

CLEVON

UNAUDITED INTERIM REPORT FOR THE PERIOD
ENDING 30 JUNE 2022

CLEVERON MOBILITY AS



Business name	Cleveron Mobility AS
Commercial registry code	16472103
VAT tax payer's registration number	EE102481420
Registered address	Reinu tee 48, 71020 Viljandi city, Viljandi County
Country of location	Republic of Estonia
Telephone	5597 7090
E-mail	info@clevon.com
Website	www.clevon.com
Legal form	Public limited company
Start of the financial year	01/04/2022
End of the financial year	31/12/2022
Start of the interim report period	01/04/2022
End of the interim report period	30/06/2022





TABLE OF CONTENTS

MANAGEMENT REPORT	4
INTERIM FINANCIAL STATEMENTS.....	6
Balance sheet.....	6
Income statement	7
Cash-flow statement	8
Statement of changes in owner's equity	9
Notes to Interim financial statements.....	10
Note 1. Accounting policies	10
Note 2. Inventories.....	14
Note 3. Property, plant, and equipment	14
Note 4. Non-current intangible assets.....	15
Note 5 Goods, raw material, material, and services	16
Note 6. Miscellaneous operating costs.....	16
Note 7. Labour costs	16
Note 8. Related parties	17



MANAGEMENT REPORT

Cleveron Mobility AS was registered in the Estonian Commercial Register on 1 April 2022, when the division plan approved on 22/02/2022 entered into effect. The division took place by way of separation, where the company being divided, Cleveron AS, transferred the assets, liabilities and rights of the driverless vehicle technology development unit to the company being separated, Cleveron Mobility AS.

The area of activity of Cleveron Mobility AS is production of motor vehicles. The company develops and manufactures a new generation of autonomous driverless motor vehicles in order to maximise efficiency and environmental friendliness of parcel deliveries to end-users. The company is focused on the development of its core product, the driverless autonomous vehicle CLEVON1 which, if required, can be remotely controlled and handled by a teleoperator. CLEVON1 is a platform vehicle which can accommodate various top applications to satisfy different business cases. The intellectual property rights to the platform, in particular, copyrights to control software, as well as the industrial property related to CLEVON1, including the rights to the software, necessary to control and monitor the platform, are owned by the company (proprietary rights of the author) or are used by the company under a licence (moral rights of the author). Currently the development process of the platform is at the stage, where it can be piloted: a. in full autonomous mode in closed territories; b. on public roads controlled by a teleoperator. The driverless electric platform is environmentally friendly, and therefore the use of the vehicle also helps companies reduce their carbon emissions and achieve their environmental goals. CLEVON1 runs on electricity and can be charged both by wired as well as wireless charging.

After its foundation, the company has actively continued its development efforts to increase autonomy. The vehicle CLEVON1 is already a third-generation vehicle resulting from the development process, and the main focus of the development is to achieve a high level of vehicle autonomy. For this purpose, the company's team has grown from 50 employees at the time of the company's registration in April to 68 employees in June (both figures include 3 management board members). The largest growth has been seen in the number of employees of the development team, but additional workforce has also been recruited to the service- and sales and marketing teams. Recruitment of employees has moved at a faster pace than expected. This has resulted in the faster-than-predicted increase of operating costs, but the larger number of employees has had a positive effect on the achievement of the company's goals.

Testing of the vehicle continued in the reporting period at the company's closed test site, where vehicles were performing predetermined tasks of varying level of complexity, simulating real situations on city streets. At the same time, testing was also carried out in the city of Viljandi on streets with different traffic intensity. Moreover, the first three-months pilot project was launched in cooperation with the logistics company DPD Eesti in order to test the delivery of parcels to customers in the city of Viljandi under real conditions. This was preceded by Europe's first known delivery of a parcel to a customer by a driverless autonomous vehicle in regular street traffic, which took place in May 2022 in cooperation between Cleveron Mobility and DPD Estonia.

In June 2022, the company announced a new cooperation project with another world-leading logistics service provider, DHL Express. The objectives of the cooperation are, on the one hand, to test the electrification of the so-called last mile of parcel delivery in order to bring environmentally friendly



Interim report for the period 01/04/2022 – 30/06/2022

parcel transport technology to an increasing number of people. On the other hand, every kilometre travelled on city streets provides valuable information to the vehicle's development team.

As a result of the excellent efforts of the sales and marketing team, the company has already reached agreements to carry out new pilot projects, and these will be taking place outside Estonia. According to the agreement, home delivery of goods from IKI stores in Vilnius, Lithuania will be launched in September 2022. The service will be operated by the last mile delivery platform LastMile, which is also a start-up company that offers quick home delivery of goods using a mobile application in several major Lithuanian cities. This cooperation is expected to produce valuable information on whether or not autonomous vehicles could serve as a replacement for the courier service business model using vans with internal combustion and/or electric engines, and the suitability of this solution for achieving companies' business and environmental objectives.

The most important event of the reporting period would be the listing of the company's shares on the Nasdaq Tallinn First North market. Despite the complicated circumstances, all publicly offered shares were subscribed to, and a total of 5 million euros were raised through the IPO from more than 6,700 retail investors, and 0.2 million euros from two qualified investors. The subscription price of the share was 1.87 euros and trading started on 28/06/2022. After the new share issue, the number of shares listed by the company is 29,575,771. As of the end of the reporting period on 30/06/2022, the share price was 1.779 euros and the market value of the company amounted to 52.6 million euros.

The company intends to apply the capital raised in the public offering towards continued development of the software and hardware in order to achieve additional vehicle autonomy on public roads and streets. The sales and marketing team will also be expanded to reach new customers and realise pilot and demo projects in both Europe and the USA. In the second half of the year, the activities of establishing a subsidiary in the USA will continue in order to gain a foothold in the market there.

The company declares that the objectives have not changed and the entire team is working towards their achievement.

The company declares that at the end of the reporting period and at the time of lodging the report, the company has no pending court proceedings, tax or other disputes, and it operates as a going concern.

Arno Kütt
Chairman of the Management Board
of Cleveron Mobility AS
arno.kutt@clevon.com



INTERIM FINANCIAL STATEMENTS

Balance sheet

in euros	30/06/2022	01/04/2022
ASSETS		
Current assets		
Cash and cash equivalents	5,406,375	0
Prepaid taxes	28,684	0
Other receivables	81,627	0
Inventories	449,249	496,115
Total current assets	5,965,935	496,115
Non-current assets		
Long-term receivables and prepayments	4,877	0
Property, plant and equipment	832,622	555,343
Intangible assets	3,677,714	3,415,254
Total non-current assets	4,515,214	3,970,597
TOTAL ASSETS	10,481,149	4,466,712
LIABILITIES		
Short-term liabilities		
Financial lease liabilities	13,529	16,559
Trade payables	317,214	0
Employee related liabilities	195,090	35,474
Debts to reporting persons	1,001	0
Taxes payable	43,336	0
Accrued taxes	53,854	0
Interest liabilities of loans	8,790	0
Total short-term liabilities	632,815	52,033
Long-term liabilities		
Long-term capital lease liability	33,317	33,317
Long-term loan	950,000	0
Total long-term liabilities	983,317	33,317
Owners' equity		
Share capital	2,679,500	2,679,500
Unregistered share capital *	5,200,042	0
Share premium	1,701,862	1,701,862
Profit (loss) for the reporting period	-716,386	0
Total owners' equity	8,865,018	4,381,362
TOTAL LIABILITIES AND EQUITY	10,481,149	4,466,712

* Unregistered share capital includes both the share capital as well as the share premium. The share capital was registered in the Commercial Register on 11/07/2022

Income statement

in euros	Q2 2022
Operating revenue	
Revenue	3,100
Capitalised expenses for manufacturing of non-current assets for own use	434,971
Other income	68
Total operating revenue	438,139
Operating costs	
Goods, raw material, material and services	-65,502
Operating expenses	-283,608
Personnel expenses	-569,911
Depreciation	-226,035
Other expenses	-497
Total operating costs *	-1,145,552
Operating profit	-707,413
Total financial revenue and expenses	-8,973
Profit (loss) before taxes	-716,386
Net profit (loss) of the reporting period	-716,386

* Total operating costs is inclusive of capitalised expenses for manufacturing of non-current assets for own use in the amount of 434,971 euros

Cash flow statement

in euros	01/04/2022 - 30/06/2022
Cash flows from operating activities	
Operating profit (loss)	-707,413
Adjustments	
Depreciation and impairment of non-current assets	226,035
Total adjustments	226,035
Changes in operating receivables and prepayments	-115,189
Change in inventories	46,866
Changes in operating accounts payable and prepayments	575,022
Total cash flows from operating activities	25,321
Cash flows in investing activities	
Paid at acquisition of property, plant, and equipment, and non-current intangible assets	-765,774
Total cash flows in investing activities	-765,774
Cash flows from financing activities	
Loans received	950,000
Repayment of the financial lease principal	-3,030
Interest paid	-183
Received from issue of shares	5,200,042
Total cash flows from financing activities	6,146,828
NET CASH FLOW	5,406,375
Cash and cash equivalents at the beginning of the period	0
Change in cash and cash equivalents	5,406,375
Cash and cash equivalents at the end of the period	5,406,375



Statement of changes in equity

in euros	Share capital	Unregistered share capital *	Share premium	Retained earnings	Total
Equity at 01/04/2022	2,679,500		1,701,862		4,381,362
Profit (loss) of the period				-716,386	-716,386
Issued share capital		5,200,042			5,200,042
Equity at 30/06/2022	2,679,500	5,200,042	1,701,862	-716,386	8,865,018

* Unregistered share capital includes both the share capital as well as the share premium. The share capital was registered in the Commercial Register on 11/07/2022



Notes to Interim financial statements

Note 1. Accounting policies

General information

The interim financial statements of Cleveron Mobility AS for the period ended on 30/06/2022 have been prepared in line with the Estonian financial reporting standards. The accounting principles generally accepted in Estonia are the accounting principles, which are based on the internationally recognised principles of accounting and reporting, the main requirements of which are set forth by the Accounting Act, and which are complemented by the guidelines of the Accounting Standards Board.

The report consists of the balance sheet, income statement, cash flow statement, statement of changes in equity, and the Notes. The annual financial statements have been prepared in accordance with the acquisition cost principle, except in cases, which have been described in the following accounting principles. The income statement was prepared in accordance with Format 1 set forth in Annex 2 to the Accounting Act. The financial statements have been prepared in euros.

As the company was registered in the Commercial Register on 01/04/2022, it was not possible to present in the interim report comparative data from the same period in the previous financial year. Instead, and with the aim of showing comparative data, a comparison has been made with the indicators as at the time of the company's foundation.

Cash

Cash and its equivalents are recognised in the balance sheet line entry "cash", and in the cash flow report as cash in hand and balances of accounts (except for overdraft facilities), term deposits with the term of up to 3 months, and money market units. Cash is recognised in the balance sheet in fair value. Overdraft facilities are recognised in the balance sheet as a part of the loan obligation.

The cash flow report has been prepared according to the indirect method – for the purpose of deciding the cash flows the profit has been adjusted to eliminate any impact of non-cash transactions, and any changes in balances of current assets and short-term liabilities related to conduct of the business.

Transactions performed in foreign currencies and financial assets and liabilities denominated in foreign currencies

Foreign currencies mean any currency other than the euro. The company's functional currency is the euro. Transactions in foreign currencies are recognised according to the official exchange rate of the European Central Bank as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies (claims and liabilities payable in cash), are translated on the balance sheet date into euros on the basis of the official currency exchange rates of the European Central Bank. Foreign exchange rate gains and losses arising as a result of translation, are recognised on the income statement of the reporting period.

Receivables and prepayments

Trade receivables are recognised in the balance sheet applying the adjusted acquisition cost model (i.e., nominal value less refunds and any discounts, if applicable) based on the likelihood of collectability. Receivable from each specific buyer is assessed separately, taking into account the

available information about the buyer's solvency. Receivables are discounted in the balance sheet to the amount likely to be collected, and the discount is recognised in the balance sheet line item "Doubtful receivables". If a receivable is taken to be irrecoverable, the receivable and its write-down are derecognised. Receipt of previously written down doubtful debts is recognised as a reduction of expenses incidental to doubtful debts.

Any other receivables (accrued income, loans given, and other short-term and long-term receivables), except for receivables acquired for resale, are recognised at adjusted acquisition cost (i.e., cost less any discounts, if applicable).

Inventories

Inventories are recognised at their acquisition cost that consists of the cost of purchase, cost of production and other direct expenses that are necessary to deliver inventories to their current location and state. Inventories' purchasing costs include, in addition to the purchasing price, any custom tax, other non-refundable taxes related with the purchase, and any transport costs directly related to purchasing the assets, less any discounts and subsidies. Inventories are recognised on the balance sheet based either at acquisition cost or net realisable value, whichever of the two is lower. Net realisable value is the estimated sales price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Property, plant and equipment, and non-current intangible assets

Property, plant and equipment are assets, which are used for the company's own economic activities with the useful life exceeding one year and with the value above 2000 euros. Assets with the useful life over 1 year, but with the acquisition cost falling short of this amount, are expensed when taken into use.

Property, plant, and equipment are initially recognised at acquisition cost that consists of the purchase price (incl. customs duties and other non-refundable taxes) and other expenses incidental to its acquisition, which are needed to deliver the asset to its working condition and location. Property, plant, and equipment are recognised in the balance sheet at acquisition cost, less the accrued depreciation and possible discounts caused by impairments. Accounting of property, plant and equipment acquired on financial lease terms takes place in the same manner as in the case of purchased non-current assets.

Depreciation is calculated by applying the straight-line model. Depreciation rates are determined separately for every item of non-current asset depending on its useful life. If an item of property, plant and equipment consists of identifiable individual components with different useful life, such components shall be recognised in the books as individual asset items, and they are assigned different depreciation rates based on the useful life of the components.

The depreciation rates applied to groups of property, plant and equipment:

- Construction works and civil engineering works 3-5%
- Production equipment 8-10%
- Other machinery and equipment 10-20%
- Other property and IT equipment 20-33%

Objects with unlimited useful life (land, works of art of permanent value, museum items, books) are not depreciated.

Calculation of depreciation starts from the moment when the asset is taken into use for the purpose, intended by the management. Property, plant, and equipment is derecognised if the asset is transferred or if no economic benefits are expected to be received from the use or sale of the asset. Profit or loss from derecognition of any item of property, plant, and equipment is recognised in the income statement under the line item “other operating revenue” or “other operating costs”.

Non-current intangible assets (development costs, patents, licences, trademarks, software) are recognised in the balance sheet when the asset is controlled by the company, it can be used to earn future economic benefits, and the acquisition cost of the assets can be reliably established. Any acquired non-current intangible assets are initially recognised at acquisition cost, which consists of the purchasing price and other expenses directly linked with their acquisition. After initial recognition, non-current intangible assets are recognised at acquisition cost, less the accrued amortisation and possible write-downs caused by impairments.

Non-current intangible assets are amortised applying the straight-line model based on the estimated useful life of the asset. The amortisation rates applied to groups of non-current intangible assets are the following:

- Development expenses 20%
- Software, patents, licences, trademarks and other non-current intangible assets 20–33%

Development expenses are costs that are borne in the course of implementing of research results for development, designing or testing of particular new products, services, processes or systems. Development expenses are capitalised if there are technical and financial possibilities and a positive intention to implement the project, the company is able to use or sell the assets being created, and it is possible to reliably measure the amount of development expenses and future economic benefits from the intangible assets.

Leases

Lease transactions, in case of which all significant risks and benefits related to the asset are transferred to the lessee are recognised as finance lease. Other lease contracts are regarded as operating lease. When a lease becomes effective, the lessee recognises the finance lease in the balance sheet as an asset and a liability in the amount of the fair value of the leased asset, or in the present value of the minimum lease payments, should the latter be the lowest of the two. Lease payments are divided into a financial expense and payments to reduce the carrying amount of the liability. Financial expenses are spread over the entire lease period such that the interest rate applicable to the carrying amount of the liability remains the same at any moment of time. Generally, financial expenses are recognised on the accrual basis in the income statement. Assets leased under operating lease conditions are not recognised in the balance sheet. Operating lease payments made for the use of the asset are recognised as expense in even amounts throughout the lease period, regardless of when and in which amounts the payments are actually made.

Financial liabilities

Any financial liabilities (trade creditors, loans received, accrued expenses, issued bonds, and other long-term and short-term liabilities) shall be initially recognised at acquisition cost, which is also inclusive of any expenses directly incidental to their acquisition. Subsequently they are recognised by

applying the adjusted acquisition cost model (except for financial liabilities acquired for resale, and derivative instruments with a negative fair value, which are recognised at their fair value).

The adjusted acquisition cost of any short-term financial liabilities generally equals their nominal value, and thus any short-term financial liabilities are recognised in the balance sheet in the amount payable. For the purpose of recognising the adjusted acquisition cost of any long-term financial liabilities such liabilities are first recognised in the fair value of the consideration received (less any transaction expenses), and calculating the interest expense for the subsequent periods, applying the internal interest rate model.

Financial liabilities are classified as short-term, if their deadline arrives within twelve months following the balance sheet date; or the company does not have an unconditional right to delay the payment of the liability for a period exceeding 12 months from the balance sheet date. Borrowings the maturity date of which falls within the 12 months period from the balance sheet date, but which are refinanced as a long-term liability following the balance sheet date, but before the annual report is approved, are recognised as a short-term liability. Furthermore, any borrowings, which the lender had the right to reclaim on the balance sheet date as a result of breach of any provision of the loan contract, are recognised as short-term liabilities.

Revenues

Revenue from sale of goods is recognised in the fair value of the consideration received or receivable, taking into account all discounts and benefits offered. Income from sale of goods is recognised after all material risks stemming from ownership have transferred from the seller to the buyer, the sales revenue and any expenses related to the transactions can be reliably established, and the receipt of the amounts of the transactions is foreseeable. Income from sale of a service is recognised after the service is provided, or in the event that such service is provided over a longer period of time, then the income is recognised applying the straight-line model over the respective period. Interest revenue is recognised in the income statement in the line item 'financial revenue'.

Expenses

Expenses are recognised in the same month as the revenue linked with them. Expenses that are likely to participate in the generation of economic benefits in subsequent periods are recognised in the balance sheet as assets at the time of their occurrence, and are thereafter recognised as expenses in the same period(s) in which the related income is generated. The cost of services and goods purchased directly for the core business is recognised in the income statement in the line item "Goods raw material, material and services". Costs that are not directly treated as service costs are recognised as miscellaneous operating costs. Costs not related to core activities incurred unevenly are recognised as other operating revenue. Interest expense is recognised on an accrual basis as a financial expense for the reporting period.

Related parties

Parties are generally seen to be related, if one party controls the other party, or has a material impact on business decisions taken by the other party, including subsidiaries, owners, members of the supervisory board and the management board, their family members and companies under their control or significant influence.

Note 2. Inventories

in euros	30/06/2022	01/04/2022
Raw material and material	434,819	496,115
Prepayments for inventories	14,430	0
Total inventories	449,249	496,115

Note 3. Property, plant and equipment

in euros	Land and buildings	Machinery and equipment	Other items of property, plant and equipment	Total
Property, plant and equipment as at 01/04/2022				
Acquisition cost	499,578	15,572	158,881	674,032
Accumulated depreciation	-28,052	-519	-90,118	-118,689
Carrying amount at 01/04/2022	471,527	15,053	68,763	555,343
Changes over the 3-months period ending on 30/06/2022				
Acquisition and reconstruction	0	75,725	221,787	297,511
Depreciation charge	-5,147	-3,303	-11,781	-20,232
Property, plant and equipment as at 30/06/2022				
Acquisition cost	499,578	91,297	380,668	971,543
Accumulated depreciation	-33,199	-3,822	-101,900	-138,921
Carrying amount at 30/06/2022	466,379	87,475	278,768	832,622

Note 4. Intangible non-current assets

in euros	Development expenses	Patents and licences	Projects in progress and prepayments	Total
Intangible non-current assets as at 01/04/2022				
Acquisition cost	4,104,890	8,490	0	4,113,380
Accumulated depreciation	-697,659	-467	0	-698,126
Carrying amount at 01/04/2022	3,407,231	8,023	0	3,415,254
Changes over the 3-months period ending on 30/06/2022				
Acquisition	0	0	434,971	434,971
Depreciation charge	-171,803	-708	0	-172,511
Intangible non-current assets at 30/06/2022				
Acquisition cost	4,104,890	8,490	434,971	4,548,350
Accumulated depreciation	-869,462	-1,175	0	-870,637
Carrying amount at 30/06/2022	3,235,428	7,315	434,971	3,677,714

Note 5. Goods raw material, material, and services

in euros	01/04/2022 - 30/06/2022
Development expenses	61,350
Goods transport expenses	2,400
Production equipment lease expenses	390
Services purchased	1,361
Total goods, raw material, material and services	65,502

Note 6. Operating costs

in euros	01/04/2022 - 30/06/2022
Lease and management of premises	59,209
Office expenses	73,361
Vehicle expenses	12,505
Marketing expenses	19,261
Outsourced services	8,277
Employee related expenses	20,303
Business travel expenses	11,324
Other operating costs	79,368
Total operating costs	283,608

Note 7. Personnel expenses

in euros	01/04/2022 - 30/06/2022
Wages and salaries	426,384
Social tax	143,527
Total personnel expenses	569,911
Average number of employees expressed in full-time equivalents	60

Note 8. Related parties

in euros	01/04/2022 - 30/06/2022
Calculated remuneration to executive and top management	36,000

Balances with related parties by individual groups

in euros	30/06/2022	01/04/2022
SHORT-TERM		
Payables and prepayments		
Members of the executive and top management, and natural persons with qualifying holding, as well as companies dominated or controlled by them	187,432	0
Total payables and prepayments *	187,432	0

in euros	01/04/2022 - 30/06/2022		
SOLD	Goods	Services	Non-current assets
Members of the executive and top management, and natural persons with qualifying holding, as well as companies dominated or controlled by them	0	1,100	0
Total sold	0	1,100	0

in euros	01/04/2022 - 30/06/2022		
PURCHASES	Goods	Services	Non-current assets
Members of the executive and top management, and natural persons with qualifying holding, as well as companies dominated or controlled by them	1,597	81,936	106,319
Total purchases **	1,597	81,936	106,319

in euros	30/06/2022	Loans received	Repayment of loans received	01/04/2022	Calculated interest for the period
LOANS AND BORROWINGS					
Members of the executive and top management, and natural persons with qualifying holding, as well as companies dominated or controlled by them	950,000	950,000	0	0	8,790
Total loans and borrowings ***	950,000	950,000	0	0	8,790



Interim report for the period 01/04/2022 – 30/06/2022

* Total payables and prepayments are the balance of invoices submitted by the related party Cleveron AS, the payment deadline of which has not arrived at the end of the reporting period

** The goods, services and non-current assets purchased from the related party Cleveron AS represent transactions of ad-hoc nature relating to goods, services and non-current assets the transfer of which under the division plan was not possible

*** The short-term loan has been received from a related party, Cleveron AS

Arno Kütt
Chairman of the Management Board
of Cleveron Mobility AS
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