15	(24)	—	—	—	75
Record retention obligations	56	22	—	—	(10)	—	68
Total non-current provisions	373	103	(24)	—	(7)	—	445
Year-end audit	1,067	—	(1,067)	—	—	—	—
Legal Claims	—	426	—	(6)	—	—	420
Severance payments	619	—	(505)	—	—	—	114
Other	736	1,384	(701)	(1,223)	—	—	196
Total current provisions	2,422	1,810	(2,273)	(1,229)	—	—	730

Asset retirement obligations originate from the Group's lease rental contracts (removal of tenant fixtures – refer to note 16) and they are expected to be settled in May 2027 at the lease contract end. Accrued severance payments from prior year have been paid. Other provisions closing balance relates to social security provisions with reversals during the year primarily relating to board remuneration, payroll, social security, and HR provisions.

In 2023 the accrual for the year end audit is presented in trade and other payables.

Legal claims relate to the expected legal fees in relation to US litigation proceedings. 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 (the "Lawsuit"). The Lawsuit was filed in the U.S. District Court for the Central District of California, but was later transferred 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., 23-CV-80232-Rosenberg/Reinhart. On March 10, 2023, the Lead Plaintiff filed an amended complaint, which Defendants moved to dismiss. On January 3, 2024, the court granted Defendants' motion to dismiss but allowed the Lead Plaintiff to file a second amended complaint. On January 24, 2024, the Lead Plaintiff filed a second amended complaint, which Defendants have moved to dismiss. The Company's management believes the claims are without merit and intend to vigorously defend this litigation. The Lawsuit is currently at a preliminary stage and Lilium cannot predict its outcome, so the Company therefore cannot determine the likelihood of loss or estimate a range of possible loss.

26. Post-Employment Benefits

Defined contribution plans

The Group participates in defined contribution plans in the UK and Germany that are funded through payments by employees and by the Group to funds administered by third parties.

The Group's expenses for these plans were €569 thousand (2022: €635 thousand, 2021: €465 thousand). There are no liabilities (2022: nil) that are recognized in the Group's balance sheet in respect of such plans along with regular prepayments and accruals of the contributions withheld from employees' wages and salaries and of the Group's contributions. Contributions totaling nil (2022: €1 thousand) were payable to the fund at the reporting date and are included in creditors.

Defined benefit plans

Corporate post-retirement benefits are provided by the Group to employees in Switzerland in accordance with local law through defined benefit plans, these employees make up a very small portion of the Groups total employees. Current pension arrangements for employees in Switzerland are made through plans governed by the Swiss Federal Occupational Old Age, Survivors and Disability Pension Act ('BVG'). The Group's pension plans are administered by separate legal foundations, which are funded by regular employee and company contributions. The final benefit is contribution based with certain guarantees regarding the benefits provided. Due to these guarantees, such Swiss pension plans are treated as defined benefit plans. In case the pension foundation becomes underfunded, the employer together with the employees can be obliged to refinance a plan until the funding level has reached 100% again. Such measures might include increasing employee and company contributions, lowering the interest rate on retirement account balances, reducing prospective benefits and a suspension of the early withdrawal facility. The Group in Switzerland is currently affiliated to a fully reinsured collective pension foundation which cannot become underfunded as all risks are reinsured with a life insurance company. However, the Group is exposed to certain refinancing risk in the future as the current affiliation contract can be cancelled or amended by both contractual parties.

The defined benefit obligation is €80 thousand (2022: €76 thousand) with €105 thousand (2022: €101 thousand, 2021: €117 thousand) recognized as an expense and €22 thousand (2022: €28 thousand, 2021: €162 thousand) as other comprehensive income during the year. Due to the size of the pension plan, the Swiss defined benefit plans will not have a material impact on the amount, timing or uncertainty of the Group's future cash flows.

27. Trade and other Payables

Trade and other payables are as follows:

In € thousand	12/31/2023	12/31/2022
Long-term accruals	3,362	3,483
Non-current trade and other payables	3,362	3,483
Trade payables	22,540	19,195
Accruals for outstanding invoices	22,061	14,463
Current trade and other payables	44,601	33,658
Total trade and other payables	47,963	37,141

Long-term accruals consist of non-recurring cost (NRC's) arrangements with suppliers. These costs relate to industrialization at suppliers including research and development costs and development of tooling. The payment will be due upon delivery of future shipments or services.

28. Other Non-Financial Liabilities

Other non-financial liabilities are as follows:

In € thousand	12/31/2023	12/31/2022
Non-current other non-financial liabilities		
Non-current contract liabilities	2,000	—
Total non-current other non-financial liabilities	2,000	—
Current other non-financial liabilities		
Vacation accruals	2,010	2,474
Value added tax payables	—	—
Payroll tax and social security	2,816	3,497
Miscellaneous other current non-financial liabilities	1,883	2,596
Total current other non-financial liabilities	6,709	8,567
Total other non-financial liabilities	8,709	8,567

Payroll tax and social security mainly comprise of personnel-related taxes. Miscellaneous other non-financial liabilities mainly result from personnel-related liabilities.

29. Financial Instruments

29.1 Carrying Amounts and Fair Values

The following tables disclose the carrying amounts of each class of financial instruments together with its corresponding fair value and the aggregated carrying amount per category:

Financial instruments, analyzed by classes and categories

In € thousand	12/31/2023		
	Category	Carrying amount	Fair value
Financial assets, by class			
Cash and cash equivalents	AC	83,508	n/a
Fixed-term deposits	AC	111,498	n/a
Non-current security deposits	AC	3,350	3,276
Security deposits	AC	118	n/a
Investment in equity instrument	FVTPL	4,641	4,641
Total financial assets		203,115	
Financial liabilities, by class			
Non-current trade and other payables	AC	3,362	3,679
Current trade and other payables	AC	44,601	n/a
Non-current other financial liabilities	AC	17	17
Current other financial liabilities	AC	4	n/a
Warrants:			
Level 1	FVTPL	1,832	1,832
Level 2	FVTPL	1,022	1,022
Level 3	FVTPL	202,159	202,159
Total financial liabilities		252,997	
Thereof aggregated to categories according to IFRS 9			Carrying amount
Financial assets measured at AC			198,474
Financial assets measured at FVTPL			4,641
Financial liabilities measured at FVTPL			205,013
Financial liabilities measured at AC			47,984

Financial instruments, analyzed by classes and categories

In € thousand	12/31/2022		
	Category	Carrying amount	Fair value
Financial assets, by class			
Cash and cash equivalents	AC	179,581	n/a
Fixed-term deposits	AC	19,987	n/a
Non-current security deposits	AC	3,386	3,265
Security deposits	AC	2,594	n/a
Investment in equity instrument	FVTPL	—	—
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	

Thereof aggregated to categories according to IFRS 9	Carrying amount
Financial assets measured at AC	205,548
Financial assets measured at FVTPL	—
Financial liabilities measured at FVTPL	26,267
Financial liabilities measured at AC	37,166

Financial assets and liabilities measured at AC

The fair value of current financial assets and liabilities are assumed to be equal to their carrying value.

Non-current financial assets measured at AC

The fair values of the non-current security deposits measured at AC are determined as the principal balance discounted using market-based credit risk adjusted interest rate curves that are applicable for the counterparties. The presented fair value is classified as level 2 on the fair value hierarchy.

Non-current financial liabilities measured at AC

The fair values of the non-current financial liabilities 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 instrument. The presented fair value is classified as level 3 on the fair value hierarchy due to the Group's credit risk profile. This has no impact on the valuation as non-current financial liabilities were measured at AC.

Financial assets and liabilities measured at FVTPL

During the year there have been no transfers between different levels of the fair value hierarchy.

Investment in equity instrument measured at FVTPL

The fair value of the investment in equity instrument has been determined by considering the price of a recent market transaction close to the end of the financial year. Management considers this the best indicator of the fair value of the investment in equity instrument. Due to the instrument not being publicly traded, the investment in equity instrument has been classified as level 3 on the fair value hierarchy.

The effect of a 10% increase / (decrease) of the price of the recent market transaction on the financial result would be €464 thousand / (€464 thousand).

Reorganization Warrants measured at FVTPL

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 as they are not traded on an open market, however as the Private Warrants have the same characteristics as the Public Warrants, the quoted price of the Public Warrants has been used to calculate their fair value (see note 4 on Warrants).

RDO & 2022 PIPE Warrants measured at FVTPL

The RDO & 2022 PIPE 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 December 31, 2023, expected stock price volatility for the expected term, term, risk-free rate, and dividend yield.

The expected stock price volatility was based on Lilium N.V. implied volatilities of 97% (December 31, 2022: 70%) which was derived from the price of LILMW. The term input used is equal to the initial 4 years from date of issuance of the RDO & 2022 PIPE Warrants, less the time since issuance. The risk-free interest rate is based on USD SOFR swap rates for a maturity equal to the remaining life of the warrants. The dividend rate is based on the historical rate, which the Company anticipates remaining at zero.

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 US\$1.30 to US\$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.

May 2023 Warrants measured at FVTPL

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 May 2023 Warrants included an additional funding clause, which has been triggered as of July 2023, this allows for a net settlement option to be exercised. From a valuation perspective, the Warrants can be split into a forward component and an option component. The fair value of the forward component can be derived from the price of Lilium N.V. shares.

The fair value of the option component 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 December 31, 2023, expected stock price volatility for the expected term, term, risk-free rate, and dividend yield.

The May 2023 Warrants' volatility was based on Lilium N.V. implied volatilities which was derived from the price of LILMW and was adjusted to 87% 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 15 years, it has been assumed for the fair value calculation that the option to waive the automatic extension has not been taken by the Group, from date of issuance of the May 2023 Warrants, less the time since issuance. The risk-free interest rate is based on USD SOFR swap rates for a maturity equal to the remaining life of the warrants. The dividend rate is based on the historical rate, which the Company anticipates remaining at zero.

2023 PIPE Warrants measured at FVTPL

The 2023 PIPE 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 December 31, 2023, expected stock price volatility for the expected term, term, risk-free rate, and dividend yield. The expected stock price volatility was based on Lilium N.V. implied volatilities of 97% (December 31, 2022: 70%) which was derived from the price of LILMW. The term input used is equal to the initial 1.5 years from date of issuance of the 2023 PIPE Warrants, less the time since issuance. The risk-free interest rate is based on USD SOFR swap rates for a maturity equal to the remaining life of the warrants. The dividend rate is based on the historical rate, which the Company anticipates remaining at zero.

The Group engages external, independent, valuation specialists to determine the fair value of the Group's RDO & 2022 PIPE Warrants, May 2023 Warrants and 2023 PIPE Warrants. The Group has internal processes in place to review the qualifications of the valuation specialists and the results from the valuation.

The tables below show the sensitivity analysis for the RDO & 2022 PIPE Warrants, the May 2023 Warrants, and the 2023 PIPE Warrants ("Level 3 Warrants"):

December 31, 2023 in € thousand	Absolute shift in base volatility	Fair Value of warrants	Effect on financial result
Base	—	(202,159)	—
Up	10 %	(204,254)	(2,095)
Down	(10)%	(199,866)	2,293

December 31, 2022 in € thousand	Absolute shift in base volatility	Fair Value of warrants	Effect on financial result
Base	—	(24,455)	—
Up	10 %	(27,029)	(2,574)
Down	(10)%	(21,881)	2,575

The movements in level 3 fair values are as follows:

In € thousand	Equity instruments	Warrants	Over-allotment option
January 1, 2022	—	—	—
Initial recognition of RDO & 2022 PIPE Warrants	—	(34,550)	—
Unrealized gains/losses:	—	—	—
Change in fair value - Finance income	—	8,979	—
Changes in fair value - Finance expense	—	—	—
Foreign exchange effects - Finance income	—	1,116	—
Foreign exchange effects - Finance expense	—	—	—
December 31, 2022	—	(24,455)	—
Purchase of equity instrument	5,159	—	—
Initial recognition of May 2023 Warrants	—	82,829	—
Initial recognition of 2023 PIPE Warrants	—	(4,552)	—
Initial recognition of over-allotment option	—	—	(3,312)
Settlement of Initial Funding Amount on May 2023 Warrants	—	(91,811)	—
Settlement of Additional Funding Amount on May 2023 Warrants	—	(67,416)	—
Exercise of May 2023 Warrants	—	25,593	—
Realized gains/losses:	—	—	—
Changes in fair value - Finance income	—	—	3,346
Changes in fair value - Finance expense	—	(15,765)	—
Foreign exchange effects - Finance income	—	128	—
Foreign exchange effects - Finance expense	—	—	(34)
Unrealized gains/losses:	—	—	—
Changes in fair value - Finance income	—	2,599	—
Changes in fair value - Finance expense	(518)	(112,603)	—
Foreign exchange effects - Finance income	—	3,405	—
Foreign exchange effects - Finance expense	—	(111)	—
December 31, 2023	4,641	(202,159)	—

Net gains and losses of financial instruments

The net gains or losses for each of the financial instrument measurement categories were as follows:

2023	Subsequent measurement				
In € thousand	Interest	Foreign exchange conversion	Fair value	Impairment losses net of reversal	Total per category
Financial assets measured at AC	5,713	82	—	57	5,852
Financial liabilities measured at AC	(296)	(887)	—	—	(1,183)
Financial assets and liabilities measured at FVTPL	—	3,476	(124,070)	—	(120,594)
Total	5,417	2,671	(124,070)	57	(115,925)

2022	Subsequent measurement				
	Interest	Foreign exchange conversion	Fair value	Impairment losses net of reversal	Total per category
In € thousand					
Financial assets measured at AC	(412)	1,147	—	125	860
Financial liabilities measured at AC	(236)	(560)	—	—	(796)
Financial assets and liabilities measured at FVTPL	—	(508)	29,667	—	29,159
Total	(648)	79	29,667	125	29,223

2021	Subsequent measurement				
	Interest	Foreign exchange conversion	Fair value	Impairment losses net of reversal	Total per category
In € thousand					
Financial assets measured at AC	(364)	1,061	—	(260)	437
Financial liabilities measured at AC	(3,483)	(446)	—	—	(3,929)
Financial assets and liabilities measured at FVTPL	—	(1,018)	(3,327)	—	(4,345)
Total	(3,847)	(403)	(3,327)	(260)	(7,837)

The total interest income for financial assets that are not measured at FVTPL is €5,713 thousand (2022: €145 thousand; 2021: €5 thousand), while the total interest expense for these financial assets is nil (2022: €557 thousand; 2021: €369 thousand). The total interest expense for financial liabilities that are not measured at FVTPL is €296 thousand (2022: €236 thousand; 2021: €3,483 thousand).

29.2 Financial Instrument Risk Management Objectives and Policies

The Group is exposed to market risks (especially foreign exchange risk), liquidity risk and credit risk. The Group's senior management oversees the management of these risks.

The CFO in combination with Treasury ensure on behalf of the Group's senior management that the Group's financial risk activities are governed by appropriate procedures and that financial risks are identified, measured and managed in accordance with the Group's risk objectives. The Board of Directors reviews and agrees on procedures for managing each of these risks, which are summarized below.

Credit Risk

The following tables provide information about the maximum exposure to credit risk for all financial assets that are not measured at FVTPL and therefore are generally subject to the impairment regulations of IFRS 9. The tables present the gross carrying amounts by credit risk rating grade, equivalent to Standard & Poor's (S&P) credit risk rating.

in € thousand	Equivalent to external credit rating [S&P]	Gross carrying amount	Impairment loss allowance	12/31/2023
				Credit-impaired
Grades 1–6: Low risk	BBB- to AAA	198,552	(78)	No
<i>Of which:</i>				
Cash and cash equivalents		83,512	(4)	No
Fixed-term deposits		111,559	(61)	No
Security deposits		3,481	(13)	No

			<u>12/31/2022</u>	
in € thousand	Equivalent to external credit rating [S&P]	Gross carrying amount	Impairment loss allowance	Credit- impaired
Grades 1–6: Low risk	BBB- to AAA	205,683	(135)	No
<i>Of which:</i>				
Cash and cash equivalents		179,640	(59)	No
Fixed-term deposits		20,017	(30)	No
Security deposits		6,026	(46)	No

The tables below show the movement in the impairment loss allowance for the financial assets exposed to credit risks that are not measured at FVPTL:

	<u>12/31/2022</u>			<u>12/31/2023</u>
in € thousand	Impairment loss allowance brought forward	Reversals of expected credit losses	Additions to expected credit losses	Impairment loss allowance carried forward
Cash and Cash equivalents	(59)	56	(1)	(4)
Fixed-term deposits	(30)	30	(61)	(61)
Security deposits	(46)	33	—	(13)
Total	(135)	119	(62)	(78)

	<u>12/31/2021</u>			<u>12/31/2022</u>
in € thousand	Impairment loss allowance brought forward	Reversals of expected credit losses	Additions to expected credit losses	Impairment loss allowance carried forward
Cash and Cash equivalents	(3)	—	(56)	(59)
Fixed-term deposits	(256)	256	(30)	(30)
Security deposits	(1)	—	(45)	(46)
Total	(260)	256	(131)	(135)

The above financial assets are primarily held with reputable financial institutions with high credit ratings. As of December 31, 2023, 64% (2022: 52%) of the Group’s cash and cash equivalents and fixed - term deposits are held with a single financial institution. The Group regularly monitors its cash and cash equivalents and fixed-term deposits and takes corrective actions should it identify any possible changes in creditworthiness of these financial institutions.

Foreign Currency Risk

The Group operates globally and is exposed to foreign currency risk arising from exposure to various currencies in the ordinary course of business. The Group’s foreign currency exposures primarily consist of the British pound (“GBP”), Japanese Yen (“JPY”) and US Dollar (“USD”). Foreign currency exchange risk mainly arises from commercial and financing transactions that resulted in recognized financial assets and liabilities denominated in a currency other than the local functional currency.

The following tables demonstrate the Group's exposure to rate changes in foreign currency.

At December 31, 2023	USD	JPY	GBP	Total exposure
	(in € thousand)	(in € thousand)	(in € thousand)	(in € thousand)
Cash and cash equivalents	10,827	16	52	10,895
Non-current receivables from affiliated companies	119	—	715	834
Current receivables from affiliated companies	7,388	—	1,946	9,334
Non-current trade and other payables	—	—	—	—
Current trade and other payables	(13,345)	(5,842)	(121)	(19,308)
Non-current payables to affiliated companies	—	—	(757)	(757)
Current payables to affiliated companies	(2,863)	—	—	(2,863)
Warrants	(205,013)	—	—	(205,013)
	(202,887)	(5,826)	1,835	(206,878)

At December 31, 2022	USD	JPY	GBP	Total exposure
	(in € thousand)	(in € thousand)	(in € thousand)	(in € thousand)
Cash and cash equivalents	17,927	—	—	17,927
Non-current receivables from affiliated companies	5,424	—	6,369	11,793
Current receivables from affiliated companies	2,158	—	3,793	5,951
Non-current trade and other payables	(2,885)	(901)	—	(3,786)
Current trade and other payables	(7,097)	—	(138)	(7,235)
Current payables to affiliated companies	(8,358)	—	(10,107)	(18,465)
Warrants	(26,267)	—	—	(26,267)
	(19,098)	(901)	(83)	(20,082)

The Group manages foreign currency risk on future cash flows by closely monitoring the forecast exposure and ensuring sufficient foreign currency is held to meet foreign currency obligations as they fall due.

The following tables demonstrate the sensitivity of the Group to a reasonably possible appreciation and depreciation of the foreign exchange rates consisting of USD, GBP, and JPY towards the EUR by 10%, with all other variables held constant. The impact on the Group's profit or loss before tax is due to changes in the carrying amount of monetary assets and liabilities as of year-end:

As of December 31, 2023		Effect of EUR appreciation on	Effect of EUR depreciation on
Currency		profit before tax	profit before tax
		(in € thousand)	(in € thousand)
USD		19,331	(23,523)
GBP		208	(210)
JPY		530	(647)

As of December 31, 2022		Effect of EUR appreciation on	Effect of EUR depreciation on profit
Currency		profit before tax	before tax
		(in € thousand)	(in € thousand)
USD		1,736	(2,122)
GBP		8	(9)
JPY		82	(100)

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risks from financial instruments can in general arise in connection with financial liabilities. Our cash equivalents and investment portfolio can also be subject to market risk due to changes in interest rates. Banks are adjusting the interest rate depending on changes of the respective reference rates set by central banks. The carrying value of variable interest-bearing cash at banks is €45,793 thousand (2022: €82,128 thousand). A hypothetical reasonable increase / decrease of 50 basis points (2022: 50 basis points) in interest rates would have an effect on the Group's consolidated financial statements of €229 thousand / (€229 thousand) (2022: €411 thousand / (€411 thousand)) arising from cash at banks. A change in interest rates would further affect the fair value of fixed-term deposits held. As the fixed-term deposits are measured at AC, this does not lead to an impact on the consolidated financial statements.

Other Price Risk

The Group holds financial assets and liabilities that are exposed to changes in value derived from changes in various share prices.

The Group recognizes liabilities of €205,013 thousand (2022: €26,267 thousand) to settle 233,711 thousand warrants as at December 31, 2023 (2022: 65,472 thousand) (Please refer to note 24).

The value of the Reorganization Warrants is based on the publicly traded price of the Public Warrants (ticker: LILMW). A reasonably possible increase or decrease in the warrant price by 10%, with all other variables held constant, would have led to a (decrease) / increase in financial result of (€285 thousand) / €285 thousand (2022: (€181 thousand) / €181 thousand).

The value of the RDO & 2022 PIPE Warrants, May 2023 Warrants and 2023 PIPE Warrants are estimated from a Monte-Carlo simulation in a risk-neutral framework with its key parameters include the risk-free rate, volatility, and the closing stock price of Lilium N.V.'s publicly traded Class A share. An increase or decrease in the stock price of Lilium N.V.'s Class A shares by 10% would have led to a (decrease) / increase of financial result of (€21,507 thousand) / €21,324 thousand (2022: (€3,861 thousand) / €3,432 thousand).

The Group recognizes an investment in an equity instrument. The value of the instrument has been determined to be €4,641 thousand (2022: n/a) by considering the price of a recent market transaction close to the end of the financial year. The sensitivity of the value to changes in the market price is disclosed in note 29.1.

The Group monitors other price risks and takes corrective action when negative impacts on business objectives are identified.

Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its obligations associated with its financial liabilities as they fall due. The Group is expanding very rapidly which results in increasingly stringent requirements regarding the corporate planning for budgeting and procuring of financial resources in such a way that the development program of the Lilium Jet is not delayed. Consequently, the continuation of development is based on the Group's ability to raise financing from investors in the form of financing rounds, and ability to raise funds from other sources, such as grants and pre-delivery payments. The Group aims for sufficient supply of liquidity to settle financial liabilities that are due for payment through regular cash flow forecasting. Liquidity is evaluated and maintained using forecasts based on fixed planning horizons covering several months and through the cash and cash equivalent balances that are available.

The following table provides details of the (undiscounted) cash outflows of financial liabilities (including interest payments). Note that the Group expects to settle the Warrants in own equity instruments.

in € thousand	2024	2025	2026 to 2028	12/31/2023 2029 and thereafter
Lease liabilities	3,460	3,394	5,433	—
Trade and other payables	44,601	1,301	3,617	—

in € thousand	2023	2024	2025 to 2027	12/31/2022 2028 and thereafter
Lease liabilities	2,970	2,457	6,463	—
Trade and other payables	33,658	1,974	2,770	—

Capital Management

For the purpose of the Group's capital management, capital includes all share capital and other equity reserves attributable to the equity holders. The primary objectives of capital management are to support operating activities and maximize the shareholder value through investment in the development activities of the Group.

Based on the ongoing development of the Lilium Jet, the Group continue to rely substantially on equity funding by its shareholders, debt financing, PDPs, and grants. The Group's finance department reviews the total amount of cash of the Group on a monthly basis. As part of this review, management considers the total cash and cash equivalents, the cash outflow, currency translation differences and funding activities. The Group monitors cash using a burn rate. The cash burn rate is defined as the average monthly operational net cash flow.

The Group is not subject to externally imposed capital requirements. The objectives of the Group's capital management were achieved in the reporting year. No changes were made in the objectives, policies or processes for managing cash during the years ended December 31, 2023 and 2022.

29.3 Reconciliation of Changes in Liabilities arising from Financing Activities

In € thousand	Lease liabilities	Warrants	Over-allotment option	Total
Statement of Financial Position as of December 31, 2022	10,969	26,267	—	37,236
Principal elements of lease payments	(3,425)	—	—	(3,425)
Interest paid	(604)	—	—	(604)
Settlement of Initial Funding Amount on May 2023 Warrants	—	91,811	—	91,811
Settlement of Additional Funding Amount on May 2023 Warrants	—	67,416	—	67,416
Proceeds from issue of 2023 PIPE Warrants	—	4,552	—	4,552
Proceeds from issue of over-allotment option	—	—	3,312	3,312
Change in the cash flow from financing activities 2023	(4,029)	163,779	3,312	163,062
Additions to lease liabilities due to new lease contracts	3,625	—	—	3,625
Initial recognition of May 2023 Warrants	—	(82,829)	—	(78,277)
Fair value changes	—	126,899	(3,346)	123,553
Effects of foreign exchange conversion	—	(3,510)	34	(3,476)
Exercised May 2023 Warrants	—	(25,593)	—	(25,293)
Interest expenses	602	—	—	602
Statement of Financial Position as of December 31, 2023	11,167	205,013	—	216,180

In € thousand	Lease liabilities	Warrants	Over-allotment option	Total
Statement of Financial Position as of December 31, 2021	11,823	21,405	—	33,228
Principal elements of lease payments	(2,720)	—	—	(2,720)
Interest paid	(443)	—	—	(443)
Change in the cash flow from financing activities 2022	(3,163)	—	—	(3,163)
Additions to lease liabilities due to new lease contracts	1,873	—	—	1,873
Additions to warrants	—	34,550	—	34,550
Fair value changes	—	(30,196)	—	(30,196)
Effects of foreign exchange conversion	—	508	—	508
Interest expenses	436	—	—	436
Statement of Financial Position as of December 31, 2022	10,969	26,267	—	37,236

30. Commitments and Contingencies

The Group has no lease contracts that have not yet commenced as at December 31, 2023. The Group had various lease contracts not yet commenced as of December 31, 2022. The future lease payments for these lease contracts as of December 31, 2022 were €400 thousand within one year, €1,601 thousand between one and five years and nil thereafter.

The Group has commitments under operating contracts. The future payments for the operating contracts are €82,690 thousand (2022: €73,779 thousand) within one year, €100,805 thousand (2022: €100,177 thousand) between one and five years and €194 thousand (2022: €18,558 thousand) thereafter.

Further, the Group has commitments of €5,376 thousand (2022: €5,016 thousand) to acquire items of property, plant & equipment and commitments of €3 thousand (2022: €4,344 thousand) to acquire items of intangible assets.

The Group is required to issue, subject to the execution of definitive agreements, Azul Additional Warrants, which are expected to vest in three tranches upon achieving certain performance and market conditions. Please refer to the Strategic Collaboration Agreement with Azul in note 22.

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 (the “Lawsuit”). The Lawsuit was filed in the U.S. District Court for the Central District of California, but was later transferred 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., 23-CV-80232- Rosenberg/Reinhart. On March 10, 2023, the Lead Plaintiff filed an amended complaint, which Defendants moved to dismiss. On January 3, 2024, the court granted Defendants’ motion to dismiss but allowed the Lead Plaintiff to file a second amended complaint. On January 24, 2024, the Lead Plaintiff filed a second amended complaint, which Defendants have moved to dismiss. The Company’s management believes the claims are without merit and intend to vigorously defend this litigation. The Lawsuit is currently at a preliminary stage and Lilium cannot predict its outcome, so the Company therefore cannot determine the likelihood of loss or estimate a range of possible loss.

In November 2022, the Group entered into a success fee arrangement 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 US\$9,900 thousand. During the year, €906 thousand (2022: nil) was paid out in relation to successful fundraising, and the contract expired with no further payments due.

In 2023, the Group entered into a success fee arrangement with a third-party entity (the “Provider”) with a contractual term of 12 months until December 2024. In the event of any fundraising transaction during the contractual term with a party defined in the success fee arrangement, Lilium must pay the Provider a percentage of the gross proceeds as a success fee. The arrangement also includes a retainer payment, of which €181 thousand remains committed as of December 31, 2023.

31. Related Party Disclosures

The Group has no parent and no ultimate controlling party. Furthermore, the management holds shares.

Function	Shares (in thousand units)		Ownership Interest (%)	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Key management	32,703	28,302	6.2 %	7.2 %
Other related parties	152,686	128,679	29.0 %	32.7 %
Total	185,389	156,981	35.2 %	39.9 %

2022 PIPE participation

Members of key management personnel and other related parties participated in the 2022 PIPE transaction described in note 21. The related parties contributed €15,461 thousand in exchange for 12,192,306 shares and 6,096,151 warrants, acquiring additional beneficial ownership of 3.1% based on outstanding shares after the transaction.

May 2023 Warrants

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 initial exercise price of US\$1.00 per share. On the closing date, Aceville has partially prefunded the aggregate exercise price of the May 2023 Warrants in an amount of US\$100,000 thousand (the “Initial Funding Amount”) and also committed to prefund to the Group an additional US\$75,000 thousand (the “Additional Funding Amount”) of the aggregate exercise price, contingent upon the Group securing US\$75,000 thousand in additional funding from third parties. In July 2023, the Group satisfied the aforementioned condition and received the Additional Funding Amount. Details of the May 2023 Warrants are disclosed in note 24.

The initial valuation resulted in a derivative financial asset of €82,829 thousand. Management have concluded that the financial asset represents an equity contribution from Tencent Holdings Limited, resulting in an increase of €82,829 thousand in other capital reserves.

During the year 24,007,607 Class A shares were issued upon exercise of May 2023 Warrants. Proceeds of €1,091 thousand were received from the payment of the strike price of US\$0.05 per share. The receipt of the strike price and the conversion of the remaining warrant liability (note 24) to equity resulted in an increase of €2,453 thousand in subscribed capital and €24,231 thousand in share premium.

2023 PIPE participation

Members of key management personnel and other related parties participated in the 2023 PIPE transaction described in note 21. The related parties contributed €2,142 thousand in exchange for 1,838,459 shares and 459,612 warrants, acquiring additional beneficial ownership of 0.4% based on outstanding shares after the transaction.

Subsidiaries

Interests in subsidiaries are set out in note 2.

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 reporting period is comprised of the following:

In € thousand	2023	2022
Short-term employee benefits	2,889	4,657
Termination remuneration	—	52
Post-employment benefits	84	45
Share-based payment remuneration	10,630	7,364
Success fees and JSOP	—	(4,568)
Total	13,603	7,550

During the year €298 thousand (2022: €320 thousand) were recognized as expense for cash remuneration of the board members of Lilium N.V.

Short-term benefits

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

Share-based payment remuneration

The share-based payment remuneration represents the compensation cost of the equity-settled award schemes operated by Lilium during the period. Refer to note 22.

During the year, 7,925 thousand (2022: 3,557 thousand) awards were granted to key management personnel. Further, 2,623 thousand (2022: 1,872 thousand) awards were exercised, and 3,878 thousand (2022: 6,553 thousand) awards were forfeited. As of December 31, 2023, 14,153 thousand (2022: 12,437 thousand) awards were held by key management personnel, including awards that were granted before certain individuals were members of key management personnel.

Success fees and JSOP

JSOP and bonus

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 22). An amount of €1,003 thousand for the bonus was fully settled during the current year. As of December 31, 2023, the liability is nil (2022: €1,003 thousand) and the JSOP and bonus are now closed.

Success fees and related arrangements with related parties

In November 2022, the success fee award for one member of key management personnel was replaced with a cash bonus agreement conditional on certain liquidity targets being met during the period which resulted in a payment in December 2022. Subsequently, in December 2022 the member signed a separation agreement with the Group and the liquidity bonus was terminated.

In November 2022, a success fee arrangement was cancelled upon the recipient leaving the employment of Lilium. A new arrangement was signed with an entity controlled by the former member of key management personnel shortly after cessation of employment, in which Lilium would pay a percentage of some future fundraising up to a cap of US \$9.9m. During 2023 an amount of €906 thousand (2022: nil) was recognized in general & administrative expenses in relation to this agreement. As of December 31, 2023, the agreement has expired, and no further amounts are owed.

During the year Lilium made total cash payments of €906 thousand (2022: €2,457 thousand) to related parties in relation to success fees and related arrangements.

Other transactions with Key Management Personnel

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

(in € thousand)	2023	2022
Research and development expenses	2	17
General and administration expenses	46	—
Selling expenses	—	289
Finance income	—	7
Finance expenses	—	6
Purchase of property, plant and equipment	19	24

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

As of December 31, 2023 the Group recognized €46 thousand (2022: €20 thousand) in current trade and other payables, nil (2022: €149 thousand) in non-current trade and other payables, and prepaid expenses of nil (2022: €1 thousand) in non-financial assets in relation to transactions with entities controlled or significantly influenced by members of key management personnel.

As of December 31, 2023, the Group had non-cancelable commitments of €226 thousand (2022: nil) with entities controlled by Key Management Personnel.

A member of key management personnel returned 350,000 (2022: 950,000) Lilium N.V. Class B shares in exchange for 350,000 (2022: 950,000) Class A shares in 2023, described in note 21. No further consideration was paid under the transactions.

Transactions with other related parties

Investment in joint venture

In June 2021, the Group closed a licensing agreement for the use of Ionblox's intellectual property, to be paid as a royalty rate on battery capacity manufactured for the Lilium Jet. The licensing agreement stipulates a minimum fee to be paid from 2026 onward for use of Ionblox's battery technology. In the same month, the Group signed an amendment to an existing Development agreement with Ionblox, extending an exclusivity period for the use of Ionblox's licensed technology.

During the year ended December 31, 2023, the Group recognized €254 thousand (2022: €1,323 thousand) in research and development expenses under the existing Development agreement with Ionblox. As of December 31, 2023, a balance of €22 thousand (2022: €1,226 thousand) is held in trade and other payables.

As of December 31, 2023, the Group has a non-cancelable commitment of €7,240 thousand (2022: €7,702 thousand) on the Development agreement. Further, the Group has committed to capital expenditure of €3,526 thousand (2022: nil) with Ionblox.

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 2023 with a fee reduction of €1,810 thousand (\$2,000 thousand) which would be allocated to the remaining years. Additionally, during the same year in 2023 the Group also agreed to a fee increase of €205 thousand (\$227 thousand). The shareholder has no significant influence over the Group.

During the year, the Group recognized €8,895 thousand (2022: €13,527 thousand) in General and Administration expenses for the services rendered. During the year, the Group issued 9,672,897 Class A shares to settle a total amount of €9,389 thousand on the contract.

In November 2022, the Group entered into a contract to increase the scope of services delivered by €4,558 thousand (\$4,500 thousand). During 2023 the Group settled the balance by issuing 3,101,523 Class A shares as disclosed in note 22.

As of December 31, 2023, the Group has remaining commitments under the contract of €18,846 thousand (2022: €26,894 thousand).

32. Events after the Reporting Period

There were no material adjusting or non-adjusting subsequent events after December 31, 2023.

**Description of Securities
Registered Pursuant to Section 12 of the
Securities Exchange Act of 1934**

As of December 31, 2023, Liliium N.V. (the “Company,” “Liliium,” “we,” “us” or “our”) had two classes of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended: (a) class A ordinary shares with a nominal value of €0.01 per share (“Class A Shares”) and (b) warrants to purchase Class A Shares at a price of \$11.50 per share, subject to adjustment, trading on Nasdaq under the symbol “LILMW” (the “Public Warrants”).

The following descriptions do not purport to be complete and are subject to the Company’s amended articles of association (the “articles of association”) and the warrant agreement, as amended pursuant to an assignment, assumption and amendment agreement, relating to the Public Warrants (the “Warrant Agreement”), copies of which have been filed as exhibits to the Company’s Annual Report on Form 20-F (the “Annual Report”) of which this Exhibit 2.1 is a part, and, in the case of the articles of association, are subject to provisions of applicable Dutch law. Capitalized terms used but not defined herein have the meanings given to them in the Annual Report.

Overview

We were incorporated as Qell DutchCo B.V. on March 11, 2021 as a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) under Dutch law and were renamed Liliium B.V. by separate deed of amendment of the articles of association on April 8, 2021. In connection with the consummation of the Business Combination, we converted into a Dutch public limited liability company (*naamloze vennootschap*), Liliium N.V., pursuant to a deed of conversion and amendment of our articles of association adopted on September 10, 2021 (as amended, the “articles of association”). We are registered in the Commercial Register of the Chamber of Commerce (*Kamer van Koophandel*) in the Netherlands under number 82165874.

Our class A ordinary shares are subject to, and have been created under, Dutch law. Set forth below is a summary of relevant information concerning the material provisions of the articles of association and applicable Dutch law.

Liliium is a Dutch public limited liability company (*naamloze vennootschap*). Liliium has a one-tier board structure, which consists of ten members, two executive directors and eight non-executive directors, as discussed in more detail under “Item 6. Directors, Senior Management and Employees—C. Board Practices—Board Structure.”

Share Capital

Authorized Share Capital

Under Dutch law, the authorized share capital of a public limited liability company is the maximum capital that we may issue without amending the articles of association and may be a maximum of five times the issued capital. At the Company’s extraordinary general meeting on May 25, 2023 (the “EGM”), the Company’s shareholders approved the reduction of the nominal value of each Class A Share, Class B Share and Class C Share to €0.01, €0.03 and €0.02, respectively, and the related reduction of the authorized share capital of the Company to €16,204,517.36, which became effective on August 1, 2023 (the “Share Capital Reduction”). The articles of association provide for an authorized share capital in the amount of €16,204,517.36, which will be divided into:

1,498,386,411 Class A ordinary Shares;

24,413,065 Class B Shares; and

24,413,065 Class C Shares.

As of the moment the Company's issued and outstanding share capital amounts to €15,000,000, the authorized share capital shall automatically increase to € 33,993,333.30, which will be divided into:

- 3,277,268,005 Class A ordinary shares with a nominal value of €0.01 per share;
- 24,413,065 Class B ordinary shares with a nominal value of €0.03 per share; and
- 24,413,065 Class C ordinary shares with a nominal value of €0.02 per share.

Issued and Outstanding Share Capital

Our issued and outstanding share capital as of December 31, 2023 consisted of:

- 503,466,142 Class A Shares; and
- 23,113,065 Class B Shares.

Authorization of Issuance of Shares

Under Dutch law, shares are issued and rights to subscribe for shares are granted pursuant to a resolution of the General Meeting. The articles of association provide that Shares may be issued pursuant to (i) a resolution proposed by the Board and adopted by the General Meeting or (ii) a resolution of the Board if, pursuant to a resolution of the General Meeting, the Board has been authorized for a specific period not exceeding five years to issue Shares. Pursuant to the articles of association, the General Meeting may authorize the Board to issue Shares or grant rights to subscribe for Shares. The authorization can be granted and extended, in each case for a period not exceeding five years. For as long as, and to the extent that, such authorization is effective, the General Meeting will not have the power to issue Shares or grant rights to subscribe for Shares. Pursuant to the articles of association, Shares shall be issued up to the amount of the authorized share capital (from time to time).

Currently, the Board is irrevocably authorized to (i) issue Class A Shares and to grant rights to subscribe for Class A Shares, all to the extent the Company has committed itself in connection with the employee stock option program implemented by Liliium GmbH in 2017, the Liliium 2021 Equity Incentive Plan and the Liliium 2021 Employee Share Purchase Plan for a period of five years as of September 10, 2021, in an amount up to a maximum of 46,725,378 Class A Shares (the "Incentive Plan Delegation"), (ii) issue Class A Shares and to grant rights to subscribe for Class A Shares for a period of 36 months from July 7, 2023 up to 10% of the issued share capital calculated as of July 7, 2023 (the "July 2023 Issuance Delegation"), and (iii) issue Class A Shares and grant rights to subscribe for Class A Shares for a period of 36 months from September 11, 2023 up to 10% of the issued share capital calculated as of September 11, 2023 (the "September 2023 Issuance Delegation").

Conversion of Class B Shares

Class B Shares may only be Transferred (as defined in the articles of association) to (i) Permitted Transferees (as defined in the articles of association) or (ii) Liliium. A Class B Share will be converted into one Class A Share and one Class C Share (in accordance with the articles of association) upon the occurrence of a Conversion Event or a Shares B Compulsory Conversion Event (each as defined in the articles of association). If a Class C Share is held by anyone other than Liliium (whether or not as a consequence of conversion), such holder of Class C Shares (a Transferor) must notify Liliium of this fact by written notice within three days after the occurrence of such event, following the failure of which Liliium is irrevocably empowered and authorized to offer and transfer the relevant Class C Shares. The Transferor, other than Liliium itself, must transfer such Class C Shares to Liliium for no consideration. The end result of the conversion of Class B Shares is that a Liliium shareholder will acquire one Class A Share for each converted Class B Share. If Liliium fails to accept the offered Class C Shares from the Transferor within three months after receipt of notice, the Transferor's dividend rights attached to its Class C Shares will revive.

In addition, an Initial Qualified Holder (as defined in the articles of association) may convert its Class B Shares into one Class A Share and one Class C Share for each Class B Share. Such Initial Qualified Holder must notify the non-

executive directors of the Board of such conversion by written notice. The business day following the date of such written notice shall be considered as the date of the conversion.

Pre-emptive Rights

Under the articles of association, each holder of Class A Shares or Class B Shares (as applicable) shall have a pre-emption right pro rata to the total number of (in aggregate) Class A Shares and Class B Shares (whereby the Class A Shares and Class B Shares shall, for the purposes hereof, be treated as a single class of shares) held by such person on the date of the resolution to issue the Class A Shares and/or Class B Shares, it being understood that this pre-emption right shall not apply to an issuance of Class A Shares:

- to employees of Liliium or employees of a Liliium group company; and
- to a person exercising a previously obtained right to acquire Class A Shares or Class B Shares, in accordance with the provisions of the articles of association.

No pre-emption rights shall apply in respect of an issuance of Class C Shares. The pre-emptive rights in respect of newly issued Class A Shares or Class B Shares may be restricted or excluded by a resolution of the General Meeting, upon proposal by the Board. Pursuant to the articles of association, the General Meeting may authorize the Board to limit or exclude the pre-emptive rights in respect of newly issued Class A Shares or Class B Shares. Such authorization for the Board can be granted and extended, in each case for a period not exceeding five years. A resolution of the General Meeting to restrict or exclude the pre-emptive right or to authorize the Board to limit or exclude the pre-emptive rights requires a majority of at least two-thirds of the votes cast, if less than half of the issued capital is represented at the General Meeting.

The Board is currently irrevocably authorized (i) for a period of five years as of September 10, 2021 to limit or exclude pre-emptive rights in relation to the issuance of Class A Shares or rights to subscribe for Class A Shares under the Incentive Plan Delegation, (ii) for a period of 36 months following July 7, 2023, to limit or exclude pre-emptive rights in relation to the issuance of Class A Shares or rights to subscribe for Class A Shares under the July 2023 Issuance Delegation, and (iii) for a period of 36 months following September 11, 2023, to limit or exclude pre-emptive rights in relation to the issuance of Class A Shares or rights to subscribe for Class A Shares under the September 2023 Issuance Delegation.

Transfer of Shares

Under Dutch law, transfers of Shares (other than in book-entry form) require a written deed of transfer and, unless Liliium is a party to the deed of transfer, an acknowledgement by or proper service upon Liliium to be effective.

Under the articles of association, if one or more Shares are admitted to trading on Nasdaq or any other Regulated Market (as defined in the articles of association), Liliium may, by Board resolution, determine that the laws of the State of New York will apply to the property law aspects of the Shares included in the part of the register of shareholders kept by the relevant transfer agent. Such resolution, as well as the revocation thereof, must be made public as required by law and be made available for inspection at our office and the Dutch trade register. The Board adopted such a resolution effective as of the closing of the Business Combination.

There are no restrictions on the transferability of the Shares in the articles of association or under Dutch law, with the proviso that (i) Class B Shares can only be transferred to (a) Permitted Transferees (as defined in the articles of association) and/or (b) the Company and (ii) if at any time Class C Shares are held by anyone other than the Company (regardless as a consequence of conversion), such holder of Class C Shares (a "Transferor") must notify Liliium of this fact by written notice within three days after the occurrence of such event, following the failure of which Liliium is irrevocably empowered and authorized to offer and transfer the relevant Class C Shares. The Transferor, other than Liliium itself, must transfer such Class C Shares to Liliium for no consideration. However, the issuance and offering of Shares to persons located or resident in, or who are citizens of, or who have a registered address in certain countries, and the transfer of Shares into certain jurisdictions, may be subject to specific regulations or restrictions.

Form of Shares

Pursuant to the articles of association, Shares are registered shares.

Purchase and Repurchase of Shares

Under Dutch law, Liliium may not subscribe for newly issued Shares. Liliium may acquire Shares, subject to applicable provisions and restrictions of Dutch law and the articles of association, to the extent that:

- such Shares are fully paid-up;
- our equity capital, reduced by the acquisition price of the Shares, is not less than the sum of the issued and paid-up capital and the reserves to be maintained pursuant to Dutch law or the articles of association;
- following the transaction contemplated, at least one Share remains outstanding and is not held by Liliium; and
- since Liliium's Class A Shares are admitted to trading on a Regulated Market (as defined in the articles of association), the nominal value of the Shares to be acquired, already held by Liliium or already held by Liliium as pledgee or that are held by Liliium subsidiaries, does not exceed 50% of our issued capital.

Other than Shares acquired gratuitously (*om niet*) or under universal title of succession (*onder algemene titel*) (e.g., through a merger or demerger) under statutory Dutch or other law, Liliium may acquire Shares pursuant to the restrictions set out above only if the General Meeting has authorized the Board to do so. An authorization by the General Meeting for the acquisition of Shares can be granted for a maximum period of 18 months. Such authorization must specify the number of Shares that may be acquired, the manner in which these shares may be acquired and the price range within which the shares may be acquired. No authorization of the General Meeting is required if Shares are acquired by Liliium on Nasdaq with the intention of transferring such Shares to our employees or employees of a group company pursuant to an arrangement applicable to them. Liliium cannot derive any right to any distribution from Shares or voting rights attached to Shares acquired by it.

Capital Reduction

The General Meeting may resolve to reduce our issued share capital by (i) cancelling Shares or (ii) reducing the nominal value of the Shares by amending the articles of association (provided that the nominal value of a Share cannot be less than €0.01). In either case, this reduction would be subject to applicable statutory provisions. A resolution to cancel Shares may only relate to Shares held by Liliium itself or in respect of which Liliium holds the depository receipts. Under Dutch law, a resolution of the General Meeting to reduce the number of Shares must designate the Shares to which the resolution applies and must lay down rules for the implementation of the resolution. A resolution of the General Meeting to reduce the capital requires a majority of at least two-thirds of the votes cast, if less than half of the issued capital is represented at the General Meeting.

A reduction of the nominal value of Shares without repayment and without release from the obligation to pay up the Shares must be effectuated proportionally on shares of the same class (unless all affected shareholders agree to a disproportional reduction).

A resolution that would result in a reduction of capital requires approval by a majority of the votes cast of each group of shareholders of the same class whose rights are prejudiced by the reduction. In addition, a reduction of capital involves a two-month waiting period during which creditors have the right to object to a reduction of capital under specified circumstances.

At the General Meeting held on July 7, 2023, the Company's shareholders voted to approve the cancellation of the 770,000 Class C Shares held in treasury, which were canceled on September 13, 2023 following expiration of the requisite two-month objection period in accordance with Dutch law. As a consequence of the cancellation becoming effective, the aggregate nominal value of the 770,000 Class C Shares was added to the distributable reserves of the Company.

General Meetings and Voting Rights

General Meetings

General Meetings are held in Amsterdam, Rotterdam, Utrecht, the Hague or in Haarlemmermeer (Schiphol Airport), the Netherlands. All of our shareholders and others entitled to attend the General Meetings are authorized to address the meeting and, in so far as they have such right, to vote, either in person or by proxy.

We shall hold at least one General Meeting each year, to be held within six months after the end of our financial year, or later, as may be permitted by Dutch law. A General Meeting shall also be held within three months after the Board has determined it to be likely that our equity has decreased to an amount equal to or lower than half of its paid up and called up capital, in order to discuss the measures to be taken if so required. If the Board fails to hold such General Meeting in a timely manner, each shareholder and other person entitled to attend the General Meeting may be authorized by the Dutch court to convene the General Meeting.

The Board may convene additional extraordinary General Meetings at its discretion, subject to the notice requirements described below. Pursuant to Dutch law, one or more shareholders, alone or jointly representing at least 10% of our issued share capital, may request that a General Meeting be convened, the request setting out in detail the matters to be considered. If no General Meeting has been held within eight weeks of the shareholder(s) making such request, that/those shareholder(s) will be authorized to request in summary proceedings a Dutch district court to convene a General Meeting.

The General Meeting is convened by a notice, which includes an agenda stating the items to be discussed and the location and time of the General Meeting. For the annual General Meeting, the agenda will generally include, among other things, the management report (as far as required by law), the adoption of our annual accounts and the granting of discharge from liability to members of the Board for actions in respect of their management during the preceding financial year. In addition, the agenda for a General Meeting includes such additional items as determined by the Board. Pursuant to Dutch law, one or more shareholders and/or others entitled to attend General Meetings, alone or jointly representing at least 3% of the issued share capital, have the right to request the inclusion of additional items on the agenda of General Meetings. Such requests must be made in writing, and may include a proposal for a shareholder resolution, and must be received by us no later than on the 60th day before the day the relevant General Meeting is scheduled to be held. In accordance with the DCGC (as defined below), a shareholder is expected to exercise the right of putting an item on the agenda only after consulting the Board in that respect. If one or more shareholders intend to request that an item be put on the agenda that may result in a change in the Company's strategy, the Board may invoke a response time of a maximum of 180 days from the moment the Board is informed of the request. No resolutions may be adopted on items other than those that have been included in the agenda (unless the resolution would be adopted unanimously during a meeting where the entire issued capital of the Company is present or represented).

In addition to the DCGC, the Board may invoke a statutory cooling-off period up to a maximum of 250 days (*wettelijke bedenktijd*) as set out in the Dutch Civil Code. For the Company, the statutory cooling-off period will apply in case:

- shareholders requesting the Board to have the General Meeting consider a proposal for the appointment, suspension or dismissal of one or more directors, or a proposal for the amendment of one or more provisions in the articles of association relating thereto; or
- a public offer for shares in the capital of the Company is announced or made without the bidder and the Company having been reached agreement about the offer; and
- only if the Board also considers the relevant situation to be substantially contrary to the interests of the Company and its affiliated enterprises.

If the Board invokes such cooling-off period, this causes the powers of the General Meeting to appoint, suspend or dismiss directors (and to amend the articles of association in this respect) being suspended.

The Board must use the reflection period to obtain all necessary information for a careful determination of policy it wishes to pursue in the given situation. The Board shall thereby, in any event, consult those shareholders that represent at least 3% of the issued capital at the time the cooling-off period is invoked and the works council (to the extent established). The position of these shareholders and the works council shall, but only with their approval, be published on the Company's website. The Board shall report on the course of events and the policy that has been pursued since the cooling-off period was invoked. No later than one week after the last day of the cooling-off period, the Company shall have to publicly disclose the report. The report shall also be discussed at the first General Meeting after the expiry of the cooling-off period.

The cooling-off period has a maximum term of 250 days, calculated from:

- the day after the latest date on which shareholders may request an item to be placed on the agenda of the next General Meeting (which is 60 days before the day of the meeting);
- the day after the day on which the public offer is made; or
- the day the court in preliminary relief proceedings has granted authority to shareholders holding at least 10% of the issued share capital to convoke a General Meeting.

All shareholders who solely or jointly hold 3% of the issued share capital may request the Enterprise Chamber of the Court of Appeal in Amsterdam (*Ondernemingskamer van het Gerechtshof te Amsterdam*) (the "Enterprise Chamber") to terminate the cooling-off period. The Enterprise Chamber must rule in favor of the request if the shareholders can demonstrate that:

- the Board, in light of the circumstances at hand when the cooling-off period was invoked, could not reasonably have concluded that the relevant proposal or hostile offer constituted a material conflict with the interests of our Company and its business;
- the Board cannot reasonably believe that a continuation of the cooling-off period would contribute to careful policy-making; and
- other defensive measures, having the same purpose, nature and scope as the cooling-off period, have been activated during the cooling-off period and have not since been terminated or suspended within a reasonable period at the relevant shareholders' request (i.e., no "stacking" of defensive measures).

We will give notice of each General Meeting by publication on our website and, to the extent required by applicable law, in a Dutch daily newspaper with national distribution and in any other manner that we may be required to follow in order to comply with Dutch law and applicable stock exchange and SEC requirements. We will observe the statutory minimum convening notice period for a General Meeting.

Holders of registered shares may further be provided notice of the meeting in writing at their addresses as stated in our shareholders' register.

Pursuant to the articles of association and Dutch law, the Board may determine a record date (*registratiedatum*) of 28 calendar days prior to a General Meeting to establish which shareholders and others with meeting rights are entitled to attend and, if applicable, vote at the General Meeting. The record date, if any, and the manner in which shareholders can register and exercise their rights will be set out in the notice of the General Meeting.

Pursuant to the articles of association, the General Meeting is presided over by the Chairman of the Board or, if he is absent, by one of the other non-executive directors designated for that purpose by the Board. If no non-executive directors are present at the meeting, the General Meeting shall be presided by one of the executive director designated for that purpose by the Board.

Voting Rights and Quorum

In accordance with Dutch law and the articles of association, and in each case without prejudice to the Voting Cap (as defined hereinafter) being applicable to any shareholder:

- each Class A Share confers the right to cast 1 vote in a General Meeting;
- each Class B Share confers the right to cast 3 votes in a General Meeting; and
- each Class C Share confers the right to cast 2 votes in a General Meeting.

No votes may be cast at a General Meeting in respect of Shares that are held by the Company or any subsidiary, nor in respect of Shares for which the Company or any subsidiary holds depositary receipts. However, holders of a right of pledge or a right of usufruct on Shares held by the Company or a subsidiary are not excluded from voting, if the right of pledge or the usufruct was created before the Share belonged to the Company or the subsidiary. The Company or the subsidiary may not cast a vote in respect of a Share on which it holds a right of pledge or a right of usufruct.

Voting rights may be exercised by shareholders or by a duly appointed proxy holder (the written proxy being acceptable to the chairman of the General Meeting) of a shareholder, which proxy holder does not need to be a shareholder. Only the holder of a usufruct or pledge on Class A Shares shall have the voting rights attached thereto if so transferred and provided for when the usufruct or pledge was created.

The voting of any shareholder who opts in for the Shareholders' Covenant (as defined in the articles of association) and is in breach of its commitment not to hold and/or acquire more than 24.9% of the total voting rights exercisable in the General Meeting, is capped at 24.9% of the votes that may be issued in the relevant General Meeting (the "Voting Cap"). The foregoing is subject to the Board determining that the relevant shareholder is in breach of its Shareholders' Covenant.

Each of our shareholders is obliged to provide the Board with all information relevant to assess the applicability of the Voting Cap to the number of votes in the General Meeting available to such shareholder.

Under the articles of association, blank votes (votes where no choice has been made) and invalid votes shall not be counted as votes cast.

Resolutions of the shareholders are adopted at a General Meeting by a majority of votes cast, except where Dutch law or the articles of association provide for a special majority in relation to specified resolutions. Subject to any provision of mandatory Dutch law, the articles of association do not provide for a quorum requirement other than for the following:

- (i) a resolution to amend the articles of association as result of which one or more of the following articles is amended or abolished requires the prior approval of the Class A Shares, which approval can only be granted by a majority of the votes cast in a meeting in which at least 50% of the issued and outstanding Class A Shares are present or represented:
 - article 1 subsections j, n, s, aa, bb, dd, mm or nn;
 - article 4 paragraph 2 or paragraph 3, to the extent it concerns a change of the nominal value of the Shares;
 - article 4A;
 - article 7 paragraph 1 or paragraph 2;
 - article 16 paragraph 10, paragraph 11 or paragraph 12;
 - article 22 paragraph 5;
 - article 26 paragraph 4; and

- (ii) a resolution to amend the articles of association as a result of which article 14 paragraph 3 or article 26 paragraph 5 is amended or abolished, which requires within the first three years after the Closing Date a majority of at least 85% of the votes cast in a meeting in which at least 85% of the issued and outstanding share capital is present or represented.

Subject to certain restrictions in the articles of association, the determination during the General Meeting made by the chairman of that General Meeting with regard to the results of a vote shall be decisive. The Board will keep a record of the resolutions taken at each General Meeting.

Amendment of Articles of Association

At a General Meeting, at the proposal of the Board, the General Meeting may resolve to amend the articles of association. A resolution to amend the articles of association that negatively impacts the rights of holders of Class B Shares requires the prior approval of the Class B Shares voting as a separate class.

Merger, Demerger and Dissolution

At a General Meeting, at the proposal of the Board, the General Meeting may resolve to dissolve, or to legally merge or demerge the Company within the meaning of Title 7, Book 2 of the Dutch Civil Code. Such resolution requires a majority of at least two-thirds the votes cast, if less than half of the issued capital is represented at the General Meeting.

In the event of dissolution of the Company and unless Dutch law provides otherwise, the liquidation shall be effected by the Board unless the General Meeting appoints one or more other persons for this purpose.

Squeeze Out

A shareholder who for its own account (or together with its group companies) holds at least 95% of our issued share capital may institute proceedings against the other shareholders jointly for the transfer of their shares to the shareholder who holds such 95% majority. The proceedings are held before the Enterprise Chamber and can be instituted by means of a writ of summons served upon each of the minority shareholders in accordance with the provisions of the Dutch Code of Civil Procedure (Wetboek van Burgerlijke Rechtsvordering). The Enterprise Chamber may grant the claim for squeeze-out in relation to all minority shareholders and will determine the price to be paid for the shares, if necessary after appointment of one or three expert(s) who will offer an opinion to the Enterprise Chamber on the value of the shares of the minority shareholders. Once the order to transfer by the Enterprise Chamber becomes final and irrevocable, the majority shareholder that instituted the squeeze-out proceedings shall give written notice of the date and place of payment and the price to the holders of the shares to be acquired whose addresses are known to the majority shareholder.

Unless the addresses of all minority shareholders are known to the majority shareholder acquiring the shares, the majority shareholder is required to publish the same in a newspaper with a national circulation.

Any sale or transfer of all of our assets (see “— Certain Other Major Transactions” below) and our dissolution or liquidation is subject to approval by a majority of the votes cast in our General Meeting (see “— *Merger, Demerger and Dissolution*” above).

Certain Other Major Transactions

The articles of association and Dutch law provide that resolutions of the Board concerning a material change in our identity, character or business are subject to the approval of the General Meeting. Such changes include:

- a transfer of all or materially all of our business/enterprise to a third party;
- the entry into or termination of a long-lasting cooperation of the Company or of a subsidiary either with another legal person or company, or as a fully liable general partner of a limited partnership or a general partnership, if this cooperation or termination is of essential importance to the Company; and

- the acquisition or disposition of a participating interest in the capital of a company by the Company or by one of our subsidiaries with a value of at least one third of the value of our assets, according to the balance sheet with explanatory notes or, if we prepare a consolidated balance sheet, according to the consolidated balance sheet with explanatory notes in our most recently adopted annual accounts.

Notices

We will give notice of each General Meeting by publication on our website and, to the extent required by applicable law, in a Dutch daily newspaper with national distribution, and in any other manner that we may be required to follow to comply with Dutch law and applicable stock exchange and SEC requirements. Holders of registered shares may further be provided notice of the meeting in writing at their addresses as stated in our shareholders' register.

Dividends and Other Distributions

We may only make distributions to our shareholders if our shareholders' equity exceeds the sum of the paid-up and called-up share capital and the reserves that must be maintained under Dutch law or by the articles of association.

Distribution of profits shall be made after the adoption of the financial statements from which it appears that the distribution is allowed. The holders of Class A Shares and Class B Shares shall be entitled *pari passu* to the profits of the Company, pro rata to the total number of Class A Shares and Class B Shares held, provided that out of the profit of any financial year, the holders of Class C Shares shall be entitled to a maximum amount per financial year equal to 0.1% of the nominal value of such Class C Shares. The Board is permitted to declare interim dividends without the approval of the General Meeting. Interim dividends may be declared as provided in the articles of association and may be distributed to the extent that our shareholders' equity, based on interim financial statements, exceeds the sum of the paid-up and called-up share capital and the reserves that must be maintained under Dutch law or the articles of association. We may reclaim any distributions, whether interim or not interim, made in contravention of Dutch law or the articles of association from our shareholders that knew or should have known that such distribution was not permissible. In addition, on the basis of Dutch case law, if after a distribution we are not able to pay our due and collectable debts, then our shareholders or directors who at the time of the distribution knew or reasonably should have foreseen that result may be liable to our creditors.

Shares owned by the Company shall not bear any dividend rights unless rights of usufruct are created in respect of such Shares prior to the acquisition by the Company, in which case the holder of usufruct shall be entitled to any dividends on the underlying Shares.

The corporate body that declares the (interim) dividend may determine that distributions shall be made in whole or in part in a currency other than the Euro. The Board will set the record date to establish which shareholders (or usufructuaries or pledgees, as the case may be) are entitled to the distribution, such date not being earlier than the date on which the distribution was announced. Claims for payment of dividends and other distributions not made within five years from the date that such dividends or distributions became payable will lapse, and any such amounts will be considered to have been forfeited to us (*verjaring*). Unless the General Meeting resolves, at the proposal of the Board, upon a different term for that purpose, dividends shall be made payable within 30 days after they are declared.

The General Meeting declaring a dividend may, upon proposal of the Board, decide that such dividend will be distributed, wholly or partly, other than in cash.

We do not anticipate paying any dividends on Shares for the foreseeable future. See the section entitled "*Dividend Policy*."

Exchange Controls and other Provisions relating to non-Dutch Shareholders

Under Dutch law, subject to the 1977 Sanction Act (*Sanctiewet 1977*) or otherwise by international sanctions, there are no exchange control restrictions on investments in, or payments on, Shares (except as to cash amounts). There are no special restrictions in the articles of association or Dutch law that limit the right of shareholders who are not citizens or residents of the Netherlands to hold or vote Shares.

Public Warrants

As of December 31, 2023, there were 12,649,936 Public Warrants outstanding.

The Public Warrants, which entitle the holder to purchase one Class A Share at an exercise price of \$11.50 per Class A Share, became exercisable thirty days after the completion of the Business Combination. The Public Warrants will expire five years after the completion of the Business Combination or earlier upon redemption or liquidation in accordance with their terms.

We will not be obligated to deliver any Class A Shares pursuant to the exercise of a Public Warrant and will have no obligation to settle such warrant exercise unless a registration statement under the Securities Act with respect to the Class A Shares underlying the Public Warrants is then effective and a prospectus relating thereto is current, subject to our satisfying our obligations described below with respect to registration, or a valid exemption from registration is available. No Public Warrant will be exercisable and we will not be obligated to issue a Class A Share upon exercise of a Public Warrant unless the Class A Share issuable upon such warrant exercise has been registered, qualified or deemed to be exempt under the securities laws of the state of residence of the registered holder of the warrants. In the event that the conditions in the two immediately preceding sentences are not satisfied with respect to a Public Warrant, the holder of such Public Warrant will not be entitled to exercise such Public Warrant and such Public Warrant may have no value and expire worthless. In no event will we be required to net cash settle any Public Warrant.

Under the terms of the warrant agreement relating to the Public Warrants (the “Warrant Agreement”), we were obligated, as soon as practicable, but in no event later than 20 business days after the closing of the Business Combination, to use commercially reasonable efforts to file with the SEC a registration statement covering the Class A Shares issuable upon exercise of the Public Warrants. We were obligated to use commercially reasonable efforts to cause the same to become effective within 60 business days after the closing of the Business Combination, and we are obligated to maintain the effectiveness of such registration statement and a current prospectus relating to those Class A Shares until the Public Warrants expire or are redeemed, as specified in the Warrant Agreement; provided that if the Class A Shares are at the time of any exercise of a Public Warrant not listed on a national securities exchange such that they satisfy the definition of a “covered security” under Section 18(b)(1) of the Securities Act, we may, at our option, require holders of Public Warrants who exercise their warrants to do so on a “cashless basis” in accordance with Section 3(a)(9) of the Securities Act and, in the event we so appoint, we will not be required to file or maintain in effect a registration statement. If a registration statement covering the Class A Shares issuable upon exercise of the Public Warrants is not effective, Public Warrant holders may, until such time as there is an effective registration statement and during any period when we will have failed to maintain an effective registration statement, exercise Public Warrants on a “cashless basis” in accordance with Section 3(a)(9) of the Securities Act or another exemption, but we will use our best efforts to register or qualify the shares under applicable blue sky laws to the extent an exemption is not available.

Redemption of Public Warrants for cash when the price per Class A Share equals or exceeds \$18.00. We may call the outstanding Public Warrants for redemption:

- in whole and not in part;
- at a price of \$0.01 per warrant;
- upon not less than 30 days’ prior written notice of redemption to each Public Warrant holder; and
- if, and only if, the closing price of the Class A Shares for any 20 trading days within a 30-trading day period ending on the third trading day prior to the date on which notice of the redemption is given to the Public Warrant holders (the “Reference Value”) equals or exceeds \$18.00 per share (subject to adjustment as described below).

We will not redeem the Public Warrants as described above unless a registration statement under the Securities Act covering the issuance of the Class A Shares issuable upon exercise of the Public Warrants is then effective and a current prospectus relating to those shares is available throughout the 30-day redemption period. If and when the Public Warrants become redeemable by us, we may exercise our redemption right even if we are unable to register or qualify the underlying

securities for sale under all applicable state securities laws. As a result, we may redeem the Public Warrants as set forth above even if the holders are otherwise unable to exercise the Public Warrants.

If the foregoing conditions are satisfied and we issue a notice of redemption of the Public Warrants, each Public Warrant holder will be entitled to exercise his, her or its Public Warrant prior to the scheduled redemption date.

Redemption of Public Warrants for cash when the price per Class A Share equals or exceeds \$10.00. We may redeem the outstanding Public Warrants:

- in whole and not in part;
- at \$0.10 per warrant upon a minimum of 30 days’ prior written notice of redemption; provided that holders will be able to exercise their Public Warrants on a cashless basis prior to redemption and receive that number of shares determined by reference to the table below, based on the redemption date and the “fair market value” of the Class A Shares (as defined below);
- if, and only if, the Reference Value equals or exceeds \$10.00 per share (subject to adjustment as described below); and
- if the Reference Value is less than \$18.00 per share (subject to adjustment as described below), the Private Warrants must also be concurrently called for redemption on the same terms as the outstanding Public Warrants, as described above.

The numbers in the table below represent the number of Class A Shares that a Public Warrant holder will receive upon exercise in connection with a redemption by us pursuant to this redemption feature, based on the “fair market value” of the Class A Shares on the corresponding redemption date (assuming holders elect to exercise their Public Warrants and such are not redeemed for \$0.10 per warrant), determined based on volume-weighted average price of the Class A Shares as reported during the 10 trading days immediately following the date on which the notice of redemption is sent to the affected holders of Public Warrants, and the number of months that the corresponding redemption date precedes the expiration date of the Public Warrants, each as set forth in the table below. We will provide our Public Warrant holders with the final fair market value no later than one business day after the 10-trading day period described above ends.

The share prices set forth in the column headings of the table below will be adjusted as of any date on which the number of Class A Shares issuable upon exercise of a Public Warrant or the exercise price of the Public Warrant is adjusted as set forth under the heading “—*Anti-dilution Adjustments*” below. If the number of shares issuable upon exercise of a Public Warrant is adjusted, the adjusted share prices in the column headings will equal the share prices immediately prior to such adjustment, multiplied by a fraction, the numerator of which is the exercise price of the Public Warrant after such adjustment and the denominator of which is the price of the Public Warrant immediately prior to such adjustment. In such an event, the number of shares in the table below shall be adjusted by multiplying such share amounts by a fraction, the numerator of which is the number of shares deliverable upon exercise of a Public Warrant immediately prior to such adjustment and the denominator of which is the number of shares deliverable upon exercise of a Public Warrant as adjusted.

Redemption Date (period to expiration of Public Warrants)	Fair Market Value of Class A Shares								
	≤\$10.00	\$11.00	\$12.00	\$13.00	\$14.00	\$15.00	\$16.00	\$17.00	≥\$18.00
60 months	0.261	0.281	0.297	0.311	0.324	0.337	0.348	0.358	0.361
57 months	0.257	0.277	0.294	0.310	0.324	0.337	0.348	0.358	0.361
54 months	0.252	0.272	0.291	0.307	0.322	0.335	0.347	0.357	0.361
51 months	0.246	0.268	0.287	0.304	0.320	0.333	0.346	0.357	0.361
48 months	0.241	0.263	0.283	0.301	0.317	0.332	0.344	0.356	0.361
45 months	0.235	0.258	0.279	0.298	0.315	0.330	0.343	0.356	0.361
42 months	0.228	0.252	0.274	0.294	0.312	0.328	0.342	0.355	0.361

39 months	0.221	0.246	0.269	0.290	0.309	0.325	0.340	0.354	0.361
36 months	0.213	0.239	0.263	0.285	0.305	0.323	0.339	0.353	0.361
33 months	0.205	0.232	0.257	0.280	0.301	0.320	0.337	0.352	0.361
30 months	0.196	0.224	0.250	0.274	0.297	0.316	0.335	0.351	0.361
27 months	0.185	0.214	0.242	0.268	0.291	0.313	0.332	0.350	0.361
24 months	0.173	0.204	0.233	0.260	0.285	0.308	0.329	0.348	0.361
21 months	0.161	0.193	0.223	0.252	0.279	0.304	0.326	0.347	0.361
18 months	0.146	0.179	0.211	0.242	0.271	0.298	0.322	0.345	0.361
15 months	0.130	0.164	0.197	0.230	0.262	0.291	0.317	0.342	0.361
12 months	0.111	0.146	0.181	0.216	0.250	0.282	0.312	0.339	0.361
9 months	0.090	0.125	0.162	0.199	0.237	0.272	0.305	0.336	0.361
6 months	0.065	0.099	0.137	0.178	0.219	0.259	0.296	0.331	0.361
3 months	0.034	0.065	0.104	0.150	0.197	0.243	0.286	0.326	0.361
0 months	—	—	0.042	0.115	0.179	0.233	0.281	0.323	0.361

The exact fair market value and redemption date may not be set forth in the table above, in which case, if the fair market value is between two values in the table or the redemption date is between two redemption dates in the table, the number of Class A Shares to be issued for each Public Warrant exercised will be determined by a straight-line interpolation between the number of shares set forth for the higher and lower fair market values and the earlier and later redemption dates, as applicable, based on a 365 or 366-day year, as applicable. For example, if the volume-weighted average price of the Class A Shares as reported during the 10 trading days immediately following the date on which the notice of redemption is sent to the holders of the Public Warrants is \$11.00 per share, and at such time there are 57 months until the expiration of the Public Warrants, holders may choose to, in connection with this redemption feature, exercise their warrants for 0.277 Class A Shares for each Public Warrant. For an example where the exact fair market value and redemption date are not as set forth in the table above, if the volume-weighted average price of the Class A Shares as reported during the 10 trading days immediately following the date on which the notice of redemption is sent to the holders of the Public Warrants is \$13.50 per share, and at such time there are 38 months until the expiration of the Public Warrants, holders may choose to, in connection with this redemption feature, exercise their Public Warrants for 0.298 Class A Shares for each Public Warrant. In no event will the Public Warrants be exercisable in connection with this redemption feature for more than 0.361 Class A Shares per warrant (subject to adjustment).

No fractional Class A Shares will be issued upon exercise. If, upon exercise, a holder would be entitled to receive a fractional interest in a share, we will round down to the nearest whole number of the number of Class A Shares to be issued to the holder.

Anti-Dilution Adjustments

If the number of outstanding Class A Shares is increased by a capitalization or share dividend payable in Class A Shares, or by sub-divisions of Class A Shares or other similar event, then, on the effective date of such capitalization or share dividend, sub-divisions or similar event, the number of Class A Shares issuable on exercise of each Public Warrant will be increased in proportion to such increase in the outstanding Class A Shares. A rights offering made to all or substantially all holders of Class A Shares entitling holders to purchase Class A Shares at a price less than the “historical fair market value” (as defined below) will be deemed a share dividend of a number of Class A Shares equal to the product of (i) the number of Class A Shares actually sold in such rights offering (or issuable under any other equity securities sold in such rights offering that are convertible into or exercisable for Class A shares) and (ii) one minus the quotient of (x) the price per Class A Share paid in such rights offering and (y) the historical fair market value. For these purposes, (i) if the rights offering is for securities convertible into or exercisable for Class A Shares, in determining the price payable for Class A Shares, there will be taken into account any consideration received for such rights, as well as any additional amount payable upon exercise or conversion and (ii) “historical fair market value” means the volume-weighted average price of Class A Shares as reported during the 10 trading day period ending on the trading day prior to the first date on which the

Class A Shares trade on the applicable exchange or in the applicable market, regular way, without the right to receive such rights.

In addition, if we, at any time while the Public Warrants are outstanding and unexpired, pay a dividend or make a distribution in cash, securities or other assets to all or substantially all the holders of Class A Shares on account of such Class A Shares, other than (a) as described above or (b) any cash dividends or cash distributions which, when combined on a per share basis with all other cash dividends and cash distributions paid on the Class A Shares during the 365-day period ending on the date of declaration of such dividend or distribution does not exceed \$0.50 (as adjusted to appropriately reflect any other adjustments and excluding cash dividends or cash distributions that resulted in an adjustment to the exercise price or to the number of Class A Shares issuable on exercise of each Public Warrant) but only with respect to the amount of the aggregate cash dividends or cash distributions equal to or less than \$0.50 per share, then the Public Warrant exercise price will be decreased, effective immediately after the effective date of such event, by the amount of cash and/or the fair market value of any securities or other assets paid on each Class A Share in respect of such event.

If the number of outstanding Class A Shares is decreased by a consolidation, combination, reverse share sub-division or reclassification of Class A Shares or other similar event, then, on the effective date of such consolidation, combination, reverse share sub-division, reclassification or similar event, the number of Class A Shares issuable on exercise of each Public Warrant will be decreased in proportion to such decrease in outstanding Class A Shares.

Whenever the number of Class A Shares purchasable upon the exercise of the Public Warrants is adjusted, as described above, the exercise price will be adjusted by multiplying the exercise price immediately prior to such adjustment by a fraction (x) the numerator of which will be the number of Class A Shares purchasable upon the exercise of the Public Warrants immediately prior to such adjustment and (y) the denominator of which will be the number of Class A Shares so purchasable immediately thereafter.

In case of any reclassification or reorganization of the outstanding Class A Shares (other than those described above or that solely affects the par value of such Class A Shares), or in the case of any merger or consolidation of us with or into another corporation (other than a consolidation or merger in which we are the continuing corporation and that does not result in any reclassification or reorganization of our issued and outstanding Class A Shares), or in the case of any sale or conveyance to another corporation or entity of the assets or other property of us as an entirety or substantially as an entirety in connection with which we are dissolved, the holders of the Public Warrants will thereafter have the right to purchase and receive, upon the basis and upon the terms and conditions specified in the Public Warrants and in lieu of the Class A Shares immediately theretofore purchasable and receivable upon the exercise of the rights represented thereby, the kind and amount of Class A Shares or other securities or property (including cash) receivable upon such reclassification, reorganization, merger or consolidation, or upon a dissolution following any such sale or transfer, that the holder of the Public Warrants would have received if such holder had exercised their Public Warrants immediately prior to such event. If less than 70% of the consideration receivable by the holders of Class A Shares in such a transaction is payable in the form of Class A Shares in the successor entity that is listed for trading on a national securities exchange or is quoted in an established over-the-counter market, or is to be so listed for trading or quoted immediately following such event, and if the registered holder of the Public Warrant properly exercises the Public Warrant within thirty days following public disclosure of such transaction, the exercise price will be reduced as specified in the Public Warrant Agreement based on the Black-Scholes value (as defined in the Warrant Agreement) of the Public Warrant.

The Warrant Agreement provides that the terms of the Public Warrants may be amended without the consent of any holder to cure any ambiguity or correct any defective provision or correct any mistake, including to conform the provisions of the Warrant Agreement to the description of the terms of the Public Warrants and the Warrant Agreement set forth in the Qell initial public offering prospectus, but requires the approval by the holders of at least 50% of the then outstanding Public Warrants to make any change that adversely affects the interests of the registered holders.

Voting Rights of Public Warrant Holders

The Public Warrant holders do not have the rights or privileges of holders of Class A Shares and do not have any voting rights until they exercise their Public Warrants and receive Class A Shares. After the issuance of Class A Shares

upon exercise of the Public Warrants, each holder will be entitled to 12 votes for each Class A Share held of record on all matters to be voted on by shareholders.

Certain Disclosure Obligations

We are subject to certain disclosure obligations under Dutch and U.S. law and the rules of Nasdaq. The following is a description of the general disclosure obligations of public companies under Dutch and U.S. law and the rules of Nasdaq as such laws and rules exist as of the date of this document and should not be viewed as legal advice for specific circumstances.

Financial Reporting Under Dutch Law

The Dutch Financial Reporting Supervision Act (*Wet toezicht financiële verslaggeving*, the “FRSA”) applies to our financial reporting. Under the FRSA, the Dutch Authority for the Financial Markets (*Autoriteit Financiële Markten*, the “AFM”) supervises the application of financial reporting standards by, among others, companies whose corporate seats are in the Netherlands and whose securities are listed on a regulated market within the EU or on an equivalent third (non-EU) country market. As our corporate seat is in the Netherlands and our Class A Shares are listed on Nasdaq, the FRSA will be applicable to the Company.

Pursuant to the FRSA, the AFM has an independent right to (i) request an explanation from the Company regarding the application of the applicable financial reporting standards if, based on publicly known facts or circumstances, it has reason to doubt our financial reporting meets such standards and (ii) recommend to the Company that we make available further explanations and file these with the AFM. If we do not comply with such a request or recommendation, the AFM may request that the Enterprise Chamber order us to (i) make available further explanations as recommended by the AFM, (ii) provide an explanation of the way we have applied the applicable financial reporting standards to our financial reports or (iii) prepare our financial reports in accordance with the Enterprise Chamber’s instructions.

Periodic Reporting Under U.S. Securities Law

We are a “foreign private issuer” under the securities laws of the United States and the rules of Nasdaq. Under the securities laws of the United States, “foreign private issuers” are subject to different disclosure requirements than U.S. registrants. We intend to take all actions necessary to maintain compliance as a foreign private issuer with the applicable corporate governance requirements of the Sarbanes-Oxley Act of 2002, the rules adopted by the SEC and Nasdaq’s listing standards. Under the Nasdaq rules, a “foreign private issuer” is subject to less stringent corporate governance requirements. Subject to certain exceptions, the Nasdaq rules permit a “foreign private issuer” to comply with our home country rules in lieu of the listing requirements of Nasdaq.

Nasdaq Rules

For so long as our shares are listed on Nasdaq, we will be required to meet certain requirements relating to ongoing communication and disclosure to Liliium shareholders, including a requirement to make any annual report filed with the SEC available on or through our website and to comply with the “prompt disclosure” requirement of Nasdaq with respect to earnings and dividend announcements, combination transactions, stock splits, major management changes and any substantive items of an unusual or non-recurrent nature. Issuers listing shares on Nasdaq must also meet certain corporate governance standards, such as those relating to annual meetings, board independence, the formation and composition of nominating/ corporate governance, compensation and audit committees and shareholder approval of certain transactions.

Certain Insider Trading and Market Manipulation Laws

Dutch and U.S. law each contain rules intended to prevent insider trading and market manipulation. The following is a general description of those laws as such laws exist as of the date of this document and should not be viewed as legal advice for specific circumstances.

In connection with our listing on Nasdaq, we have adopted an insider trading policy. This policy provides for, among other things, rules on transactions by members of the Board and our employees in Shares or in financial instruments the value of which is determined by the value of the shares.

The Netherlands

On July 3, 2016, the Regulation (EU) No 596/2014 of the European Parliament and of the Council of April 16, 2014 (the “MAR”) replaced all of the Dutch market abuse rules. It has come to the Company’s attention that some of our Class A Shares are traded on certain open markets (*Freiverkehr*) in Germany (being a member state of the EU). The trading of these Class A Shares on certain open markets (*Freiverkehr*) in Germany was implemented and is being conducted without our approval. These open markets in Germany are qualified as multilateral trading facilities (“MTFs”) or organized trading facilities (“OTFs”) within the scope of the MAR.

Under the MAR, certain provisions of the MAR apply to the securities of companies whose securities are traded on MTFs or OTFs irrespective of whether such company has approved the trading of its securities on such open market (for example, the provisions under the MAR relating to unlawful disclosure of inside information and market manipulation). Certain (other) provisions of the MAR are only applicable to the securities of companies who have approved and/or have requested admission to trading of its financial instruments on a regulated market, an MTF or OTF (for example, the provisions under the MAR relating to public disclosure of inside information and notification rules for director dealings), which provisions of the MAR do not apply to the Company given that it did not approve the trading of its securities on certain open markets (*Freiverkehr*) in Germany.

United States

The United States securities laws generally prohibit any person from trading in a security while in possession of material, non-public information or assisting someone who is engaged in doing the same. The insider trading laws cover not only those who trade based on material, non-public information, but also those who disclose material non-public

information to others who might trade on the basis of that information (known as “tipping”). A “security” includes not just equity securities, but any security (e.g., derivatives). Thus, members of the Board, officers and other employees of the Company may not purchase or sell shares or other securities of the Company when in possession of material, non-public information about the Company (including our business, prospects or financial condition), nor may they tip any other person by disclosing material, non-public information about the Company.

We have identified those persons working for us who could have access to inside information on a regular or incidental basis and have informed such persons of the prohibitions on insider trading and market manipulation imposed by U.S. laws, including the sanctions that can be imposed in the event of a violation of those rules.

Certain Disclosure and Reporting Obligations of Directors, Officers and Shareholders of Lilium

Our directors, officers and shareholders are subject to certain disclosure and reporting obligations under Dutch and U.S. law. The following is a description of the general disclosure obligations of directors, officers and shareholders under Dutch law as such laws exist as of the date of this document and should not be viewed as legal advice for specific circumstances.

DCGC

As we have our registered seat in the Netherlands and have our Class A Shares listed on a third (non-EU) country market equivalent to a regulated market (e.g., Nasdaq), we are subject to the Dutch Corporate Governance Code, the updated version of which was published on December 20, 2022, and which entered into force on January 1, 2023, and finds its statutory basis in Book 2 of the Dutch Civil Code (the “DCGC”). The DCGC contains both principles and best practice provisions for the Board, shareholders and the General Meeting, financial reporting, auditors, disclosure compliance and enforcement standards.

The DCGC is based on a “comply or explain” principle. Accordingly, we are required to disclose in our management report publicly filed in the Netherlands whether or not we are complying with the various provisions of the DCGC. If we do not comply with one or more of those provisions (e.g., because of a conflicting Nasdaq requirement or U.S. market practice), we are required to explain the reasons for such non-compliance.

Dutch Civil Code

The Dutch Civil Code provides for certain disclosure obligations in our annual accounts. Information on directors’ remuneration and rights to acquire Shares must be disclosed in our annual accounts.

Transfer Agent and Warrant Agent

Under the articles of association, the Board may resolve, with due observation of the statutory requirements, that the laws of the State of New York apply to the property law aspects of the Shares for as long as the Shares are in book-entry form, as included in the part of the register of shareholders kept by the relevant transfer agent and/or listed on a Regulated Market (as defined in our articles of association).

We have listed the Shares in book-entry form and such Shares, through the transfer agent, are not certificated. We have appointed Continental Stock Transfer & Trust Company as our agent in New York to maintain our shareholders’ and warrant holders’ register on behalf of the Board and to act as transfer agent and registrar for the Shares. Our Class A Shares and the Public Warrants trade on Nasdaq in book-entry form.

Rule 144

Pursuant to Rule 144, a person who has beneficially owned restricted Shares for at least six months would be entitled to sell their securities provided that (i) such person is not deemed to have been one of our affiliates at the time of, or at any time during the three months preceding, a sale and (ii) we are subject to the Exchange Act periodic reporting requirements for at least three months before the sale and have filed all required reports under Section 13 or 15(d) of the Exchange Act during the 12 months (or such shorter period as we were required to file reports) preceding the sale.

Persons who have beneficially owned restricted Shares for at least six months but who are our affiliates at the time of, or at any time during the three months preceding, a sale would be subject to additional restrictions, by which such person would be entitled to sell within any three-month period only a number of securities that does not exceed the greater of:

- 1% of the total number of ordinary shares then outstanding; or
- the average weekly reported trading volume of the ordinary shares during the four calendar weeks preceding the filing of a notice on Form 144 with respect to the sale.

Sales by our affiliates under Rule 144 are also limited by manner of sale provisions and notice requirements and to the availability of current public information about us.

Restrictions on the Use of Rule 144 by Shell Companies or Former Shell Companies

Rule 144 is not available for the resale of securities initially issued by shell companies (other than business combination related shell companies) or issuers that have been at any time previously a shell company. However, Rule 144 also includes an important exception to this prohibition if the following conditions are met:

- the issuer of the securities that was formerly a shell company has ceased to be a shell company;
- the issuer of the securities is subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act;
- the issuer of the securities has filed all Exchange Act reports and materials required to be filed, as applicable, during the preceding 12 months (or such shorter period that the issuer was required to file such reports and materials), other than Current Reports; and

- at least one year has elapsed from the time that the issuer filed current Form 10 type information with the SEC reflecting its status as an entity that is not a shell company. As a result, our initial shareholders became able to sell their Shares pursuant to Rule 144 without registration one year after the Closing Date.

Listing of Securities

Our Class A Shares and the Public Warrants are listed on Nasdaq under the symbols “LILM” and “LILMW,” respectively. Holders of our securities should obtain current market quotations for their securities. There can be no assurance that our Class A Shares will remain listed on Nasdaq. If we fail to comply with the Nasdaq listing requirements, our Class A Shares and/or warrants could be delisted from Nasdaq. A delisting of our Class A Shares and warrants will likely affect the liquidity of our Class A Shares and warrants and could inhibit or restrict our ability to raise additional financing.

List of Subsidiaries of Lilium N.V.

Subsidiary Name	Jurisdiction of Incorporation
Lilium GmbH	Germany
Lilium Schweiz GmbH	Switzerland
Lilium Aviation UK Ltd.	United Kingdom
Lilium Aviation Inc.	United States (Delaware)
Lilium eAircraft GmbH	Germany
Lilium Aviation Spain SLU	Spain
Lilium Aviation France SAS	France

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO RULES 13a-14(a) AND 15d-14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Klaus Roewe, certify that:

1. I have reviewed this Annual Report on Form 20-F for the year ended December 31, 2023 of Liliium N.V. (the “company”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company’s internal control over financial reporting; and
5. The company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company’s auditors and the audit committee of the company’s board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company’s ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the company’s internal control over financial reporting.

Date: March 15, 2024

/s/ Klaus Roewe

Klaus Roewe
Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO RULES 13a-14(a) AND 15d-14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Oliver Vogelgesang, certify that:

1. I have reviewed this Annual Report on Form 20-F for the year ended December 31, 2023 of Lilium N.V. (the “company”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company’s internal control over financial reporting; and
5. The company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company’s auditors and the audit committee of the company’s board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company’s ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the company’s internal control over financial reporting.

Date: March 15, 2024

/s/ Oliver Vogelgesang

Oliver Vogelgesang
Chief Financial Officer
(Principal Financial Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES OXLEY ACT OF 2002**

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, Klaus Roewe, the Chief Executive Officer, and Oliver Vogelgesang, the Chief Financial Officer of Lilium N.V. (the "Company"), hereby certify, that, to their knowledge:

1. the Annual Report on Form 20-F for the year ended December 31, 2023 (the "Report") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 15, 2024

/s/ Klaus Roewe

Klaus Roewe
Chief Executive Officer
(Principal Executive Officer)

Date: March 15, 2024

/s/ Oliver Vogelgesang

Oliver Vogelgesang
Chief Financial Officer
(Principal Financial Officer)

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form F-3 (Nos. 333-267718, 333-267719, 333-268562, 333-272571, 333-274550 and 333-275742) and Form S-8 (No. 333-261175) of Liliu N.V. of our report dated March 15, 2024, relating to the financial statements, which appears in this Form 20-F.

Munich, Germany
March 15, 2024

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

/s/ Holger Graßnick
Wirtschaftsprüfer
(German Public Auditor)

/s/ ppa. Sylvia Eichler
Wirtschaftsprüferin
(German Public Auditor)



LILIUM N.V.
EXECUTIVE COMPENSATION CLAWBACK POLICY

1. Purpose. The purpose of this Policy is to set forth the circumstances under which Executive Officers of the Company will be required to repay or return certain Excess Awarded Compensation to members of the Company Group. The Company has adopted this Policy in accordance with the Clawback Rule and the Listing Rule and it is intended to comply with, and shall be interpreted to be consistent with, each of the foregoing. The Company may require each Executive Officer to sign and return to the Company an Acknowledgement Form, substantially in the form attached hereto as Exhibit A, pursuant to which such Executive Officer will agree to be bound by the terms of, and to comply with, this Policy.

2. Definitions. As used in this Policy, the following words and phrases have the meanings specified below:

(a) “**Accounting Restatement**” means an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under applicable securities laws, including (i) any required accounting restatement to correct an error in previously issued financial statements of the Company that is material to the previously issued financial statements of the Company, or (ii) that corrects an error that is not material to previously issued financial statements of the Company, but would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period.

(b) “**Board**” means the Board of Directors of the Company.

(c) “**Clawback Rule**” means Section 10D of the Exchange Act and the rules and regulations promulgated thereunder, each as may be amended from time to time.

(d) “**Commission**” means the U.S. Securities and Exchange Commission.

(e) “**Committee**” means the Compensation Committee of the Board, or if so designated by the Board, any other committee of the Board (or group of Board members) consisting entirely of independent directors, in which case references herein to the Committee shall be deemed to be references to such committee of the Board.

(f) “**Company**” means Lilium N.V., a Dutch public limited liability company (*naamloze vennootschap*).

(g) “**Company Group**” means the Company, together with each of its direct and indirect parents and subsidiaries.

(h) “**Covered Executive Officer**” means, with respect to any Incentive-Based Compensation, each current and former Executive Officer who serves, or served, as an Executive

Officer at any time during the performance period in respect of which such Performance-Based Compensation is Received by such Executive Officer.

(i) “**Covered Period**” means, with respect to any Accounting Restatement, the three (3) completed Fiscal Years of the Company immediately preceding the Restatement Date and any Transition Period of less than nine (9) months within or immediately following those three (3) completed Fiscal Years.

(j) “**Effective Date**” means December 1, 2023.

(k) “**Excess Awarded Compensation**” means, with respect to a Covered Executive Officer, the amount of Incentive-Based Compensation Received by the Covered Executive Officer (after the Covered Executive Officer became an Executive Officer) during a Covered Period that exceeds the amount of Incentive-Based Compensation that the Covered Executive Officer would have Received had it been determined based on the Accounting Restatement, and computed without regard to any taxes paid by the Covered Executive; provided that, for Incentive-Based Compensation that is based on or otherwise derived from the Company’s stock price or total shareholder return where the amount of Excess Awarded Compensation is not subject to mathematical recalculation directly from information in the applicable Accounting Restatement, the amount that would have been Received shall be determined by the Committee based on a reasonable estimate of the effect of the Accounting Restatement on the stock price or total shareholder return, as applicable, upon which the Incentive-Based Compensation was Received (in which case, the Company shall maintain documentation of such determination of that reasonable estimate and provide such documentation to the Exchange). Notwithstanding the foregoing, compensation amounts shall only be considered “Excess Awarded Compensation” for purposes of the Policy if such compensation is Received (i) while the Company has a class of securities listed on a national securities exchange or a national securities association and (ii) on or after October 2, 2023.

(l) “**Exchange**” means the Nasdaq Stock Market.

(m) “**Exchange Act**” means the U.S. Securities Exchange Act of 1934, as amended.

(n) “**Executive Officer**” means the Company’s president, principal financial officer, principal accounting officer (or if there is no such accounting officer, the controller), any vice-president of the Company in charge of a principal business unit, division, or function (such as sales, administration, or finance), any other officer who performs a policy-making function, or any other person who performs similar policymaking functions for the Company, including any employee or service provider of the Company who is subject to Section 16 of the Exchange Act. Individuals who serve in such roles or perform such functions for the Company’s parent(s) or subsidiaries shall be deemed Executive Officers of the Company if they perform such policy making functions for the Company.

(o) “**Financial Reporting Measure**” means (i) any measure that is determined and presented in accordance with the accounting principles used in preparing the Company’s financial statements, and any other measure that is derived wholly or in part from such measure,

(ii) the Company's stock price and (iii) the Company's total shareholder return (in each case, regardless of whether such measure is presented within the Company's financial statements or included in a filing with the Commission).

(p) “**Fiscal Year**” means the Company's fiscal year; provided that a Transition Period between the last day of the Company's previous fiscal year end and the first day of its new fiscal year that comprises a period of nine (9) to twelve (12) months will be deemed a completed fiscal year.

(q) “**Incentive-Based Compensation**” means any compensation (whether cash or equity-based) that is granted, earned, or vested based wholly or in part upon the attainment of a Financial Reporting Measure, and may include, but shall not be limited to, performance bonuses, commissions, or long-term incentive awards such as stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares, performance stock units or other equity-based awards, whether or not granted under the Company's equity incentive plans. For the avoidance of doubt, Performance-Based Compensation does not include any compensation that is (i) granted, earned, or vested exclusively upon completion of a specified employment period, without any performance condition, (ii) discretionary, or (iii) based on subjective goals or goals that do not constitute Financial Reporting Measures.

(r) “**Listing Rule**” means Listing Rule 5608, as promulgated by The Nasdaq Stock Market LLC, as such rule may be amended from time to time.

() “**Policy**” means this Lilium N.V. Executive Compensation Clawback Policy, as may be amended from time to time.

(s) “**Received**” means, with respect to Incentive-Based Compensation, the date of deemed receipt, and for purposes of the foregoing, Incentive-Based Compensation shall be deemed Received in the Fiscal Year during which the applicable Financial Reporting Measure is attained, even if payment or grant of the Incentive-Based Compensation occurs after the end of that period.

(t) “**Restatement Date**” means the earlier to occur of (i) the date that the Board, a committee of the Board, or an officer or officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare an Accounting Restatement or (ii) the date a court, regulator, or other legally authorized body directs the Company to prepare an Accounting Restatement.

(u) “**Transition Period**” means any transition period that results from a change in the Company's Fiscal Year within or immediately following the three (3) completed Fiscal Years immediately preceding the Restatement Date.

3. **Administration.** This Policy shall be administered by the Committee. The

Committee has full authority to interpret, construe and enforce this Policy and to make all determinations necessary, appropriate, or advisable for the administration of this Policy. Any determinations made by the Committee shall be final, conclusive and binding on all interested

parties and need not be uniform with respect to each individual covered by this Policy. Any members of the Committee, and any other members of the Board who assist in the administration of this Policy, shall not be personally liable for any action, determination or interpretation made with respect to this Policy and shall be fully indemnified by the Company to the fullest extent under applicable law and Company policy with respect to any such action, determination or interpretation. The foregoing sentence shall not limit any other rights to indemnification of the members of the Board under applicable law or Company policy.

4. **Recovery of Excess Awarded Compensation.**

(a) *Recovery of Excess Awarded Compensation.* In the event of an Accounting Restatement, the Committee shall reasonably promptly determine the amount of any Excess Awarded Compensation for each Covered Executive Officer in connection with such Accounting Restatement and shall promptly thereafter provide each Covered Executive Officer with a written notice identifying the amount of Excess Awarded Compensation and a demand for repayment or return, as applicable.

(b) *Forms of Recovery.* The Committee shall determine, in its sole discretion, and in a manner that effectuates the purpose of the Clawback Rule and the Listing Rule, the method(s) for recovering any Excess Awarded Compensation hereunder in accordance with Section 4(a) above, which may include: (i) requiring cash reimbursement; (ii) seeking recovery or forfeiture of any gain realized on the vesting, exercise, settlement, sale, transfer or other disposition of any equity-based awards; (iii) offsetting the amount to be recouped from any compensation otherwise owed by the Company to the applicable Covered Executive Officer; (iv) cancelling outstanding vested or unvested equity awards; or (v) taking any other remedial and recovery action permitted by law, as determined by the Committee. Any reduction, cancellation or forfeiture of any compensation shall be done in compliance with Section 409A of the Internal Revenue Code of 1986, as amended. For the avoidance of doubt, except as set forth in Section 4(e) below, in no event may the Company Group accept an amount that is less than the amount of Excess Awarded Compensation in satisfaction of a Covered Executive Officer's obligations hereunder.

(c) *Covered Executive Officer's Failure to Repay.* If a Covered Executive Officer fails to repay all Excess Awarded Compensation to the Company Group when due (as determined in accordance with Section 4(b) above), the Company shall, or shall cause one or more other members of the Company Group to, take all actions reasonable and appropriate to recover such Excess Awarded Compensation from the applicable Covered Executive Officer (including suing for repayment and/or enforcing such Covered Executive Officer's obligation to make payment through the reduction or cancellation of outstanding and future compensation). The applicable Covered Executive Officer shall be required to reimburse the Company Group for any and all expenses reasonably incurred (including legal fees) by the Company Group in recovering such Excess Awarded Compensation in accordance with the immediately preceding sentence.

(d) *No Indemnification.* No member of the Company Group shall be permitted to indemnify any Covered Executive Officer against (i) the loss of any Excess Awarded Compensation that is repaid, returned or recovered pursuant to the terms of this Policy, or (ii) any claims relating to the Company's enforcement of its rights under this Policy (including, for the avoidance of doubt, any advancement of costs related to such enforcement). Further, no member

of the Company Group shall enter into any agreement that exempts any Incentive-Based Compensation from the application of this Policy or that waives the Company's right to recovery of any Excess Awarded Compensation and this Policy shall supersede any such agreement (whether entered into before, on or after the Effective Date).

(e) *Exceptions to Recovery.* Notwithstanding anything herein to the contrary, the Company shall not be required to take the actions contemplated by Section 4(b) above if the following conditions are met and the Committee determines that recovery would be impracticable:

(i) The direct expenses paid to a third party to assist in enforcing the Policy against a Covered Executive Officer would exceed the amount to be recovered, after the Company has made a reasonable attempt to recover the applicable Excess Awarded Compensation, and the Committee has documented such attempt(s) and provided such documentation to the Exchange;

(ii) Recovery would violate the home country law of the Company, where that law was adopted prior to November 28, 2022, provided that, before determining that it would be impracticable to recover any amount of Excess Awarded Compensation based on violation of home country law, the Company has obtained an opinion of home country counsel, acceptable to the Exchange, that recovery would result in such a violation and a copy of the opinion is provided to the Exchange; or

(iii) Recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company Group, to fail to meet the requirements of 26 U.S.C. 401(a)(13), and the regulations thereunder, or 26 U.S.C. 411(a), and the regulations thereunder.

5. Amendment; Termination. The Board may amend this Policy from time to time in its discretion and shall amend this Policy as it deems necessary, including as and when it determines that it is legally required by any United States securities laws (including the Clawback Rule), Commission rule or the Listing Rule. The Board may terminate this Policy at any time. Notwithstanding anything in this Section 5 to the contrary, no amendment or termination of this Policy shall be effective if such amendment or termination would (after taking into account any actions taken by the Company contemporaneously with such amendment or termination) cause the Company to violate any federal securities laws (including the Clawback Rule), Commission rule or the Listing Rule. This Policy automatically shall terminate upon a "Change in Control" (as defined in the Company's 2021 Equity Incentive Plan) (or any successor thereto), which results in the Company's securities no longer being traded on an established securities exchange.

6. Inducement of Executive Officers. The Committee may require that any employment agreement, equity award agreement, or any other agreement entered into on or after the Effective Date shall, as a condition to the grant of any benefit thereunder, require an Executive Officer to agree to abide by the terms of this Policy.

7. Filing Requirements. The Company shall file all disclosures with respect to this Policy in accordance with the requirements of the U.S. federal securities laws, including disclosures required by Commission filings.

8. Non-Exclusivity. Any right of recoupment under this Policy is in addition to, and not in lieu of, any other remedies or rights of recoupment that may be available to the Company Group under applicable law, regulation or rule or pursuant to the terms of any similar policy in any employment agreement, equity award agreement, or similar agreement and any other legal remedies available to the Company Group; *provided, however*, that any amounts recouped under any other policy that are subject to clawback under this Policy shall be considered recovered by the Company Group for purposes of this Policy and vice versa.

9. Effective Date. This Policy shall be effective as of the Effective Date.

10. Successors. This Policy shall be binding and enforceable against all Covered Executive Officers and their beneficiaries, heirs, executors, administrators or other legal representatives.

Exhibit A

Lilium N.V.
EXECUTIVE COMPENSATION CLAWBACK POLICY

ACKNOWLEDGEMENT FORM

By signing below, the undersigned acknowledges and confirms that the undersigned has received and reviewed a copy of the Lilium N.V. Executive Compensation Clawback Policy (as may be amended, restated, supplemented or otherwise modified from time to time, the “*Policy*”). Capitalized terms used but not otherwise defined in this Acknowledgement Form (this “*Acknowledgement Form*”) shall have the meanings ascribed to such terms in the Policy.

By signing this Acknowledgement Form, the undersigned acknowledges and agrees that the undersigned is and will continue to be subject to the Policy and that the Policy will apply both during and after the undersigned’s employment with the Company Group. Further, by signing below, the undersigned agrees to abide by the terms of the Policy, including by returning any Excess Awarded Compensation (as defined in the Policy) to the Company Group to the extent required by, and in a manner permitted by, the Policy. For the avoidance of doubt, failure to reference the Policy in the award of Incentive-Based Compensation to an Executive Officer shall not preclude the application of this Policy.

In the event of any inconsistency between the Policy and the terms of any employment agreement to which the undersigned is a party, or the terms of any compensation plan, program or agreement under which any compensation has been granted, awarded, earned or paid to or by the undersigned, the terms of the Policy shall govern.

This Acknowledgement Form must be signed and returned to the Company’s Chief Legal Officer within ten (10) calendar days following the later of the Effective Date or the date the individual first becomes an Executive Officer.

Signature

Print Name

Date
