

## LION E-Mobility AG: Business Update August 2020



Dear investors, dear readers

After some extraordinary and challenging weeks we would like to inform you about the latest news and developments at LION. After the end of the strict lockdown, we have been back in day-to-day operations for quite some time - of course in compliance with all recommended regulatory requirements. We are on schedule with current projects. So it's time to bring you all up to date on some topics:

In the Business News section we would like to report on how our cooperation with our Canadian customer The Lion Electric Co. has developed and what plans we have for the rest of the year. Under Company News you will find some more detailed information on the status of the "Big Project", which we are currently working on and which has already been announced in the investor call. We also provide some information about the cooperation with SOGEFI and why the Italian Tier 1 OEM is an ideal partner for LION as well as information about LION GmbH in particular. In the Finance News section we take the liberty of looking back on the Annual General Meeting and the first consolidated financial statements, which we presented in July. And in the Tech News section we discuss further completed development projects. The outlook for 2020 and 2021 completes the picture.

We wish you informative reading - stay healthy and stay well-balanced.

With kind regards

Alessio Basteri, Ian Mukherjee, Tobias Mayer, Thomas Hetmann

Board of Directors Lion E-Mobility AG

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Thomas Hetmann

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## **About LION E-Mobility AG**

LION E-Mobility AG (WKN: A1JG3H, Ticker: LMI, Reuters: LMIG.MU) is a listed Swiss holding company founded in 2011 with promising strategic investments in the e-mobility sector, especially in the area of electrical energy storage and lithium-ion battery system technology.

The company owns 100% of the German LION Smart GmbH, a developer of battery packs and battery management systems. LION Smart GmbH also holds a 30% stake in TÜV SÜD Battery Testing GmbH, a successful joint venture with TÜV SÜD AG.

Further information about LION E-Mobility AG is available on our homepage at [www.lionemobility.de](http://www.lionemobility.de).

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## **Business News**

### **Our business partnership with The Lion Electric Co.**

At the turn of the year 2019/2020, we informed you that we had won a customer for the supply of battery packs in the form of the Canadian e-commercial vehicle specialist Lion Electric Co. This was the beginning of a very successful business relationship, which will initially run for four years.

For fiscal year 2020, The Lion Electric Co. has further significantly increased demand and thus firm orders for battery packs. We expect sales in this segment to reach almost EUR 15 million by the end of the year - a significant increase over the initially forecast sales volume of EUR 8.5 million.

In this context, it must be pointed out again and again that Lion Smart GmbH also carries out very significant development projects for its customers. These include not only the electrification of 400 V battery solutions but also the 800 V battery solutions that are about to be accepted, which are used in particular in commercial vehicles and heavy-duty trucks. In addition, development work is also focused on a wide range of other applications to ensure the best possible individual integration of the battery packs.

With this important business segment for LION Smart GmbH and the individual solutions we offer, we have created a good starting point for generating further business and sales volume. Further inquiries from potential customers make us optimistic that we will be able to further increase sales in this segment in 2021.

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## **Company News**

### **LION and the "Big Project"**

During the investor call on June 25, 2020, in the run-up to the general shareholders' meeting, GmbH managing director Thomas Hetmann mentioned a "big project" that was about to be completed. We subsequently received a lot of inquiries, because we had to delay the announcement of a closing until August 5, 2020, until the development contract could be signed. As the ad hoc release showed, the partner is a major Tier 1 company. This is essentially also the reason why the project could only be legally completed at a later date, as expected.

Subject of the contract is the further development of the LIGHT Battery for a prototype vehicle with the specification especially in the areas of electrics, electronics and cooling. This is of course also connected with questions of safety and performance. In addition, there is the production of a small series production for the customer.

"With this important development project for the LION Group, we are able to take the LIGHT Battery to a new level and promote its use in both the automotive and non-automotive sectors" (Thomas Hetmann Managing Director LION Smart GmbH).

Although high one-time expenses will be incurred in connection with this project, the significance and strategic importance for the LION Group is very high. The one-off expenses apply in particular to necessary personnel expenses, temporary capacity adjustments, other purchased services and investment requirements.

### **LION & SOGEFI: Partnership with potential**

Already in March, still in pre-Corona times, we were able to announce the good news that the Italian Tier 1 OEM SOGEFI and LION have signed a cooperation agreement. In the meantime the two companies have got to know each other better. What is behind this agreement and what makes the partnership so attractive?

SOGEFI is a leading global automotive supplier and operates in three business areas: filtration, suspension and air and cooling systems. Although at first glance these business units appear to have little overlap with LION's activities, SOGEFI has expertise and resources in development and manufacturing that are also of interest to LIGHT Battery. Examples include plastics processing, electronics and the entire field of heat management and cooling and its simulation. SOGEFI also has its own experts on board in the field of battery technology. After all, SOGEFI has experience in setting up a production facility suitable for series production. The agreement with SOGEFI allows LION to cooperate with the Italian Tier 1 OEM in numerous areas, to exchange knowledge and access resources.

Another very attractive aspect of the partnership is the opportunity to participate in the worldwide sales network of the Italian company. In concrete terms, this means that SOGEFI's sales force can offer LION technology as an innovative solution to its customers and prospects. As Sogefi is a Tier-1-OEM and has regular access to virtually all relevant automotive companies in the industry, the partnership opens up this access for LION as well. In addition, there is the option of activating SOGEFI's manufacturing know-how and production capacities upon customer request.

Important for existing and further potential partners of LION: The cooperation with SOGEFI is as non-exclusive as previous cooperation agreements.

With the concluded development agreement and the further development of LIGHT Battery we have a very good starting position to serve together with our strategic partner Sogefi not only the industrial completion of LIGHT Battery but also the markets important for us accordingly.

### **LION grows...**

The extremely pleasing order situation was also clearly reflected in the employment figures:

As of August 30, 2020, LION GmbH had a total of 33 employees (previous year: 26), with an upward trend. Further recruitments are planned for 2020, particularly in

the areas of technical development, testing and construction.

The recruitment and retention of employees for the LION Group is perhaps the greatest challenge for the future. We are operating in an industry of the future (mobility), which is most important for mankind - and with it the competition with large companies in the "War of Talents". We have therefore decided to offer our employees a third income component - a long-term option program that allows eligible employees to participate in the Group's long-term success. In contrast to the old program, which expired in 2019 and was difficult and complicated, the new option program will be more transparent and clearly structured. According to CEO and CFO Thomas Hetmann, the start of this option program is planned for January 1, 2021.

## **LION and TÜV South Battery Testing**

We are particularly proud of the 2019 annual figures published by TÜV SÜD Battery Testing (TSBT) on 25 August 2020. Our joint venture with TÜV SÜD Battery Testing (TSBT) has once again increased its annual results. The financing of now 2.4 million euros provided by us until January 2020 will further drive the growth of TSBT.

In addition to our Business Integration Solution segment and the further development of the LIGHT Battery for automotive and non-automotive applications, the Testing segment with TÜV SÜD Battery Testing continues to represent an important strategic element of our growth strategy.

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## **Finance News**

### **Continuity and confidence in extraordinary times**

**LION's shareholders have confirmed the course of management at an extraordinary general meeting.**

While it has been a good tradition in recent years for LION shareholders to gather in Baar, Switzerland, to ask questions of the management, the year 2020 was under

completely different circumstances: As is well known, the corona-related measures imposed by the authorities prevented a local presence this time. In order to nevertheless guarantee the shareholders' votes and participation rights, LION engaged a proxy agent to manage and exercise the shareholders' voting rights in trust. A notary and two lawyers were also present on site. In addition to these procedural requirements, LION also organized an investor call prior to the meeting, in which LION's management answered shareholders' questions, some of which were critical.

The bottom line was that the majority of investors were satisfied with the performance to date and the plans presented by the persons in charge. The Board of Directors of LION E-Mobility AG, consisting of Alessio Basteri (Chairman), Ian Mukherjee, Thomas Hetmann and Tobias Mayer was confirmed by the shareholders for another year and the actions of the Board and management were approved. The financial statements were also approved and adopted. The meeting also set the course for the future: Due to legal requirements in Switzerland, bearer shares must be converted into registered shares. Shareholders will be informed separately about the details of the procedure in due course. A due diligence special audit initiated by some shareholders in connection with an investor's intended entry in 2019 was rejected by a large majority. In his closing statement, Chairman Alessio Basteri thanked the shareholders for their trust and ranked the performance to date: In a challenging environment, LION not only achieved its goals and initiated further projects and partnerships, including with SOGEFI and Lion Electric, but also held further promising discussions with numerous other potential partners. "We are on a good path and I look forward to the moment when we can send further positive news to our shareholders," said Basteri with satisfaction.

### **Unqualified, audited consolidated financial statements according to IFRS published**

Shortly after the General Shareholders' Meeting, the voluntarily prepared - consolidated financial statements of LION AG were available to investors for the first time. These consolidated financial statements, which were issued with an unqualified audit certificate by KPMG, provided an

insight into the business figures for the years 2019 and 2018. These consolidated financial statements, which were prepared and audited in accordance with IFRS, provide shareholders for the first time with a complementary financial picture of the consolidated companies LION AG, Lion Smart GmbH, Lion E-Mobility Inc. and TÜV Süd Battery Testing.

Thomas Hetmann, who is also CFO of LION E-Mobility AG in addition to his position as Managing Director of the GmbH, commented on the motivation: "We know that there have been repeated inquiries about the company's business figures in the past. We want to offer our shareholders more transparency here. From the figures, shareholders and potential investors can get a precise picture of the work of the company and its management. We are convinced that more transparency, reliability and predictability are the key to maintaining shareholder confidence in the long term and to attracting new investors.

### **Tech News**

As already reported in connection with the half-year figures, we were able to complete two further development projects.

On the one hand, Lion Smart GmbH was able to complete the development of a high-performance prototype battery for an exclusive sports car manufacturer. On the other hand, our BMS hardware and software solution for a maritime application was able to obtain the DNV-GL certification, which is extremely important for the customer.

### **Outlook - fiscal year 2020 and 2021**

We continue to expect revenues of approximately EUR 18 - 20 million for fiscal year 2020. This is certainly an impressive performance compared to the previous year, when revenues from customers were only EUR 1.6 million. With regard to the operating result (EBIT), we expect a slightly positive result - depending on the valuation and implementation of the ongoing development project "Big Project".

It is much more difficult to forecast the business figures for 2021. Besides the uncertain situation of the automotive industry and the handling of possible overcapacities the effects of COVID 19 are also unclear. For the year 2021, we have therefore set ourselves the goals of driving forward the Business Integration Solution segment, bringing LIGHT Battery closer to "industrial maturity" and using our in-depth knowledge of battery technology, testing and the associated potential applications to the benefit of our shareholders.

"In this context, I would like to thank our employees for their extraordinary commitment", says Thomas Hetmann, Managing Director of LION Smart GmbH. Without our employees and the high level of identification with the LION Group and the goal of developing sustainable electrified solutions, we would not have been able to realize what we have achieved so far.