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### OUR MISSION

Our mission is to shape a joyful lifestyle for our users.

We aim to build a community starting with smart electric vehicles to share joy and grow together with users.

### OUR COMPANY

Our Chinese name, Weilai (蔚來), which means Blue Sky Coming, reflects our commitment to a more environmentally friendly future.

We are a pioneer and a leading company in the premium smart electric vehicle market. We design, develop, jointly manufacture, and sell premium smart electric vehicles, driving innovations in autonomous driving, digital technologies, electric powertrains and batteries. We differentiate ourselves through our continuous technological breakthroughs and innovations, such as our industry-leading battery swapping technologies, Battery as a Service, or BaaS, as well as our proprietary autonomous driving technologies and Autonomous Driving as a Service, or ADaaS.

We introduced the EP9 supercar in 2016, which was then the fastest electric vehicle, setting the Nurburgring Nordschleife all-electric vehicle lap record. In December 2017, we launched the ES8, which is a six- or seven-seater flagship premium smart electric SUV. Subsequently, we launched the award-winning ES6, a five-seater high-performance premium smart electric SUV, in December 2018, and the EC6, a five-seater premium smart electric coupe SUV, in December 2019, followed by the ET7, a flagship premium smart electric sedan, in January 2021. In December 2021, we launched the ET5, a mid-size premium smart electric sedan.

Our vehicles have been well-received by Chinese consumers. In the first nine months of 2021, the NIO ES6, EC6 and ES8 were the top three premium battery electric SUVs as measured by sales volume in China, according to Frost & Sullivan. In 2018, we delivered 11,348 ES8s. In 2019, we delivered 20,565 vehicles, including 9,132 ES8s and 11,433 ES6s. In 2020, we delivered 43,728 vehicles, including 10,861 ES8s, 27,945 ES6s and 4,922 EC6s. In 2021, we delivered 91,429 vehicles, which include 20,050 ES8s, 41,474 ES6s and 29,905 EC6s. As of January 31, 2022, the cumulative deliveries of the ES8, ES6 and EC6 reached 176,722 vehicles.

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| Model   | ES8           | ES6             | EC6                | ET7*                   | ET5*                   |
|---|---------------|-----------------|--------------------|------------------------|------------------------|
| Segment   | Mid-large SUV | Mid-size SUV    | Mid-size coupe SUV | Mid-large sedan        | Mid-size sedan         |
| Wheelbase (mm)  | 3,010         | 2,900           | 2,900              | 3,060                  | 2,888                  |
| Driving range** (km) (with 75/100/150kWh battery pack)*** | 450/580/850   | 465/610/900**** | 475/615/910****    | 550/705/1000           | 550/700/1000           |
| Acceleration time from 0 to 100km/h (s)                   | 4.9           | 4.7****         | 4.5****            | 3.8                    | 4.3                    |
| Peak Power (kW)   | 400           | 400****         | 400****            | 480                    | 360                    |
| Maximum Torque (NM)                                       | 725           | 725****         | 725****            | 850                    | 700                    |
| Autonomous driving package                                | NIO Pilot     | NIO Pilot       | NIO Pilot          | NIO Autonomous Driving | NIO Autonomous Driving |
| MSRP starting from (RMB) †                                | 468,000       | 358,000         | 368,000            | 448,000                | 328,000                |

\* ET7 and ET5 are expected to commence delivery in March and September 2022, respectively.

\*\* Represent NEDC range for ES8, ES6 and EC6 and CLTC range for ET7 and ET5.

\*\*\* 150 kWh battery is expected to be available in the fourth quarter of 2022.

\*\*\*\* Represent configurations of performance versions.

† Starting price of base models, and actual price may be higher depending on configuration.

### OUR KEY TECHNOLOGICAL BREAKTHROUGHS AND INNOVATIONS

Since our inception, we have continued to innovate with the goal of consistently creating the most worry-free and convenient experience for our users. We are an industry leader in battery swapping and autonomous driving technologies, according to Frost & Sullivan. Our technological breakthroughs and innovations differentiate us from our peers, creating better user experiences and enhancing our users' confidence in us.

#### Battery swapping and BaaS

Since our introduction of the ES8 in 2017, all of our smart electric vehicles have been equipped with proprietary battery swapping technologies, providing our users with a “chargeable, swappable, upgradable” experience. In 2020, we launched the industry-first Battery as a Service, or BaaS, an innovative model which allows users to purchase electric vehicles and subscribe for the usage of batteries separately. BaaS enables our users to benefit from lower vehicle purchase prices, flexible battery upgrade options and assurance of battery performance.

- **Battery swapping.** Supported by over 1,200 patented technologies, all of our vehicles support battery swapping. It provides our users with convenient “recharging” experiences by simply swapping the user’s battery for another one within minutes. In addition, it enables users to enjoy the benefits of battery technology advancements with upgrade options. Our Power Swap station 2.0, which began deployment in April 2021, significantly increases our service capacity by shortening the battery swapping time to under three minutes and carrying up to 13

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batteries. As of December 31, 2021, we had 777 Power Swap stations covering urban areas and expressways across 183 cities in China, through which we had completed over 5.5 million battery swaps cumulatively.

- **BaaS.** Enabled by vehicle-battery separation and battery subscription, BaaS decouples the battery price from the purchase price of a vehicle. BaaS users enjoy a lower upfront purchase price and flexible subscription options for batteries of various capacities according to their needs on a monthly or yearly basis, as well as flexibility for battery upgrades in the future. For the year ended December 31, 2021, over half of the users that we delivered vehicles to chose BaaS subscription.

### **Autonomous driving and ADaaS**

We believe that autonomous driving is the core of smart electric vehicles and it has been our focus from day one. We are one of the first companies in China to offer enhanced ADAS capabilities. NIO Pilot, our proprietary enhanced ADAS, is now equipped with Navigate on Pilot, or NOP. NOP is able to guide a vehicle on and off ramps, overtake, merge lanes and cruise according to planned routes in highways and urban expressways, and is one of the most advanced ADAS features on any volume-manufactured vehicle, according to Frost & Sullivan. In January 2021, we announced NIO Autonomous Driving, or NAD, our next generation, proprietary full stack autonomous driving technology. We have built up the NAD capability with in-house developed perception algorithms, localization, control strategy and platform software. The technology comprises a super computing platform called NIO Adam and a super sensing system called NIO Aquila. NAD is expected to gradually cover use cases from expressways, urban roads, parking, battery swapping to other domains to deliver a safer and more relaxing autonomous driving experience for our users and is first available on the ET7. We plan to roll out NAD through a monthly subscription under Autonomous Driving as a Service, or ADaaS, in the future.

### **OUR USER COMMUNITY**

We strive to build an integrated online and offline user community by providing holistic services and a joyful lifestyle, under which users interact with us and with each other. Our direct sales model allows us to build direct relationships with users and engage with them online through NIO app and offline through NIO Houses and NIO Spaces. We further engage our user community through NIO Day and NIO Events, as well as our lifestyle brand NIO Life.

Our in-house developed NIO app is designed to be a portal not only for selling vehicles where users can place orders for and configure all NIO vehicles, but also for vehicle control, service access and NIO Life product purchase. NIO Houses have showroom functions while serving as clubhouses for our users and their friends. NIO Spaces are mainly showrooms for our brand, vehicles and services. As of December 31, 2021, we operated 37 NIO Houses and 321 NIO Spaces across 143 cities in China.

We have fostered a NIO community with users being involved in planning, organizing, and participating in company- and user-organized events, including our annual NIO Day. As a result of strong user engagement, our users are more willing to refer friends and family to our vehicles and services. For the year ended December 31, 2021, we reached a high user referral rate of over 60%.

### OUR SUPPLY CHAIN AND MANUFACTURING

Our position as a pioneer in the market has attracted many global leaders and innovative companies in the industry to work with us, creating an extensive industry alliance network that is mutually beneficial to NIO and our partners. We continuously innovate our supply chain in order to establish a more effective and diverse supply chain system. We actively cultivate partnerships with suppliers that have innovative technological capabilities and cost advantages, thereby increasing the competitiveness and innovativeness of our supply chain. Our key supplier for the 75kWh and 100kWh batteries that we currently offer is CATL. We had in the past sourced the battery cells from CATL and assembled the battery cells into 70kWh battery packs through XPT, a wholly-owned PRC subsidiary of our Company, and its affiliate. We no longer offer the 70kWh battery option, and no longer conduct the pack assembly in-house. Our key suppliers for the semiconductor chips are Mobileye and Nvidia. We have also added Qualcomm as a semiconductor chip supplier for our vehicle models.

We manufacture our vehicles through a strategic alliance with JAC at its Hefei manufacturing facility, which currently has an annual vehicle and component production capacity of 120,000 units and will be expanded to 240,000 units in the first half of 2022. Our alliance with JAC has given us great flexibility and scalability, enabling our vehicles to hit market fast with high quality assurance. In addition, we have kicked off the construction of the second manufacturing plant in Xinqiao Industrial Park in Hefei and expect to start our vehicle production in the new manufacturing plant in the third quarter of 2022.

### OUR COMPETITIVE STRENGTHS

We believe the following strengths contribute to our success.

#### **Leading brand in China's premium smart electric vehicle market**

We are a pioneer in the smart electric vehicle market and have cultivated our NIO (蔚来) brand as a leading premium smart electric vehicle brand nationwide. Our premium brand continues to be one of our key differentiators and has contributed to our leading position in the premium smart electric vehicle market.

Our brand has enabled us to foster a loyal and vibrant user community starting with smart electric vehicles where we share joy and grow together with our users:

- We have built a loyal and interactive user community with the seamless intergrated online and offline platforms, consisting of over 176,000 users, their family and friends, and our brand followers as of January 31, 2022.
- We organized over 26,000 offline events for users, their family and friends in the year ended December 31, 2021.
- Driven by their passion towards the brand and the NIO user community, through our volunteer initiatives, users volunteer to promote the brand and assist with vehicle delivery in our showrooms, auto shows, delivery centers and other events. Approximately 6,000 users had participated in our volunteer initiatives as of December 31, 2021.
- We have achieved a high user referral rate of over 60% in the year ended December 31, 2021.

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We believe our NIO user community not only leads to a more joyful life for our users and their families, but also helps create a strong network effect for our business. Our online channels, including NIO app, social networks and live broadcasts and short videos on social media platforms, and offline channels, including our NIO Houses and NIO Spaces, continue to broaden and deepen our brand appeal, and solidify our leading market position.

### **Well positioned products in the premium smart electric vehicle market**

We are strategically positioned in China's attractive and fast-growing premium smart electric vehicle segment, in which we have launched several highly successful products. According to Frost & Sullivan, China's battery electric vehicle market had reached sales of approximately one million units in 2020 and is expected to grow to approximately 6.2 million units by 2025, at a CAGR of 43.9%. Within China's electric vehicle market, the premium smart electric vehicle segment is expected to achieve the highest growth during the period from 2020 to 2025 at a CAGR of 48.1%.

As the first-to-market domestic premium smart electric vehicle brand in China, we believe we have a multi-year lead-time in product delivery, innovation, and infrastructure over our domestic and international competitors in China. Our volume manufactured vehicles, including the ES8, ES6, EC6, ET7 and ET5, are well positioned at the intersection of China's fastest growing premium and electric vehicle segments. In the first nine months of 2021, the NIO ES6, EC6 and ES8 were the top three premium battery electric SUVs as measured by sales volume in China, according to Frost & Sullivan. As of January 31, 2022, we had delivered a total of 176,722 vehicles cumulatively.

We have significant in-house vehicle design and engineering capabilities, which cover all major areas of vehicle development starting from concept to completion. Our vehicles speak a distinctive design language that is consistently embodied in all products in the NIO family. Our ES8 was the first electric vehicle in China to have an all-aluminum alloy body and chassis, featuring aerospace grade aluminum alloy, enhancing the strength, safety and performance of the vehicle. Our ES6 ranked first for vehicle design in the 2020 Automotive Brand Contest in the Exterior Premium Brand category.

We aim to deliver safe and high-quality products to our users in line with our core values and commitments. According to J.D. Power's 2019 China New Energy Vehicle Experience Index Study published in July 2019, NIO ranked the highest in quality among all electric vehicle brands, and the ES8 ranked the highest in quality among all mid-large battery electric vehicles. According to J.D. Power's 2020 China New Energy Vehicle Experience Index Study published in September 2020, NIO ranked the highest in quality among all battery electric vehicle brands, and the ES6 ranked the highest in quality among all mid-size battery electric vehicles. Based on the results released by C-IASI (China Insurance Automotive Safety Index) in January 2021, the EC6 achieved the best safety rating among all models tested by C-IASI in 2020. According to the reports published by J.D. Power in July 2021, the ES6 ranked the highest in the luxury battery electric vehicle segment in China New Energy Vehicle Initial Quality Study (NEV-IQS), while the ES8 ranked the highest in the luxury battery electric vehicle segment in China New Energy Vehicle — Automotive Performance, Execution and Layout (NEV-APEAL) Study.

### **Proven capabilities in proprietary software and hardware technological innovations**

We have strategically focused on building in-house capabilities in software and hardware development which provide us with the flexibility to enhance our products and services on an ongoing basis and allow us to update and launch new products more rapidly.

### ***Autonomous driving***

We are one of the first companies in China to offer enhanced ADAS capabilities. Our in-house developed NIO Pilot offers enhanced ADAS and features Navigate on Pilot, or NOP, which is able to guide the vehicles on and off ramps, overtake, merge lanes and cruise according to planned routes in highways and urban expressways. According to Frost & Sullivan, NOP is one of the most advanced ADAS features equipped on any volume-manufactured vehicles. With in-house capabilities, we are able to frequently upgrade our autonomous driving capability over-the-air throughout the product lifecycle.

In January 2021, we announced our new NIO Autonomous Driving, or NAD, our next generation, proprietary full stack autonomous driving technology. We have built up the NAD capability with in-house developed perception algorithms, localization, control strategy and platform software. The technology comprises a super computing platform called NIO Adam and a super sensing system called NIO Aquila. NIO Adam's core is made up of four NVIDIA Orin SoCs, while NIO Aquila features 33 high-performance sensing units, including 11 high-resolution cameras, one ultra-long-range high-resolution LiDAR, five millimeter-wave radars and 12 ultrasonic sensors. NAD is expected to gradually cover use cases from expressways, urban roads, parking and battery swapping to other domains to deliver a safer and more relaxing autonomous driving experience for our users. We plan to gradually roll out NAD for subscription with the ADaaS in the future.

### ***Digital technologies***

Our in-house developed digital cockpit has an AI driven, scalable and flexible architecture that presents the user with an intelligent and immersive digital experience. Our in-car digital cockpit enables a unified user experience across all interior displays and advanced user interaction through our digital AI companion, NOMI, which is one of the most advanced in-car AI systems in the world, according to Frost & Sullivan. To further enhance the experience of the second living room, we plan to deliver PanoCinema, a panoramic digital cockpit featuring AR and VR technologies, to users in the future. Digital system is the foundation for us to achieve continuous upgrade, the digital platform for building our own proprietary software and algorithms and the security system for deep reassurance. We are one of the first auto companies in China that have both FOTA and SOTA capabilities.

### ***Electric powertrain and battery***

We have designed, developed and manufactured our own proprietary electric powertrains in-house. Our ES6 is the first SUV in the world equipped with a combination of a permanent magnet motor and an induction motor. Empowered by our continuous in-house innovations, we have developed different generation of electric powertrains with a suite of electric motors by applying advanced technologies, including a silicon-carbide power module.

We are committed to the research, development and innovations in battery technologies. Our battery is based on high energy density battery cells, advanced battery management system and proprietary swapping mechanism. Currently, we offer two battery options: Standard Range Battery and Long Range Battery. We jointly designed and developed the batteries with our partners. The standard range battery is a 75 kWh battery, which is equipped with advanced software and hardware systems of thermal management and SoC (State of Charge) estimation. With proprietary patents, our 100 kWh Long Range Battery features the cell-to-pack technology, realizing higher energy density. In January 2021, we announced the introduction

of the 150 kWh Ultra-long Range Battery, a next generation battery technology. We expect to release the 150 kWh battery in the fourth quarter of 2022, which is expected to deliver a CLTC range of up to 1,000 km on a single charge for certain configurations of ET7.

### **Innovative Battery-as-a-Service and comprehensive power solutions**

We strive to make electric vehicle experience easy, joyful and holistic, and try to address all of our users' power needs. Our comprehensive suite of power solutions makes the battery in our vehicles conveniently chargeable, swappable and upgradeable.

We differentiate ourselves through our innovations with our advanced battery swapping technologies and our industry-first BaaS model.

- Our award-winning Power Swap solution is at the core of our “chargeable, swappable, upgradeable” user experience, enabled by over 1,200 patented technologies. Our Power Swap station 2.0 began deployment in April 2021. This new generation Power Swap station shortens swapping time to under three minutes and carries up to 13 batteries, which significantly increases our service capacity. As of December 31, 2021, we had 777 Power Swap stations covering urban areas and expressways across 183 cities in China, through which we have completed over 5.5 million battery swaps cumulatively.
- In August 2020, we launched our industry-first BaaS model. BaaS decouples the battery from the vehicle and allows users to subscribe for battery usage separately. BaaS enables our users to benefit from lower initial purchase prices, flexible battery upgrade options and assurance of battery performance. All users who purchase NIO vehicles can subscribe for BaaS, while continuing to enjoy existing favorable policies such as purchase tax exemptions and government subsidies for electric vehicles. For the year ended December 31, 2021, over half of the users that we delivered vehicles to chose BaaS subscription.

We offer a comprehensive and innovative suite of power solutions to address the charging and swapping needs of our users. Our power solutions include home charging called Power Home, battery swapping called Power Swap, supercharging called Power Charger, and mobile charging called Power Mobile, all of which are connected to cloud-enabled Power Cloud, which synchronizes users' power consumption information and our power network, and intelligently suggests the appropriate services, according to the users' locations and power consumption patterns. We have continued building out our swapping and charging infrastructure. As of December 31, 2021, we operated 777 Power Swap stations in 183 cities and our charging network had approximately 3,404 Power Charger piles in operation, covering 163 cities in China. In addition to our own swapping and charging network, our users had access to a network of over 450,000 public chargers as of December 31, 2021. Users can also access the real-time availability of the stations and chargers in our own network and the public network through the Power Map on our NIO app. In addition, we offer our users our One Click for Power valet service where we pick up, charge and then return the vehicle. We plan to deploy more Power Swap stations and expand our charging network to ensure consistent and optimal user experience.

### **User enterprise advocating a worry-free and holistic user experience**

We offer a unique and holistic experience for our users and make ownership joyful and worry-free throughout the vehicle lifecycle. Through one click on NIO app, our users can access a full suite of services, including vehicle insurance through third-party insurers, repair

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and routine maintenance services, courtesy vehicle, nationwide roadside assistance, as well as an enhanced data package. As of December 31, 2021, we offered services through 54 NIO service centers and 181 authorized third party service centers in 139 cities in China.

We have built an integrated online and offline community and created a holistic experience that goes beyond the smart electric vehicle and a joyful lifestyle under which users can interact with us and with each other. Our NIO House, NIO Space and NIO app are important domains and touchpoints integral to this community. Not only serving as showrooms, but also as clubhouses providing our users with social functions, NIO House is where we continue to engage with our users after their vehicle purchase, and extend our relationships to other parts of their daily lives. NIO Space functions as an efficient sales, marketing and service outlet. As of December 31, 2021, we operated 37 NIO Houses and 321 NIO Spaces across 143 cities in China.

Working in tandem with the NIO House and NIO Space, our in-house developed NIO app houses the online venue for our community. Through our NIO app, users receive real-time information relating to their vehicles, socialize with other users and have access to NIO Life. NIO Life is our lifestyle brand, which has an online store on NIO app where users can purchase lifestyle products.

We believe the combination of NIO House, NIO Space and NIO app have enabled us to build a strong base of loyal users and reinforce our vision of building a community together with our diverse pool of users around the NIO brand and our shared values and culture. The user enterprise is reinforced further by company- and user-organized events, including our annual NIO Day, where many users choose to get involved in the planning and organizing of the event.

### **World-class management and global talent pool**

Our success is led by a visionary management team with a unique combination of technology, internet and automotive experiences. Our founder, chairman and chief executive officer, Mr. Bin Li, is an experienced serial entrepreneur with a proven track record of building innovative businesses in the mobility and internet spaces.

Our position as a pioneer in the market and our proven track record have attracted global talent carrying expertise across many technological areas such as autonomous driving, digital technologies, vehicle design and engineering, creating a world class team. Our global footprint echoes our proposition and commitment for premium products, and enables us to deliver best-in-class results in a wide range of areas.

### **OUR STRATEGIES**

We are pursuing the following strategies to achieve our mission:

#### **Successfully launch future models and accelerate product iteration**

The successful launches of future models are critical in capitalizing on our first mover advantage in China and capturing electric vehicle market opportunities globally. We plan to continue to launch new models in upcoming years to broaden our customer base and expand our product lineup. We intend to accelerate our product iteration process to meet the latest user preferences and to continue to drive innovation.



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### **Continue to focus on technological innovations**

We plan to continue to develop NAD to provide our users with a safer and more relaxing autonomous driving experience in more scenarios. We intend to continue to develop next-generation digital technologies and user interface to offer an immersive mobile living experience.

We plan to continue to develop new battery technologies to reduce costs, increase the driving range of and shorten charging time for our vehicles. We also plan to further develop battery swapping technologies to enhance the service capacity and efficiency of our current systems. We are also developing our next generation electric powertrains with a higher output.

### **Continue to develop our power infrastructure and expand sales and service coverage**

We plan to continue to develop our power infrastructure, including the expansion of our swapping and charging network. We plan to offer real-time data on the availability of more swapping stations and charging piles by uploading and synchronizing data from our own and third-party charging networks to our cloud. We plan to expand our sales and service coverage networks by building more NIO Spaces, NIO Houses, service centers and delivery centers, supported by our logistics network, to meet increasing demand from prospective users.

### **Create more recurring revenues during the lifetime ownership**

We offer a suite of services, including ADaaS, flexible battery upgrades and after-sale services to provide more convenient and holistic experience during the lifetime ownership. These services allow us to generate recurring revenues beyond the initial vehicle purchase. Moreover, we plan to continue to strengthen user engagement through our lifestyle brand, NIO Life.

### **Expand internationally to benefit from rising global demand**

We intend to enter international markets, starting with Europe, that offer identified growth opportunities and favorable government policies. With local consumers' preferences in mind, we plan to leverage the expertise we have developed from our operations in China to replicate our success internationally.

## **OUR VEHICLES**

We design, develop, jointly manufacture and sell our vehicles in the premium smart electric vehicle market. We currently sell our vehicles in China and Norway and plan to expand into more global markets in the near future to capture the fast-growing EV demand.

### **ES8**

The ES8 is a six-seater or seven-seater flagship premium smart electric SUV.

In December 2017, we launched the ES8, which is equipped with our proprietary electric powertrain featuring two 240 kW induction motors. The ES8 can accelerate from zero to 100 kph in 4.4 seconds and brake from 100 kph to a complete stop in 33.8 meters. The ES8 was awarded the five-star safety rating by C-NCAP (Chinese New Car Assessment Program) and Euro-NCAP (European New Car Assessment Program).

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In December 2019, we launched the all-new ES8 with more than 180 product improvements. With a combination of a 160 kW permanent magnet motor and a 240 kW induction motor, it can accelerate from zero to 100 kph in 4.9 seconds. With the Standard Range Battery and Long Range Battery, the all-new ES8's NEDC range reaches up to 450 km and 580 km, respectively.

The all-new ES8 offers the seven-seater version and the six-seater version with pre-subsidy starting prices of RMB468,000 and RMB476,000, respectively.

### **ES6**

The ES6 is a five-seater high-performance premium smart electric SUV.

The ES6 is the world's first SUV equipped with a combination of a permanent magnet motor (160 kW) and an induction motor (240 kW). It can accelerate from zero to 100 kph in 4.7 seconds and brake from 100 kph to a complete stop in 33.9 meters. With the Standard Range Battery Pack and Long Range Battery Pack, the ES6's NEDC range reaches up to 465 km and 610 km, respectively.

The ES6 offers the Sporty version, the Performance version and the Signature edition with pre-subsidy starting prices of RMB358,000, RMB398,000, and RMB468,000, respectively.

### **EC6**

The EC6 is a premium smart electric coupe SUV.

Powered by an electric powertrain of a 160 kW permanent magnet motor and a 240 kW induction motor and a 0.26 drag coefficient driven by its dynamic fastback silhouette, the EC6 is capable of accelerating from zero to 100 kph in 4.5 seconds. It also features a 2.1 square meter panoramic all-glass roof. With the Standard Range Battery and Long Range Battery, the EC6's NEDC range reaches up to 475 km and 615 km, respectively.

The EC6 offers the Sporty version, the Performance version, and the Signature edition with pre-subsidy starting prices of RMB368,000, RMB408,000 and RMB468,000, respectively.

### **ET7**

The ET7 is a flagship premium smart electric sedan.

Boasting a high-efficiency electric powertrain featuring a front 180 kW permanent magnet motor with SiC power module and a rear 300 kW induction motor, together with a 0.208 ultra-low drag coefficient, the ET7 is designed to further improve its energy efficiency and accelerate from zero to 100 kph in 3.8 seconds and brake from 100 kph to a complete stop in 33.5 meters. The ET7 is engineered to meet both five-star Chinese and European New Car Assessment Program safety standards. It applies Karuun® renewable rattan for a green and natural experience. The ET7 features NIO's latest NAD including NIO Adam, our super computing platform, and NIO Aquila, our super sensing system. With the 150 kWh battery to be delivered in the fourth quarter of 2022, we expect the ET7 to deliver a CLTC range of up to 1,000 km on a single charge at the set configuration. We estimate to start delivery of the ET7 in March 2022. The ET7 offers Premier edition and Standard version with the pre-subsidy prices starting from RMB526,000 and RMB448,000, respectively.

**ET5**

The ET5 is a mid-size premium smart electric sedan.

With a 0.24 drag coefficient and a high-efficiency electric powertrain, featuring a front 150 kW induction motor and a rear 210 kW permanent magnet motor with SiC power module, the ET5 accelerates from 0 to 100 km/h in 4.3 seconds, and brakes from 100km/h to a complete stop in 33.9 meters. It is engineered for five-star Chinese and European New Car Assessment Program safety standards. The ET5 explores state-of-the-art material technologies and low-carbon and recycling materials, including Clean+ innovative sustainable materials. In addition to our latest NAD, it comes with PanoCinema with AR/VR-native design. With the Standard Range Battery, Long Range Battery, and Ultra-long Range Battery, the ET5's CLTC range reaches up to 550 km, 700 km and 1,000 km, respectively. We estimate to start delivery of the ET5 in September 2022.

The pre-subsidy price of the ET5 starts from RMB328,000.

**RESEARCH AND DEVELOPMENT**

We have strategically focused on building in-house capabilities in software and hardware development to control the design and development of the vehicle software and hardware architecture and the critical components that go into our products and services to deliver an optimal experience for our users. Our proprietary technologies, including battery swapping, autonomous driving, digital technologies, electric powertrain, battery and software-driven technologies, among others, differentiate us from our competitors. Our capabilities have given us greater flexibility to continually improve our current products and allow us to launch new products more rapidly. By integrating these industry-leading technologies, all our vehicles can create a relaxing, interactive, intelligent and immersive experience for our users.

**Autonomous Driving**

We believe that autonomous driving is the core of smart electric vehicles and it has been our focus from day one. We have gradually built up our full stack in-house autonomous driving capabilities and successfully delivered competitive products including NIO Pilot, our enhanced ADAS. We are also about to roll out our industry-leading NIO Autonomous Driving, or NAD, to our users.

We are one of the first companies in China to offer enhanced ADAS capabilities. The NIO Pilot hardware consists of 23 sensors, including a front-facing trifocal camera, four exterior surround cameras, five millimeter-wave radars, 12 ultrasonic sensors, and an interior driver monitoring camera. NIO Pilot has a built-in algorithm that leverages data across the entire vehicle fleet for fleet learning and crowd AI analysis, and runs new features under the shadow mode without materially impacting driver safety or vehicle operation. This allows us to fully test and validate the features before releasing them to the users. Our smart data management system can enable us to validate and improve algorithms using millions of miles of empirical data.

As of December 31, 2021, we have successfully rolled out many industry-leading features for NIO Pilot, including NOP (Navigate on Pilot), shiftless automatic parking assist with fusion, nearby summon, forward collision warning, automatic emergency braking, automatic high beam, auto lane change, lane departure warning, blind spot detection, front and rear cross-traffic alert, side door opening warning, and side distance indication. We plan to improve the existing features and roll out more features of the NIO Pilot going forward.

In January 2021, we announced NIO Autonomous Driving, or NAD, our next generation, proprietary full stack autonomous driving technology. We have built up the NAD capability with in-house developed perception algorithms, localization, control strategy and platform software. The technology comprises a super computing platform called NIO Adam and a super sensing system called NIO Aquila. NIO Adam's core is made up of four NVIDIA DRIVE Orin SoCs, while NIO Aquila features 33 high-performance sensing units, including 11 high-resolution cameras, one ultra-long-range high-resolution LiDAR, five millimeter-wave radars and 12 ultrasonic sensors. NAD is expected to gradually cover use cases from expressways, urban roads, parking, battery swapping to other domains to deliver a safer and more relaxing autonomous driving experience for our users. We plan to roll out NAD through a monthly subscription under ADaaS in the future.

### **Digital Technologies**

#### *Digital Cockpit*

Our digital cockpit has an AI-driven, scalable and flexible architecture that presents users with an intelligent and immersive digital experience. The ES8, ES6 and EC6 adopts NVIDIA PARKER SoC while the ET7 and the ET5 use the 3rd Generation Qualcomm® Snapdragon™ Automotive Cockpit Platform for in-car digital cockpit. Inside our digital cockpit, NOMI, our in-car AI companion, can listen to, communicate and interact with users to build a strong emotional connection between vehicles and users. Inspired by the concept of mobile living space, we plan to deliver PanoCinema, a panoramic digital cockpit with AR and VR capabilities, to our users in the future. We have built flexibility into our digital cockpit, so that we can continue to update the NIO Operating System, or NIO OS, with new features and applications through software-over-the-air, or SOTA, updates.

At our third NIO Day, we launched our second-generation NOMI with a AMOLED full-circular display. At our fourth NIO Day, we launched our second-generation smart cockpit, boosting capabilities such as AI computing and image and media processing by a large margin. At our fifth NIO Day, we launched PanoCinema with AR and VR capabilities to further improve the in-cabin experience.

We also introduced NIO OS for European users in the second half of 2021, which provides customizations and upgrades appropriate for a broader user base.

#### *Digital System*

Digital system is the foundation for us to achieve continuous upgrade, the digital platform for building our own proprietary software and algorithms and the security system for deep reassurance.

We are one of the first auto companies in China that have both FOTA and SOTA capabilities. FOTA updates enable us to upgrade the operating firmware down to the individual programmable Electronic Control Unit level across the vehicle's core systems, such as digital cockpit, autonomous driving domain controller and electric powertrain. FOTA and SOTA technologies allow us to fix bugs and remotely install new features and services after a vehicle has already been delivered to users, reduce the cost and time of marketing new feature roll-outs and continuously improve the user experience throughout the lifecycle.

On top of our proprietary software architecture and cloud data platform, NVOS (NIO Vehicle Operating System), our vehicle digital system, has what we believe to be the industry-leading connectivity and remote service capabilities with an end-to-end security framework. It features

comprehensive connectivity capabilities, including smart antenna, 5G, UWB, Wi-Fi 6, 5.2 Bluetooth and V2X, and offers 360-degree and multi-dimensional cyber security capabilities to protect user privacy and safety. It enables a superior driver and passenger experience by syncing vehicle settings, user preferences and user accounts and offering instant remote vehicle diagnostics with respect to faults, alerts and logs to our service and maintenance team.

Utilizing our NIO Technology Platform 2.0, the NVOS will boast a common SOA (service-oriented architecture) middleware across multiple MCUs (micro-controller unit) and the gateway, providing flexibility and efficiency for vehicle software development and achieving great feature competitiveness and AI-driven user experiences.

With our globalization efforts to expand to more markets, we plan to localize connectivity services in line with different laws and regulations in various regions, including the General Data Protection Regulation.

### **Electric Powertrain and Battery**

#### ***Electric Powertrain***

Starting from our first product, we have designed, developed and manufactured our own proprietary electric powertrains in-house.

Our electric powertrains are designed specifically for NIO's vehicles, and through FOTA, we are able to continue to improve and update, and adjust according to our users' driving behavior. Enabled by in-house R&D capabilities, our dual-motor configuration offers a variety of electric motors, including 240 kW induction motor, 160 kW permanent magnet motor, 180 kW permanent magnet motor, 300 kW induction motor, 150 kW induction motor and 210 kW permanent magnet motor.

The new-generation electric powertrain will feature Silicon Carbide power modules which can minimize the switching loss compared with Insulated Gate Bipolar Transistor. It can improve supply efficiency with simpler cooling measures and reduce the size of peripheral components due to higher frequency operation.

#### ***Battery***

We are committed to the research, development and innovations in battery technologies. Our batteries are based on high energy density battery cells, advanced battery management system and proprietary swapping mechanism. In particular, our battery management system provides real-time monitoring of the vehicle insulation status and features a comprehensive fault diagnosis mechanism to ensure the safety and reliability of battery use.

Currently, we offer two battery options: Standard Range Battery and Long Range Battery. We jointly designed and developed the batteries. The Standard Range Battery is a 75 kWh cell-to-pack battery with hybrid LFP/NCM cells, which is equipped with advanced software and hardware systems of thermal management and SoC (State of Charge) estimation. It can achieve better range performance in low temperature and more accurate SoC (State of Charge) estimation compared to the traditional LFP battery. With proprietary patents, the 100 kWh long range cell-to-pack battery features thermal propagation prevention, highly integrated design, all-climate thermal management and bi-directional cloud BMS. In January 2021, we announced the 150 kWh Ultra-Long Range Battery with the next generation battery technology. We plan to start delivering the 150 kWh Ultra-Long Range Battery in the fourth quarter of 2022.

**Battery Swapping**

Supported by over 1,200 patented technologies, all of our vehicles support battery swapping. It provides our users with best-in-class “recharging” convenience by simply swapping the user’s battery for another one. In addition, it enables users to enjoy the benefits of battery technology advancements with upgrade options. Our battery swap stations are also developed in-house, which use chassis replacement technology and apply our patented technologies to provide precise positioning, rapid disassembly, compact integration, and flexible deployment, allowing battery swap within minutes. Our Power Swap station 2.0, which began deployment in April 2021, will significantly increase our service capacity by shortening the battery swapping time to under three minutes and carrying up to 13 batteries. As of December 31, 2021, we had 777 Power Swap stations covering urban areas and expressways across 183 cities in China, through which we have completed over 5.5 million battery swaps cumulatively.

**Design Capabilities and Software-driven Vehicle Technologies**

We have significant in-house vehicle design and engineering capabilities, which cover all major areas of vehicle development starting from concept to completion with a special focus on software-driven technologies.

Our global design team has comprehensive design capabilities across the board, from brand, vehicles, user interface/user experience, lifestyle products to accessories. Besides having best-in-class engineering capabilities in the field of aerodynamics, handling, comfort and efficient thermal management, our team has also developed in-house software-driven vehicle technologies, such as the NIO 4D Dynamics. Utilizing NAD, HD mapping and vehicle sensing system, NIO 4D Dynamics, which is an advanced smart suspension application, achieves uncompromised comfort by proactively orchestrating the response of vehicle actuators (springs, dampers, steering and brakes) to road events and smoothening the primary and secondary body motions.

**WORLDWIDE RESEARCH AND DEVELOPMENT FOOTPRINT**

We have strategically located our offices in locations where we believe we will have access to the best talent. Our global R&D center for production models is located in Shanghai, our global design center is in Munich and our global R&D center for autonomous driving is located in San Jose.

**Shanghai**

We have vehicle engineering, smart hardware, autonomous driving, digital cockpit, digital system, product planning, NIO app, design, electric powertrain and battery teams in Shanghai. They coordinate our global R&D efforts across different regions and integrate all the technologies into our products. More than half of the patents obtained globally by us originated from our teams in Shanghai.

**Beijing**

We have digital cockpit, digital system, digital development and autonomous driving teams in Beijing. The focus of our Beijing research and development teams is on full stack AI technologies to power NOMI and engineering efforts to enable continuous upgrade of digital experience through FOTA. The teams are also responsible for the Internet of Vehicles including design, implementation, maintenance and support of the system.

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### **Hefei**

Our teams in Hefei mainly focus on vehicle engineering, manufacturing engineering, test and quality.

### **Silicon Valley**

Our teams in San Jose focus on innovations in the areas of autonomous driving, smart hardware, digital cockpit, and digital system, including vehicle operating system and digital security.

### **Munich**

Our Munich office is primarily responsible for our product and brand design, focusing on vehicle interior and exterior design, user interface design, brand design and other product design.

### **United Kingdom**

Our engineering teams in Oxford focus on computer-aided engineering and advanced vehicle engineering.

## **USER DEVELOPMENT AND USER COMMUNITY**

We reach out to and engage with our users directly through our own online and offline platforms, including NIO app, NIO Houses and NIO Spaces, and aim to build a community where we share joy and grow together with our users.

### **NIO App**

NIO app, our mobile application, is designed to be a portal not only for selling vehicles where users can place orders for and configure all NIO vehicles, but also for vehicle control, service access and NIO Life product purchase, and most importantly, an online platform for our user community.

### **NIO House and NIO Space**

NIO Houses and NIO Spaces serve as the offline channels for us to reach out to and serve our users, as well as the offline platforms for NIO user community.

NIO Houses have showroom functions while serving as a clubhouse for our users and their friends. We opened our first NIO House in Beijing in November 2017. As of December 31, 2021, we had 37 NIO Houses in total, mainly in tier-one and tier-two cities in China.

NIO Spaces are mainly showrooms for our brand, vehicles and services. Compared with NIO Houses, NIO Spaces are generally smaller in scale, more delicate and sales-focused. We opened our first NIO Space in Shanghai in August 2019. As of December 31, 2021, we had 321 NIO Spaces in 142 cities in China.

### **NIO Day and NIO Events**

Our annual NIO Day is an event jointly hosted by NIO and our users where we launch our new products and technologies and celebrate the user community.

In December 2017 in Beijing, we held our first NIO Day and launched the ES8. In December 2018 in Shanghai, we held our second NIO Day and launched the ES6. In December 2019 in Shenzhen, we held the third NIO Day and launched the EC6 and the all-new ES8. In January 2021 in Chengdu, we held the fourth NIO Day and launched the ET7. In December 2021, we held the fifth NIO Day and launched the ET5 in Suzhou. Our users have taken the lead in the planning and organization of the recent NIO Days. We believe that NIO Day gives us an opportunity to interact with our current and prospective users while providing us with more publicity and brand awareness. In addition, we organized various online and offline activities in the NIO user community, such as EP Club, NIO Summer, NIO User Volunteers and NIO User Clubs.

### **Formula E**

We sponsor a Formula E team currently named as NIO 333, which is a racing team that competes in the Fédération Internationale de l'Automobile, or FIA, Formula E championship electric racing series. The team, previously operated by us under other names, has participated in the FIA Formula E Championship ever since its inaugural season (2014) and had won the inaugural FIA Formula E Drivers Championship title. NIO 333 Formula E team currently competes in the 2021-22 FIA Formula E World Championship with our company as its primary sponsor.

### **NIO Life**

We have established our lifestyle brand NIO Life, which has an online store on NIO app where users can purchase NIO lifestyle products. The product categories include apparels, home and living, travel and bags, consumer electronics, car life, food and wines. Since we launched our online store in December 2016, over 5 million NIO Life items have been delivered to our users through online and offline channels as of December 31, 2021.

### **NIO Points**

We provide users with NIO Points to encourage user engagement and positive user behavior, such as to keep a safe driving record. NIO Points are earned, among other things, through the welcome packages upon the purchase of NIO vehicles, referrals for test drives and vehicle purchases, and active engagement in the user community. NIO Points can be used, both at our online store and at our NIO Houses and some of the NIO Spaces. In addition, we have set up the Blue Point Plan, under which we help users to certify emission reductions and trade carbon credits and reward them with NIO Points in return.

### **NIO Users Trust**

In conjunction with our pursuit of being a user enterprise and with the goal of building a deeper connection between NIO and our users, Mr. Bin Li, our founder, chairman of the board of directors and chief executive officer, transferred a certain amount of his ordinary shares to NIO Users Trust in January 2019. For more details of the powers, rights and obligations and the mechanisms for the appointment and change of, and the relationships between, the various roles under the NIO Users Trust, please refer to “Relationship with the Controlling Shareholders — Powers, Rights and Obligations in NIO Users Trust.”



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In 2019, our user community adopted the NIO Users Trust Charter by way of voting, and established a User Council to discuss and give advice on the management and the operation of NIO Users Trust. The NIO User Trust Charter has subsequently been amended in December 2021 and certain amendments to the NIO Users Trust Charter which are clarificatory in nature will also be put forth before the Listing to capture the prevailing operations of the User Council. NIO Users Trust Charter (as amended from time to time) provides certain governance mechanisms for the User Council to discuss the management and supervision of the operations of NIO Users Trust, including the establishment of asset management committee, proceeds management committee, and supervision and administration committee. The User Council holds meetings at least twice annually to discuss the proposed utilization of the trust assets with inputs from the dedicated committees. After deliberation, well-thought-through proposals representing the concerted effort of the representative of NIO users, are submitted to the Protector for consideration and giving instructions to the trustee. Mr. Li, as the Protector of the trust, has the power to make the final decisions after considering the recommendations from the User Council.

According to the charter, the User Council shall consist of nine User Council members including the protector of the Users Trust and eight NIO User Council members elected by the user community through the nomination platform established in the NIO App. These members are themselves NIO users that come from diverse backgrounds, including information technology, supply chain, intellectual property, automobile, travel, manufacturing, marketing, property, human resources, legal, accounting, finance and entrepreneurs, and the members are elected by the NIO users to serve as their representatives. Each of the User Council members shall have a two-year term, and the composition of the User Council will vary from time to time. The User Council helps coordinate user activities in our community and our users have the opportunity to discuss and propose the use of the economic benefits from the shares in NIO Users Trust, which is intended to be composed mainly of the dividends from the shares that it holds, future interests accrued from and investment returns generated by cash assets to be held under the trust, and proceeds from the pledging of such shares from time to time, through the User Council. According to the Articles of Association of NIO Users Trust, incomes and proceeds derived from the trust assets shall be mainly used for the following purposes: (i) environmental protection and sustainable development, (ii) NIO Users community care projects, (iii) community activities promoting common growth of Users and other necessary projects, and (iv) operational expenses of the Users Trust.

Furthermore, according to the articles of association of the Company, NIO Users Trust is entitled to nominate one director to the Board of the Company, subject to the NYSE rules and the Listing Rules of Hong Kong and the review and recommendation by the Nominating and Corporate Governance Committee of the Company for election by the Shareholders or appointment by the Board. After the Listing of our Company on the Hong Kong Stock Exchange, we will put forth certain amendments to the articles of association of the Company at the First AGM so that such director nomination right of NIO Users Trust shall cease to be effective, and shall only be restored when the Company is no longer listed on the Hong Kong Stock Exchange. For further details, please refer to “Waivers and Exemptions — Requirements Relating to the Articles of Association of the Company.”

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### BAAS

We provide our users with the Battery as a Service, or BaaS, which decouples the battery from the vehicle and allows users to subscribe for battery usage separately.

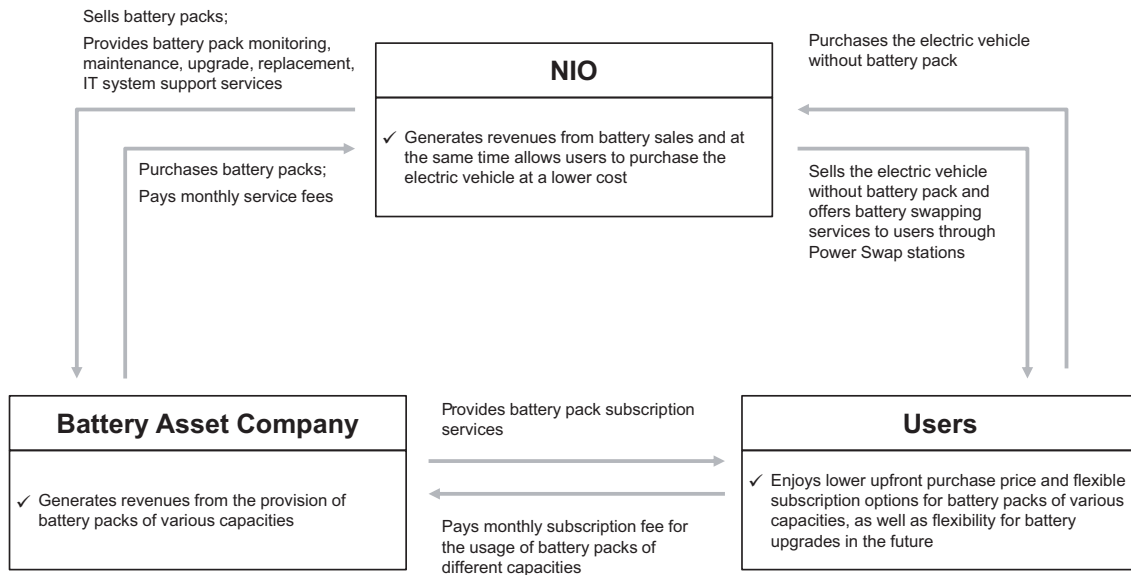
Under the BaaS, we sell a battery to the Battery Asset Company, in which we currently hold approximately 19.8% of the equity interests, and the user subscribes for the usage of the battery from the Battery Asset Company. This is a non-exclusive arrangement and we would be able to provide the BaaS through other parties and sell the batteries to other companies. If users opt to purchase a NIO vehicle and subscribe for the Standard Range Battery under BaaS, they can enjoy an RMB70,000 deduction off the original vehicle purchase price while paying a monthly subscription fee of RMB980 for the battery. If users opt to purchase a NIO vehicle and subscribe for the Long Range Battery under BaaS, they can enjoy an RMB128,000 deduction off the original vehicle purchase price while paying a monthly subscription fee of RMB1,480. In January 2021, we launched our 150 kWh Ultra-Long Range Battery with advanced technologies. NIO users are able to enjoy permanent or flexible upgrades to batteries with higher capacities or other future battery options with an additional fee as the battery technologies evolve. The subscription fee is determined through a holistic evaluation with the consideration of main factors including: (i) production cost of the battery, (ii) users' price acceptance, considering cost of alternative options to users and (iii) other financial considerations.

Our Directors are of the view that the pricing of batteries sourced from CATL and the pricing of batteries sold to the Battery Asset Company are both commercially reasonable, given that both pricings are determined on an arm's length basis through customary commercial negotiations. The pricing of batteries sold to the Battery Asset Company is based on various factors, such as the level of investment return the Battery Asset Company can generate by cooperating with our Company, taking into consideration the level of monthly BaaS subscription fee it is able to receive from our users. In addition, procurement cost of the batteries is another factor considered. The Battery Asset Company only purchases batteries from us on a back-to-back basis in accordance with the number of BaaS. In practice, we generally provide new batteries, with an expected useful life of at least eight years, on new vehicles delivered to both BaaS users and non-BaaS users.

Together with the launch of the BaaS, we entered into service agreements with the Battery Asset Company, pursuant to which we provide services to the Battery Asset Company including batteries monitoring, maintenance, upgrade, replacement, IT system support and others, with monthly service charges. Additionally, in case of any default in payment of subscription fees from users, the Battery Asset Company would require our support to track and lock down the battery subscribed by users to limit their usage. When purchasing the batteries from us, the Battery Asset Company gets to secure long-term subscribers of the BaaS model, which in turn generates stable returns over an extended period of time for the Battery Asset Company. Based on mutual agreement between our company and the Battery Asset Company, batteries owned by the Battery Asset Company and batteries owned by users are both available for swapping to all users, whether subscribed for the BaaS or not. We are capable of identifying and tracking each battery pack through our cloud system. We ensure the quality of battery swapping and subscription experience under the BaaS by providing battery operation services directly to our users. In addition, we appointed one of our management team members as the chairman of the Battery Asset Company to participate and provide guidance in the critical operational matters, and gather feedback as a shareholder through customary information rights.

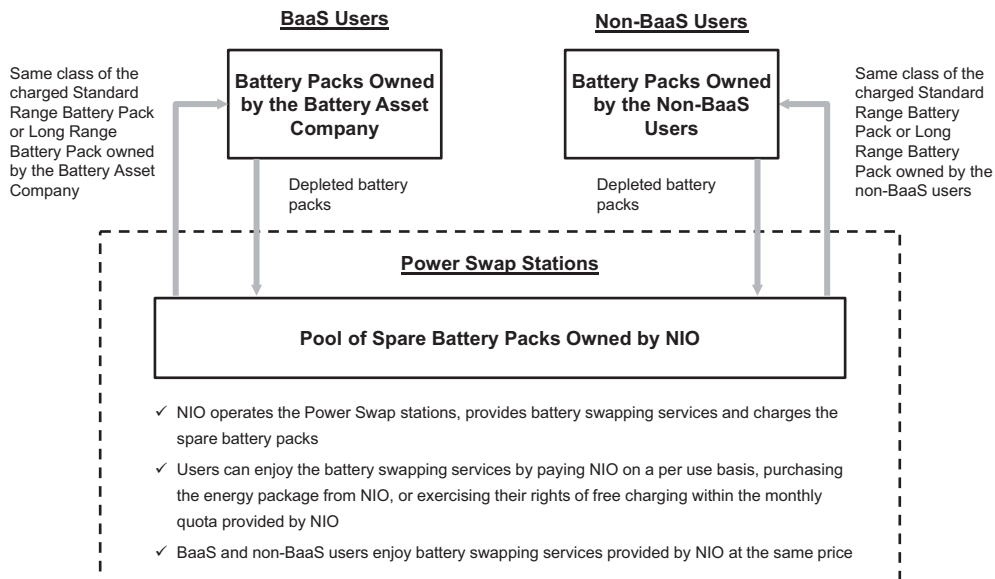
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The below chart sets forth how battery sales operate under the BaaS model.



Enabled by vehicle-battery separation and battery subscription, our users enjoy a chargeable, swappable, upgradable battery usage experience. Both BaaS users and non-BaaS users are able to enjoy battery swapping services at the Power Swap stations. The “depleted” batteries swapped out of users’ vehicles will be kept physically in the Power Swap station to be charged until they are swapped on to another vehicle. During the period when this particular battery pack remains in the Power Swap station as part of our spare batteries pool, its title is deemed to be held by our Company. After completing battery swaps, the charged batteries swapped on to BaaS users’ vehicles are deemed to be owned by the Battery Asset Company, while those swapped on to non-BaaS users’ vehicles are deemed to be owned by the respective users themselves. BaaS users enjoy a lower upfront purchase price and flexible subscription options for batteries of various capacities according to their needs on a monthly or yearly basis, as well as flexibility of battery upgrades in the future. For the year ended December 31, 2021, over half of the users that we delivered vehicles to chose BaaS subscription.

The below chart sets forth how battery swapping operate in practice.

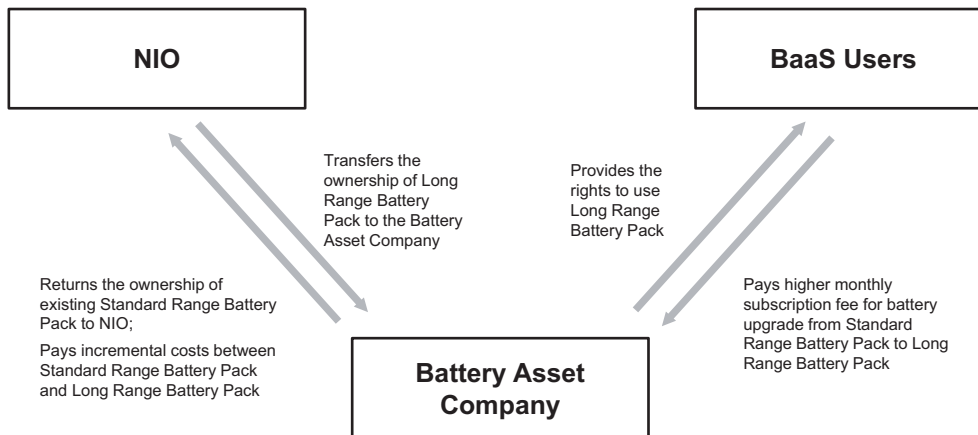


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The below chart sets forth how battery upgrade operate in practice.



By decoupling the battery from the sale of the vehicle, we are able to enhance the competitiveness of our products with lower upfront purchase cost and flexible battery subscription experience, and recognize revenue for both the sales of vehicles without batteries as well as the sales of batteries to the Battery Asset Company at the time of vehicle deliveries.

As the owner of the battery assets under the BaaS, the Battery Asset Company purchases the batteries at a lump-sum payment on a monthly basis and receive operation services from NIO, and offer battery subscription services to BaaS users. Battery Asset Company makes payment to NIO on a monthly basis based on the number of battery packs purchased during the month. In case of any default in payment of subscription fees from users, the Battery Asset Company has right to request us to track and lock down the battery subscribed by users to limit its usage, and we agreed to provide guarantee to the Battery Asset Company for the default. The maximum amount of guarantee that can be claimed by the Battery Asset Company for the users' payment default shall not be higher than the accumulated service fees we receive from the Battery Asset Company. During the Track Record Period, both service revenue and guarantee liability were immaterial. Through the arrangements under the BaaS, the Battery Asset Company can generate revenue through subscription fees and has achieved profitability. The Battery Asset Company purchases the batteries from us at the time when the vehicles are sold, and receives monthly payments from our users. The Battery Asset Company is able to achieve profitability and generate net profit when the monthly subscription fees paid by our users are larger than the cost incurred, including depreciation of battery assets, other operating costs and interest expenses, if any. For the nine months period ended September 30, 2021, the Battery Asset Company generated revenue of RMB191.7 million and net profit of RMB37.0 million. In addition, the Battery Asset Company is exploring new ways to increase the residual value of the batteries with the support of its investors, including NIO. When the batteries are deemed to be at the end of their useful life for uses on electric vehicles, the Battery Asset Company would seek to generate additional revenue by maximizing the residual value of such batteries. For example, battery cells of such batteries could be used for other purposes such as energy storage at wind or solar power stations to mitigate the intermittent nature of renewable power generation, or to be recycled to recover valuable chemical materials and be reused during the manufacturing process for batteries. Such uses would create additional revenue for the Battery Asset Company.

### OUR POWER SOLUTIONS

We offer a comprehensive and innovative suite of power solutions to address the charging and swapping needs of our users. Our power solutions include home charging called Power Home, battery swapping called Power Swap, supercharging piles called Power Charger, and mobile charging called Power Mobile, all of which are connected to cloud-enabled Power Cloud, which synchronizes users' power consumption information and our power network, and intelligently suggests the appropriate services, according to the users' locations and power consumption patterns. Our users not only get to check the availability of charging and swapping resources of NIO's own network, but also have access to a network of public chargers and their real-time information through the Power Map on our NIO app. In addition, we offer our users our One Click for Power valet service where we pick up, charge and then return the vehicle. Our goal is to provide the most convenient power solutions to our users.

#### Power Home

Through Power Home, we install home chargers at our users' homes whenever the installation is feasible. Currently we are offering our users standard 7 kW and high-speed 20 kW smart home chargers. The first 7 kW Power Home and basic installation are included in the price of the vehicle though there may be charges in certain circumstances. The high-speed 20 kW Power Home Plus can reduce the charging time to nearly one-third and is provided at an additional cost.

#### Power Swap

All of our vehicles support battery swapping. Our Power Swap station 1.0 has a typical size of approximately three parking spaces and accommodates five batteries. Once a vehicle is parked in the swap station and the swap function is activated, battery swapping will take place within minutes. The Power Swap station 2.0, which began deployment in April 2021, is designed to accommodate up to 13 batteries to substantially boost the daily service capacity of the battery swap stations.

We plan to further enhance the efficiency of the battery swap stations and to strategically deploy more swap stations in selected geographical areas to ensure consistent optimal battery swap experience for our users as the number of our vehicles sold grows.

#### Power Charger

Through Power Charger, our supercharging piles, we provide our users a fast and reliable power solution. Users are able to locate, use and pay for the charging through our NIO app. Our Power Chargers are of a slim design and are located in parking lots and other locations easily accessible to our users, with a maximum output power of 105 kW and 250 ampere.

As of December 31, 2021, we had 3,404 Power Chargers in operation, covering 163 major cities in China. We plan to further enhance the efficiency and expand the deployment of our Power Chargers to cater to the growing user demand.

We generally rent premises to build Power Swap stations and Power Charger stations. Meanwhile, we sell Power Chargers and provide installation services to some selected third parties. In these cases, the third parties own and operate the Power Charger stations, and own or rent the premises for the Power Charger stations. We connect them to our network for our users to apply.

### **Power Mobile**

Through Power Mobile, we provide charging services through fast charging vans with our proprietary fast-charging technologies, supplementing our swapping and charging network. Users are able to book Power Mobile services in advance through our NIO app.

As of December 31, 2021, we had 318 Power Mobile vans in operation. We regularly adjust the deployment of Power Mobile vans in China based on our user distribution and user needs and plan to improve the efficiency of these NIO Power Mobile vans to create better experiences for users.

### **Power Map**

In addition to our own swapping and charging network, our users have access to a network of public chargers and their real-time information through the Power Map on our NIO app, which consisted of over 450,000 publicly accessible charging piles as of December 31, 2021. In order to further improve user experience, we have been working to increase the number of chargers with data synchronized to our Power Cloud.

### **One Click for Power**

We offer our users our One Click for Power valet service. Through our NIO app, a user can have our team pick up his or her vehicle at the user's designated parking location for valet charging or swapping. The vehicle is driven to a nearby charging station or battery swap station, or a charging van is driven to the parking location. The vehicle is returned to the user once battery charging or swapping is completed. Users are able to select "immediate service" which provides the fastest charging option to meet a more urgent charging demand or "reservation service" for scheduled charging services. We aim to provide users with the most convenient charging experience by identifying the most appropriate charging solution based on the user's travel habits through cloud-based smart scheduling.

We offer our users our worry-free energy package, including 15 times of One Click for Power valet services and 1,000 kWh power quota every month, for a fixed monthly fee, which is set at RMB980 per month, or RMB10,800 per year. Users who do not purchase our energy package are able to access our One Click for Power and other power services on a pay-per-use basis.

## **SERVICE AND WARRANTY**

Our users can access a full suite of innovative services on our NIO app, as part of our strategy of redefining the user experience. In addition to our battery swapping services, BaaS and NIO Power solutions described above, we offer our users NIO Service, primarily through our worry-free service package and worry-free insurance package. We believe our service capability is among the core competitiveness we possess.

### **Service**

#### *Service Network*

We currently provide servicing both through NIO service centers and authorized third-party service centers, both of which provide repair, maintenance and bodywork services.

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For our NIO service centers, we have dedicated qualified technicians who receive regular professional trainings and skill tests, which ensures high-quality user services. As of December 31, 2021, we had 54 NIO service centers across 35 cities in China. For authorized third-party service centers, we have a devoted management team to carefully select and bring authorized service centers into our network, most with experience servicing high-end branded vehicles. As of December 31, 2021, we had 181 authorized service centers across 139 cities in China.

In addition to our service centers, we have deployed 220 service vans serving users' needs in different regions as of December 31, 2021.

### *Service Package*

We offer our users a worry-free service package, which provides statutory and third-party liability and vehicle damage insurance through third-party insurers, repair and routine maintenance services, courtesy vehicles, roadside assistances and enhanced data packages, among other services with a starting price of RMB11,600 per year for new vehicles.

Users are able to arrange for vehicle services using our NIO app. At the user's request, we pick up the vehicle, arrange for maintenance and repair services, and then return the vehicle to the user once the services are done. We will also assist the user in engaging with the insurance company and provide necessary support when it is needed.

In addition to the worry-free service package, we have also started to offer a worry-free insurance package since March 1, 2020. Users can supplement their insurance with designated insurance providers, and pay RMB1,680 per year for NIO's competitive maintenance and paint-repair services, courtesy vehicles, roadside assistances, enhanced data packages and other additional services.

### *Auto Financing*

We currently have agreements with several commercial banks in China, pursuant to which we assist users across China in acquiring financing when they purchase our vehicles. We also offer auto financing arrangements to users directly through our subsidiaries.

### **NIO Certified (Used Vehicle Service)**

In January 2021, we launched NIO Certified, our used vehicle service, to provide high-quality services for used NIO vehicle transactions. We have developed the capabilities in the major cities in China to cover services including vehicle inspection, evaluation, acquisition and sales. If users are interested in purchasing used NIO vehicles, they can directly find the product information and place orders on our NIO app.

### **Warranty Policy**

For an initial retail purchaser of a new NIO vehicle, we provide an extended warranty in China subject to certain conditions, including, among others, that the extended warranty only applies for the initial retail purchaser of the new vehicle and not for any subsequent buyers of the vehicle; the user must service the vehicle only with us or one of our authorized service centers; and the vehicle must not have experienced any major accident. As required under relevant PRC law, we also provide (i) a bumper-to-bumper three-year or 120,000-km warranty, (ii) for critical EV components (batteries, electric motors, power electric units and vehicle control units), an eight-year or 120,000-km warranty, and (iii) a two-year or 50,000-km warranty

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covering vehicle repair, replacement and refund. See “Risk Factors — Risks Related to Our Business and Industry — Our warranty reserves may be insufficient to cover future warranty claims which could adversely affect our financial performance.”

### **SUPPLY CHAIN, MANUFACTURING AND QUALITY ASSURANCE**

We view the suppliers and manufacturers we work with as key partners in our vehicle development process. We aim to leverage our partners’ industry expertise to ensure that each vehicle we produce meets our strict quality standards.

#### **Supply Chain**

We work with global and local supply chain partners while the majority of our supply base is located in China, which enables us to acquire supplies more quickly and reduces the overall logistics-related cost.

We obtain systems, components, raw materials, parts, manufacturing equipment and other supplies and services from suppliers which we believe to be reputable and reliable. We follow our internal process to source suppliers taking into account quality, cost and timing. We continuously innovate our supply chain in order to establish a more effective and diverse supply chain system. We actively cultivate partnerships with suppliers that have innovative technological capabilities and cost advantages, thereby increasing the competitiveness and innovativeness of our supply chain.

Many of the components used in our vehicles are purchased from a single source. We choose to work with the limited number of key component suppliers, because we believe the key components we apply are supported by the most advanced and reliable technologies, which are supplied by a limited number of leading players in the industry, according to Frost & Sullivan. Our key components include batteries and semiconductor chips. All of our batteries are sourced from CATL. In addition, our key suppliers for the autonomous driving and digital cockpit semiconductor chips for the vehicle models delivered during the Track Record Period include Mobileye and Nvidia. We have also added Qualcomm as a semiconductor chip supplier for our vehicle models. Eventually we plan to implement a multi-source volume purchasing strategy in order to reduce our reliance on sole source suppliers. According to Frost & Sullivan, CATL is the largest battery supplier in China. Qualcomm is one of the leading semiconductor chip companies in the world. Mobileye and Nvidia are among the top players of autonomous driving and digital cockpit chipsets in the world. We have been building up our in-house R&D capabilities and diversifying our supply sources in the strategic areas. In terms of battery, we set up an in-house Battery System Department early in the development of our Company. The Battery System Department is responsible for battery design and battery management system design and development. It has successfully developed the cell-to-pack 75kWh and 100kWh battery jointly with CATL while exploring other advanced battery technologies and other potential cooperation opportunities with players in the industry. Our Directors and Senior Management are aware of the supply chain risks resulted from the concentration of our key component suppliers. With regard to semiconductor chip supply, we classify all the chipsets used in our vehicles into various groups. For the ones we do not believe we face major supply risks given that our component suppliers are able to procure sufficient volume of such chipsets, we work closely with our component suppliers to ensure sufficient supply in an efficient manner, learning from the industry’s best practices. For the ones that we have identified supply chain risks, we actively work with our component suppliers or directly with the semiconductor chip manufacturers to secure as many supplies as possible. Meanwhile, we scan the market to build up a network of potential suppliers for these semiconductor chips. Given that we primarily choose to work with credible suppliers with global coverage, and have been able to



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maintain good cooperative relationship with our suppliers, our Directors and Senior Management currently believe the likelihood of the suppliers' termination of cooperation with us or any material adverse change to our cooperative relationship with our suppliers is relatively low.

We usually enter into our standard form of agreements with our suppliers. Suppliers shall provide to us the goods and services at terms and conditions as provided under the agreements according to the pre-determined schedule. We typically pay suppliers with respect to the goods provided after receipt of goods and within 90 days upon receipt of invoices issued by suppliers. The suppliers provide quality warranty for the goods sold to us. Neither we nor the suppliers are allowed to subcontract or assign any obligations under the agreements. We typically have the right to terminate the agreement with suppliers due to our strategy or business concern by giving a six-month prior written notice to supplier. In addition, either party has the right to terminate the agreement upon a material default by the other party. We hold our suppliers to high ethical standards of code of conducts in areas such as human rights, labor conventions, environmental protection and anti-corruption, and incorporate these standards in our cooperation agreements with our suppliers.

### **Manufacturing**

#### ***Partnership with JAC***

Since 2016, Jianghuai Automobile Group Ltd., or JAC, a major state-owned automobile manufacturer in China, has been our partner for the joint manufacturing of our vehicles. JAC is an automobile enterprise with a 50-year history in automotive manufacturing of passenger and commercial vehicles that integrates R&D, production and sales of a full range of commercial vehicles, passenger vehicles and powertrains, and covers many fields such as ride hailing/sharing and financial services. JAC has in-house development, manufacturing, and testing capabilities for new energy vehicles, and is an established player in China's new energy vehicle market. We entered into an arrangement with JAC for manufacturing the ES8 for five years starting from May 2016. In April 2019 and March 2020, we entered into manufacturing cooperation agreements with JAC for the manufacturing of the ES6 and the EC6, respectively. In March 2021, we entered into definitive agreements with JAC to establish a joint venture for manufacturing management and operations, Jianglai Advanced Manufacturing Technology (Anhui) Co., Ltd., or Jianglai with a registered capital of RMB500 million where we hold 49% equity interests. In May 2021, we entered into renewed manufacturing agreements regarding the joint manufacturing of our vehicles, including ET7 and other future models, and related fee arrangements with JAC and Jianglai.

JAC currently manufactures the NIO vehicles in delivery, including the ES8, ES6 and EC6, in the Hefei JAC-NIO manufacturing plant designed and constructed for NIO vehicles. During the Track Record Period and up to the Latest Practicable Date, all of our vehicles were manufactured in the JAC-NIO manufacturing plant. However, this is a non-exclusive arrangement and we are able to undertake the manufacturing of our vehicles on our own or through other third parties. Pursuant to our original agreements with JAC with respect to the ES8, ES6 and EC6, we paid JAC for each vehicle produced on a per-vehicle basis monthly for the first three years. In addition, at the beginning of our cooperation with JAC when JAC made upfront capital expenditures, there was no guarantee provided to JAC on the number of vehicles that the plant would produce, and JAC bore considerable uncertainty as to its revenues from the manufacturing cooperation with us. Taking into consideration of the risks JAC bore, we agreed that, for the first 36 months after the start of production, which commenced on April 2018, to the extent the Hefei manufacturing plant incurred any operating losses, we would compensate JAC for such operating losses. The amount of indemnification shall be determined

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based on the audit results of operating losses of the JAC-NIO manufacturing plant prepared by an accounting firm engaged by JAC, subject to our confirmation. For the years ended December 31, 2018, 2019, 2020 and nine months ended September 30, 2021, we recorded RMB126.4 million, RMB206.7 million, RMB65.4 million and nil, respectively, in cost of sales for compensation of losses, and RMB115.4 million, RMB234.1 million, RMB466.2 million, RMB531.3 million (US\$82.5 million), respectively, in cost of sales for manufacturing and processing fees and relevant expenses.

Pursuant to the renewed joint manufacturing arrangements we entered into in May 2021, from May 2021 to May 2024, JAC will continue to manufacture the ES8, ES6, EC6, ET7 and potentially other NIO models in the pipeline. In addition, JAC will expand its vehicle and component annual production capacity to 240,000 units (calculated based on 4,000 work hours per year) in order to meet the growing demand for our vehicles, which we expect to be achieved in the first half of 2022. We will be in charge of vehicle development and engineering, supply chain management, manufacturing techniques, and quality management and assurance. We will also invest in specialized equipment, such as molds and inspection tools, for the mass production of our vehicles. Jianglai will be responsible for parts assembly and operation management. Under both the original and renewed joint manufacturing arrangements, we are in charge of vehicle development and engineering. A major difference between the original and renewed arrangements is the fee arrangement. Under the original arrangements, we paid JAC for each vehicle produced on a per-vehicle basis, and for the first 36 months after the start of production, which commenced on April 2018, to the extent the Hefei manufacturing plant incurred any operating losses, we agreed to compensate JAC for such operating losses. The fee arrangements under the renewed arrangements consist of the following: (i) asset depreciation and amortization with regard to the assets JAC invested and to invest for the manufacture of NIO models as actually incurred, payable monthly and subject to adjustment annually; (ii) vehicle production and processing fees recorded on a per-vehicle basis, payable monthly and subject to adjustment annually; (iii) certain compensatory arrangement up to a capped amount for JAC's investment into the JAC-NIO manufacturing plant, including for the land, factory and equipment; (iv) relevant tax; and (v) purchase amount of certain production materials. Pursuant to the renewed joint manufacturing arrangements, we pay JAC for the manufacturing of NIO vehicles, while JAC pays Jianglai for the part assembly services provided by Jianglai separately. In the first, second and third quarter of 2021, we delivered 20,060, 21,896 and 24,439 vehicles and recorded RMB175.3 million, RMB178.3 million and RMB177.7 million, respectively, in cost of sales for manufacturing and processing fees and relevant expenses. The JAC related manufacturing and processing fees and relevant expenses and compensation for losses on a per-vehicle basis declined substantially in the third quarter compared with that in the first and second quarter due to the lower per-vehicle cost charged under the renewed agreement with JAC. We believe the new agreements allow us to benefit from economies of scale and manufacturing efficiency improvement in the future. In the meantime, despite the lower per-vehicle cost charged under the new agreements, the new agreements allow JAC to generate increased revenue from its cooperation with our Company in light of the increasing vehicle delivery volume, which we believe promotes our long-term mutually beneficial cooperative relationship with JAC. To meet the growing user demand, we decided to further deepen our cooperation and jointly expand the capacity of JAC-NIO manufacturing plant based on our long-term partnership and our good cooperative relationship in joint manufacturing over the past few years. We believe JAC-NIO manufacturing plant is well-suited to manufacture our existing and future models, including the ES8, ES6, EC6, ET7 and potentially other NIO models in the pipeline.

Our Directors are aware of the concentration risk of our manufacturing arrangement, and the Company is actively working to mitigate the risk. According to Frost & Sullivan, joint manufacturing is common in the automotive industry. With such arrangement, OEMs can focus

on certain key aspects, such as vehicle development and engineering, supply chain management, manufacturing techniques and quality management, while the manufacturing partners can focus on parts assembly and operation management. We believe the joint manufacturing arrangement with JAC helps us, as an early-stage company, draw manufacturing experience from JAC, quickly build up the production capacity, achieve successful mass production and fast ramp up with high quality products. Our employees are part of the management team of the JAC-NIO manufacturing plant. We exercise significant control in the manufacturing partnership with JAC in order to ensure high quality standards. We conduct product development, provide supply chain systems, set production technique standards, and put in place quality management systems. We developed a manufacturing process development and simulation platform to reduce defects in process development to the extent possible. We apply the NIO lean manufacturing system in the JAC-NIO manufacturing plant to improve execution efficiency and quality. The factory is designed according to our specific requirements, process and quality standards, and currently can only support the manufacturing of NIO vehicles. In order to ensure stable manufacturing capabilities, we continue to strengthen our cooperation with JAC.

The JAC-NIO manufacturing plant has modern production facilities and techniques, and also applies environmentally friendly techniques and uses renewable energy. We place great emphasis on the environment, health and safety, or EHS, management of the factory at JAC. We have worked with JAC to establish a set of factory safety guidelines and provide EHS trainings to ensure that the factory is operating in accordance with safety regulations. In addition, we are partnering with various suppliers and academic institutions to standardize the scrap and recycle process at the factory, aiming to maximize the lifetime value of all used vehicle components and parts.

In order to meet the rapidly growing demand for our vehicles and to support the manufacturing of our future models, in addition to expanding the annual production capacity of the JAC-NIO manufacturing plant, we also plan to build a new manufacturing plant in Xinqiao Industrial Park with a designed annual production capacity of up to 300,000 units. We expect to start our vehicle production in the new manufacturing plant in the third quarter of 2022. According to Frost & Sullivan, global battery electric vehicle, or BEV, market is expected to grow at a CAGR of 42% from 2020 to 2025. China's BEV sales are expected to grow at a CAGR of 44% from 2020 to 2025, reaching 6.2 million units. Within China's electric vehicle market, the premium smart electric vehicle segment is expected to achieve the highest growth during the period from 2020 to 2025 at a CAGR of 48%. Furthermore, we plan to continue to launch new models in the upcoming years to expand our product lineup and broaden our user base. We expect to start the delivery of the ET7, our flagship premium smart electric sedan, in March 2022, and of the ET5, our mid-size premium smart electric sedan, in September 2022. We also plan to continue to expand internationally to capture the growing EV demand overseas.

### *Advanced Manufacturing Technology and Engineering Center*

We have established our Advanced Manufacturing Technology and Engineering Center, or AMTEC, in Nanjing for the production of electric powertrains. The plant and ancillary facilities of Nanjing AMTEC Phase I have a building area of 64,133.13 square meters and mainly produce electric motors and electric drive components. The Nanjing AMTEC Phase II has a building area of 49,665.46 square meters and production facilities for electric motors. Its production lines are highly automated and flexible with advanced MES systems and AGVs, and were put into operation in June 2019.

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### Quality Assurance

We aim to deliver high-quality products and services to our users in line with our core values and commitments. We believe that our quality assurance systems are the key to ensuring the delivery of high-quality products and services, and to minimize waste and to maximize efficiency. We strongly emphasize quality management across all business functions, including product development, manufacturing, partner quality management, procurement, power solutions, user experience, service and logistics. Our quality management groups are responsible for our overall quality strategy, quality systems and processes, quality culture, and general quality management implementation.

### CERTAIN OTHER COOPERATION ARRANGEMENTS

#### Hefei Strategic Investors

On April 29, 2020, we entered into an investment agreement, or the initial investment agreement, and a shareholders agreement, or the initial shareholders agreement (collectively, the initial agreements), for investments into NIO Holding Co., Ltd. (previously known as NIO (Anhui) Holding Co., Ltd.), or NIO China, a legal entity wholly owned by us pre-investment, with Hefei City Construction and Investment Holding (Group) Co., Ltd. (“**Hefei Construction Co.**”), CMG-SDIC Capital Co., Ltd. (“**SDIC**”) and Anhui Provincial Emerging Industry Investment Co., Ltd. (“**Anhui High-tech Co.**”).

Pursuant to the initial agreements, each investor may designate a fund managed by it or a third party, as applicable, to perform the investment obligations and assume other rights and obligations under the initial agreements. Accordingly, on June 5, 2020, we entered into respective supplemental agreements I to the initial agreements with the investors and their respective designated funds, Jianheng New Energy Fund, Advanced Manufacturing Industry Investment Fund and New Energy Automobile Fund. Under the supplemental agreements I, (i) Hefei Construction Co. designated Jianheng New Energy Fund to assume all of its rights and obligations under the initial agreements, (ii) SDIC designated Advanced Manufacturing Industry Investment Fund to assume all of its rights and obligations under the initial agreements, (iii) Anhui High-tech Co. designated New Energy Automobile Fund to perform a portion of its investment obligations under the investment agreement and assume the corresponding rights and obligations under the initial agreements, and (iv) Anhui High-tech Co. will continue to perform the remaining of its investment and other obligations not assigned to New Energy Automobile Fund and enjoy its rights under the initial agreements. On June 5, 2020, NIO China updated its Industrial and Commercial Registration to reflect, among others, Jianheng New Energy Fund, Advanced Manufacturing Industry Investment Fund, Anhui High-tech Co. and New Energy Automobile Fund as NIO China’s investors. On June 18, 2020, we entered into respective supplemental agreements II with the parties to the supplemental agreements I and Anhui Provincial Sanzhong Yichuang Industry Development Fund Co., Ltd., another designated fund of Anhui High-tech Co. Under the supplemental agreements II, Anhui High-tech Co. designated Anhui Provincial Sanzhong Yichuang Industry Development Fund Co., Ltd. to assume its remaining rights and obligations under the initial agreements that had not been assigned to New Energy Automobile Fund pursuant to the supplemental agreements I.

The initial investment agreement, as amended and supplemented, is referred to as the Hefei Investment Agreement, and the initial shareholders agreement, as amended and supplemented, is referred to as the Hefei Shareholders Agreement in this document. The Hefei Investment Agreement and the Hefei Shareholders Agreement are collectively referred to as Hefei Agreements in this document, and the group of investors with whom we entered into the Hefei Agreements are referred to as the Hefei Strategic Investors in this document.

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Under the Hefei Investment Agreement, the Hefei Strategic Investors agreed to invest an aggregate of RMB7 billion in cash into NIO China. We agreed to inject our core businesses and assets in China, including vehicle research and development, supply chain, sales and services and NIO Power, or together as the Asset Consideration, into NIO China. The Asset Consideration is valued at RMB17.77 billion, as calculated based on 85% of the market value of our company (calculated based on our average ADS trading price over the thirty public trading days preceding April 21, 2020). As of the Latest Practicable Date, the injection of our core businesses and assets into NIO China had been completed. Further, we agreed to invest RMB4.26 billion in cash into NIO China. Pursuant to the Hefei Shareholders Agreement, upon the completion of the investments, we held 75.885% of controlling equity interests in NIO China, and the Hefei Strategic Investors collectively held the remaining 24.115%. In September 2020, February 2021 and September 2021, we, through one of our wholly-owned subsidiaries, purchased from certain Hefei Strategic Investors equity interests in NIO China and subscribed for newly increased registered capital of NIO China to increase our shareholding. After the completion of these transactions, as of the Latest Practicable Date, we held 92.114% controlling equity interests in NIO China.

Pursuant to the Hefei Investment Agreement, the Hefei Strategic Investors and we agreed to each inject cash into NIO China in five installments. Moreover, the Asset Consideration will be injected into NIO China in several phases, with the last phase to be injected within one year of closing, subject to certain post-closing price adjustment mechanism.

Pursuant to the Hefei Agreements, NIO China will establish its headquarters in the Hefei Economic and Technological Development Area, or the HETA, where our main manufacturing hub is located, for its business operation, research and development, sales and services, supply chain and manufacturing functions. We will collaborate with the Hefei Strategic Investors and HETA to develop NIO China's business and to support the accelerated development of the smart electric vehicle sectors in Hefei in the future. In addition, NIO China could enjoy a series of subsidies and support from HETA, including rent subsidies, financial support and preferential tax treatment, when NIO China meets certain performance criteria, such as targets for manufacturing capacity, procurement amount and vehicle sales.

Pursuant to the Hefei Shareholders Agreement, the Hefei Strategic Investors have certain minority shareholder rights, including, among others, the right of first refusal, co-sale right, preemptive right, anti-dilution right, redemption right, liquidation preference and conditional drag-along right. In particular, the following rights, among others, directly relate to obligations of NIO Inc.:

*Redemption right.* The Hefei Strategic Investors may require us or our Hong Kong holding vehicles to redeem all or a portion of the equity interests in NIO China held by the Hefei Strategic Investors at a redemption price of the total amount of the investment price equal to the Hefei Strategic Investors plus an investment income calculated at a compound rate of 8.5% per annum upon the occurrence of certain events. The events leading to Hefei Strategic Investors' exercise of their redemption rights include, but are not limited to, the following: (A) NIO China's failure to submit an application for the qualified initial public offering within 48 months, or failure to complete the qualified initial public offering within 60 months, following receipt of the first instalment of investment; (B) significant concealment, misleading, false statement or suspected fraud of NIO China in the process of information disclosure for the Hefei investment; (C) false, fraudulent or withdrawal of our capital contribution to NIO China; (D) material integrity problems of the core management team of NIO China; (E) major changes in the main business of NIO China; (F) resignation of more than half of the core management team within two years prior to the date of submission of the application for the qualified initial public offering; and (G) change of control in NIO China. If any of the triggering events of

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redemption occurs, we will need substantial capital to redeem the equity interests in NIO China held by the Hefei Strategic Investors. In particular, if NIO China fails to apply for the qualified initial public offering in July 2024, which is 48 months following the Hefei Strategic Investors' payment of the first installment, or if NIO China fails to complete the qualified initial public offering in July 2025, which is 60 months following the Hefei Strategic Investors' payment of the first installment, the Hefei Strategic Investors may request us to redeem the equity interest in NIO China then held by them. Assuming we still hold 92.114% controlling equity interests in NIO China in July 2024 or July 2025, the amount of redemption consideration, calculated based on a compound rate of 8.5% per annum, will be approximately RMB4,019.0 million or RMB4,360.6 million, respectively. As the deadline for NIO China to file for a qualified initial public offering is in July 2024, we do not have specific plans for the initial public offering of NIO China as of the date of this document. In order to proceed with the initial public offering of NIO China, we are subject to various requirements under the Listing Rules of the Stock Exchange and relevant practice notes, including, among others, the requirement in the level of operations and assets of the remaining business in our company following the spin-off to maintain listing status, the approval of the Stock Exchange and shareholder approval. Our Directors are of the view that in the case where the triggering events for redemption such as failure to file an application for or complete the qualified initial public offering of NIO China occur and we are required to redeem all or a portion of the equity interests in NIO China then held by the Hefei Strategic Investors, considering our expected cash position, we believe the redemption will not have a material impact on our operations and financial condition. If we proceed with the initial public offering of NIO China, following the spin-off of NIO China, we expect to continue to operate through XPT, a wholly-owned subsidiary of our Company that designs, develops and manufactures electric powertrains, battery packs and other electric drive components and also serves as the supplier of our above key components. We also expect to continue our overseas operation.

*Share transfer restriction.* Before NIO China completes its potential qualified initial public offering, without the prior written consent of the Hefei Strategic Investors, we may not directly or indirectly transfer, pledge or otherwise dispose of NIO China's shares to a third party that may result in our shareholding in NIO China fall below 60%. Without the prior written consent of the Hefei Strategic Investors, we have the right to directly or indirectly transfer, pledge or otherwise dispose of no more than 15% of NIO China's shares. A qualified initial public offering refers to an initial public offering approved, registered or filed with the China Securities Regulatory Commission, Shanghai Stock Exchange, Shenzhen Stock Exchange or other overseas securities issuance review agencies jointly approved by all shareholders of NIO China, and NIO China's shares are issued and listed on the stock exchange market recognized by all shareholders of NIO China.

*Liquidation preference.* In the event that NIO China is liquidated, the Hefei Strategic Investors are guaranteed a minimum investment return equal to the sum of their capital contribution in NIO China by the Hefei Strategic Investors plus an investment income calculated at a compound interest rate of 8.5% per annum on the basis of the total amount of their capital contribution. If the total consideration received by the Hefei Strategic Investors in such liquidation events is not sufficient to realize the guaranteed minimum investment return, we undertake to compensate separately the shortfall to the Hefei Strategic Investors in cash. Therefore, we could potentially be liable for the full amount of the minimum investment return under the Hefei Investment Agreement.

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*NIO Parties' Redemption Right.* Before NIO China is converted into a company limited by shares for the purpose of its qualified initial public offering, we and/or our designated third party have the right to redeem half of the shares Jianheng New Energy Fund acquired through this investment. The redemption price will be the higher of the following (a) the amount of the total paid-in capital increase price in respect of the equity interests to be purchased by us or our designated parties, plus investment income calculated at a simple interest rate of 10% per annum; and (b) the value of the equity interests to be redeemed by us or our designated parties determined based on the valuation of NIO China in the most recent round of financing.

*NIO's Capital Increase right.* Before December 31, 2021, we and our affiliates designated by us have the right to unilaterally subscribe for up to US\$600 million purchase price of the then newly increased registered capital of NIO China, at the same subscription price at which the Hefei Strategic Investors invested in NIO China pursuant to the Hefei Agreements.

We ensure effective control in NIO China through the following measures: (i) at the shareholder level, as of the Latest Practicable Date, we held 92.114% controlling equity interests in NIO China; (ii) at the board level, we are entitled to nominate five directors to the seven-member board of directors of NIO China; (iii) according to NIO China's shareholders' agreement, we have the power to unilaterally direct NIO China's activities that most significantly impact its economic performance, including but not limited to the rights to establish operating and financial decisions of NIO China (including budgets) in the ordinary course of business; and (iv) the Hefei Strategic Investors are only entitled to certain veto rights such as change in NIO China's corporate structure, change of its core business and amendment to its articles of association, which were not considered as participating rights and would not overcome the presumption of consolidation by us with a majority voting rights.

As a result, we are the controlling shareholder of NIO China and effectively controls NIO China.

Subsequent to the entry into the Hefei Agreements, the cash contribution obligations of us and the Hefei Strategic Investors have all been fulfilled and we have exercised our redemption right and capital increase right described above in September 2020. In particular, in connection with our exercise of our redemption right, we, through one of our wholly-owned subsidiaries, redeemed from Jianheng New Energy Fund 50% of the equity interests in NIO China then held by the Jianheng New Energy Fund in September 2020, which accounted for 8.612% equity interests in NIO China, and the total consideration we paid for such redemption was RMB511.5 million, consisting of the actual capital increase payment Jianheng New Energy Fund had made plus prorated interest accrued at an interest rate of 10% per annum. In addition, we assumed Jianheng New Energy Fund's remaining cash contribution obligation of RMB2.0 billion. In connection with our exercise of our capital increase right, we, through one of our wholly-owned subsidiaries, subscribed for newly increased registered capital of NIO China at a consideration of US\$600 million. In addition, in February 2021, we, through one of our wholly-owned subsidiaries, also purchased from two of the Hefei Strategic Investors an aggregate of 3.305% equity interests in NIO China for a total consideration of RMB5.5 billion and subscribed for newly increased registered capital of NIO China at a subscription price of RMB10.0 billion. In September 2021, we, through one of our wholly-owned subsidiaries, purchased from a minority strategic investor of NIO China an aggregate of 1.418% equity interests in NIO China for a total consideration of RMB2.5 billion and subscribed for newly increased registered capital of NIO China at a subscription price of RMB7.5 billion.

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As a result of these transactions, as of the Latest Practicable Date, the registered capital of NIO China was RMB6.429 billion, and we held 92.114% controlling equity interests in NIO China. We have fulfilled all obligations due to be fulfilled under the Hefei Agreements as of the Latest Practicable Date.

### Hefei Government

On February 4, 2021, NIO China entered into a further collaboration framework agreement with the municipal government of Hefei, Anhui province, where NIO China's headquarters is located. Under the framework agreement, among other things, the Hefei government and NIO China agreed in principle to jointly build a world-class industrial campus to support the development and innovations of the smart electric vehicle industry and related supply chains led by NIO China. In addition, the Hefei government and its associated parties plan to re-invest their returns from the equity investments in NIO China to support the further cooperation in Hefei. The framework agreement is preliminary in nature, and its implementation will be subject to legally binding definitive transaction documents to be discussed and entered into further.

### Battery Asset Company

In August 2020, we and Contemporary Amperex Technology Co., Limited, or CATL, Hubei Science Technology Investment Group Co., Ltd. and a subsidiary of Guotai Junan International Holdings Limited (collectively referred to as the Initial BaaS Investors in this document) jointly established Wuhan Weineng Battery Asset Co., Ltd., or the Battery Asset Company. CATL is a Chinese battery manufacturer and technology company that specializes in the manufacturing of lithium-ion batteries for electric vehicles and energy storage systems, as well as battery management systems. Hubei Science Technology Investment Group Co., Ltd. is an investment company focusing on science and technology development. Guotai Junan International Holdings Limited is a financial service company listed on the Main Board of the Hong Kong Stock Exchange that provides diversified integrated financial services. We and the Initial BaaS Investors each invested RMB200 million and held 25% equity interests in the Battery Asset Company at its establishment. In December 2020, FutureX Innovation SPC, Future ICT Opportunity Fund II LP, Qingdao Ziming Hexing Equity Investment Partnership (Limited Partnership) (青島自明和興股權投資合夥企業(有限合夥)), Shandong Weida Machinery Co., Ltd. (山東威達機械股份有限公司) and Taiping E-Commerce Service Co., Ltd. (太平金融服務有限公司) (together, the “**Series A+ Capital Increase**”) entered into an Investment Agreement with the Battery Asset Company and the Initial BaaS Investors, pursuant to which Series A+ Investors shall subscribe an aggregate of 44.44% equity interest in the Battery Asset Company at a total consideration of RMB640.0 million (“**Series A+ Capital Increase**”). Upon completion of the Series A+ Capital Increase, the shareholding structure of the Battery Asset Company was as follows:

| <b>Shareholder</b>                  | <b>Percentage of Equity Interest(%)</b> | <b>Background of Shareholder</b>   |
|-------------------------------------|---|--|
| NIO Holding Co., Ltd.<br>(蔚來控股有限公司) | 13.89                                   | A PRC subsidiary of our Company; a strategic investor that specializes in the development, manufacturing and sales of NEVs |



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| Shareholder  | Percentage of Equity Interest(%) | Background of Shareholder  |
|--|----------------------------------|--|
| Guotai Junan Financial Product Co., Ltd. (國泰君安金融產品有限公司)  | 13.89                            | A Hong Kong limited company; a financial investor with rich experience in private investment and capital market investment |
| Hubei Science & Technology Investment Group Co., Ltd. (湖北省科技投資集團有限公司)                            | 13.89                            | A PRC company; a strategic investor with investment experience in technology industry                                      |
| Contemporary Amperex Technology Co., Limited (寧德時代新能源科技股份有限公司)                                   | 13.89                            | A PRC company; a strategic investor that specializes in the manufacturing of batteries                                     |
| FutureX Innovation SPC   | 9.26                             | A Cayman Islands limited company; financial investor   |
| Future ICT Opportunity Fund II LP  | 4.63                             | A Hong Kong limited partnership; financial investor  |
| Qingdao Ziming Hexing Equity Investment Partnership (Limited Partnership) (青島自明和興股權投資合夥企業(有限合夥)) | 13.89                            | A PRC limited partnership; financial investor  |
| Shandong Weida Machinery Co., Ltd. (山東威達機械股份有限公司)  | 10.41                            | A PRC company; financial investor  |
| Taiping E-Commerce Service Co., Ltd. (太平金融服務有限公司)  | 6.25                             | A PRC company; financial investor  |

In April 2021, FutureX Innovation SPC transferred a portion of its interest in the Battery Asset Company that equals 1.85% of the total equity interest of the Battery Asset Company to Suzhou Yuanxi III Venture Capital Investment Partnership (Limited Partnership) (蘇州元晰三號創業投資合夥企業(有限合夥)) (“**Jiangsu Yuanxi**”). Furthermore, FutureX ICT Opportunity Fund II LP transferred a portion of its interest in the Battery Asset Company that equals 1.62% of the total equity interest of the Battery Asset Company to Jiangsu Yuanxi, and transferred the remaining 3.00% equity interest in the Battery Asset Company to FutureX Investment I Company Limited. Meanwhile, Wuhan Qianlong Wuyong Enterprise Management Consulting Partnership (Limited Partnership) (武漢市潛龍勿用企業管理諮詢合夥企業(有限合夥)) entered into an Investment Agreement with the Battery Asset Company, the Initial BaaS Investors, Jiangsu Yuanxi, FutureX Investment I Company Limited and the Series A+ Investors, pursuant to which Wuhan Qianlong Wuyong Enterprise Management Consulting Co., Ltd. shall subscribe for 4.76% equity interests in the Battery Asset Company at a consideration of

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RMB72.0 billion (“ESOP Capital Increase”). Upon completion of the aforementioned share transfers and the ESOP Capital Increase the shareholding structure of the Battery Asset Company was as follows:

| Shareholder  | Percentage of Equity Interest(%) | Background of Shareholder  |
|--|----------------------------------|--|
| NIO Holding Co., Ltd. (蔚來控股有限公司)   | 13.23                            | A PRC subsidiary of our Company; a strategic investor that specializes in the development, manufacturing and sales of NEVs |
| Guotai Junan Financial Product Co., Ltd. (國泰君安金融產品有限公司)  | 13.23                            | A Hong Kong limited company; a financial investor with rich experience in private investment and capital market investment |
| Hubei Science & Technology Investment Group Co., Ltd. (湖北省科技投資集團有限公司)  | 13.23                            | A PRC company; a strategic investor with investment experience in technology industry                                      |
| Contemporary Amperex Technology Co., Limited (寧德時代新能源科技股份有限公司)   | 13.23                            | A PRC company; a strategic investor that specializes in the manufacturing of batteries                                     |
| FutureX Innovation SPC (for and on behalf of Special Opportunity Fund X SP)  | 7.06                             | A Cayman Islands limited company; financial investor   |
| FutureX Investment I Company Limited   | 2.86                             | A Hong Kong limited company; financial investor  |
| Suzhou Yuanxi III Venture Capital Investment Partnership (Limited Partnership) (蘇州元晰三號創業投資合夥企業(有限合夥))              | 3.31                             | A PRC limited partnership; financial investor  |
| Qingdao Ziming Hexing Equity Investment Partnership (Limited Partnership) (青島自明和興股權投資合夥企業(有限合夥))                   | 13.23                            | A PRC limited partnership; financial investor  |
| Shandong Weida Machinery Co., Ltd. (山東威達機械股份有限公司)  | 9.92                             | A PRC company; financial investor  |
| Taiping E-Commerce Service Co., Ltd. (太平金融服務有限公司)  | 5.95                             | A PRC company; financial investor  |
| Wuhan Qianlong Wuyong Enterprise Management Consulting Partnership (Limited Partnership) (武漢市潛龍勿用企業管理諮詢合夥企業(有限合夥)) | 4.76                             | A PRC limited partnership; ESOP platform of the Battery Asset Company  |

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In August 2021, the Battery Asset Company conducted Series B financing with an aggregated amount of RMB530.5 million. A few more financial investors invested in the Battery Asset Company, and Guotai Junan Financial Product Co., Ltd. exited. We invested an additional RMB270 million in the Battery Asset Company in connection with its Series B financing. Upon the completion of the Series B financing and as of the date of this document, the shareholding structure of the Battery Asset Company is as follows:

| Shareholder   | Percentage of Equity Interest(%) | Background of Shareholder  |
|---|----------------------------------|--|
| NIO Holding Co., Ltd. (蔚來控股有限公司)  | 19.84                            | A PRC subsidiary of our Company; a strategic investor that specializes in the development, manufacturing and sales of NEVs |
| Angel Prosperity Investment HK I Limited  | 13.02                            | A Hong Kong limited company; a financial investor  |
| Hubei Science & Technology Investment Group Co., Ltd. (湖北省科技投資集團有限公司)                                 | 10.91                            | A PRC company; a strategic investor with investment experience in technology industry                                      |
| Contemporary Amperex Technology Co., Limited (寧德時代新能源科技股份有限公司)  | 10.91                            | A PRC company; a strategic investor that specializes in the manufacturing of batteries                                     |
| FutureX Innovation SPC (for and on behalf of Special Opportunity Fund X SP)                           | 5.82                             | A Cayman Islands limited company; financial investor   |
| FutureX Investment I Company Limited  | 3.35                             | A Hong Kong limited company; financial investor  |
| Suzhou Yuanxi III Venture Capital Investment Partnership (Limited Partnership) (蘇州元晰三號創業投資合夥企業(有限合夥)) | 2.73                             | A PRC limited partnership; financial investor  |
| Qingdao Ziming Hexing Equity Investment Partnership (Limited Partnership) (青島自明和興股權投資合夥企業(有限合夥))      | 10.91                            | A PRC limited partnership; financial investor  |
| Shandong Weida Machinery Co., Ltd. (山東威達機械股份有限公司)   | 8.18                             | A PRC company; financial investor  |
| Taiping E-Commerce Service Co., Ltd. (太平金融服務有限公司)   | 4.91                             | A PRC company; financial investor  |

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| <b>Shareholder</b>  | <b>Percentage of Equity Interest(%)</b> | <b>Background of Shareholder</b>                                      |
|---|---|---|
| Wuhan Qianlong Wuyong Enterprise Management Consulting Partnership (Limited Partnership) (武漢市潛龍勿用企業管理諮詢合夥企業(有限合夥))                  | 3.93                                    | A PRC limited partnership; ESOP platform of the Battery Asset Company |
| FutureX Phi Limited   | 0.21                                    | A BVI limited company; financial investor                             |
| Xiamen International Trade Industry Development Equity Investment Fund Partnership (Limited Partnership) (廈門國貿產業發展股權投資基金合夥企業(有限合夥)) | 1.65                                    | A PRC limited partnership; financial investor                         |
| Wuhan Paradise Silicon Valley Hengxin Venture Capital Fund Partnership (Limited Partnership) (武漢天堂矽谷恒新創業投資基金合夥企業(有限合夥))             | 0.58                                    | A PRC limited partnership; financial investor                         |
| Hefei Paradise Silicon Valley Anbotong Hetai Equity Investment Partnership (Limited Partnership) (合肥天堂矽谷安博通和泰股權投資合夥企業(有限合夥))        | 0.66                                    | A PRC limited partnership; financial investor                         |
| Hangzhou Paradise Silicon Valley Yunpei Equity Investment Partnership (Limited Partnership) (杭州天堂矽谷雲沛股權投資合夥企業(有限合夥))                | 0.74                                    | A PRC limited partnership; financial investor                         |
| Shaoxing Keqiao Paradise Silicon Valley Lingxin Equity Investment Partnership (Limited Partnership) (紹興柯橋天堂矽谷領新股權投資合夥企業(有限合夥))      | 0.66                                    | A PRC limited partnership; financial investor                         |

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| <b>Shareholder</b>  | <b>Percentage of Equity Interest(%)</b> | <b>Background of Shareholder</b>              |
|---|---|---|
| Changjiang Guanggu New Energy Industry Investment Fund (Hubei) Partnership (Limited Partnership) (長江光谷新能產業投資基金(湖北)合夥企業(有限合夥)) | 0.99                                    | A PRC limited partnership; financial investor |

The Battery Asset Company is currently dedicated to purchasing and owning the assets of batteries which are subscribed by users under the BaaS and is also conducting research and development of battery-related materials and recycling technologies, and seeking to develop business opportunities with other auto companies. We and the Battery Asset Company Investors jointly provide comprehensive support to the development of the Battery Asset Company in user operations, technologies, funding and infrastructure. Given that we have a good cooperative relationship with the Battery Asset Company and its other shareholders, the reasonable internal rate of return and manageable risks to the Battery Asset Company from the current arrangement under the BaaS, our Directors believe the likelihood of the termination of our cooperation or material adverse change to our cooperative relationship with the Battery Asset Company is relatively low.

For the year ended December 31, 2020, the Battery Asset Company generated revenue of RMB5.1 million and net profit of RMB4.2 million. For the nine months period ended September 30, 2021, the Battery Asset Company generated revenue of RMB191.7 million and net profit of RMB37.0 million.

### COMPETITION

Competition in the automotive industry is intense and evolving. We believe the impact of shifting user needs and expectations, favorable government policies towards new energy vehicles, expanding charging infrastructure, and technological advances in electric components are causing the industry to evolve in the direction of electric-based vehicles. We believe the primary competitive factors in our markets are:

- pricing;
- technological innovation;
- vehicle performance, quality and safety;
- service and charging options;
- user experience;
- design and styling; and
- manufacturing efficiency.

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The China automotive market is generally competitive. We have strategically entered into this market in the premium smart EV segment in which there is limited competition relative to other segments. However, we expect this segment will become more competitive in the future. We also expect that we will compete with international competitors, including Tesla. Our vehicles also compete with ICE vehicles in the premium segment. Given the quality and performance of the ES8, the ES6, the EC6, the ET7 and the ET5, and their attractive pricing, we believe that we are strategically positioned in China's premium smart electric vehicle market.

### INTELLECTUAL PROPERTY

We have significant capabilities in the areas of vehicle engineering, development and design. We have developed a number of proprietary systems and technologies. We designed and developed electric powertrain in-house, which consists primarily of an electric drive system and an intelligent vehicle control system. Regarding batteries, we jointly designed and developed the 75 kWh battery and the 100 kWh NCM battery with our proprietary battery management system. As a result, our success depends, at least in part, on our ability to protect our core technology and intellectual property, including our registered patents for electric powertrain and battery technologies. To accomplish this, we rely on a combination of patents, patent applications and trade secrets, including employee and third-party nondisclosure agreements, copyright laws, trademarks, intellectual property licenses and other contractual rights to establish and protect our proprietary rights in our technology. We will actively monitor and pursue claims against unauthorized use of our intellectual property.

As of December 31, 2021, we had 2,843 issued patents and 1,801 pending patent applications, 3,625 registered trademarks and 1,592 pending trademark applications in the United States, China, Europe and other jurisdictions. As of December 31, 2021, we also held or otherwise had the legal right to use 152 registered copyrights for software or works of art and approximately 700 registered domain names, including [www.nio.io](http://www.nio.io). We intend to continue to file additional patent applications with respect to our technology.

### CUSTOMERS AND SUPPLIERS

We have a broad base of customers, and our top five customers, including the Battery Asset Company, accounted for less than 15% of our total revenues for each of the years ended December 31, 2018, 2019 and 2020 and for the nine months ended September 30, 2021, respectively. The Company's five largest suppliers accounted for less than 35% of its purchases for each of the years ended December 31, 2018, 2019 and 2020 and for the nine months ended September 30, 2021; and none of them individually accounted for more than 25% of its purchases for the year ended December 31, 2020 or for the nine months ended September 30, 2021. As of the Latest Practicable Date, based on publicly available information, none of our directors or their close associates (as defined in the Hong Kong Listing Rules) held a 5% or more shareholding interest in our top five suppliers.

### CORPORATE SOCIAL RESPONSIBILITY

We are committed to being a force for good in the aspects of environmental, social and governance ("ESG"). With the guidelines of the United Nation Global Compact Sustainable Development Goals, Global Reporting Initiative, and Greenhouse Gas Protocol, we have identified three important pillars in our ESG initiatives: Planet Positive, Social Positive and Governance.

### **Planet Positive**

We leverage our technology, infrastructure and relationships with users and suppliers to reduce the environmental impacts of transportation. To make a positive contribution to better protect the planet, we have taken a series of measures in decarbonization, recycling, and sustainable product design. Based on ISO 14067 and PAS 2050, we have been working closely with our suppliers to calculate and assess their carbon footprint, and set reasonable carbon emission reduction targets. We design our vehicles to be environmentally- and eco-friendly, and track the product lifecycle footprint to identify more opportunities for improvement. For instance, we apply Karuun® renewable rattan on ET7 and Clean+ sustainable material on ET5. In addition, we have launched Blue Points Plan to help users certify emission reductions and trade carbon credits. To recycle materials during the manufacturing and usage process, we have adopted a series of initiatives internally and externally to recycle materials generated during the lifecycle of the vehicle, including leather, fabric, aluminium and others. For example, NIO Life launched a green-thinking product line, Blue Sky Lab, to create eco-friendly fashion products by reusing the scrap materials during the manufacturing process. Moreover, we have initiated a series of activities together with different stakeholders to protect the environment and support the broader community. In 2021, we launched Clean Parks to support nature reserves with smart EVs, build up energy infrastructure, and establish a clean and low-carbon energy cycle system. Our environmental protection efforts extend to our partners and employees. We intentionally choose partners with a strong commitment to carbon emission reduction in our collaboration with business partners. At our office, we ask our employees to be mindful of the environment when consuming office supplies.

### **Social Positive**

At NIO, we are fully committed to be socially responsible and make positive impact on the society. By putting our users' interests first, we set high quality, safety and privacy standards for and make continuous improvements on our products and services, and aim to shape a joyful lifestyle for our users through our deep user engagement in different touch points and user activities, including NIO Day, NIO Summer, Seeds and user workshops. We are the sponsor of the Formula E Student China, a competition event where college students design and race electric racing vehicles, allowing us to nurture the young talent for the future of the automotive industry. Based on our values of honesty, care, vision and action, we offer a series of training and employee engagement activities and implement comprehensive safety measures to create a positive, safe and caring working environment, and provide diversified career development paths for our employees.

We have established various corporate social responsibility initiatives to comprehensively give back to the communities and to create value for the society. At the beginning of the COVID-19 pandemic in China, in January 2020, NIO Users Trust set aside and applied RMB5.0 million special funds for the fight against the pandemic. During the flood in Henan in July 2021, our Company donated RMB15.0 million in support of the emergency rescue operation in Henan. Our users have also been actively and regularly organizing and participating in various social benefit projects. They played and taught music in various rural primary schools, bringing the joy of music and art to children in rural areas. Our users also set up Operation Smile to help children with cleft lip and palate regain their smiles.

### **Governance**

We have established a cross-functional working group focusing on sustainability and ESG related topics and initiatives, which is led by our senior management. The sustainability working group has established an environmental, social and governance communications and

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management mechanism, involving both internal teams and external partners, to comprehensively protect the environment, improve our corporate governance and benefit society. As a vital part of our company, our management and directors contribute their insights into the strategic decision-making process, by drawing on their own gender perspective and diversified background, including automotive, internet, real estate, consulting and more. In addition, we aim to develop a pipeline of potential female successors to the Board to further increase the percentage of female Board representatives in the coming years.

We have been continuously improving our environmental, social and governance initiatives under the guidance of our sustainability framework. We appreciate the oversight, guidance and feedback from different parties and are committed to collaborating closely with domestic and international organizations to support broader industry-wide ESG practices, to explore multi-dimensional use cases for our technologies, to empower traditional industries with our capabilities and to promote a healthier and joyful lifestyle and the long-term sustainability of our society.

### **RISK MANAGEMENT AND INTERNAL CONTROL**

We have devoted ourselves to establishing and maintaining risk management and internal control systems consisting of policies and procedures that we consider to be appropriate for our business operations, and we are dedicated to continuously improving these systems. We continually review the implementation of our risk management and internal control policies and procedures to enhance their effectiveness and sufficiency.

#### **Financial reporting risk management**

We have in place a set of accounting policies in connection with our financial reporting risk management, such as financial reporting management policy and treasury management policy. Our finance department reviews our management accounts based on such policies. We also provide regular training to our finance department employees to ensure that they understand our financial management and accounting policies and implement them in our daily operations.

#### **Internal control risk management**

We have designed and adopted strict internal procedures to ensure the compliance of our business operations with the relevant rules and regulations. Our internal control team works closely with our legal, finance and business departments to: (a) perform risk assessments and advise risk management strategies; (b) improve business process efficiency and monitor internal control effectiveness; and (c) promote risk awareness throughout our Company.

We maintain internal procedures to ensure that we have obtained all material requisite licenses, permits and approvals for our business operation, and our internal control team conduct regular reviews to monitor the status and effectiveness of those licenses and approvals. Our in-house legal department works with relevant business departments to obtain requisite governmental approvals or consents, including preparing and submitting all necessary documents for filing with relevant government authorities within the prescribed regulatory timelines.

In connection with the preparation and external audit of our consolidated financial statements as of and for the year ended December 31, 2019, we and our independent registered public accounting firm identified one material weakness in our internal control over financial reporting and concluded that our internal control over financial reporting was ineffective as of December 31, 2019. The material weakness was that we did not have sufficient competent financial reporting and accounting personnel with an appropriate understanding of U.S. GAAP



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to (i) design and implement formal period-end financial reporting policies and procedures to address complex U.S. GAAP technical accounting issues and (ii) prepare and review our consolidated financial statements and related disclosures in accordance with U.S. GAAP and the financial reporting requirements set forth by the SEC.

We have implemented a number of remedial measures to address the material weakness, including (1) establishing clear roles and responsibilities for accounting and financial reporting staff to address accounting and financial reporting issues; (2) strengthening our financial reporting team by hiring additional personnel with experience in U.S. GAAP and SEC reporting from reputable accounting firms; (3) further increasing the accounting and SEC reporting acumen and accountability of our finance organization employees through training programs designed to enhance these employees' competency with respect to U.S. GAAP and SEC reporting; (4) enhancing our monitoring controls over financial reporting, including additional review by our chief financial officer, financial vice president, and other senior finance staff over the application of U.S. GAAP accounting requirements, the selection and evaluation of U.S. GAAP accounting policies, critical accounting judgments and estimates, reporting and disclosures; (5) establishing related policies and procedures to support the operation of internal controls at the entity level and process level; and (6) strengthening our internal audit function by hiring additional personnel with industry internal audit experience and experience in compliance with the requirements of Section 404 of the Sarbanes-Oxley Act. As a result, this material weakness has been remediated as of December 31, 2020.

In preparation for the Listing, the Group has engaged an independent third party consultant (the “**Internal Control Consultant**”) to perform a review over selected areas of our internal controls over financial reporting in April 2021 (the “**Internal Control Review**”). The scope of the Internal Control Review performed by the Internal Control Consultant was agreed between us, the Sponsor and the Internal Control Consultant. The selected areas of our internal controls over financial reporting that were reviewed by the Internal Control Consultant included entity level controls and business process level controls, including revenue and receivables, purchases and payables, inventory, tangible & intangible assets, treasury and investment, R&D and IP management, financial reporting, payroll, insurance, taxation and general controls of information technology.

The Internal Control Consultant performed the follow up reviews to review the status of the management actions taken by the Group to address the findings of the Internal Control Review (the “**Follow up Review**”). The Internal Control Consultant did not have any further recommendation in the Follow up Review. The Internal Controls Review and the Follow up Review were conducted based on information provided by the Group and no assurance or opinion on internal controls was expressed by the Internal Control Consultant.

### **Data and technology system risk management**

We mainly collect and store data relating to the usage of our vehicles, the autonomous driving system and intelligent operating system, as well as data collected through our sales and services channels. Sufficient maintenance, storage and protection of user data and other related information is critical to our business. We dedicate significant resources to developing and implementing programs designed to protect user privacy, promote a safe environment and ensure the security of user data. We have qualified for Grade III of China's Administrative Measures for the Graded Protection of Information Security.

The user privacy policy on our platform describes our data use practices and how privacy works on our platform. Specifically, we collect personal information and data from users only with their prior consent, and we provide users with adequate notice as to the data being

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collected, undertake to manage and use the data collected in accordance with applicable laws and make reasonable efforts to prevent the unauthorized use, loss or leak of user data. We only collect data that is relevant to our business and take measures to de-sensitize user data according to the laws and regulations in the jurisdictions we operate. We then analyze such information to improve our technologies, products and services.

In addition, we use a variety of technologies to protect the data with which we are entrusted and have a team of privacy professionals dedicated to the ongoing review and monitoring of data security practices. For example, we store all user data in encrypted format and strictly limit the number of personnel who can access those servers that store user data. We generally do not share user data with our business partners. In the limited cases where absolutely necessary, we only share minimum amount of user data, and include in our agreements with business partners a strict personal data privacy and security clause. In addition, we encrypt our data transmission, especially user data transmission, using sophisticated security protocols and algorithms to ensure confidentiality. For our external interfaces, we also utilize firewalls to protect against potential attacks or unauthorized access. We segregate our internal databases and operating systems from our external-facing services and intercept unauthorized access. We back up our user data and operating data on a regular basis in separate back-up systems to minimize the risk of customer data loss or leakage. Whenever an issue is discovered, we take prompt actions to upgrade our system and mitigate any potential problems that may undermine the security of our system. We provide regular company-wide training to ensure that not only our technology, research and development employees, but also employees in business, legal and other departments of our Company are well aware of the significance of and the measures we adopt for data security. We have complied with the applicable laws and regulations on data privacy and security in all jurisdictions that we operate in all material respects during the Track Record Period and up to the date of this document.

### **Human resources risk management**

We provide regular and specialized training tailored to the needs of our employees in different departments and compliance policies. We regularly organize internal training sessions conducted by senior employees or outside consultants.

We have in place an employee handbook and a code of business conduct and ethics approved by our board of directors which is distributed to all our employees. The handbook contains internal rules and guidelines regarding work ethics, fraud prevention mechanisms, negligence and corruption. We provide employees with resources to explain the guidelines contained in the employee handbook.

We have in place an anti-bribery and corruption policy to safeguard against any corruption within our Company. The policy explains potential bribery and corruption conduct and our anti-bribery and corruption measures. We make our internal reporting channel open and available for our staff to report any bribery and corruption acts. Any reported incidents and personnel will be investigated and appropriate measures will be taken.

### **Investment risk management**

We invest in or acquire businesses that are complementary to our business, such as businesses that can expand our product offerings and strengthen our R&D capabilities. In order to control the risks associated with our investments, we generally request our investee companies to grant us customary investor protective rights.

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Our investment department is responsible for reviewing investment proposals made by relevant business units, and making recommendations to the board. Our finance and legal departments cooperate with the deal team on deal analysis, communication, execution, risk control and reporting. After investing in a company, our investment department monitors the deal performance on a regular basis.

### Audit committee oversight

We have established an audit committee to monitor the implementation of our risk management policies across our company on an ongoing basis to ensure that our internal control system is effective in identifying, managing and mitigating risks involved in our business operations.

Our audit committee consists of Denny Ting Bun Lee and Hai Wu, both of whom are independent non-executive directors. Denny Ting Bun Lee is the chairman of our audit committee. For the professional qualifications and experiences of the members of our audit committee, see “Directors and Senior Management.”

### EMPLOYEES

As of December 31, 2021, we had 15,204 full-time employees. The following table sets forth the numbers of our employees categorized by function and region as of December 31, 2021.

|  | <b>As of<br/>December 31,<br/>2021</b> |
|--|--|
| <b>China:</b>  |  |
| User experience (sales and marketing and service)..... | 7,977                                  |
| Product and software development.....                  | 4,516                                  |
| Manufacturing.....                                     | 991                                    |
| General administration.....                            | 1,283                                  |
| <b>North America:</b>                                  |  |
| Product and software development.....                  | 153                                    |
| Manufacturing.....                                     | 5                                      |
| General administration.....                            | 47                                     |
| <b>Europe:</b>   |  |
| User experience (sales and marketing and service)..... | 55                                     |
| Product and software development.....                  | 140                                    |
| General administration.....                            | 37                                     |
| <b>Total number of employees.....</b>                  | <b>15,204</b>                          |

Our employees have set up a labor union in China according to the related Chinese labor law. To date we have not experienced any labor strike, and we consider our relationship with our employees to be good.

We provide competitive level of salary and other employee benefits to our employees. Every employee beneficially owns shares in our company. We provide employees with a wide range of benefits, including but not limited to employees’ commercial insurance, physical examinations, vocational training and holiday benefits. We aim to create a warm, safe and secure working environment for everyone.

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### PROPERTIES

Currently, we own land use rights with respect to a parcel of land in Nanjing of approximately 325,217.57 square meters and the ownership with respect to the plant thereon for a term ending on March 10, 2063, which are used for the manufacture of our electric powertrains. As of December 31, 2021, we also leased a number of our facilities in various cities in China mainly for user centers, warehouses, power management centers and sales, marketing and customer service with an aggregated floor area of approximately 2,219,565 square meters. As of December 31, 2021, we leased property in North America for our North American headquarters and global software development center, and sales, marketing, light assembly, research and development center with an aggregate floor area of 386,341 square feet; we leased properties in Europe for management, engineering and storage and design headquarters with an aggregate floor area of 124,570 square feet.

### INSURANCE

As of the Latest Practicable Date, we maintained all the insurance policies required by PRC laws and regulations. We consider that the coverage from the insurance policies maintained by us is in line with the industry norm. We do not have any business liability or disruption insurance to cover our operations. See “Risk Factors — Risks Related to Our Business and Industry — We have limited business insurance coverage.” During the Track Record Period and up to the Latest Practicable Date, we have not made, nor been the subject of, any material insurance claim.

### LEGAL PROCEEDINGS AND COMPLIANCE

From time to time, we may be involved in legal proceedings in the ordinary course of our business. Between March and July 2019, several securities class action lawsuits were filed against us, certain of our directors and officers, our underwriters in the IPO and our process agent. Some of these actions have been withdrawn, transferred or consolidated. Currently, three securities class actions remain pending in the U.S. District Court for the Eastern District of New York (E.D.N.Y.), Supreme Court of the State of New York, New York County (N.Y. County), and Supreme Court of the State of New York, County of Kings (Kings County), respectively. In the E.D.N.Y. action, *In re NIO, Inc. Securities Litigation*, 1:19-cv-01424, the Company and other defendants filed their Motion to Dismiss on October 19, 2020. Briefing on the Motion to Dismiss was completed on December 4, 2020. Certain of the Company’s directors and officers (including Bin Li, Lihong Qin, Yaqin Zhang, Tian Cheng, Hai Wu, Xiang Li, Zhaohui Li, Xiangping Zhong), who were named as defendants in this action, joined the Company’s Motion. On August 12, 2021, the Court denied the Motion to Dismiss. The Company and other defendants submitted their respective Answers to Plaintiffs’ Complaint on October 25, 2021. In the New York county action, *In re NIO Inc. Securities Litigation*, Index No. 653422/2019, by an order dated March 23, 2021, the Court granted the plaintiffs’ motion to lift the stay in favor of the federal action. Plaintiffs subsequently filed an amended complaint on April 2, 2021. The Company and other defendants subsequently filed a Motion to Dismiss the complaint, along with a notice of appeal of the Court’s decision to lift the stay. On October 4, 2021, the Court granted the Company and other defendants’ Motion to Dismiss. Plaintiffs subsequently filed a notice of appeal to the Appellate Division of the New York State Court. Briefing has not yet commenced in either of the above appeals. In the Kings County action, *Sumit Agarwal v. NIO Inc. et al.*, Index No. 505647/2019, the complaint was filed on March 14, 2019. The judge has yet to be assigned and there has not been any material development. The plaintiffs in these cases allege, in sum and substance, that our statements in the Registration Statement and/or other public statements were false or misleading and in violation of the U.S. federal securities laws. Specifically, plaintiffs in these actions variously allege that

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NIO's Offering Documents in connection with the IPO contain false or misleading statements regarding (i) the Company's plan to build a plant in Shanghai; (ii) the quality and design of the Company's electric vehicles; (iii) the impact of reductions in government subsidies for electric vehicles on the Company's competitive advantage. We believe these claims are without merit because plaintiffs' liability theory is based on post-IPO developments that the Company did not and could not have predicted before the IPO. Moreover, the Company's Offering Documents warned investors of the precise risks that are alleged to have materialized later. These actions remain in their preliminary stages. We are currently unable to estimate the potential loss, if any, associated with the resolution of such lawsuits. We are defending the actions vigorously. See "Risk Factors — Risks relating to our Business and Industry — We and certain of our directors and officers have been named as defendants in several Shareholder class action lawsuits, which could have a material adverse impact on our business, financial condition, results of operation, cash flows and reputation" for further details.

Our PRC Legal Adviser is of the opinion that, except as disclosed in the "Risk Factors" section in this document, during the Track Record Period, our Major Subsidiaries incorporated under PRC laws have complied with relevant PRC laws and regulations currently in effect in all material respects, and obtained all material requisite licenses and approvals from relevant governmental authorities for their main business operations in the PRC, and that as at the Latest Practicable Date, these licenses and approvals remained valid and in effect to the extent required for their main business operations and that no material legal impediment to the renewal of such material licenses and approvals existed.

We were in compliance with the applicable laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date. In addition, during the Track Record Period and up to the Latest Practicable Date, we did not have any material accidents, complaints, safety issues and warranty claims relating to our vehicles.