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LEAPMOTOR
ZHEJIANG LEAPMOTOR TECHNOLOGY CO., LTD.

浙江零跑科技股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 9863)

**ANNOUNCEMENT ON THE UNAUDITED FINANCIAL RESULTS FOR
THE THIRD QUARTER OF 2024**

This announcement is made on a voluntary basis by the board (the “**Board**”) of directors (the “**Directors**”) of Zhejiang Leapmotor Technology Co., Ltd. (“**we**” or the “**Company**” or “**Leapmotor**”, and its subsidiaries, the “**Group**”). The Company is pleased to announce the unaudited financial results of the Group for the three months ended September 30, 2024 (“**Q3 2024**”).

OPERATIONAL HIGHLIGHTS FOR Q3 2024

Finance

Revenue was RMB9,860 million for Q3 2024, representing a quarter-over-quarter increase of 83.9% from the second quarter and a year-on-year increase of 74.3% from 2023, mainly attributable to the significant increase in the Company’s product deliveries and the optimization of product sales structure.

Gross margin was 8.1% for Q3 2024, representing a significant improvement as compared with the gross margin of 2.8% for the second quarter of 2024 (“**Q2 2024**”), mainly attributable to (1) the optimization of product sales structure, (2) ongoing cost management efforts, and (3) economies of scale driven by the increase of sale. Average gross margin from January to September 2024 was 4.8%. The Company expects to exceed its annual gross margin target.

Net loss attributable to the equity holders of the Company was RMB690 million for Q3 2024, compared with a net loss of RMB990 million for the same period of 2023. The significant narrowing of the loss in the third quarter as compared to the first and second quarters of 2024 is the combined effect of the Company’s steady growth in sales volume and revenue, the continuous improvement of its gross profit, and the control and management of its costs and expenses.

For Q3 2024, operating cash flow amounted to RMB1,960 million, capital expenditure amounted to RMB640 million and free cash flow amounted to RMB1,320 million. The Company expects that operating cash flow and free cash flow will continue to be positive and develop positively in the fourth quarter.

Note:

These financial highlights are based on the unaudited financial information of the Group and such information has not been audited or reviewed by the Group's auditors.

Sales Volume

The Company sold 86,165 units in Q3 2024, of which 22,093 units were sold in July, 30,305 units were sold in August, and 33,767 units were sold in September, representing the third quarter sales growth of 61.7% quarter-over-quarter and 94.4% year-on-year. The Company's sales volume in October 2024 reached 38,177 units, and the net increase in orders exceeded 40,000 units in October, with C11, C10, and C16 each having a net increase of over 10,000 units, maintaining the rapid and steady increase in sales volume in the third quarter.

C11, C10 and C16 have formed a good combination that can meet the needs of different consumer segments, and the three SUV models have achieved a synergistic increase in volume. Among the Company's model sales structure in Q3 2024, the sales volume of C Series accounted for approximately 78.3%.

In Q3 2024, the Company continued to rank among the top three in terms of the sales volume of new force brands, and in the last week of September, the sales volume in a single week exceeded 10,000 units, ranking second among new force brands.

The Company's sales volume as of September 30, 2024 was 172,861 units. On October 17, 2024, the Company reached the milestone of unveiling its 500,000th mass-produced vehicle.

The core for the rapid growth in sales volume is the Company's insistence on the full-suite in-house R&D and efforts in technological innovation to provide users with products that are "good but not expensive" and with higher configuration and better quality.

Products

In 2024, the Company has stayed committed to the Dual Power layout of "BEVs + EREVs" through launches of new models, the C10 and the C16, as well as the modified models, the C11 and C01. Leveraging on the optimal platform sharing rate and the incorporation of the Company's latest technical achievements, the Company has completed the overall layout of its C Series product lineup. Therefore, the C Series has four models in the price range of RMB100,000-200,000, forming a product matrix targeting different segments of the market, including two 5-seat SUVs (C11 and C10), a 6-seat SUV (C16) and a 5-seat sedan (C01).

The C Series products are crafted for younger generations and middle-class families who are rational, pragmatic and tech-savvy. Such users prioritize comfort and space, quality and safety, and pursue intelligence and other integrated functions and product experience.

The C Series products of the Company currently have been equipped with the Company's independently developed LEAP 3.0 technology architecture, of which the first global strategic model, C10, designed in accordance with Chinese and European double-five-star safety standards, features industry-leading intelligent electric technologies such as centralized integrated electronic and electrical architecture, CTC battery chassis integration, and the flagship intelligent cockpit. It is also the first model equipped with the flagship intelligent cockpit chip, Qualcomm SA 8295P, and the higher-end intelligent driving version with LIDAR and NVIDIA Orin-X chips in the industry, realizing high-level intelligent driving. The chassis tuning of C10 was jointly conducted with Maserati team under Stellantis N.V. (the "**Stellantis Group**"), to achieve a luxury car-level handling experience.

The ultra-comfortable and intelligent model, 6-seat SUV C16, combines the spaciousness and comfort of an MPV with the styling of an SUV, with the Qualcomm SA 8295P chip as standard across the board, and the higher-end intelligent driving version equipped with LIDAR and Orin-X chips. The C16's pure electric model is equipped with an 800V silicon carbide high-voltage platform, and its silicon carbide three-in-one electric drive powertrain has four major advantages: high-performance, high-efficiency, high-intelligence and high-lifespan.

The C Series products have gained strong competitive advantages in the market due to their excellent product strength. The launch of the new models of C16 did not affect the sales of the two SUVs of C10 and C11, instead the popularity of the new models led to a greater flow of customers, achieving a synergistic sales increase in volume with C10 and C11 and demonstrating consumers' high recognition of these three SUVs among their respective market segments.

Following the C Series models, the Company intends to launch the B Series models both in the domestic and international markets.

The B10, the world's first model of the B Series, has made its global debut at the Paris Automobile Show on October 14, 2024, and received overwhelming and significant attention in the international market. B10 is positioned as a compact SUV, with a target on the market ranging from RMB100,000-150,000, and is expected to be launched in China around the end of the first quarter of 2025. Through the adoption of leading standards, the vehicle is designed and developed to fully meet the demands of global younger users for intelligence, trend, entertainment and quality. The B10 will be built based on Leapmotor's new LEAP 3.5 architecture, which features greater integration and intelligence, and will be equipped with Qualcomm SA 8295P cockpit chip carrying the AI big model, as well as LIDAR and Qualcomm's latest 8650 intelligent driving chip, which will realize high-level assisted driving such as urban and elevated navigation. The LEAP 3.5 architecture uses centralized integrated controller and multi-in-one electric drive system, both of which have higher integration, and the new generation of ultra-integrated thermal management system.

The B Series models are targeting the largest vehicle market segment in China and will become a new growth point for the Company's sales in 2025.

Research and Development

Research and development of the Company are always based on the concept of full-suite in-house R&D, covering six key technical areas: electrical and electronic architecture, smart cockpit, intelligent driving, intelligent battery, intelligent electric drive and whole vehicle architecture.

In July 2024, the Company completed OTA upgrade for the existing intelligent cockpit functions, bringing the AI big model to C10, activated the car assistant, text-to-picture, the encyclopedia assistant and other capabilities, and became the first model in the same price range to support the AI big model. In the third quarter, the Company continued to provide new and existing users with the latest technological upgrades. It completed two OTA upgrades for models with LEAP 2.0 architecture, introducing and refining over 10 functions, including NAP high-speed intelligent piloting, high-speed lane-changing LDW strategy optimization and mobile phone remote control; and completed one OTA upgrade for the models with LEAP 3.0 architecture, introducing and refining over 40 functions, including NAP's opening of the national highway scene and addition of the elevated scene for 12 cities, AI voice big model. In the OTA upgrade carried out in October 2024, Leapmotor C10 newly introduced and refined 31 functions, and launched the national parking lot memory parking, Karaoke without mic and other functions; Leapmotor C16 carried out its first OTA push, newly introduced and refined 39 functions, and launched the APA voice parking, Karaoke without mic and other functions.

The Company is continuously increasing its investment in the research and development of intelligent driving and has made remarkable progress in both the functions and performance of intelligent driving products. Based on the already realized high-speed NAP and urban NAC intelligent driving functions, the Company is implementing the research and development of "end-to-end big model" intelligent driving system. We are expanding the talent pool for intelligent driving. We currently have over 400 R&D engineers and plan to expand the number to about 500 by the end of the year. In terms of AI computing power and data infrastructure, the Company also continues to increase its investment in resources to fully guarantee the research and development of end-to-end AI big model and its mass production and delivery in 2025.

In the first half of 2025, Leapmotor plans to equip the new LEAP 3.5 architecture with high-end intelligent driving functions in high-speed and urban areas based on the "end-to-end big model", ranking among the first echelon of intelligent driving in an all-round way.

Marketing Services – End-user-oriented Philosophy

Leapmotor continues to adhere to the "1+N" model for channel development and accelerates channel expansion and transformation, expanding coverage in more than 30 cities and accelerating the layout of Leapmotor Center and city exhibition halls in the automobile business circle. In order to further improve the lack of convenience in car purchase and services for users in blank cities and counties, we added the channel type of "satellite stores" to accelerate the penetration into the small-capacity markets. We further improved the channel quality and operating capability through the adjustment of channel structure.

By the end of September 2024, the Company's sales channels covered 204 cities, including 493 sales stores and 362 service stores.

Globalization

The Company has always taken China, the world's largest automobile market, as its strategic foundation and core market, and has also cooperated with the Stellantis Group to expand overseas markets.

The Company's overseas business is processing rapidly according to plan. After obtaining the EU WVTA certification, the T03 and C10 models were officially launched by Leapmotor International B.V. (the "**Leapmotor International**") in Europe on September 24, 2024.

The all-round global cooperation between the Company and the Stellantis Group covers channel network, after-sales services, auto finance, logistics and components empowerment. Stellantis Group has provided strong support for Leapmotor products to enter the international market and provide customers with a series of service guarantees. By the end of October 2024, there were 339 distributor stores opened in Europe, and all of them have both sales and after-sales service functions. Leapmotor International will also gradually expand its presence in the Asia-Pacific, Middle East, Africa and South America markets, and it is expected to achieve a channel size of more than 500 stores by 2025. Leapmotor International has entered into a cooperation agreement with Stellantis Financial Services to provide financial services to distributors and consumers. In terms of spare parts distribution, one main warehouse, five sub-warehouses, and more than 140 Distrigo distribution centers have been established, enabling the delivery of spare parts to maintenance outlets twice a day.

OUTLOOK FOR THE FOURTH QUARTER OF 2024

The Company expects to continue its overall rapid growth and improving financial performance in the fourth quarter of 2024. The sales volume will continue to maintain the trend of growth by relying on the current hot-selling C Series products. In October 2024, the net increase in orders exceeded 40,000 units, with C11, C10, and C16 each having a net increase of over 10,000 units, and the C Series products accounting for over 80%. The monthly sales volume reached 38,177 units in October, representing a year-on-year increase of more than 109.7%. The Company expects to exceed its annual sales target of 250,000 units. Gross margin in the fourth quarter is expected to maintain the trend of steady improvement in the third quarter, and net loss is expected to continue to narrow.

On November 15, 2024, the Company will unveil its new B10 model of B Series based on the Company's new LEAP 3.5 architecture at the Guangzhou Auto Show. B10 will be equipped with Qualcomm SA 8295P cockpit chip carrying the AI big model, as well as LIDAR and Qualcomm's latest 8650 intelligent driving chip, which will realize high-level assisted driving such as urban and highway navigation.

UNAUDITED FINANCIAL RESULTS FOR Q3 2024

Revenue

- Revenue was RMB9,860 million for Q3 2024, representing an increase of 74.3% from RMB5,660 million for the same period of 2023 and an increase of 83.9% from RMB5,360 million for Q2 2024. This was mainly attributable to the increase of delivery of products, and increase in average selling prices due to change in product mix as a result of the launch of the C16 model.

Cost of Sales and Gross Margin

- Cost of sales was RMB9,050 million for Q3 2024, representing an increase of 62.0% from RMB5,590 million for the same period of 2023 and an increase of 73.7% from RMB5,210 million for Q2 2024. The year-on-year and quarter-over-quarter increases in Q3 2024 were mainly attributable to the increase of sales volume and change in product mix, partially offset by continued cost reductions.

- Gross margin was 8.1% for Q3 2024, compared with 1.2% and 2.8% for the same period of 2023 and for Q2 2024, respectively. The year-on-year and quarter-over-quarter improvements were mainly attributable to (1) the optimization in product mix; (2) ongoing cost management efforts; and (3) economies of scale driven by the increase of sale.

Operating Expenses

- R&D expenses were RMB780 million for Q3 2024, representing an increase of 64.9% from RMB470 million for the same period of 2023 and an increase of 11.4% from RMB700 million for Q2 2024. The year-on-year increase was mainly attributable to (1) the increase of R&D projects on new models and components, and (2) the increased investment in intelligent driving technology; the quarter-over-quarter increase was mainly attributable to the increased investment in R&D and the increase in the number of R&D personnel.
- Selling expenses were RMB550 million for Q3 2024, representing an increase of 24.5% from RMB440 million for the same period of 2023 and an increase of 15.7% from RMB470 million for Q2 2024. The year-on-year and quarter-over-quarter increases were mainly attributable to the enhancement of its advertising and promotion efforts, and increase in the number of employees.
- Administrative expenses were RMB340 million for Q3 2024, representing an increase of 60.4% from RMB210 million for the same period of 2023 and an increase of 14.3% from RMB300 million for Q2 2024. The year-on-year increase was mainly attributable to the increase of the number of administrative staff along with business expansion, and the increase in taxes and surcharges; the quarter-over-quarter increase was mainly attributable to the increase in taxes and surcharges.

Operating Loss

- Operating loss was RMB740 million for Q3 2024, compared with RMB1,030 million for the same period of 2023 and RMB1,270 million for Q2 2024.

Loss Attributable to Equity Holders of the Company

- Loss attributable to equity holders of the Company was RMB690 million for Q3 2024, compared with RMB990 million for the same period of 2023 and RMB1,200 million for Q2 2024. Excluding the share-based payment as part of employee benefit expenses, the adjusted net loss (non-IFRS) was RMB540 million for Q3 2024, compared with RMB790 million for the same period of 2023 and RMB1,080 million for Q2 2024.

Cash Position, Net Cash Used in Operating Activities and Free Cash Flow

- Balance of cash and cash equivalents, restricted cash, financial assets at fair value through profit or loss and bank time deposits was RMB18,700 million as of September 30, 2024.
- Net cash generated from operating activities was RMB1,960 million for Q3 2024, compared with RMB1,400 million for the same period of 2023 and RMB1,450 million for Q2 2024. The year-on-year and quarter-over-quarter increases in net cash generated from operating activities were mainly attributable to the increase in vehicle sales volume and the improvement in gross margin, as well as the optimization of operating cash flow management.

- Free cash flow was RMB1,320 million for Q3 2024, compared with RMB1,020 million for the same period of 2023 and RMB1,010 million for Q2 2024.

ABOUT THE COMPANY

Leapmotor is an NEV company based in China that possesses full-suite in-house R&D capabilities in NEV's core technologies with its business scope covering intelligent electric vehicle design, R&D and manufacturing, intelligent driving, electric drive assembly, battery system development, and vehicle internet solutions based on cloud computing. We had launched the industry's first 8 in 1 electric drive, the industry's first mass-produced CTC technology, the industry's first "Four Leaf Clover" centrally integrated electronic and electrical architecture and other leading smart electric technologies. Leapmotor adheres to the user-centric value proposition, striving to provide products and services which deliver superior experience beyond expectation. Products currently on sale include the ultra-comfortable and intelligent 6-seater SUV C16, the first globalized strategic model C10, best-in-class smart electric SUV C11, deluxe smart electric sedan C01, and smart BEV city cooter T03, with bonus options of "dual-model layout of battery electric + extended-range". In 2023, Stellantis Group became a shareholder of Leapmotor. In May 2024, the two parties formally established a joint venture company, Leapmotor International. In September, Leapmotor C10 and T03 were officially launched in Europe, accelerating the layout of the international market. At the same time, B10, the first globalized B model from brand new B Series equipped with the new technology architecture LEAP 3.5, made its global debut at the Paris Automobile Show. As an icon of China's new force automobile manufacturer, Leapmotor is bringing more happiness to users' travel and life with continuous efforts in technological innovation.

The Company's shareholders and potential investors should note that this announcement is based on unaudited operational and financial information of the Group and such information has not been audited or reviewed by Group's auditors. Such information does not constitute, represent or indicate the full picture of the Group's total revenue or financial performance and the information contained in this announcement may be subject to change and adjustment.

This announcement includes forward-looking statements, including, without limitation, those regarding our future financial position, strategy, plans, objectives, goals, targets and future developments in the markets where we participate or are seeking to participate. These forward-looking statements can be identified by terminology such as "will," "expect," "anticipate," "aim," "future," "intend," "plan," "believe," "estimate," "could," and similar statements. These forward-looking statements are based on some assumptions regarding our present and future business strategies and the environment in which we will operate in the future. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. All information provided in this announcement is as of the date of this announcement, and the Company does not accept any responsibility or obligation to update any of the forward-looking statements, except as required under applicable laws.

The Company's shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

By order of the Board
Zhejiang Leapmotor Technology Co., Ltd.
Mr. Zhu Jiangming

Founder, Chairperson of the Board and Chief Executive Officer

Hong Kong, November 11, 2024

As at the date of this announcement, the Board comprises Mr. Zhu Jiangming, Mr. Cao Li and Mr. Zhou Hongtao as executive Directors; and Mr. Grégoire Olivier, Mr. Douglas Ostermann and Mr. Jin Yufeng as non-executive Directors; and Mr. Fu Yuwu, Ms. Drina C Yue and Mr. Shen Linhua as independent non-executive Directors.