## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
Xos, Inc.

### Opinion on the financial statements

We have audited the accompanying consolidated balance sheets of Xos, Inc. (a Delaware corporation) and subsidiaries (the "Company") as of December 31, 2025 and 2024, the related consolidated statements of operations, stockholders' equity, and cash flows for each of the two years in the period ended December 31, 2025, and 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, 2025 and 2024, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2025, in conformity with accounting principles generally accepted in the United States of America.

### Going concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company incurred a net loss of $25.3 million and generated $5.4 million of cash from operating activities for the year ended December 31, 2025, and as of that date, the Company had total working capital of $26.2 million, including $14.0 million of cash and cash equivalents, and an accumulated deficit of $228.7 million. These conditions, along with other matters as set forth in Note 1, raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The 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 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 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 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 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 financial statements. We believe that our audits provide a reasonable basis for our opinion.

### Critical audit matters

Critical audit matters are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. We determined that there are no critical audit matters.

/s/ GRANT THORNTON LLP

We have served as the Company's auditor since 2022.

Los Angeles, California
April 21, 2026

**Xos, Inc. and Subsidiaries**
**Consolidated Balance Sheets**
(*in thousands, except for par value per share*)

| | December 31, | |
|---|---|---|
| | **2025** | **2024** |
| **Assets** | | |
| Cash and cash equivalents | $ 14,040 | $ 10,996 |
| Accounts receivable, net | 6,035 | 26,870 |
| Inventories | 24,961 | 36,567 |
| Prepaid expenses and other current assets | 4,841 | 7,868 |
| **Total current assets** | 49,877 | 82,301 |
| Property and equipment, net | 4,320 | 6,111 |
| Operating lease right-of-use assets, net | 1,534 | 3,193 |
| Other non-current assets | 4,632 | 6,728 |
| **Total assets** | **$ 60,363** | **$ 98,333** |
| | | |
| **Liabilities and Stockholders’ Equity** | | |
| Accounts payable | $ 2,473 | $ 8,931 |
| Convertible debt, current | 6,500 | 19,970 |
| Other current liabilities | 14,685 | 17,768 |
| **Total current liabilities** | 23,658 | 46,669 |
| Common stock warrant liability | 73 | 121 |
| Other non-current liabilities | 1,345 | 17,933 |
| Convertible debt, non-current | 12,000 | — |
| **Total liabilities** | 37,076 | 64,723 |
| **Commitments and contingencies (Note 15)** | | |
| **Stockholders’ Equity** | | |
| Common Stock $0.0001 par value, authorized 1,000,000 shares, 11,403 and 8,046 shares issued and outstanding at December 31, 2025 and 2024, respectively | 1 | 1 |
| Preferred Stock $0.0001 par value, authorized 10,000 shares, 0 shares issued and outstanding at December 31, 2025 and 2024 | — | — |
| Additional paid-in capital | 252,026 | 237,029 |
| Accumulated deficit | (228,740) | (203,420) |
| **Total stockholders’ equity** | 23,287 | 33,610 |
| **Total liabilities and stockholders’ equity** | **$ 60,363** | **$ 98,333** |

*The accompanying notes are an integral part of these consolidated financial statements*

**Xos, Inc. and Subsidiaries**
**Consolidated Statements of Operations**
(*in thousands, except per share amounts*)

| | Years Ended December 31, | |
|---|---|---|
| | **2025** | **2024** |
| **Revenues** | $ 45,992 | $ 55,961 |
| Cost of goods sold | 43,268 | 51,996 |
| Gross profit | 2,724 | 3,965 |
| | | |
| **Operating expenses** | | |
| General and administrative | 24,797 | 35,083 |
| Research and development | 8,000 | 10,627 |
| Sales and marketing | 3,010 | 4,129 |
| **Total operating expenses** | 35,807 | 49,839 |
| **Loss from operations** | (33,083) | (45,874) |
| | | |
| Gain on operating lease termination | 9,875 | — |
| Other expense, net | (2,137) | (4,561) |
| Change in fair value of derivative instruments | 48 | 274 |
| Change in fair value of earn-out shares liability | — | 39 |
| Loss before provision for income taxes | (25,297) | (50,122) |
| Provision for income taxes | 23 | 37 |
| **Net loss** | **$ (25,320)** | **$ (50,159)** |
| | | |
| **Net loss per share** | | |
| **Basic** | **$ (2.71)** | **$ (6.69)** |
| **Diluted** | **$ (2.71)** | **$ (6.69)** |
| **Weighted average shares outstanding** | | |
| **Basic** | **9,360** | **7,500** |
| **Diluted** | **9,360** | **7,500** |

*The accompanying notes are an integral part of these consolidated financial statements*

**Xos, Inc. and Subsidiaries**
**Consolidated Statements of Stockholders' Equity**
(*in thousands*)

| | Common Stock | | Additional Paid-in Capital | Accumulated Deficit | Total Stockholders' Equity |
|---|---|---|---|---|---|
| | Shares | Par Value | | | |
| **Balance at December 31, 2023** | **5,941** | **$ 1** | **$ 198,456** | **$ (153,261)** | **$ 45,196** |
| Stock options exercised | 21 | — | 10 | — | 10 |
| Stock based compensation expense | — | — | 7,671 | — | 7,671 |
| Issuance of common stock for vesting of restricted stock units | 448 | — | 1 | — | 1 |
| Shares withheld related to net share settlement of stock-based awards | (136) | — | (1,012) | — | (1,012) |
| Issuance of common stock for ElectraMeccanica acquisition | 1,766 | — | 31,856 | — | 31,856 |
| Issuance of common stock under Standby Equity Purchase Agreement | 6 | — | 47 | — | 47 |
| Net loss | — | — | — | (50,159) | (50,159) |
| **Balance at December 31, 2024** | **8,046** | **$ 1** | **$ 237,029** | **$ (203,420)** | **$ 33,610** |
| Stock options exercised | — | $ — | $ — | $ — | $ — |
| Stock based compensation expense | — | — | 7,407 | — | 7,407 |
| Issuance of common stock for vesting of restricted stock units | 1,082 | — | — | — | — |
| Shares withheld related to net share settlement of stock-based awards | (322) | — | (1,021) | — | (1,021) |
| Issuance of common stock in at-the-market offering | 730 | — | 2,402 | — | 2,402 |
| Issuance of common stock for equipment lease termination | 64 | — | 200 | — | 200 |
| Issuance of common stock for settlement of accrued interest on convertible debt | 1,803 | — | 6,009 | — | 6,009 |
| Net loss | — | — | — | (25,320) | (25,320) |
| **Balance at December 31, 2025** | **11,403** | **$ 1** | **$ 252,026** | **$ (228,740)** | **$ 23,287** |

*The accompanying notes are an integral part of these consolidated financial statements*

**Xos, Inc. and Subsidiaries**
**Consolidated Statements of Cash Flows**
(*in thousands*)

| | Years Ended December 31, | |
|---|---|---|
| | **2025** | **2024** |
| **Operating Activities:** | | |
| Net loss | $ (25,320) | $ (50,159) |
| *Adjustments to reconcile net loss to net cash provided by (used in) operating activities* | | |
| Depreciation | 2,183 | 3,343 |
| Amortization of right-of-use assets | 1,659 | 1,798 |
| Amortization of debt discounts and issuance costs | 30 | 50 |
| Amortization of insurance premiums | 2,430 | 2,834 |
| Inventory reserves | (263) | 2,940 |
| Impairment of property and equipment and assets held-for-sale | 564 | 4,823 |
| Change in fair value of derivative instruments | (48) | (274) |
| Change in fair value of earn-out shares liability | — | (39) |
| Gain on operating lease termination | (9,875) | — |
| Stock-based compensation expense | 7,407 | 7,710 |
| Bad debt expense | 2 | 962 |
| Other non-cash items | 1,068 | (148) |
| *Changes in operating assets and liabilities:* | | |
| Accounts receivable | 20,833 | (12,690) |
| Inventories | 10,895 | (1,558) |
| Prepaid expenses and other current assets | (501) | (1,562) |
| Other assets | 907 | (2,654) |
| Accounts payable | (6,458) | 5,406 |
| Other liabilities | (148) | (9,577) |
| **Net cash provided by (used in) operating activities** | 5,365 | (48,795) |
| | | |
| **Investing Activities:** | | |
| Proceeds from the disposal of assets held for sale | 61 | 125 |
| Purchases of property and equipment | — | (304) |
| Net cash acquired in acquisition of ElectraMeccanica Vehicles Corp | — | 51,355 |
| **Net cash provided by investing activities** | 61 | 51,176 |
| | | |
| **Financing Activities:** | | |
| Principal payment for equipment leases | (1,973) | (2,347) |
| Proceeds from short-term insurance financing note | 2,609 | 3,107 |
| Payment for short-term insurance financing note | (2,899) | (2,830) |
| Payments on convertible notes | (1,500) | — |
| Stock option exercises | — | 10 |
| Taxes paid related to net share settlement of stock-based awards | (1,021) | (1,012) |
| Proceeds from sale of newly issued shares of common stock | 2,402 | — |
| Proceeds from issuance of Common Stock under Standby Equity Purchase Agreement | — | 47 |
| **Net cash used in financing activities** | (2,382) | (3,025) |

| | | |
|---|---|---|
| **Net increase (decrease) in cash, cash equivalents and restricted cash** | 3,044 | (644) |
| **Cash, cash equivalents and restricted cash, beginning of year** | 10,996 | 11,640 |
| **Cash, cash equivalents and restricted cash, end of year** | $ 14,040 | $ 10,996 |
| | | |
| **Reconciliation of Cash, Cash Equivalents and Restricted Cash to Consolidated Balance Sheets:** | | |
| Cash and cash equivalents | $ 14,040 | $ 10,996 |
| **Total cash, cash equivalents and restricted cash** | $ 14,040 | $ 10,996 |
| | | |
| **Supplemental disclosure of cash flow information** | | |
| Cash paid for income taxes | $ 51 | $ 17 |
| Operating lease termination | $ (9,875) | $ — |
| **Supplemental disclosure of non-cash investing and financing activities** | | |
| Issuance of common stock for equipment lease termination | $ (200) | $ — |
| Settlement of accrued interest with shares of Xos common stock | $ (6,009) | $ — |
| Purchase of property and equipment in accounts payable | $ (30) | $ (35) |
| Net assets acquired in acquisition of ElectraMeccanica Vehicles Corp. | $ — | $ 54,630 |
| Xos common stock issued in exchange for ElectraMeccanica Vehicles Corp. | $ — | $ (31,856) |

*The accompanying notes are an integral part of these consolidated financial statements*

**Note 1 — Description of Business**

Xos, Inc., together with its wholly owned subsidiaries (collectively, the "Company" or "Xos") is a leading fleet electrification solutions provider committed to the decarbonization of commercial transportation. Xos designs and manufactures Classes 5 through 8 battery-electric commercial vehicles designed to travel on last-mile, back-to-base routes of up to 200 miles per day. Xos also offers charging infrastructure products and services through Xos Energy Solutions™ to support electric vehicle fleets. The Company's proprietary fleet management software, Xosphere™, integrates vehicle operation and vehicle charging aimed at providing commercial fleet operators a more seamless and cost-efficient vehicle ownership experience than traditional internal combustion engine counterparts. Xos developed the X-Platform (its proprietary, purpose-built vehicle chassis platform) specifically for the medium-duty commercial vehicle segment with a focus on last-mile commercial fleet operations. Xos seeks to offer customers a suite of commercial products and services to facilitate electric fleet operations and seamlessly transition their traditional combustion-engine fleets to battery-electric vehicles.

***Business Combination***

Xos, Inc. was initially incorporated on July 29, 2020, as a Cayman Islands exempted company under the name "NextGen Acquisition Corporation" ("NextGen"). On August 20, 2021, the transactions contemplated by the Agreement and Plan of Merger, as amended on May 14, 2021, by and among NextGen, Sky Merger Sub I, Inc., a Delaware corporation and a direct wholly owned subsidiary of NextGen ("Merger Sub"), and Xos, Inc., a Delaware corporation (now known as Xos Fleet, Inc., "Legacy Xos"), were consummated (the "Closing"), whereby Merger Sub merged with and into Legacy Xos, the separate corporate existence of Merger Sub ceased and Legacy Xos became the surviving corporation and a wholly owned subsidiary of NextGen (such transaction the "Merger" and, collectively with the Domestication, the "Business Combination"), and Xos became the publicly traded entity listed on Nasdaq.

***ElectraMeccanica Acquisition***

On January 11, 2024, the Company and ElectraMeccanica Vehicles Corp. ("ElectraMeccanica") entered into an arrangement agreement, as amended on January 31, 2024 (the "Arrangement Agreement"), pursuant to which the Company acquired all of the issued and outstanding common shares of ElectraMeccanica (each, an "ElectraMeccanica Share") pursuant to a plan of arrangement (the "Plan of Arrangement") under the Business Corporations Act (British Columbia) (the "Arrangement").

The Arrangement was consummated on March 26, 2024. Subject to the terms and conditions set forth in the Arrangement Agreement and the Plan of Arrangement, on March 26, 2024, each ElectraMeccanica Share outstanding immediately prior to the effective time of the Arrangement was converted automatically into the right to receive 0.0143739 of a share of the Company's Common Stock, for total consideration of 1,766,388 shares of Common Stock. The Company's liquidity has been supplemented by accessing ElectraMeccanica's cash balance, which was approximately $50.2 million (excluding severance related costs paid at closing) as of the effective date of the Arrangement.

***Risks and Uncertainties***

In recent years, the United States and other significant markets have experienced cyclical downturns and worldwide economic conditions remain uncertain. Global general economic and political conditions, such as recession, inflation, uncertain credit and global financial markets, including potential future bank failures, health crises, supply chain disruption, fuel prices, international currency fluctuations, changes to trade policies and tariffs (or the perception that such changes may occur), and geopolitical events such as local and national elections, corruption, political instability and acts of war or military conflict, or terrorism, make it difficult for our customers and us to accurately forecast and plan future business activities, and could cause our customers to slow spending on our products and services or impact their ability to make timely payments. A weak or declining economy could also strain our suppliers, possibly resulting in supply disruption. In addition, there is a risk that our current or future suppliers, service providers, manufacturers or other partners may not survive such difficult economic times, which would directly affect our ability to attain our operating goals on schedule and on budget. The ultimate impact of current economic conditions on the Company is uncertain, but it may have a material negative impact on the Company's business, operating results, cash flows, liquidity and financial condition.

Additionally, ongoing geopolitical events, such as the military conflicts between Russia and Ukraine, in Israel and with Iran or tensions with China and related sanctions and export control restrictions, may increase the severity of supply chain disruptions and further hinder our ability to source inventory for our vehicles. These conflicts continue to evolve and the ultimate impact on the Company is uncertain, but any prolonged conflict may have a material negative impact on the Company's business, operating results, cash flows, liquidity and financial condition.

Although the Company has used the best current information available to it in its estimates, actual results could materially differ from the estimates and assumptions developed by management.

***Liquidity***

As an early stage company, the Company has incurred net losses and cash outflows since its inception. The Company may continue to incur net losses and cash outflows in accordance with its operating plan as the Company continues to scale its operations to meet anticipated demand and establish its product and service offerings. As a result, the Company's ability to access capital is critical and until the Company can generate sufficient revenue to cover its operating expenses, working capital and capital expenditures, the Company will need to raise additional capital in order to fund and scale its operations. The Company may raise additional capital through a combination of debt financing, other non-dilutive financing and/or equity financing, including through asset-based lending and/or receivable financing and collecting on its outstanding receivables. The Company's ability to raise or access capital when needed is not assured and, if capital is not available to the Company when and in the amounts needed, the Company could be required to delay, scale back or abandon some or all of its development programs and other operations, which could materially harm its business, prospects, financial condition and operating results. Global general economic conditions continue to be unpredictable and challenging in many sectors, with disruptions to, and volatility in, the credit and financial markets in the United States and worldwide resulting from the effects of potential recessions, rising inflation rates, potential bank failures, supply chain disruption, fuel prices, international currency fluctuations, changes to trade policies and tariffs, and geopolitical events such as local and national elections, corruption, political instability and acts of war or military conflicts including repercussions of the wars between Russia and Ukraine and in Israel, conflicts with Iran, and tensions with China, or terrorism.

As of December 31, 2025, the Company's principal sources of liquidity were its cash and cash equivalents aggregating $14.0 million. The Company's short- and long-term uses of cash are for working capital and to pay interest and principal on its debt. The Company has incurred losses in nearly every period since inception and had net cash provided by operating activities of $5.4 million and net cash used in operating activities of $48.8 million for the years ended December 31, 2025 and 2024, respectively.

As an early-stage growth company, the Company's ability to access capital is critical. However, there can be no assurance such capital will be available to the Company when needed, on favorable terms or at all. The consolidated financial information does not include any adjustments that might result from the outcome of this uncertainty. These conditions and events raise substantial doubt about the Company's ability to continue as a going concern.

The Company intends to employ various strategies to obtain the required funding for future operations, which may include capital raising strategies such as debt financing, other non-dilutive financing and/or equity financing, including through asset-based lending and/or receivable financing and collecting on its outstanding receivables. The Company may sell additional shares of its common stock pursuant to the ATM Offering (as defined below in Note 11 - Equity), subject to certain limitations on the amount of proceeds that may be raised. At December 31, 2025, the Company also had the SEPA (as defined below in Note 11 - Equity), although its ability to access the SEPA was contingent upon specified conditions, including having a post-effective amendment to the Registration Statement on Form S-1 filed on July 27, 2023 filed with the SEC and declared effective. Moreover, the SEPA expired on February 11, 2026.

On August 9, 2022 (as amended on September 28, 2022), the Company entered into a note purchase agreement (the "Note Purchase Agreement") with Aljomaih Automotive Co. ("Aljomaih") under which the Company agreed to sell and issue to Aljomaih a convertible promissory note with a principal amount of $20.0 million and a maturity date of August 11, 2025. On August 8, 2025, the Company and Aljomaih entered into Amendment Number One to the Note Purchase Agreement and amended and restated the Convertible Note issued thereunder. On August 14, 2025, the Company and Aljomaih entered into a Letter Agreement regarding certain restrictions on convertibility of the Convertible Note (Amendment Number One to the Note Purchase Agreement, the amendment and restatement of the Convertible Note and the Letter Agreement are referred to collectively as the "Aljomaih Amendments"). Among other things, the Aljomaih Amendments extended the maturity of the Convertible Note such that it is now due in ten quarterly installments payable between November 11, 2025 and February 11, 2028. The first four such installments are $1.5 million each, the fifth through eighth installments are $2.0 million each and the final two installments are $3.0 million each; provided that such installments may be increased in the event certain financing activities result in proceeds to the Company in excess of four times the aggregate amount of Convertible Note principal payments otherwise required on or prior to any installment date. Pursuant to the Aljomaih Amendments, and notwithstanding the postponement of maturity of the Convertible Note, interest that had accrued on the Convertible Note through August 11, 2025, of approximately $6.0 million in the aggregate, was converted into 1,803,262 shares of Common Stock at the 10-day VWAP (as defined in the Convertible Note) on August 25, 2025.

Based on the Company's strategies to raise funds as described above and Xos's cash and cash equivalents as of December 31, 2025, the Company believes there is substantial doubt about such resources providing sufficient liquidity for the next twelve months following the date of the issuance of the consolidated financial statements in this Report. Management is presently exploring options to increase liquidity to resolve this concern and facilitate further growth. As a result, it is not probable that Xos's plans alleviate the substantial doubt about the Company's ability to continue as a going concern for at least one year from the issuance of the consolidated financial statements in this Report based on plans Management has been able to execute through the date of the issuance of the consolidated financial statements in this Report, although additional actions are under review. Absent the Company being able to collect on its outstanding accounts receivable, obtain a sufficient level of new capital in the near-term and/or obtain replacement financing for, or further extend the maturity of existing debt, the Company could be required to seek protection under Chapters 7 or 11 of the United States Bankruptcy Code. This could potentially cause the Company to cease operations.

***Supply Chain Disruptions***

While the Company's ability to source certain critical inventory items has been steadily improving, it is still experiencing long-standing negative effects from global economic conditions, and expects such effects to continue to varying degrees for the foreseeable future. The Company has also observed, and expects to be impacted by, sporadic and unpredictable shortages for specific components, primarily in power electronics and harnesses, and disruptions to the supply of components.

Fluctuating tariff regimes—particularly those targeting imports of power electronics, battery components, and structural materials—have introduced significant volatility in the Company's cost structure and procurement planning. The uncertainty around tariff implementation timelines and scope has necessitated frequent adjustments to sourcing strategies, supplier selection, and contract terms.

The Company has been closely monitoring potential changes to trade policies and tariffs in order to proactively adjust and refine its strategy. These actions are aimed at preserving cost competitiveness and securing uninterrupted supply amid a fluid and unpredictable trade policy environment. Notwithstanding these efforts, the ongoing tariffs and regulatory changes may affect the Company's ability to source components from specific regions or maintain access to critical suppliers.

**Note 2 — Basis of Presentation, Summary of Significant Accounting Policies and Recent Accounting Pronouncements**

The following is a summary of the significant accounting policies consistently applied in the preparation of the accompanying consolidated financial statements:

***Basis of Presentation***

The Company's consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") and the rules and regulations of the Securities and Exchange Commission (the "SEC") for annual financial information. The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

***Use of Estimates***

The preparation of financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the balance sheet date, as well as reported amounts of revenues and expenses during the reporting periods. The areas with significant estimates and judgments include, among others, inventory valuation, incremental borrowing rates for assessing operating and financing lease liabilities, useful lives of property and equipment, stock-based compensation, product warranty liability, and valuations utilized in connection with acquisitions. Management bases its estimates on historical experience and on various other assumptions believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results could differ from those estimates, and such differences could be material to the Company’s financial statements.

***Comprehensive Income (Loss)***

The Company's comprehensive income (loss) is comprised of net income (loss) and other comprehensive income (loss). For the years ended December 31, 2025 and 2024, the Company had no components of other comprehensive income (loss). Accordingly, comprehensive income (loss) is the same as net income (loss) for each period presented.

***Revenue Recognition***

The Company generates revenue from the sale of its commercial electric vehicles, powertrains and hubs, and goods and services related to charging infrastructure. Accounting Standards Codification (“ASC”) 606, *Revenue from Contracts with Customers*, requires the Company to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company determines revenue recognition by applying the following steps:

1. Identifying the contract with a customer;
2. Identifying the performance obligations in the contract;
3. Determining the transaction price;
4. Allocating the transaction price to the performance obligations; and
5. Recognizing revenue as the performance obligations are satisfied.

The Company recognizes revenue primarily consisting of product sales, inclusive of shipping and handling charges, net of estimates for customer returns. Revenue contracts are identified when an enforceable agreement has been made with a customer. Performance obligations are identified in the contract for each distinct product provided within the contract. Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring products. All revenue is recognized when the Company satisfies its performance obligations under the contract. Any deposits from customers represent contract liabilities. The Company recognizes revenue by transferring the promised products to the customer, with the revenue recognized at the point in time the customer takes control of the products as agreed in the contracts, normally when delivered to the carrier. The Company recognizes revenue for shipping and handling charges at the time control is transferred for the related product. Costs for shipping and handling activities that occur after control of the product transfers to the customer are recognized at the time of sale and presented in cost of goods sold. The majority of its contracts have a single performance obligation, which is met at the point in time that the product is delivered to the carrier, and title passes to the customer, and are short term in nature. Sales tax collected from customers is not considered revenue and is accrued until remitted to the taxing authorities.

For other features and services such as over-the-air software updates that are included as part of the vehicle consideration received, an observable price is used to determine the stand-alone selling price or, when one is not available, a blended market approach and cost-plus margin approach is utilized. Revenue is provisioned upon control transfer of a vehicle and recognized over time on a straight-line basis as the Company has a stand-ready obligation to deliver such services to the customer.

For non-recurring engineering services, the Company recognizes revenue on a percentage-of-completion basis determined by the achievement of defined technical milestones and associated deliverables as the Company delivers customized engineering services and associated deliverables to the customer. The Company determines that the output method of revenue recognition is appropriate to reflect the Company’s performance in transferring control of the engineering services and associated deliverables. Any billings in excess of revenue recognized is accrued until associated technical milestones are achieved.

The Company has outstanding sales-type leases for stepvans and Hubs under ASC 842, *Leases* (“ASC 842”). Arrangements under this program can have terms for up to 60 months for stepvans and 24 months for Hub units. The Company recognizes all revenue and costs associated with the sales-type leases upon delivery of the vehicle to the customer. Interest income based on the implicit rate in the lease is recorded over time as customers are invoiced on a monthly basis.

***Cash, Cash Equivalents and Restricted Cash***

The Company considers all highly liquid investments with original maturities of three months or less at the time of purchase as cash equivalents for which cost approximates fair value. The likelihood of realizing material losses from cash and cash equivalents, including the excess of cash balances over federally insured limits, is remote.

As of December 31, 2025 and 2024, the Company did not have restricted cash balances.

***Automotive Regulatory Credits***

The Company earns tradable credits under various regulations related to emission reduction, clean fuel, and others. The Company sells these credits to other regulated entities that can use the credits to comply with emission standards and other regulatory requirements. Payments for automotive regulatory credits are typically received at the point control transfers to the purchasing party, or in accordance with payment terms customary to the business.

The Company recognizes revenue on the sale of these credits, which have negligible incremental costs associated with them, at the time control of the regulatory credit is transferred to the purchasing party. There was no revenue recognized from the sale of automotive regulatory credits for the year ended December 31, 2025. There was $0.6 million revenue recognized from the sale of automotive regulatory credits during the year ended December 31, 2024.

***Accounts Receivable, Net***

The Company records unsecured and non-interest bearing accounts receivable at the gross invoice amount, net of any allowance for expected credit losses. The Company maintains its allowance for expected credit losses at a level considered adequate to provide for potential account losses on the balance based on management's evaluation of past losses, current customer conditions, and the anticipated impact of current economic conditions. The Company recorded an allowance for expected credit losses of $49,000 and $246,000 as of December 31, 2025 and December 31, 2024, respectively. Actual write-offs totaled $46,000 and $778,000 as of December 31, 2025 and December 31, 2024, respectively. No recoveries were identified in the periods ending December 31, 2025 and 2024.

***Duty Drawback Receivable***

Duty drawbacks are recoveries of tariffs paid for vehicles that were acquired as a result of the consummation of the Arrangement. The Company expects to recover some of the vehicle inventory value through crushing the vehicles to recover tariffs already paid. As of December 31, 2025, the Company estimates aggregate tariff recovery of approximately $2.7 million with respect to destruction of SOLO (as defined below in Note 5 — Acquisition of ElectraMeccanica) vehicles and submission of the related claim documents. As of December 31, 2024, the Company completed the crushing of the vehicles but has not yet submitted all claim documents or received any tariff recovery related to the destruction of SOLO vehicles. The Company recorded the duty drawback receivable within other non-current assets in the consolidated balance sheets as of December 31, 2025 and 2024, and in other expense, net, within the consolidated statements of operations for the year ended December 31, 2024.

***Inventories***

The Company's inventory, which includes raw materials, work in process, and finished goods, is carried at the lower of cost or net realizable value. Inventory is valued using average costing, as that method accurately reflects the frequency of the Company's inventory purchases. In the case of manufactured inventories and work in process, cost includes an appropriate share of production overheads based on operating capacity.

At the end of each reporting period, the Company evaluates whether its inventories are damaged or obsolete, and if so, a loss is recognized in the period in which it occurs. Inventory write-downs are also based on reviews for any excess or obsolescence determined primarily by comparing quantities on hand to current and future demand forecasts. The Company reserves for any excess or obsolete inventories when it is believed that the net realizable value of inventories is less than the carrying value.

The Company also reviews its inventory to determine whether its carrying value exceeds the net realizable amount ("NRV") upon the ultimate sale of the inventory. NRV is the estimated selling price of inventory in the ordinary course of business, less estimated costs of completion, disposal, and transportation. At the end of each reporting period, the Company determines the estimated selling price of its inventory based on market conditions. Once inventory is written-down, a new, lower cost basis for that inventory is established and subsequent changes in facts and circumstances do not result in the restoration or increase in that newly established cost basis.

***Prepaid Expenses and Other Current Assets***

Prepaid expenses and other current assets primarily consists of prepaid inventory, other insurance assets, deposits, assets held-for-sale, dealer return contract assets, and prepaid license and subscriptions. Prepaid inventory includes contractual advance payments to suppliers for inventory to secure the raw materials needed for production and research and development purposes. Prepaid inventory is reclassified to inventories when received. Amortization expense on other prepaid assets and insurance assets is calculated using the straight-line method over the stated term of the prepaid assets and properly classified into the corresponding expense account.

Assets held-for-sale are measured, on a quarterly basis, at the lower of their carrying value and fair value less costs to sell. Impairment costs are recorded in the period incurred.

Dealer return contract assets represent the Company's right to consideration in exchange for goods or services to dealers, which is conditional upon satisfying future performance obligations. This account is recognized in accordance with the revenue recognition principles under U.S. GAAP, reflecting the estimated future return of vehicles from dealer contracts.

***Income Taxes***

The Company applies the asset and liability method of accounting for income taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases, as well as net operating losses and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be realized or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized as income or expense in the period that includes the enactment date.

In assessing the realizability of deferred income tax assets, ASC 740, *Income Taxes*, requires a more likely than not standard be met. If the Company determines that it is more likely than not that deferred income tax assets will not be realized, a valuation allowance must be established. The Company records a valuation allowance, when necessary, to reduce deferred tax assets to the amount expected to be realized. Estimates of the realizability of deferred tax assets, as well as the Company's assessment of whether an established valuation allowance should be reversed, are based on projected future taxable income, the expected timing of the reversal of deferred tax liabilities, and tax planning strategies. When evaluating whether projected future taxable income will support the realization of deferred tax assets, the Company considers both its historical financial performance and general economic conditions. In addition, the Company considers the time frame over which it would take to utilize the deferred tax assets prior to their expiration.

The Company utilizes a two-step approach to recognizing and measuring uncertain income tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained upon examination by the Internal Revenue Service ("IRS") or other taxing authorities, including resolution of related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount which is more than 50% likely of being realized upon ultimate settlement. The Company considers many factors when evaluating and estimating tax positions and tax benefits, which may require periodic adjustments and may not accurately forecast actual outcomes.

***Property and Equipment, net***

Property and equipment, net, including leasehold improvements, are stated at cost less accumulated depreciation. Depreciation expense is calculated using the straight-line method over the estimated useful life of the asset. Leasehold improvements are depreciated over the shorter of the estimated life of asset or the lease term. Depreciation expense is included in cost of goods sold, general and administrative expense and research and development expense on our consolidated statements of operations.

Construction in progress is comprised primarily of production equipment, tooling, and leasehold improvements related to the manufacturing of the Company's products, including all costs of obtaining the asset and bringing it to the facilities in the condition necessary for its intended use. There is no depreciation provided for assets in construction in progress. Once completed, the assets are transferred to their respective asset classes, and depreciation begins when an asset is ready for its intended use. The Company did not have construction in progress as of December 31, 2025 and 2024.

The estimated useful lives to calculate depreciation of property and equipment and leasehold improvements consisted of the following:

| Asset Category | Useful Life |
|---|---|
| Equipment | 5 years |
| Finance leases | Shorter of the lease term or the useful lives of the assets |
| Vehicles | 5 years |
| Leasehold improvements | Shorter of the lease term or the useful lives of the assets |
| Furniture and fixtures | 5 years |
| Computers, internally developed software and related equipment | 3 years |

The Company capitalizes additions, renewals, and improvements greater than $5,000, while repairs and maintenance are expensed as incurred. When property and equipment is retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts, and any gain or loss on the disposition is recorded in the consolidated statements of operations as a component of other expense, net.

The Company evaluates its property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company measures recoverability by comparing the carrying amount to the future undiscounted cash flows that the asset or asset group is expected to generate. If the asset or asset group is not recoverable, its carrying amount is adjusted down to its fair value. Impairment losses of property and equipment of $0.8 million and $4.2 million were recognized as a component of other expense, net, in the consolidated statements of operations for the years ended December 31, 2025 and 2024, respectively.

***Warranty Liability***

The Company provides customers with a product warranty that assures that the products meet standard specifications and is free for periods typically between 2 to 5 years. The Company accrues warranty reserve for the products sold, which includes its best estimate of the projected costs to repair or replace items under warranties and recalls if identified. These estimates are based on actual claims incurred to date and an estimate of the nature, frequency and costs of future claims. These estimates are inherently uncertain given the Company's relatively short history of sales, and changes to its historical or projected warranty experience may cause material changes to the warranty reserve in the future. Claims incurred under the Company's standard product warranty programs are recorded based on open claims. The Company recorded warranty liability within other current liabilities in the consolidated balance sheets for the years ended December 31, 2025 and 2024.

The reconciliation of the change in the Company's product liability balances for the years ended December 31, 2025 and 2024 consisted of the following (*in thousands*):

| | December 31, 2025 | December 31, 2024 |
|---|---|---|
| Warranty liability, beginning of period | $ 740 | $ 1,306 |
| Reduction in liability (payments) | (1,664) | (1,616) |
| Increase in liability[1] | 2,401 | 1,050 |
| Warranty liability, end of period | $ 1,477 | $ 740 |

[1]A portion of the increase in warranty liability during the year reflects updated historical claims experience, including the recognition of additional expected costs associated with the Company's older-generation stepvan units.

***Public and Private Placement Warrants***

The warrants to purchase shares of Common Stock at an exercise price of $345.00 per share originally issued in connection with NextGen's initial public offering (the "Public Warrants") and the warrants to purchase Common Stock originally issued in a private placement in connection with the initial public offering of NextGen (the "Private Placement Warrants") are recognized as derivative liabilities in accordance with ASC 815, *Derivatives and Hedging ("ASC 815")*.

The Private Placement Warrants are identical to the Public Warrants, except that the Private Placement Warrants and the shares of Common Stock issuable upon exercise of the Private Placement Warrants were not transferable, assignable or salable until September 19, 2021, subject to certain limited exceptions. Additionally, the Private Placement Warrants will be non-redeemable so long as they are held by the initial purchasers or their permitted transferees. If the Private Placement Warrants are held by someone other than the initial purchasers or their permitted transferees, the Private Placement Warrants will be redeemable by the Company and exercisable by such holders on the same basis as the Public Warrants.

The Company determined the fair value of its Public Warrants based on the publicly listed trading price of such Warrants as of the valuation date. Accordingly, the Public Warrants are classified as Level 1 financial instruments. Additionally, since the Private Placement Warrants are substantially the same as the Public Warrants, the Company determined the fair value of its Private Placement Warrants based on the Public Warrant trading price. Accordingly, the Private Warrants are classified as Level 2 financial instruments.

***Contingent Earn-out Shares Liability***

Earn-out Shares represent a freestanding financial instrument classified as liabilities on the accompanying consolidated balance sheets as the Company determined that these financial instruments are not indexed to the Company’s own equity in accordance with ASC 815, *Derivatives and Hedging*. Earn-out Shares liability were initially recorded at fair value in the Business Combination and are adjusted to fair value at each reporting date using Level 3 inputs with changes in fair value recorded in change in fair value of Earn-Out Shares liability in the consolidated statements of operations.

The earn-out triggers included a change of control provision within 5 years of the Closing, and achieving certain volume weighted average share prices (“VWAPs”) within 5 years of the Closing. These conditions result in the instrument failing indexation guidance and are properly reflected as a liability as of December 31, 2025 and 2024. The Company did not have a liability related to the Earn-Out Shares for both the years ended December 31, 2025 and 2024.

In addition to the Earn-out Shares, the Company has a contingent obligation to issue restricted stock units (“Earn-out RSUs”) to certain stockholders and employees upon the achievement of certain market share price milestones within specified periods following the Business Combination. The allocated fair value to the Earn-out RSU component, which is covered by *ASU 718, Compensation — Stock Compensation* (“ASC 718”), is recognized as stock-based compensation expense over the vesting period commencing on the grant date of the award.

***Convertible Promissory Note***

The Company accounts for convertible debt pursuant to ASC 815. The Company evaluates convertible debt instruments to determine whether any embedded features require bifurcation and separate periodic valuation. Convertible debt is recorded net of stated discounts and debt issuance costs. Debt discounts and issuance costs are amortized over the contractual term of the debt using the effective interest rate method. The Company elected to early adopt ASU 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20)* and *Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40)*: *Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity (“ASU 2020-06”)*.

***Leases***

Upon inception of a contract, the Company evaluates if the contract, or part of the contract, contains a lease. A lease conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Right-of-use (“ROU”) assets represent the Company's right to use an underlying asset for the lease term, and lease liabilities represent the Company's obligation to make lease payments arising from the lease. The lease liability is measured as the present value of the unpaid lease payments, and the ROU asset value is derived from the calculation of the lease liability, including prepaid lease payments, if any. Lease payments include fixed and in-substance fixed payments, variable payments based on an index or rate, reasonably certain purchase options, termination penalties, fees paid by the lessee to the owners of a special-purpose entity for restructuring the transaction, and probable amounts the lessee will owe under a residual value guarantee. Lease payments do not include (i) variable lease payments other than those that depend on an index or rate, (ii) any guarantee by the lessee of the lessor’s debt, or (iii) any amount allocated to non-lease components, if such election is made upon adoption, per the provisions of ASU 2016-02, *Leases*.

When the Company cannot determine the actual implicit rate in a lease, it uses its estimated incremental borrowing rate, which is derived from information available at the lease commencement date, in determining the present value of lease payments. The

Company gives consideration to its recent debt issuances, if any, as well as publicly available data for instruments with similar characteristics when calculating its incremental borrowing rate. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Company's lease term includes any option to extend the lease when it is reasonably certain to be exercised based on considering all relevant economic factors. Operating expense charges from the lessor are accounted for on an accrual basis. The Company has elected not to separate the lease and non-lease components and also elected not to recognize operating lease right-of-use assets and operating lease liabilities for leases with an initial term of twelve months or less.

The Company’s leases have remaining terms from less than 0.4 years to 1.2 years.

The Company reviews the carrying value of its ROU assets for impairment whenever events or changes in circumstances indicate that the recorded value may not be recoverable. Recoverability of assets is measured by comparing the carrying amounts of the assets to the estimated future undiscounted cash flows, excluding financing costs. If the Company determines that an impairment exists, any related impairment loss is estimated based on fair values.

***Research and Development Costs***

The Company’s research and development costs are related to developing new products and services and improving existing products and services. The Company invests in the continued development and improvement of its technology as well as its chassis design. Research and development costs consist primarily of personnel-related expenses, consultants, engineering equipment and supplies, and design and testing expenses. Research and development expenses have been expensed as incurred and included in the consolidated statements of operations.

***Advertising***

Advertising costs are expensed as incurred and are included within sales and marketing expenses in the consolidated statements of operations. Advertising expenses for the years ended December 31, 2025 and 2024 totaled approximately $42,000 and $0.2 million, respectively.

***Stock-Based Compensation***

The Company accounts for stock-based compensation in accordance with ASC 718, *Compensation — Stock Compensation*, under which share-based payments that involve the issuance of Common Stock to employees and non-employees and meet the criteria for equity-classified awards are recognized in the financial statements as compensation expense based on the fair value on the date of grant.

Prior to the Business Combination, the Company issued stock options to purchase shares of Common Stock (“Options”) to employees and non-employees under the Xos, Inc. 2018 Stock Plan (the “2018 Stock Plan”). The Company allows employees to exercise options prior to vesting. The Company considers the consideration received for the early exercise of an option to be a deposit and the related amount is recorded as a liability. The liability is relieved when the options vest. The Company has the right to repurchase any unvested (but issued) shares upon termination of service of an employee at the original exercise price. The Company stopped issuing options under the 2018 Stock Plan in the fourth quarter of 2020. The Company estimated the fair value of options on the date of the grant using the Black-Scholes option pricing model.

Since the Business Combination, the Company has issued restricted stock units (“RSUs”) to employees and non-employees under the Xos, Inc. 2021 Equity Incentive Plan (the “2021 Equity Plan”). The Company initially values RSUs based on the grant date closing price of the Company’s Common Stock. For awards with periodic vesting, the Company recognizes the related expense on a straight-line basis over the requisite service period for the entire award, subject to periodic adjustments to ensure that the cumulative amount of expense recognized through the end of any reporting period is at least equal to the portion of the grant date value of the award that has vested through that date. The Company accounts for forfeitures prospectively as they occur.

If there are any modifications or cancellations of the underlying unvested share-based awards, the Company may be required to accelerate, increase or cancel any remaining unrecognized or previously recorded stock-based compensation expense.

***Net Loss per Share***

Basic net loss per share is computed using the weighted-average number of common shares outstanding during the period. Diluted net loss per share is computed using the weighted-average number of common shares and the dilutive effect of the number of ordinary shares that would have been outstanding if all potentially dilutive ordinary shares had been issued, using the treasury stock method, in accordance with ASC 260, *Earnings Per Share*. In accordance with ASU 2020-06, the Company utilizes the if-converted method to compute the dilutive effect of convertible instruments.

The dilutive impact of contingently issuable Earn-out Shares have been excluded from the diluted loss per share calculation as the necessary conditions to be issued have not been satisfied. The dilutive impacts of Common Stock issuable upon the exercise of out-of-the-money Public and Private Placement Warrants have been excluded from the diluted loss per share calculation. The dilutive impacts of RSUs and options for each of the years ended December 31, 2025 and 2024, have been excluded from the diluted loss per share calculation as the Company was in a loss position.

***Concentrations of Credit and Business Risk***

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash accounts in a financial institution, which, at times, may exceed the Federal Depository Insurance Corporation coverage limit of $250,000. As of December 31, 2025 and 2024, the Company has not experienced losses on these accounts and management believes the Company is not exposed to significant risks on such accounts.

During the year ended December 31, 2025, one customer accounted for 54% of the Company’s revenues. During the year ended December 31, 2024, three customers accounted for 13%, 11% and 10% of the Company’s revenues.

As of December 31, 2025, four customers accounted for 17% , 14% , 12% and 10% of the Company’s accounts receivable. As of December 31, 2024, no customer had an accounts receivable balance greater than 10% of the Company’s accounts receivable.

***Concentration of Supply Risk***

The Company is dependent on its suppliers, the majority of which are single-source suppliers, and the inability of these suppliers to deliver necessary components of its products according to the schedule and at prices, quality levels and volumes acceptable to the Company, or its inability to efficiently manage these components, could have a material adverse effect on the Company’s results of operations and financial condition.

As of December 31, 2025, two vendors accounted for 12% and 11% of the Company’s accounts payable. As of December 31, 2024, three vendors accounted for 19%, 15%, and 10% of the Company’s accounts payable.

***Defined Contribution Plan***

The Company has a 401(k) savings plan that is intended to qualify as a deferred salary arrangement under Section 401(k) of the Internal Revenue Code of 1986, as amended (the “Code”). Under the 401(k) savings plan, participating employees are auto enrolled to 3% of their eligible compensation, subject to certain limitations. The Company did not make any contributions to the 401(k) savings plan during the years ended December 31, 2025 and 2024.

***Segment Information***

The Company operates under one segment as it has developed, marketed, and sold primarily only one class of similar products of electric stepvans, stripped chassis vehicles, battery systems, Hubs, and other products. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker (“CODM”), or decision-making group, in deciding how to allocate resources and in assessing performance. The Company’s CODM is its Chief Executive Officer.

The CODM assesses performance of the segment and decides how to allocate resources based on revenue, gross profit, employee-related costs and net income (loss) presented on a consolidated basis, for purposes of allocating resources and evaluating financial performance. The Company has one business activity and there are no segment managers who are held accountable for operations, operating results and plans for products or components below the consolidated unit level. Accordingly, the Company reports under a single operating segment. The accounting policies of the segment are the same as those described in the summary of significant accounting policies.

***Operating Lease Termination***

On August 21, 2025, the Company entered into an agreement with the lessor of the Company's manufacturing facility in Mesa, Arizona, leased by the Company's indirect wholly owned subsidiary, EMV Automotive USA Inc., to terminate the lease on the facility ("Mesa Lease") and, although the Company is no longer obligated to pay rent on the Mesa Lease, the termination agreement calls for 18 monthly payments by the Company of approximately $2.8 million in the aggregate. In conjunction with the termination, (i) a gain of $9.9 million was recognized, (ii) a security deposit of $0.9 million, net of $0.3 million utilities security deposit received, was kept by the lessor and removed from other non-current assets, (iii) $1.2 million short-term lease liabilities were decreased in other current liabilities, and (iv) long-term lease liabilities were decreased by $13.8 million in other non-current liabilities during the year ended December 31, 2025.

***Equipment Lease Termination***

Pursuant to a Compromise Settlement and Release Agreement, dated as of August 1, 2025, between the Company and the lessor of the Company's long-term vehicle leases, the Company issued 64,043 shares of unregistered common stock and paid $110,000 in cash to settle approximately $0.2 million in short-term equipment lease liabilities and $0.2 million in long-term equipment lease liabilities owed by the Company. As a result of the settlement, a gain of $17,000 was recognized and included in other expense, net.

***Recent Accounting Pronouncements Issued and Adopted:***

In December 2023, the FASB issued ASU No. 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which requires incremental annual income tax disclosures. This amendment includes disclosures of specific categories in the rate reconciliation and additional information for reconciling items that meet a quantitative threshold; income taxes paid (net of refunds received) disaggregated by federal, state, and foreign taxes, and also disaggregated by individual jurisdictions that meet a quantitative threshold; income (or loss) from continuing operations before income tax expenses (or benefit) disaggregated between domestic and foreign; and income tax expense (or benefit) from continuing operations disaggregated by federal, state and foreign. The guidance is effective for annual periods beginning after December 15, 2024. We adopted this ASU on a prospective basis effective January 1, 2025. Refer to Note 17 — Income Taxes for the inclusion of new disclosures required.

***Recent Accounting Pronouncements Issued and not yet Adopted:***

In November 2024, the FASB issued ASU No. 2024-03, *Income Statement -Reporting Comprehensive Income - Expense Disaggregation Disclosures*, and in January 2025, the FASB issued ASU 2025-01, *Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40): Clarifying the Effective Date,* to improve the disclosures about a public business entity's expenses and address requests from investors for more detailed information about the types of expenses including purchases of inventory, employee compensation, depreciation and intangible asset amortization in commonly presented expense captions such as cost of sales, selling, general and administrative expense, and research and development. As clarified, these amendments are effective for the Company for annual periods in 2027, applied prospectively, with early adoption permitted, and interim periods beginning in 2028. The Company intends to adopt the amendments in this update prospectively in 2027 for annual periods and in 2028 for interim periods. The impact of the adoption of the amendments in this update is not expected to be material to the Company's consolidated financial position and results of operations, as the requirements only require more detailed disclosures in the footnotes to the Company's consolidated financial statements.

In July 2025, the FASB issued ASU No. 2025-05, *Financial Instruments – Credit Losses (Topic 326)*, to allow entities to elect a practical expedient that assumes that current conditions as of the balance sheet date do not change for the remaining life of the asset when estimating expected credit losses for current accounts receivable and current contract assets. These amendments are effective for the Company for annual and interim periods in 2026 applied prospectively, with early adoption permitted. As the Company does not currently have material credit losses on its trade receivables, the impact of the adoption of the amendments in this update is not expected to be material to the Company's consolidated financial position and results of operations.

In September 2025, the FASB issued ASU No. 2025-06, *Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software*, to update the accounting for software developed for internal use to better align with software development as it has evolved from a sequential development method to incremental and iterative development methods. The amendments in this update require an entity to begin capitalizing internal-use software costs when management has authorized and committed to funding the software project and it is probable that the project will be completed and the software will be used to perform the function intended. These amendments are effective for the Company for annual and interim periods in 2028, applied either prospectively, retrospectively, or by a modified approach, with early adoption permitted. As the Company does not currently have a material amount of software developed for internal use, the impact of the adoption of the amendments in this update is not expected to be material to the Company's consolidated financial position and results of operations.

The Company is still evaluating all other applicable recently issued accounting pronouncements to evaluate the impact of the adoption of such pronouncements on its consolidated financial statements or notes thereto.

### Note 3 — Revenue Recognition

Disaggregated revenues by major source for the years ended December 31, 2025 and 2024 consisted of the following (*in thousands*):

| | Years Ended December 31, | |
|---|---|---|
| | 2025 | 2024 |
| Product and service revenue | | |
| Stepvans & vehicle incentives[1] | $ 35,832 | $ 42,808 |
| Powertrains & hubs[1] | 7,170 | 8,740 |
| Sales-type lease revenue | 398 | 708 |
| Other product revenue[2] | 1,700 | 1,778 |
| Total product and service revenue | 45,100 | 54,034 |
| Ancillary revenue | 892 | 1,927 |
| **Total revenues** | $ 45,992 | $ 55,961 |

[1] Amounts are net of returns and allowances. Stepvans & vehicle incentives and powertrains & hubs include revenue generated from operating leases.
[2] Other product revenue for the year ended December 31, 2025 includes revenue related to non-recurring powertrain engineering services of $0.6 million. The remaining performance obligations for non-recurring engineering services total $0.2 million as of December 31, 2025 and are expected to be satisfied in 2026.

The Company leases stepvans and Hubs to customers under operating leases with terms ranging from 24 to 36 months. At the end of the lease term, customers are required to return the vehicles to Xos. During the years ended December 31, 2025 and December 31, 2024, the Company recorded operating lease revenue of $11,000 and $35,000, respectively, on a straight-line basis over the contractual terms of the respective leases as part of Stepvans & vehicle incentives, above. During the years ended December 31, 2025 and December 31, 2024, the Company recorded operating lease revenue of $64,000 and $29,000, respectively, on a straight-line basis over the contractual terms of the respective leases as part of Powertrains & hubs, above.

For the year ended December 31, 2025, the Company recognized $0.4 million of sales-type leasing revenue and $0.2 million of sales-type leasing costs. For the year ended December 31, 2024, the Company recognized $0.7 million of sales-type leasing revenue and $0.2 million of sales-type leasing costs. Sales-type leasing costs are recorded in cost of goods sold within the accompanying consolidated statements of operations.

**Note 4 — Lease Receivable**

For deferred equipment agreements that contain embedded operating leases, upon lease commencement, the Company defers and records the equipment cost of operating lease assets within property and equipment, net of accumulated depreciation. These operating lease assets are subsequently amortized to cost of goods sold over the lease term on a straight-line basis.

For deferred equipment agreements that contain embedded sales-type leases, the Company recognizes lease revenue and costs, as well as a lease receivable, at the time the lease commences. Lease revenue related to both operating-type and sales-type leases for the years ended December 31, 2025 and December 31, 2024 was approximately $0.5 million and $0.8 million, respectively. Costs related to embedded leases within the Company's deferred equipment agreements are included in cost of goods sold in the accompanying consolidated statement of operations and loss. Interest on the lease receivable was immaterial to the consolidated financial statements for the years ended December 31, 2025 and December 31, 2024.

Lease receivable from sales-type leases consists of the following:

| (in thousands) | Balance Sheet Location | December 31, 2025 | December 31, 2024 |
|---|---|---|---|
| Lease receivable | | $ 572 | $ 2,528 |
| Allowance for expected credit losses | | — | (719) |
| Lease receivable, net | Prepaid expenses and other current assets | 572 | 1,809 |
| Less: current portion of lease receivable | | (517) | (1,264) |
| Lease receivable, non-current | Other non-current assets | $ 55 | $ 545 |

As of December 31, 2025, estimated future maturities of customer sales-type lease receivable and operating lease payments for each of the following fiscal years are as follows:

| | Future Lease Receivables/Payments (in thousands) | |
|---|---|---|
| Fiscal year | Sales-Type Leases | Operating Leases |
| 2025 | $ 517 | $ 15 |
| 2026 | 38 | — |
| 2027 | 17 | — |
| 2028 | — | — |
| Thereafter | — | — |
| Total lease payments | $ 572 | $ 15 |

**Note 5 — Acquisition of ElectraMeccanica**

On March 26, 2024, Xos acquired all of the issued and outstanding ElectraMeccanica Shares in exchange for the issuance of 1,766,388 shares of Xos Common Stock. The transfer of common shares resulted in the Xos stockholders and ElectraMeccanica shareholders immediately prior to the transaction owning approximately 79% and 21% of Xos upon completion of the transaction, respectively. The Company accounted for the acquisition of ElectraMeccanica as an asset acquisition in accordance with Accounting Standards Codification Topic 805-50, *Acquisition of Assets Rather than a Business*, because the acquired set of assets and activities did not include a substantive process. Therefore, the acquired set of assets and activities does not meet the definition of a business. This determination was made with key judgments including the following:

- ElectraMeccanica has discontinued, recalled, and repurchased all previously sold three-wheeled electric vehicles (the “SOLO”) because of a loss of propulsion issue that resulted in the vehicles being under a “do not drive” order from the National Highway Traffic Safety Administration.

- All in-process research and development (“IPR&D”) projects to commercialize the SOLO or a new four-wheeled electric (the “E4”) were terminated by ElectraMeccanica. The IPR&D related to SOLO and E4 has nominal value and require significant time, cost, and engineering efforts to commercialize.

- The majority of the assembled workforce was performing administrative tasks or working on the destruction of the remaining inventory and closing of leased facilities at the time of the acquisition. The destruction of the remaining inventory was completed during the year ended December 31, 2024. The acquired assembled workforce did not contain sufficient engineers with the knowledge and skill set to commercialize ElectraMeccanica’s terminated IPR&D projects.

Accordingly, the purchase consideration provided by Xos to effect the acquisition has been allocated to the acquired assets and assumed liabilities based upon their relative fair values. The following table summarizes the acquisition of ElectraMeccanica on March 26, 2024 (in thousands):

| | | |
|---|---|---|
| **Purchase consideration [(1)]** | **$** | **(35,588)** |
| | | |
| **Assets acquired** | | |
| Cash and cash equivalents | $ | 50,240 |
| Restricted cash | | 1,115 |
| Prepaid expenses and other current assets | | 1,539 |
| Other non-current assets | | 1,736 |
| Total identifiable assets acquired | $ | 54,630 |
| | | |
| **Liabilities assumed** | | |
| Accounts payable | $ | (804) |
| Other current liabilities [(2)] | | (1,903) |
| Other non-current liabilities [(2)] | | (16,335) |
| Total liabilities assumed | $ | (19,042) |
| | | |
| **Net assets acquired and liabilities assumed** | **$** | **35,588** |

[(1)] As a result of the asset acquisition accounting, the transaction costs of $3.7 million associated with the acquisition are included in the costs of the assets acquired and allocated amongst qualifying assets using the relative fair value basis. The transaction costs primarily included financial advisor fees, accounting, and legal expenses.

[(2)] As of the date of acquisition, the Company assumed two lease facilities in connection with the ElectraMeccanica acquisition, which are reflected in other current liabilities and other non-current liabilities of approximately $ 1.2 million and $16.0 million, respectively. As of August 21, 2025, the Company has exited one of these leases (see Note 8 — Leases)

The Company recognized $0 and $2.0 million of severance related expenses in connection with the ElectraMeccanica acquisition in general and administrative expense in its consolidated statements of operations during the years ended December 31, 2025 and December 31, 2024, respectively.

**Note 6 — Inventories**

Inventory amounted to $25.0 million and $36.6 million, respectively, for the years ended December 31, 2025 and 2024 and consisted of the following (*in thousands*):

| | December 31, 2025 | December 31, 2024 |
|---|---|---|
| Raw materials | $ 16,367 | $ 24,943 |
| Work in process | 3,647 | 6,983 |
| Finished goods | 4,947 | 4,641 |
| **Total inventories** | $ 24,961 | $ 36,567 |

Inventories as of December 31, 2025 and 2024 were comprised of raw materials, work in process related to the production of stepvans, powertrains, Hubs, and other products for sale and finished goods inventory including vehicles in transit to fulfill customer orders, new vehicles, new vehicles awaiting final pre-delivery quality review inspection, and Xos Energy Solutions products available for sale. The remaining capitalized labor and overhead cost remaining in work in process and finished goods inventory is $0.6 million and $0.8 million as of December 31, 2025 and December 31, 2024, respectively.

Inventories are stated at the lower of cost or net realizable value. Cost is computed using average cost. Inventory write-downs are based on reviews for excess and obsolescence determined primarily by current and future demand forecasts. During the years ended December 31, 2025 and 2024, the Company recorded inventory recoveries of $0.3 million and write-downs of $2.9 million, respectively, to reflect inventories at their net realizable values and provide an allowance for any excess or obsolete inventories.

**Note 7 — Selected Balance Sheet Data**

***Prepaid Expenses and Other Current Assets***

Prepaid expenses and other current assets for the years ended December 31, 2025 and 2024 consisted of the following (*in thousands*):

| | December 31, 2025 | December 31, 2024 |
|---|---|---|
| Prepaid inventories | $ 465 | $ 725 |
| Prepaid expenses and other [1] | 2,184 | 2,814 |
| Lease receivable | 517 | 1,264 |
| Contract assets | — | 1,099 |
| Financed insurance premiums | 1,076 | 1,315 |
| Assets held for sale[2] | 599 | 651 |
| **Total prepaid expenses and other current assets** | $ 4,841 | $ 7,868 |

[1] Primarily relates to prepaid insurance, prepayments for charging infrastructure projects, other receivables, and prepaid licenses and subscriptions.
[2] Assets held for sale are comprised of manufacturing equipment no longer used in production and marketed to be sold.

***Other Non-Current Assets***

Other non-current assets as of December 31, 2025 and December 31, 2024 consisted of the following (*in thousands*):

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| | December 31, 2025 | December 31, 2024 |
|---|---|---|
| Security deposits[1] | $ 338 | $ 1,873 |
| Duty drawback receivable[2] | 2,709 | 2,709 |
| Lease receivable, non-current | 55 | 545 |
| Other non-current assets | 1,530 | 1,601 |
| **Total other non-current assets** | $ 4,632 | $ 6,728 |

[1] Primarily relates to security deposits for operating and equipment leases. On August 21, 2025, the Company terminated the Mesa Lease, resulting in the removal of $0.9 million, net of $0.3 million utilities security deposit received, in security deposits. See Note 2 — Summary of Significant Accounting Policies.
[2] Represents the estimated amount that can be recovered from previously paid tariffs relating to crushed SOLO vehicles that were acquired in connection with the ElectraMeccanica acquisition.

### *Other Current Liabilities*

Other current liabilities for the years ended December 31, 2025 and 2024 consisted of the following (*in thousands*):

| | December 31, 2025 | December 31, 2024 |
|---|---|---|
| Accrued expenses and other [1] | $ 6,744 | $ 2,886 |
| Accrued interest [2] | 758 | 4,789 |
| Accrued payroll [3] | 2,004 | 2,079 |
| Contract liabilities | — | 260 |
| Customer deposits | 616 | 1,275 |
| Warranty liability | 1,477 | 740 |
| Equipment notes payable, current[4] | — | 377 |
| Short-term insurance financing notes | 958 | 1,280 |
| Operating lease liabilities, current[5] | 1,836 | 3,028 |
| Finance lease liabilities, current[6] | 292 | 1,054 |
| **Total other current liabilities** | $ 14,685 | $ 17,768 |

[1] Primarily relates to the liabilities assumed in connection with the ElectraMeccanica acquisition, accrued inventory purchases, accrued professional fees, and other accrued expenses. Amounts also include $1.9 million relating to accrued termination expenses incurred in conjunction with the termination of the Mesa Lease during the year ended December 31, 2025. See Note 2 — Summary of Significant Accounting Policies.
[2] Represents accrued interest on the Convertible Promissory Note, which interest is convertible into shares of the Company's common stock at maturity. On August 8, 2025, the Note was amended, resulting in the conversion of $6.0 million of accrued interest into unregistered common stock. See Note 10 — Convertible Notes.
[3] Primarily relates to payroll liabilities such as accrued payroll, accrued vacation, accrued bonuses and other payroll liabilities.
[4] Primarily relates to notes payable on manufacturing equipment. On August 1, 2025, the Company issued 64,043 shares of unregistered common stock and paid $0.1 million in cash payments to settle approximately $0.2 million in short-term equipment lease liabilities and $0.2 million in long-term equipment lease liabilities owed by the Company under certain outstanding vehicle leases, resulting in a gain on settlement of approximately $17,000 for the year ended December 31, 2025.
[5] Primarily relates to operating lease liabilities assumed in connection with the ElectraMeccanica acquisition. On August 21, 2025, the Company terminated the Mesa Lease, resulting in the removal of $1.2 million in short-term operating lease liabilities. See Note 2 — Summary of Significant Accounting Policies.
[6] In October 2025, the Company resolved a disagreement related to the terms of a finance lease, which resulted in a net benefit to general and administrative expenses of $0.9 million during the year ended December 31, 2025.

Revenue recognized for the year ended December 31, 2025 from the customer deposits and contract liabilities balance as of December 31, 2024 was $0.6 million. Revenue recognized for the year ended December 31, 2024 from the customer deposits and contract liabilities balance as of December 31, 2023 was $0.8 million.

***Other Non-Current Liabilities***

Other non-current liabilities as of December 31, 2025 and 2024 consisted of the following (*in thousands*):

| | December 31, 2025 | December 31, 2024 |
|---|---|---|
| Accrued interest expense and other[1] | $ 958 | $ 635 |
| Equipment notes payable, non-current[2] | — | 224 |
| Operating lease liabilities, non-current[3] | 262 | 16,656 |
| Finance lease liabilities, non-current | 125 | 418 |
| **Total other non-current liabilities** | $ 1,345 | $ 17,933 |

[1] Includes $0.5 million relating to accrued termination expenses incurred in conjunction with the termination of the Mesa Lease during the year ended December 31, 2025. See Note 2 — Summary of Significant Accounting Policies.
[2] Primarily relates to notes payable on manufacturing equipment. On August 1, 2025, the Company issued 64,043 shares of unregistered common stock and paid $0.1 million in cash payments to settle approximately $0.2 million in short-term equipment lease liabilities and $0.2 million in long-term equipment lease liabilities owed by the Company under certain outstanding vehicle leases, resulting in a gain on settlement of approximately $17,000 for the year ended December 31, 2025.
[3] Primarily relates to operating lease liabilities assumed in connection with the ElectraMeccanica acquisition. On August 21, 2025, the Company terminated the Mesa Lease, resulting in the removal of $13.8 million of long-term operating lease liabilities. See Note 2 — Summary of Significant Accounting Policies.

**Note 8 — Leases**

A summary of the balances relating to the Company’s lease assets and liabilities as of December 31, 2025 and 2024 consisted of the following *(in thousands)*:

| | Balance Sheet Location | December 31, 2025 | December 31, 2024 |
|---|---|---|---|
| **Assets** | | | |
| Operating leases | Operating lease right-of-use assets, net | $ 1,534 | $ 3,193 |
| Equipment finance leases | Property and equipment, net | 215 | 730 |
| **Total lease assets** | | **1,749** | **3,923** |
| | | | |
| **Liabilities** | | | |
| Current | | | |
| Operating leases | Other current liabilities | 1,836 | 3,028 |
| Equipment finance leases | Other current liabilities | 292 | 1,054 |
| *Sub-total* | | **2,128** | **4,082** |
| Non-current | | | |
| Operating leases | Other non-current liabilities | 262 | 16,656 |
| Equipment finance leases | Other non-current liabilities | 125 | 418 |
| *Sub-total* | | 387 | 17,074 |
| **Total lease liabilities** | | **$ 2,515** | **$ 21,156** |

***Operating Leases***

The Company has a 5-year office lease on its headquarter facility in Los Angeles, California, which commenced in January 2022, as well as certain other leases (both short-term and long-term) within the United States. In connection with the acquisition of ElectraMeccanica, the Company assumed the leases for a manufacturing facility in Mesa, Arizona and a service and distribution center in Huntington Beach, California, maturing in May 2033 and January 2027, respectively. On August 21, 2025, the Company entered into an agreement with the lessor of the Mesa facility, which resulted in the termination of such lease and provided that the Company shall make monthly payments to the lessor for 18 months following termination in an aggregate amount of approximately $2.8 million.

The Company records lease expense on a straight-line basis over the lease term. Total lease expense recorded was $3.7 million and $3.8 million for the years ended December 31, 2025 and 2024, respectively.

Lease terms include renewal or termination options that the Company is reasonably certain to exercise. For leases with a term of 12 months or less, the Company has made an accounting policy election to not record a ROU asset and associated lease liability on its consolidated balance sheets. Total lease expense recorded for these short-term leases was $0 for both the years ended December 31, 2025 and 2024, respectively.

***Equipment Finance Leases***

The Company leased certain equipment facilities under finance leases that expire on various dates through 2027. The finance lease cost during the years ended December 31, 2025 and 2024 consisted of the following *(in thousands)*:

| | Income Statement Location | Years Ended December 31, 2025 | Years Ended December 31, 2024 |
|---|---|---|---|
| Amortization | Cost of goods sold | $ 91 | $ 945 |
| Interest accretion on finance lease liabilities | Other expense, net | 153 | 214 |
| **Total** | | **$ 244** | **$ 1,159** |

On August 1, 2025, the Company issued 64,043 shares of unregistered common stock and paid $0.1 million in cash payments to settle approximately $0.2 million in short-term equipment lease liabilities and $0.2 million in long-term equipment lease liabilities owed by the Company under certain outstanding vehicle leases, resulting in a gain on settlement of approximately $17,000 for the year ended December 31, 2025. Moreover, on October 30, 2025, the Company settled $1.3 million in equipment lease liabilities owed by the Company under certain manufacturing equipment leases, resulting in aggregate net receipts of $0.7 million.

***Supplemental Cash Flow Information, Weighted-Average Remaining Lease Term and Discount Rate***

The weighted-average remaining lease term and discount rates, as well as supplemental cash flow information for the years ended December 31, 2025 and 2024 consisted of the following (*in thousands for the supplemental cash flow information*):

| | Years Ended December 31, 2025 | Years Ended December 31, 2024 |
|---|---|---|
| Supplemental cash flow information: | | |
| Cash paid for amounts included in the measurement of operating lease liabilities | $ 3,698 | $ 3,913 |
| Weighted average remaining lease term: | | |
| Operating leases | 1.0 year | 7.1 years |
| Equipment finance leases | 1.3 years | 0.9 years |
| Weighted average discount rate: | | |
| Operating lease - incremental borrowing rate | 6.6 % | 8.9 % |
| Equipment finance leases - rate implicit in the lease | 8.6 % | 5.9 % |

***Maturity Analysis***

A summary of the undiscounted cash flows and a reconciliation to the Company's lease liabilities as of December 31, 2025 consisted of the following *(in thousands)*:

| | December 31, 2025 | | |
|---|---|---|---|
| | Operating Leases | Equipment Finance Leases | Total |
| 2026 | 1,990 | 317 | 2,307 |
| 2027 | 194 | 129 | 323 |
| Thereafter | — | — | — |
| Total future minimum lease payments | $ 2,184 | $ 446 | $ 2,630 |
| Less: imputed interest | 86 | 29 | 115 |
| Present value of Lease Liabilities | **$ 2,098** | **$ 417** | **$ 2,515** |

**Note 9 — Earn-out Shares Liability**

The Company has a contingent obligation to issue 547,000 shares (the "Earn-out Shares") of Common Stock and grant 8,700 restricted stock units ("Earn-out RSUs") to certain stockholders and employees upon the achievement of certain market share price milestones within specified periods following the Business Combination on August 20, 2021.

The Earn-out Shares will be issued in tranches based on the following conditions:

i. If the volume-weighted average closing share price ("VWAP") of the Common Stock equals or exceeds $420.00 per share for any 10 trading days within any consecutive 20-trading day period between the Merger closing date and the five year anniversary of such closing date ("Earn-out Period"), then the Company is required to issue an aggregate of 180,000 shares ("Tranche 1 Earn-out Shares") of Common Stock to holders with the contingent right to receive Earn-out Shares (excluding any Earn-out RSUs). If after Closing and during the Earn-out Period, there is a Change in Control (as defined in the Merger Agreement), the Company is required to issue Tranche 1 Earn-out Shares when the value per share of the Company is equal to or greater than $ 420.00 per share, but less than $600.00. If there is a change in control where the value per share of common stock is less than $420.00, then the Earn-out Shares shall terminate prior to the end of the Earn-out Period and no Common Stock shall be issuable.

ii. If the VWAP of the Common Stock equals or exceeds $600.00 per share for any 10 trading days within any consecutive 20-trading day period during the Earn-out Period, then the Company is required to issue an aggregate of 180,000 shares ("Tranche 2 Earn-out Shares") of Common Stock to holders with the contingent right to receive Earn-out Shares (excluding any Earn-out RSUs). If after Closing and during the Earn-out Period, there is a Change in Control (as defined in the Merger Agreement), the Company is required to issue Tranche 2 Earn-out Shares when the value per share of the Company is equal to or greater than $ 600.00 per share, but less than $750.00.

iii. If the VWAP of the Common Stock equals or exceeds $750.00 per share for any 10 trading days within any consecutive 20-trading day period during the Earn-out Period, then the Company is required to issue an aggregate of 180,000 shares ("Tranche 3 Earn-out Shares") of Common Stock to holders with the contingent right to receive Earn-out Shares (excluding any Earn-out RSUs). If after Closing and during the Earn-out Period, there is a Change in Control (as defined in the Merger Agreement), the Company is required to issue Tranche 3 Earn-out Shares when the value per share of the Company is equal to or greater than $750.00 per share.

Pursuant to the guidance under ASC 815, *Derivatives and Hedging*, the right to Earn-out Shares was classified as a Level 3 fair value measurement liability, and the increase or decrease in the fair value during the reporting period is recognized in the consolidated statement of operations accordingly. The fair value of the Earn-out Shares liability was estimated using the Monte Carlo simulation of the stock prices based on historical and implied market volatility of a peer group of public companies.

As of both December 31, 2025 and 2024, the fair value of the Earn-out Shares liability was estimated to be $0. The Company recognized a gain on the change in fair value in Earn-out Shares liability of $0 and $39,000 in its consolidated statements of operations for the years ended December 31, 2025 and 2024, respectively.

The allocated fair value to the Earn-out RSU component, which is covered by ASU 718, *Compensation — Stock Compensation,* is recognized as stock-based compensation expense over the vesting period commencing on the grant date of the award.

## Note 10 — Convertible Notes

***Convertible Promissory Note***

On August 9, 2022, the Company entered into the Note Purchase Agreement with Aljomaih under which the Company agreed to sell and issue to Aljomaih a convertible promissory note with a principal amount of $20.0 million. On August 11, 2022, pursuant to the Note Purchase Agreement, the Company sold and issued $20.0 million in principal amount of a convertible promissory note (the “Original Note”) to Aljomaih. On September 28, 2022, the Company and Aljomaih agreed to amend and restate the Original Note (as amended and restated, the “Note”) to, among other things, adjust the calculation of the shares of the Company’s Common Stock issuable as interest, as described further below.

The Note, which was initially scheduled to mature on August 11, 2025, bears interest at a rate of 10.0% per annum, payable at maturity in validly issued, fully paid and non-assessable shares of Common Stock (“Interest Shares”), unless earlier converted or paid. If the 10-day VWAP ending on the trading day immediately prior to the applicable payment date is greater than or equal to the Minimum Price (as defined in Nasdaq Rule 5635(d)) or the Company has received the requisite approval from its stockholders (which it has), the number of Interest Shares to be issued will be calculated based on such 10-day VWAP; otherwise, the number of Interest Shares to be issued would have been based on the Nasdaq Minimum Price. The conversion price for the Note is initially equal to $71.451 per share, subject to adjustment in some events pursuant to the terms of the Note. The Company will have the right, in its sole discretion and exercisable at its election by sending notice of such exercise to Aljomaih, to irrevocably fix the method of settlement that will apply to all conversions of Notes. Methods of settlement include (i) physical settlement in shares of Common Stock, (ii) cash settlement determined by multiplying the principal being converted by the 10-day VWAP ending on the trading day immediately prior to the conversion date and dividing by the conversion price, or (iii) a combination of Common Stock and cash.

On August 8, 2025, the Company and Aljomaih entered into Amendment Number One to the Note Purchase Agreement and amended and restated the Convertible Note issued thereunder. On August 14, 2025, the Company and Aljomaih entered into a Letter Agreement regarding certain restrictions on convertibility of the Convertible Note. Among other things, the Aljomaih Amendments extended the maturity of the Convertible Note so that it is now due in ten quarterly installments payable between November 11, 2025 and February 11, 2028. The first four such installments are $1.5 million each, the fifth through eighth installments are $2.0 million each and the final two installments are $3.0 million each; provided that such installments may be increased in the event certain financing activities result in proceeds to the Company in excess of four times the aggregate amount of Convertible Note principal payments otherwise required on or prior to any installment date. Pursuant to the Aljomaih Amendments, and notwithstanding the postponement of maturity of the Convertible Note, the interest accrued on the Convertible Note through August 11, 2025, of approximately $6.0 million in the aggregate, was converted into 1,803,262 shares of Common Stock at the 10-day VWAP (as defined in the Convertible Note) on August 25, 2025.

The future scheduled mandatory prepayments of principal as of December 31, 2025 were as follows (in thousands):

| | Mandatory Prepayments | |
|---|---|---|
| 2026 | $ | 6,500 |
| 2027 | | 9,000 |
| 2028 | | 3,000 |
| Total | $ | 18,500 |

The Note also includes an optional redemption feature that provides the Company, on or after August 11, 2024, or as otherwise agreed to between the Company and Aljomaih in writing, the right to redeem the outstanding principal and accrued and unpaid interest, upon written notice not less than 5 trading days prior to exercise of the option, in full or in part and without penalty.

The Company accounts for the Note in accordance with the guidance contained in ASC 815-40, *Derivatives and Hedging—Contracts in Entity's Own Equity*, under which the Note was analyzed for the identification of material embedded features that meet the criteria for equity treatment and/or bifurcation and must be recorded as a liability. The Company initially classified the Note as a non-current liability given a maturity date of greater than one year, however, during the quarter ended September 30, 2024, the Note was reclassified as a current liability since its maturity date was less than one year from September 30, 2024. On August 8, 2025, the Note was amended subject to Amendment Number One, and as a result, a portion of the Note has been reclassified as a non-current liability at June 30, 2025, due to a change in the principal repayment schedule of the Note.

The Note will not be included in the computation of either basic or diluted EPS for the year ended December 31, 2025 in Note 19 — Net Loss per Share. This financial instrument is not included in basic EPS because it does not represent participating securities. Further, the Note is not included in diluted EPS because including these financial instruments would have an antidilutive effect on EPS for the year ended December 31, 2025.

As of December 31, 2025 and 2024, the Note had a principal balance of $18.5 million and $20.0 million outstanding, net of unamortized debt and issuance costs of $0 and $30,000, respectively. Debt issuance costs are amortized through the maturity date of the Note using the effective interest rate method. Amortization of debt issuance costs, recorded in other expense, net, for the years ended December 31, 2025 and 2024 was $30,000 and $50,000, respectively. The Company recorded interest expense of $ 2.0 million in other expense, net related to the Note for each of the years ended December 31, 2025 and 2024.

## Note 11 — Equity

### *Xos Common and Preferred Stock*

The Company is authorized to issue two classes of stock to be designated, respectively, "Common Stock" and "Preferred Stock." The total number of shares which the Company is authorized to issue is 1,010,000,000 shares. 1,000,000,000 shares shall be Common Stock, each having a par value of one-hundredth of one cent ($0.0001). 10,000,000 shares shall be Preferred Stock, each having a par value of one-hundredth of one cent ($0.0001).

Voting Rights: Each outstanding share of Common Stock shall entitle the holder thereof to one vote on each matter properly submitted to the stockholders of the Company for their vote; provided, however, that, except as otherwise required by law, holders of Common Stock shall not be entitled to vote on any amendment to this Certificate of Incorporation (including any certificate of designation filed with respect to any series of Preferred Stock) that relates solely to the terms of one or more outstanding series of Preferred Stock if the holders of such affected series are entitled, either separately or together as a class with the holders of one or more other such series, to vote thereon by law or pursuant to this Certificate of Incorporation (including any certificate of designation filed with respect to any series of Preferred Stock).

Preferred Stock: The Preferred Stock may be issued from time to time in one or more series. The Board of Directors of the Company (the "Board of Directors") is expressly authorized to provide for the issue of all or any number of the shares of the Preferred Stock in one or more series, and to fix the number of shares and to determine or alter for each such series, such voting powers, full or limited, or no voting powers, and such designation, preferences, and relative, participating, optional, or other rights and such qualifications, limitations, or restrictions thereof, as shall be stated and expressed in the resolution or resolutions adopted by the Board of Directors providing for the issuance of such shares and as may be permitted by the Delaware General Corporation Law (the "DGCL"). The Board of Directors is also expressly authorized to increase (but not above the total number of authorized shares of the class) or decrease (but not below the number of shares of such series then outstanding) the number of shares of any series subsequent to the issuance of shares of that series. In case the number of shares of any series shall be decreased in accordance with the foregoing sentence, the shares constituting such decrease shall resume the status that they had prior to the adoption of the resolution originally fixing the number of shares of such series.

### *Standby Equity Purchase Agreement*

On March 23, 2022, the Company entered into a Standby Equity Purchase Agreement with YA II PN, Ltd. ("Yorkville"), which was subsequently amended on June 22, 2023 (as amended, the "SEPA"), whereby the Company had the right, but not the obligation, to sell to Yorkville up to $ 125.0 million of shares of its Common Stock at its request any time until February 11, 2026, subject to certain conditions.

As consideration for Yorkville's commitment to purchase shares of Common Stock at the Company's direction upon the terms and subject to the conditions set forth in the SEPA, upon execution of the SEPA, the Company issued 619 shares of Common Stock to Yorkville.

On June 22, 2023, the Company and Yorkville entered into the First Amendment to Standby Equity Purchase Agreement (the "SEPA Amendment"), in which the Company and Yorkville amended the SEPA to: (1) change the calculation of the purchase price of an Option 1 Advance (as defined in the SEPA) from an average of the daily VWAP of the Common Stock during a three-day pricing period to the lowest VWAP during such three-day pricing period; (2) change the denomination of any requested advances from the Company to Yorkville under the SEPA from dollars to shares; (3) increase Yorkville's beneficial ownership limitation under the SEPA from 4.99% to 9.99% of the outstanding Common Stock, provided that if any portion of an advance under the SEPA would cause Yorkville to exceed the beneficial ownership limitation due to Yorkville's ownership of the Company's securities convertible into Common Stock, then the maximum number of shares of Common Stock that such securities will be convertible into will be reduced by the number of shares of Common Stock included in such advance for such period that Yorkville holds such shares of common stock covered by such advance and the number of shares of Common Stock covered by such advance would not be reduced; (4) extend the commitment period to February 11, 2026 and (5) make other administrative and drafting changes.

During the years ended December 31, 2025 and 2024, the Company issued 0 shares and 5,500 shares of Common Stock under the SEPA for proceeds of $0 and $46,750, respectively. As of both December 31, 2025 and December 31, 2024, the remaining commitment available under the agreement was $119.4 million. However, our ability to fully utilize the remaining commitment amount was limited by various factors, including, but not limited to, the availability of an effective registration statement permitting the resale of such shares of Common Stock. Ultimately, the Company did not cause the effectiveness of any such registration statement during 2025 or thereafter, and the SEPA expired on February 11, 2026.

***Common Stock Offering***

On May 30, 2023, the Company filed a Registration Statement on Form S-3 (File No. 333-272284), to issue and sell from time to time, together or separately, certain securities at an aggregate public offering price that will not exceed $100 million. Such registration statement was declared effective on June 8, 2023. On August 14, 2025, the Company filed a prospectus supplement to the prospectus included in such registration statement for an at-the-market offering by the Company of up to $5.4 million of its Common Stock (the "ATM Offering"). The Sales Agreement, dated August 14, 2025, with respect to the Company's ATM Offering (the "Sales Agreement") provides for the sale of the Company's stock in at-the-market sales up to $20 million, subject to the amount available to be sold by the Company pursuant to its registration statement.

During the years ended December 31, 2025, the Company sold 730,400 shares of Common Stock in the ATM Offering at an average price of $3.87 per share for aggregate net proceeds of $2.4 million after commissions of $0.1 million and legal, accounting, investor relations and other offering costs of $0.3 million. As of December 31, 2025, the Company had $2.5 million of shares of Common Stock available for future issuance under the ATM Offering pursuant to the Company's prospectus supplement with respect to the ATM Offering, and $17.2 million remaining under the terms of the Sales Agreement.

## Note 12 — Derivative Instruments

### Public and Private Placement Warrants

As of December 31, 2025, the Company had 18,633,301 Public Warrants and 199,997 Private Placement Warrants outstanding, with fair values of $0.1 million and $780, respectively.

Each Warrant is exercisable to purchase one-thirtieth of one share of Common Stock. The Public Warrants have an exercise price of $345.00 per whole share, subject to adjustments, and will expire on August 20, 2026 or earlier upon redemption or liquidation. The Public Warrants may only be exercised for a whole number of shares. No fractional Public Warrants were issued upon separation of the units and only whole Public Warrants trade. The Public Warrants became exercisable; provided that the Company has an effective registration statement under the Securities Act, covering the issuance of the Common Stock issuable upon exercise of the Warrants and a current prospectus relating to them is available and such shares are registered, qualified or exempt from registration under the securities, or blue sky, laws of the state of residence of the holder (or the Company permits holders to exercise their Public Warrants on a cashless basis under the circumstances specified in the warrant agreement). A registration statement was filed with the SEC covering the issuance of the Common Stock issuable upon exercise of the Warrants, and the Company undertook its commercially reasonable efforts to maintain the effectiveness of such registration statement and a current prospectus relating to those shares of Common Stock until the Public Warrants expire or are redeemed. If the shares of Common Stock 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, the Company may, at its 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 the Company so elects, it will not be required to file or maintain in effect a registration statement.

The Private Placement Warrants are identical to the Public Warrants, except that the Private Placement Warrants and the Common Stock issuable upon exercise of the Private Placement Warrants were not transferable, assignable or salable until September 19, 2021, subject to certain limited exceptions. Additionally, the Private Placement Warrants will be non-redeemable so long as they are held by the initial purchasers or their permitted transferees. If the Private Placement Warrants are held by someone other than the initial shareholders or their permitted transferees, the Private Placement Warrants will be redeemable by the Company and exercisable by such holders on the same basis as the Public Warrants.

***Redemption of Warrants for cash when the price per share of Common Stock equals or exceeds $540.00:***

At any time that the Warrants are exercisable, the Company may redeem the outstanding Warrants (except as described above with respect to the Private Placement Warrants):

- 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 Warrant holder; and
- if, and only if, the last reported sale price of Common Stock for any 20 trading days within a 30-trading day period ending on the third trading day prior to the date on which the Company sends the notice of redemption to the Warrant holders (the “Reference Value”) equals or exceeds $540.00 per share (as adjusted for share sub-divisions, share dividends, rights issuances, consolidations, reorganizations, recapitalizations and the like).

The Company will not redeem the Warrants as described above unless a registration statement under the Securities Act covering the issuance of the Common Stock issuable upon exercise of the Warrants is then effective and a current prospectus relating to those Common Stock is available throughout the 30-day redemption period. If and when the Warrants become redeemable by the Company, it may exercise its redemption right even if the Company is unable to register or qualify the underlying securities for sale under all applicable state securities laws.

***Redemption of Warrants for Common Stock when the price per share equals or exceeds $300.00:***

At any time the Warrants are exercisable, the Company may redeem the outstanding Warrants (including both Public Warrants and Private Placement 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 Warrants on a cashless basis prior to redemption and receive that number of shares determined by reference to an agreed table based on the redemption date and the “fair market value” of Common Stock;
- if, and only if, the Reference Value equals or exceeds $300.00 per share (as adjusted for share splits, share dividends, rights issuances, subdivisions, reorganizations, recapitalizations and the like); and
- if the Reference Value is less than $540.00 per share (as adjusted), the Private Placement Warrants must also concurrently be called for redemption on the same terms as the outstanding Public Warrants, as described above.

The “fair market value” of Common Stock shall mean the average reported last sale price of Common Stock for the 10 trading days ending on the third trading day prior to the date on which the notice of redemption is sent to the holders of Warrants.

In no event will the Company be required to net cash settle any Warrant. The Warrants may also expire worthless.

## Note 13 — Stock-Based Compensation

***2018 Stock Plan***

On November 27, 2018, the Legacy Xos's board of directors and stockholders adopted the 2018 Stock Plan. There are no shares available for issuance under the 2018 Stock Plan, however, the 2018 Stock Plan continues to govern the terms and conditions of the outstanding awards granted under the 2018 Stock Plan.

As of December 31, 2025 there were 1,211 Options outstanding under the 2018 Stock Plan. The amount and terms of Option grants were determined by the board of directors of Legacy Xos. The Options granted under the 2018 Stock Plan generally expire within 10 years from the date of grant and generally vest over four years, at the rate of 25% on the first anniversary of the date of grant and ratably on a monthly basis over the remaining 36-month period thereafter based on continued service.

Stock option activity during the year ended December 31, 2025 consisted of the following:

| | Options | Weighted Average Fair Value | Weighted Average Exercise Price | Weighted Average Remaining Years | Intrinsic Value |
|---|---|---|---|---|---|
| December 31, 2024 — Options outstanding | 1,669 | $ 0.54 | $ 0.60 | 4.80 | $ 4,404 |
| Granted | — | — | — | | |
| Exercised | (406) | 0.73 | 0.46 | | 2,351 |
| Forfeited | (52) | 0.64 | 0.46 | | 143 |
| December 31, 2025 — Options outstanding | 1,211 | $ 0.47 | $ 0.66 | 3.69 | $ 1,399 |
| December 31, 2025 — Options vested and exercisable | 1,211 | $ 0.47 | $ 0.66 | 3.69 | $ 1,399 |

Aggregate intrinsic value represents the difference between the exercise price of the options and the fair value of the Company's Common Stock. The aggregate intrinsic value of options exercised during the years ended December 31, 2025 and 2024 were approximately $2,351 and $0.1 million, respectively.

The Company estimates the grant date fair value of options utilizing the Black-Scholes option pricing model, which is dependent upon several variables, including expected option term, expected volatility of the Company's share price over the expected term, expected risk-free rate and expected dividend yield rate. There were no option grants during the years ended December 31, 2025 and 2024.

***2021 Equity Plan***

On August 19, 2021 the Company's stockholders approved the 2021 Equity Incentive Plan (the "2021 Equity Plan"), which was ratified by the Company's board of directors on August 20, 2021. The 2021 Equity Plan provides for the grant of incentive stock options ("ISOs"), within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code") to employees, including employees of any parent or subsidiary, and for the grant of non-statutory stock options ("NSOs"), stock appreciation rights, restricted stock awards, restricted stock units ("RSUs"), performance awards and other forms of awards to employees, directors and consultants, including employees and consultants of Xos's affiliates. On June 24, 2024, the Company's stockholders approved the Xos, Inc. Amended and Restated 2021 Equity Incentive Plan (the "A&R 2021 Equity Plan") to increase the aggregate number of shares of Common Stock reserved for issuance under the 2021 Equity Plan by 1,180,819 shares. On June 24, 2025, the Company's stockholders approved the 2025 Amendment to the Xos, Inc. Amended and Restated 2021 Equity Incentive Plan (the "2025 Amendment") to increase the aggregate number of shares of Common Stock reserved for issuance under the 2021 Equity Plan by 3,100,000 shares.

As of December 31, 2025, there were 1,725,409 shares of Common Stock available for issuance under the A&R 2021 Equity Plan, as amended.

RSU activity during the year ended December 31, 2025 consisted of the following:

| | RSUs | Weighted Average Grant Date Fair Value | Aggregate Fair Value |
|---|---|---|---|
| December 31, 2024 — RSU outstanding | 1,530,481 | $ 8.14 | $ 4,961,551 |
| Granted | 2,909,383 | 3.06 | 7,624,635 |
| Vested | (1,070,228) | 6.91 | 3,363,203 |
| Forfeited | (273,569) | 8.20 | 850,503 |
| December 31, 2025 — RSU outstanding | 3,096,067 | $ 3.79 | $ 5,605,441 |

The Company recognized stock-based compensation expense (including Earn-out RSUs) in the consolidated statements of operations for the years ended December 31, 2025 and 2024 totaling approximately $7.4 million and $7.7 million, respectively, which consisted of the following (*in thousands*):

| | December 31, 2025 | December 31, 2024 |
|---|---|---|
| Cost of goods sold | $ 248 | $ 354 |
| Research and development | 1,539 | 1,435 |
| Sales and marketing | 1,078 | 738 |
| General and administrative | 4,542 | 5,183 |
| **Total** | $ 7,407 | $ 7,710 |

We allocate stock-based compensation expense to cost of goods sold, research and development expense, sales and marketing expense and general and administrative expense, based on the roles of the applicable recipients of such stock-based compensation. The unamortized stock-based compensation expense was $9.3 million as of December 31, 2025, and weighted average remaining amortization period as of December 31, 2025 was 1.63 years.

The aggregate fair value of RSUs that vested was $3.4 million during the year ended December 31, 2025.

**Note 14 — Property and Equipment, net**

Property and equipment, net consisted of the following at December 31, 2025 and 2024 (*in thousands*):

| | December 31, 2025 | December 31, 2024 |
|---|---|---|
| Equipment | $ 5,705 | $ 5,705 |
| Finance lease assets | 1,339 | 1,609 |
| Furniture and fixtures | 173 | 173 |
| Company vehicles[(1)] | 3,442 | 2,817 |
| Leasehold improvements | 1,401 | 1,401 |
| Computers, software and related equipment | 3,128 | 3,128 |
| Property and equipment, gross | 15,188 | 14,833 |
| Accumulated depreciation | (10,868) | (8,722) |
| **Property and equipment, net** | $ 4,320 | $ 6,111 |

[(1)]Amounts include operating lease assets (stepvans and Hubs) for which the Company is a lessor. As of December 31, 2025, gross operating lease assets and accumulated depreciation on operating lease assets were $0.3 million and $0.1 million, respectively. As of December 31, 2024, gross operating lease assets and accumulated depreciation on operating lease assets were $0.4 million and $0.1 million, respectively.

Depreciation expense during the years ended December 31, 2025 and 2024 totaled approximately $2.2 million and $3.3 million, respectively.

## Note 15 — Commitments and Contingencies

### *Legal Contingencies*

Legal claims may arise from time to time in the normal course of business, the results of which may have a material effect on the Company's accompanying consolidated financial statements. As of December 31, 2025, the Company was not a party to any legal proceedings, that individually or in the aggregate, are reasonably expected to have a material adverse effect on the Company's results of operations, financial condition or cash flows. On October 10, 2025, the Supreme Court of British Columbia (the "BC Court") issued a judgment in favor of a former employee of EMV for the enforcement of a putative settlement agreement with respect to the employee's severance arrangements, which required aggregate payments of approximately $0.5 million, including approximately $0.2 million paid in 2025. A former employee has claimed certain amounts are due to such employee under a contract with the company related to such former employee's separation from the company. The Company denies such claims. Although no settlement has been reached yet, the Company has reserved amounts that in the aggregate are not expected to have a material impact on the company for potential negotiated cash and equity payments to the former employee in settlement of the claims.

### *Other Contingencies*

The Company enters into non-cancellable long-term purchase orders and vendor agreements in the normal course of business. As of December 31, 2025, non-cancellable purchase commitments with two of the Company's vendors totaled $0.2 million.

## Note 16 — Related Party Transactions

The Company has lease agreements with Fitzgerald Manufacturing Partners. The owner of Fitzgerald Manufacturing Partners is a stockholder of the Company. During each of the years ended December 31, 2025 and 2024, the Company incurred rent expense of $0.6 million and $0.7 million, respectively, related to these agreements.

During the year ended December 31, 2024, the Company sold two Hubs to Xcel Energy, resulting in $0.5 million in revenue, with no similar transaction occurring in the year ended December 31, 2025. A member of the Company's Board of Directors served as the Senior Vice President, System Strategy and Chief Planning Officer of Xcel Energy through March 17, 2025. Management believes these transactions were conducted on terms consistent with those that prevail in arm's length transactions with unrelated third-parties.

## Note 17 — Income Taxes

Loss before provision for income taxes for the years ended December 31, 2025 and 2024 consisted of the following (*in thousands*):

| | December 31, 2025 | December 31, 2024 |
|---|---|---|
| U.S. | $ (25,343) | $ (50,824) |
| Foreign | 46 | 702 |
| Loss before provision for income taxes | $ (25,297) | $ (50,122) |

The income tax expense for the years ended December 31, 2025 and 2024 consisted of the following (*in thousands*):

**Xos, Inc. and Subsidiaries**
**Notes to Consolidated Financial Statements**

| | December 31, 2025 | December 31, 2024 |
|---|---|---|
| Current: | | |
| Federal | $ — | $ — |
| State | 23 | 37 |
| Foreign | — | — |
| Total current income tax expense | $ 23 | $ 37 |
| Deferred: | | |
| Federal | $ — | $ — |
| State | — | — |
| Foreign | — | — |
| Total deferred income tax expense | — | — |
| Income tax expense | $ 23 | $ 37 |

The reconciliation between the provision for income tax expense and the amount of income tax computed by applying the U.S. federal statutory rate to income before provision for income taxes as shown in the accompanying consolidated statements of operations and other loss for the years ended December 31, 2025 and 2024 consisted of the following (*in thousands*):

| | December 31, 2025 | |
|---|---|---|
| | Amount | Percent |
| Tax provision at U.S. federal statutory rate | $ (5,323) | 21.00 % |
| State and local income taxes (net of federal income tax effect)[1] | 13 | (0.05) |
| Tax credits | (598) | 2.36 |
| Change in valuation allowance | 5,040 | (19.92) |
| Nontaxable or nondeductible items | | |
| Stock compensation | 859 | (3.40) |
| Interest expense settled in stock | 422 | (1.67) |
| Other permanent items | 37 | (0.15) |
| Other reconciling items | | |
| Prior year true up | (469) | 1.85 |
| Other | 42 | (0.17) |
| **Provision for income taxes** | $ 23 | (0.09)% |

[1]State taxes in California, Texas, New Jersey, New York, and Tennessee made up the majority of the tax effect in this category

As previously disclosed for the years ended December 31, 2024 prior to the adoption of ASU 2023-09, the effective income tax rate differs from the statutory federal income tax rate as follows:

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| | December 31, 2024 |
|---|---|
| Tax provision at U.S. federal statutory rate | 21.00 % |
| Nondeductible expenses | (2.58) |
| Fair value adjustments on earnout interests liability | 0.02 |
| Fair value adjustments on derivative liability | 0.12 |
| R&D credit | 1.03 |
| State taxes, net of federal benefit | 9.77 |
| Change in valuation allowance adjustment | (30.40) |
| Other | 0.97 |
| Effective tax rate | (0.07) % |

The amounts of cash taxes paid are as follows (in thousands):

| | December 31, 2025 |
|---|---|
| US Federal | $ — |
| State | |
| California | 3 |
| North Carolina | 2 |
| New Jersey | 4 |
| New York | 6 |
| Texas | 20 |
| Tennessee | 8 |
| Other States | 8 |
| Foreign | |
| Canada | — |
| Other Foreign jurisdictions | — |
| Income taxes paid (net of refunds received) | $ 51 |

The Company's components of deferred tax assets and liabilities for the years ended December 31, 2025 and 2024 consisted of the following (*in thousands*):

**Xos, Inc. and Subsidiaries**
**Notes to Consolidated Financial Statements**

| | December 31, 2025 | December 31, 2024 |
|---|---|---|
| Deferred tax assets: | | |
| Net operating loss carryover | $ 79,136 | $ 66,082 |
| General business and other tax credits | 10,472 | 9,077 |
| Capitalized research and development | 8,072 | 12,215 |
| Intangible assets | 1,835 | 2,038 |
| Fixed assets | 1,559 | 1,668 |
| Lease liabilities | 1,104 | 4,396 |
| Stock based compensation | 686 | 1,011 |
| Business interest limitation | 553 | 511 |
| Inventories | 1,627 | 2,426 |
| Other non-current deferred tax assets | 2,323 | 1,216 |
| Subtotal | 107,367 | 100,640 |
| Valuation allowance | (106,460) | (99,401) |
| Total | $ 907 | $ 1,239 |
| Deferred tax liabilities: | | |
| Fixed assets | $ — | $ — |
| Operating lease right-of-use asset | (435) | (922) |
| Other non-current deferred tax liabilities | (472) | (317) |
| Total | $ (907) | $ (1,239) |
| Net deferred tax asset | $ — | $ — |

The Company has recorded a full valuation allowance as of December 31, 2025 and 2024 since, in the judgment of management given the Company’s history of losses, the realization of these deferred tax assets was not considered more likely than not. The valuation allowance was $106.5 million and $99.4 million as of December 31, 2025 and 2024, respectively, with increases attributable to the current year’s provision. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the period in which those temporary differences become deductible. Management considers projected future taxable income and tax planning strategies in making this assessment.

In accordance with Code Section 382 (“Section 382”) and Section 383 (“Section 383”), a corporation that undergoes an “ownership change” (generally defined as a cumulative change (by value) of more than 50% in the equity ownership of certain stockholders over a rolling three-year period) is subject to limitations on its ability to utilize its pre-change net operating losses and research and development credits to offset post-change taxable income and post-change tax liabilities, respectively. The Company’s existing net operating losses and research and development credits may be subject to limitations arising from previous ownership changes, and the ability to utilize net operating losses could be further limited by Section 382 and Section 383 of the Code. In addition, future changes in the Company’s stock ownership, some of which may be outside of the Company’s control, could result in an ownership change under Section 382 and Section 383 of the Code.

As of December 31, 2025, the Company had net operating loss carryforwards of $598.0 million. This consists of approximately $284.8 million of federal net operating losses and approximately $313.2 million of state net operating losses. The federal net operating losses have an indefinite carryforward period, and the state net operating losses which will begin to expire in 2036.

As of December 31, 2025, the Company had research and development credit carryforwards of $11.2 million. This consists of approximately $7.1 million federal research and development credits, which will begin to expire in 2041, and approximately $4.1 million state research and development credits, which will begin to expire in 2036.

The Company is subject to taxation and files income tax returns with the U.S. federal government and various states. The Company currently is not under audit by the Internal Revenue Service. The Company's 2020 California state return is currently under audit by the California Franchise Tax Board, but the Company doesn't believe there are any uncertain tax benefits that should be reserved. The Company currently is not under audit by any other tax authorities. The Company generally is not subject to examination for tax years prior to 2020 except for California.

The Company had no unrecognized tax benefits for the years ended December 31, 2025 and 2024. Interest and penalties related to unrecognized tax benefits are recognized in operating expenses. No such interest and penalties were recognized during the years ended December 31, 2025 and 2024. The Company does not expect the amount of unrecognized tax benefits will materially change in the next twelve months.

***One Big Beautiful Bill Act***

On July 4, 2025, the President signed H.R. 1, the "One Big Beautiful Bill Act," ("OBBBA") into law. The legislation includes several changes to federal tax law that generally allow for more favorable deductibility of certain business expenses beginning in 2025, including the restoration of immediate expensing of domestic R&D expenditures, reinstatement of 100% bonus depreciation, and more favorable rules for determining the limitation on business interest expense. The Act modifies various energy credits to accelerate the phase out of these credits. The Act also includes certain changes to the U.S. taxation of foreign activity, including changes to foreign tax credits, Global Intangible Low-Taxed Income (GILTI), Foreign-Derived Intangible Income (FDII), and Base Erosion and Anti-Abuse Tax (BEAT), amongst other changes. These changes are generally effective for tax years beginning after December 31, 2025. The Company evaluated the impact of the legislation in accordance with ASC 740 and determined that it did not have a material effect on the Company's consolidated financial statements for the year ended December 31, 2025.

## Note 18 — Fair Value Measurements

ASC 820, *Fair Value Measurements and Disclosures*, clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based upon assumptions that market participants would use in pricing an asset or liability.

U.S. GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. As presented in the tables below, this hierarchy consists of three broad levels:

- *Level 1:* Quoted prices in active markets for identical assets and liabilities.
- *Level 2:* Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; and model-derived valuations whose inputs or significant value drivers are observable.
- *Level 3:* Significant inputs to the valuation model are unobservable and significant to the overall fair value measurement of the assets or liabilities. Inputs reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

The Company's financial instruments consist primarily of cash and cash equivalents, accounts receivable, accounts payable, other current liabilities, warrants and earn-out shares liability. The fair value of cash, cash equivalents, and accounts receivable, accounts payable, other current liabilities, and convertible debt approximates carrying value due to their short-term maturity.

As required by ASC 820, assets and liabilities measured at fair value are classified in their entirety based on the lowest level of input that is significant to their fair value measurement. Level 3 inputs are unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Assets and liabilities carried at fair value on a recurring basis as of December 31, 2025 and 2024 consisted of the following (*in thousands*):

| | December 31, 2025 | | | |
|---|---|---|---|---|
| | **Fair Value** | **Level 1** | **Level 2** | **Level 3** |
| **Financial Liabilities:** | | | | |
| Private Placement Warrants | $ 1 | $ — | $ 1 | $ — |
| Public Warrants | 72 | 72 | — | — |
| **Total Financial Liabilities** | **$ 73** | **$ 72** | **$ 1** | **$ —** |

| | December 31, 2024 | | | |
|---|---|---|---|---|
| | **Fair Value** | **Level 1** | **Level 2** | **Level 3** |
| **Financial Liabilities:** | | | | |
| Private Placement Warrants | $ 1 | $ — | 1 | $ — |
| Public Warrants | 120 | 120 | — | — |
| **Total Financial Liabilities** | **$ 121** | **$ 120** | **$ 1** | **$ —** |

There was no change in the fair value of Level 3 financial liabilities during the years ended December 31, 2025 and 2024. The fair value of Earn-out Shares liability was immaterial to the consolidated financial statements for each of the periods ended December 31, 2025 and 2024

**Note 19 — Net Loss per Share**

Basic and diluted net loss per share for the years ended December 31, 2025 and 2024 consisted of the following (*in thousands, except for per share amounts*):

| | **December 31, 2025** | **December 31, 2024** |
|---|---|---|
| Numerator: | | |
| Net loss | $ (25,320) | $ (50,159) |
| Net loss income attributable to common stockholders, basic | (25,320) | (50,159) |
| Net loss income attributable to common stockholders, diluted [(1)] | (25,320) | (50,159) |
| Denominator: | | |
| *Basic* | | |
| Weighted average common shares outstanding, basic | 9,360 | 7,500 |
| Basic net loss per share | $ (2.71) | $ (6.69) |
| *Diluted* | | |
| Weighted average common shares outstanding, diluted [(1)] | 9,360 | 7,500 |
| Diluted net loss per share | $ (2.71) | $ (6.69) |

[(1)] Net loss attributable to common stockholders, diluted during the years ended December 31, 2025 and 2024, excludes adjustments related to the change in fair value of derivative liabilities, interest expense and amortization of discounts and issuance costs related to Convertible Note. These adjustments were excluded from the calculation of diluted net loss per share as they would have an antidilutive effect (see Note 10 — Convertible Notes).

Potential ending shares outstanding that were excluded from the computation of diluted net loss per share because their effect was anti-dilutive as of December 31, 2025 and 2024 consisted of the following (*in thousands*):

**Xos, Inc. and Subsidiaries**
**Notes to Consolidated Financial Statements**

| | December 31, 2025 | December 31, 2024 |
|---|---|---|
| Contingent earn-out shares | 547 | 547 |
| Common stock public and private warrants | 628 | 628 |
| Restricted stock units | 3,096 | 1,531 |
| Stock options | 1 | 2 |
| If-converted common stock from convertible debt | 280 | 280 |

## Note 20 — Segment Reporting

The following table presents segment revenue, gross profit, and net loss for the periods presented (in thousands):

| | December 31, 2025 | December 31, 2024 |
|---|---|---|
| **Revenues** | $ 45,992 | $ 55,961 |
| Cost of goods sold | 43,268 | 51,996 |
| **Gross profit** | **2,724** | **3,965** |
| less: | | |
| Employee related | 18,076 | 27,400 |
| Facility and rent | 3,917 | 4,530 |
| Insurance | 3,183 | 3,693 |
| Depreciation | 1,984 | 3,088 |
| Professional services | 1,625 | 3,093 |
| Computer and software as a service | 2,053 | 2,439 |
| Research and development materials | 1,656 | 1,603 |
| Other[1] | 3,313 | 3,993 |
| Gain on operating lease terminations | (9,875) | — |
| Other expense, net | 2,137 | 4,561 |
| Change in fair value of derivative instruments | (48) | (274) |
| Change in fair value of earn-out shares liability | — | (39) |
| Provision for income taxes | 23 | 37 |
| Segment net loss | **$ (25,320)** | **$ (50,159)** |

[1] Other includes $0.9 million and $0 of financed equipment lease expense during the years ended December 31, 2025 and 2024, respectively, as well as bad debt expense, travel & entertainment, general and administrative freight, property/franchise taxes, and merchant fees.

## Note 21 — Subsequent Events

### *Windrose Resale Agreement*

In the first quarter of 2026, the Company entered into an agreement to serve as a dealer for Windrose Technology, Inc.’s electric long-haul truck products (the “Windrose Dealer Agreement”). Through this relationship, the Company seeks to be able to address customer and prospect demand for heavy duty long-range electric trucks that its own manufactured vehicles may not meet. The Windrose Dealer Agreement does not include any minimum volume requirements, and the Company cannot predict what volumes or revenues it might achieve from this arrangement, if any.