The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

pwc 羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF NIO INC. AND MORGAN STANLEY ASIA LIMITED, CREDIT SUISSE (HONG KONG) LIMITED AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED

Introduction

We report on the historical financial information of NIO Inc. (the "Company") and its subsidiaries and consolidated variable interest entities (together, the "Group") set out on pages I-4 to I-80, which comprises the consolidated balance sheets as at December 31, 2018, 2019 and 2020 and September 30, 2021, and the consolidated statements of comprehensive loss, the consolidated statements of shareholders' (deficit)/equity and the consolidated statements of cash flows for each of the years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2021 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-80 forms an integral part of this report, which has been prepared for inclusion in the listing document of the Company dated February 28, 2022 in connection with the listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2(a) to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

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Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2(a) to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the consolidated financial position of the Company as at December 31, 2018, 2019 and 2020 and September 30, 2021 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of preparation out in Note 2(a) to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of comprehensive loss, the consolidated statement of shareholders' (deficit)/equity and the consolidated statement of cash flows for the nine months ended September 30, 2020 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2(a) to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the International Auditing and Assurance Standards Board ("IAASB"). A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2(a) to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")

Adjustments

In preparing the Historical Financial Information, no adjustments to the Historical Financial Statements as defined on page I-4 have been made.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
February 28, 2022

I. HISTORICAL FINANCIAL INFORMATION OF THE COMPANY

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The Historical Financial Information in this report was prepared by the directors of the Company based on the consolidated financial statements of the Company for the years ended December 31, 2018, 2019 and 2020, and the management accounts of the Company for the nine months ended September 30, 2021 (collectively referred as "Historical Financial Statements"). The consolidated financial statements were audited by PricewaterhouseCoopers Zhong Tian LLP, PRC, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB") relating to the financial statements for the years ended December 31, 2018, 2019 and 2020.

The Historical Financial Information is presented in Renminbi and United States Dollars. All values are rounded to the nearest thousand except when otherwise indicated.

CONSOLIDATED BALANCE SHEETS
(All amounts in thousands, except for share and per share data)

		As of December 31,			As of September 30,	
		2018	2019	2020	2021	2021
		RMB	RMB	RMB	RMB	US$
	Notes					Note 2(e)
ASSETS						
Current assets:						
Cash and cash equivalents	*2(g)*	3,133,847	862,839	38,425,541	21,594,871	3,351,471
Restricted cash	*2(g)*	57,012	82,507	78,010	3,655,717	567,358
Short-term investments	*2(h)*	5,154,703	111,000	3,950,747	21,706,448	3,368,788
Trade receivable		756,508	1,352,093	1,123,920	3,322,076	515,578
Amounts due from related parties	*27(b)(i)*	88,066	50,783	169,288	1,048,656	162,749
Inventory	*5*	1,465,239	889,528	1,081,553	1,703,005	264,302
Prepayments and other current assets	*6*	1,514,257	1,579,258	1,422,403	1,332,340	206,776
Expected credit loss provision – current	*2(i)*	–	–	(44,645)	(47,682)	(7,400)
Total current assets		12,169,632	4,928,008	46,206,817	54,315,431	8,429,622
Non-current assets:						
Long-term restricted cash	*2(g)*	33,528	44,523	41,547	44,385	6,888
Property, plant and equipment, net	*7*	4,853,157	5,533,064	4,996,228	6,032,503	936,230
Intangible assets, net	*8*	3,470	1,522	613	3	–
Land use rights, net	*9*	213,662	208,815	203,968	200,333	31,091
Long-term investments	*10*	148,303	115,325	300,121	1,307,975	202,995
Amounts due from related parties	*27(b)(i)*	7,970	–	617	–	–
Right-of-use assets – operating lease	*15*	–	1,997,672	1,350,294	2,348,642	364,504
Other non-current assets	*11*	1,412,830	1,753,100	1,561,755	4,813,221	747,000
Expected credit loss provision – non-current	*2(i)*	–	–	(20,031)	(51,633)	(8,013)
Total non-current assets		6,672,920	9,654,021	8,435,112	14,695,429	2,280,695
Total assets		18,842,552	14,582,029	54,641,929	69,010,860	10,710,317
LIABILITIES						
Current liabilities:						
Short-term borrowings	*13*	1,870,000	885,620	1,550,000	5,310,000	824,099
Trade and notes payable		2,869,953	3,111,699	6,368,253	10,798,315	1,675,872
Amounts due to related parties	*27(b)(ii)*	219,583	309,729	344,603	810,104	125,726
Taxes payable		51,317	43,986	181,658	184,766	28,675
Current portion of operating lease liabilities	*15*	–	608,747	547,142	646,887	100,395
Current portion of long-term borrowings	*13*	198,852	322,436	380,560	1,562,777	242,539
Accruals and other liabilities	*12*	3,383,681	4,216,641	4,604,024	7,290,806	1,131,516
Total current liabilities		8,593,386	9,498,858	13,976,240	26,603,655	4,128,822
Non-current liabilities:						
Long-term borrowings	*13*	1,168,012	7,154,798	5,938,279	9,826,612	1,525,066
Non-current operating lease liabilities	*15*	–	1,598,372	1,015,261	1,792,738	278,229
Other non-current liabilities	*14*	930,812	1,151,813	1,849,906	3,055,570	474,217
Total non-current liabilities		2,098,824	9,904,983	8,803,446	14,674,920	2,277,512
Total liabilities		10,692,210	19,403,841	22,779,686	41,278,575	6,406,334

CONSOLIDATED BALANCE SHEETS
(All amounts in thousands, except for share and per share data)

		As of December 31,			As of September 30,	
		2018	2019	2020	2021	2021
		RMB	RMB	RMB	RMB	US$
	Notes					Note 2(e)
Commitments and contingencies	*28*					
MEZZANINE EQUITY						
Redeemable non-controlling interests	*22*	1,329,197	1,455,787	4,691,287	3,210,985	498,337
Total mezzanine equity		1,329,197	1,455,787	4,691,287	3,210,985	498,337
SHAREHOLDERS' EQUITY/(DEFICIT)						
Class A Ordinary Shares (US$0.00025 par value; 2,500,000,000, 2,500,000,000, 2,500,000,000 and 2,500,000,000 shares authorized; 777,200,790, 786,937,655, 1,252,237,171 and 1,332,262,136 shares issued; 770,268,810, 783,942,438, 1,249,745,456 and 1,313,779,445 shares outstanding as of December 31, 2018, 2019, 2020 and September 30, 2021, respectively)	*23*	1,329	1,347	2,205	2,334	362
Class B Ordinary Shares (US$0.00025 par value; 132,030,222, 132,030,222, 132,030,222 and 132,030,222 shares authorized, 132,030,222, 132,030,222, 128,293,932 and 128,293,932 shares issued and outstanding as of December 31, 2018, 2019 and 2020, and September 30,2021, respectively)	*23*	226	226	220	220	34
Class C Ordinary Shares (US$0.00025 par value; 148,500,000, 148,500,000, 148,500,000 and 148,500,000 shares authorized, issued and outstanding as of December 31, 2018, 2019 and 2020, and September 30, 2021, respectively)	*23*	254	254	254	254	39
Less: Treasury shares (6,931,980, 2,995,217, 2,491,715 and 18,482,691 shares as of December 31, 2018, 2019 and 2020 and September 30, 2021, respectively)		(9,186)	–	–	(1,849,600)	(287,053)
Additional paid in capital		41,918,936	40,227,856	78,880,014	80,022,293	12,419,266
Accumulated other comprehensive loss		(34,708)	(203,048)	(65,452)	(234,396)	(36,378)
Accumulated deficit		(35,039,810)	(46,326,321)	(51,648,410)	(53,521,799)	(8,306,453)
Total NIO Inc. shareholders' equity/(deficit)		6,837,041	(6,299,686)	27,168,831	24,419,306	3,789,817
Non-controlling interests		(15,896)	22,087	2,125	101,994	15,829
Total shareholders' equity/(deficit)		6,821,145	(6,277,599)	27,170,956	24,521,300	3,805,646
Total liabilities, mezzanine equity and shareholders' equity		18,842,552	14,582,029	54,641,929	69,010,860	10,710,317

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(All amounts in thousands, except for share and per share data)

		For the Year Ended December 31,			For the Nine Months Ended September 30,		
		2018	2019	2020	2020	2021	2021
		RMB	RMB	RMB	RMB	RMB	US$
	Notes				(Unaudited)		Note 2(e)
Revenues:							
Vehicle sales	16	4,852,470	7,367,113	15,182,522	9,008,474	23,954,365	3,717,659
Other sales	16	98,701	457,791	1,075,411	608,368	2,281,316	354,055
Total revenues		4,951,171	7,824,904	16,257,933	9,616,842	26,235,681	4,071,714
Cost of sales:							
Vehicle sales		(4,930,135)	(8,096,035)	(13,255,770)	(8,146,439)	(19,225,123)	(2,983,692)
Other sales		(276,912)	(927,691)	(1,128,744)	(738,929)	(1,888,669)	(293,117)
Total cost of sales		(5,207,047)	(9,023,726)	(14,384,514)	(8,885,368)	(21,113,792)	(3,276,809)
Gross (loss)/profit		(255,876)	(1,198,822)	1,873,419	731,474	5,121,889	794,905
Operating expenses:							
Research and development	19	(3,997,942)	(4,428,580)	(2,487,770)	(1,658,327)	(2,763,336)	(428,863)
Selling, general and administrative	20	(5,341,790)	(5,451,787)	(3,932,271)	(2,725,465)	(4,519,883)	(701,475)
Other operating (loss)/income, net		–	–	(61,023)	(23,941)	110,158	17,096
Total operating expenses		(9,339,732)	(9,880,367)	(6,481,064)	(4,407,733)	(7,173,061)	(1,113,242)
Loss from operations		(9,595,608)	(11,079,189)	(4,607,645)	(3,676,259)	(2,051,172)	(318,337)
Interest income		133,384	160,279	166,904	89,885	552,772	85,789
Interest expenses		(123,643)	(370,536)	(426,015)	(332,174)	(561,473)	(87,139)
Share of (loss)/income of equity investees		(9,722)	(64,478)	(66,030)	(32,061)	64,207	9,965
Other (loss)/income, net		(21,346)	66,160	(364,928)	39,854	131,164	20,356
Loss before income tax expense		(9,616,935)	(11,287,764)	(5,297,714)	(3,910,755)	(1,864,502)	(289,366)
Income tax expense	25	(22,044)	(7,888)	(6,368)	(4,704)	(9,018)	(1,400)
Net loss		(9,638,979)	(11,295,652)	(5,304,082)	(3,915,459)	(1,873,520)	(290,766)
Accretion on convertible redeemable preferred shares to redemption value	21	(13,667,291)	–	–	–	–	–
Accretion on redeemable non-controlling interests to redemption value	22	(63,297)	(126,590)	(311,670)	(205,864)	(6,519,698)	(1,011,841)
Net loss attributable to non-controlling interests		41,705	9,141	4,962	2,703	131	20
Net loss attributable to ordinary shareholders of NIO Inc.		(23,327,862)	(11,413,101)	(5,610,790)	(4,118,620)	(8,393,087)	(1,302,587)

		For the Year Ended December 31,			For the Nine Months Ended September 30,		
		2018	2019	2020	2020	2021	2021
	Notes	RMB	RMB	RMB	RMB	RMB	US$
					(Unaudited)		Note 2(e)
Net loss		(9,638,979)	(11,295,652)	(5,304,082)	(3,915,459)	(1,873,520)	(290,766)
Other comprehensive (loss)/income							
Foreign currency translation adjustment, net of nil tax		(20,786)	(168,340)	137,596	104,920	(168,944)	(26,220)
Total other comprehensive (loss)/income		(20,786)	(168,340)	137,596	104,920	(168,944)	(26,220)
Total comprehensive loss		(9,659,765)	(11,463,992)	(5,166,486)	(3,810,539)	(2,042,464)	(316,986)
Accretion on convertible redeemable preferred shares to redemption value	*21*	(13,667,291)	–	–	–	–	–
Accretion on redeemable non-controlling interests to redemption value	*22*	(63,297)	(126,590)	(311,670)	(205,864)	(6,519,698)	(1,011,841)
Net loss attributable to non-controlling interests		41,705	9,141	4,962	2,703	131	20
Comprehensive loss attributable to ordinary shareholders of NIO Inc.		(23,348,648)	(11,581,441)	(5,473,194)	(4,013,700)	(8,562,031)	(1,328,807)
Weighted average number of ordinary shares used in computing net loss per share							
Basic and diluted	*26*	332,153,211	1,029,931,705	1,182,660,948	1,100,928,485	1,561,225,055	1,561,225,055
Net loss per share attributable to ordinary shareholders							
Basic and diluted	*26*	(70.23)	(11.08)	(4.74)	(3.74)	(5.38)	(0.83)
Weighted average number of ADS used in computing net loss per ADS							
Basic and diluted	*26*	332,153,211	1,029,931,705	1,182,660,948	1,100,928,485	1,561,225,055	1,561,225,055
Net loss per ADS attributable to ordinary shareholders							
Basic and diluted	*26*	(70.23)	(11.08)	(4.74)	(3.74)	(5.38)	(0.83)

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' (DEFICIT)/EQUITY
(All amounts in thousands, except for share and per share data)

		Ordinary Shares		Treasury Shares		Additional Paid in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Shareholders' (Deficit)/Equity	Non-Controlling Interests	Total (Deficit)/Equity
	Notes	Shares	Par Value	Shares	Amount						
Balance as of December 31, 2017		36,727,350	60	(12,877,007)	(9,186)	131,907	(13,922)	(11,711,948)	(11,603,089)	11,309	(11,591,780)
Accretion on Series A-1 and A-2 convertible redeemable preferred shares to redemption value		–	–	–	–	–	–	(7,091,163)	(7,091,163)	–	(7,091,163)
Accretion on Series A-3 convertible redeemable preferred shares to redemption value		–	–	–	–	–	–	(565,979)	(565,979)	–	(565,979)
Accretion on Series B convertible redeemable preferred shares to redemption value		–	–	–	–	–	–	(2,417,979)	(2,417,979)	–	(2,417,979)
Accretion on Series C convertible redeemable preferred shares to redemption value		–	–	–	–	–	–	(2,375,943)	(2,375,943)	–	(2,375,943)
Accretion on Series D convertible redeemable preferred shares to redemption value		–	–	–	–	–	–	(1,216,227)	(1,216,227)	–	(1,216,227)
Accretion on redeemable non-controlling interests to redemption value		–	–	–	–	–	–	(63,297)	(63,297)	–	(63,297)
Issuance of ordinary shares		184,000,000	315	–	–	7,526,681	–	–	7,526,996	–	7,526,996
Conversion of preferred shares	*21*	821,378,518	1,408	–	–	33,724,621	–	–	33,726,029	–	33,726,029
Exercise of share options		16,026,060	27	(2,176,570)	–	42,224	–	–	42,251	–	42,251
Vesting of restricted shares		–	–	7,720,681	–	56,183	–	–	56,183	–	56,183
Vesting of share options		–	–	–	–	437,320	–	–	437,320	–	437,320
Grant of restricted shares		509,001	1	(509,001)	–	–	–	–	1	–	1
Cancellation of restricted shares		(909,917)	(2)	909,917	–	–	–	–	(2)	–	(2)
Capital injection by non-controlling interests		–	–	–	–	–	–	–	–	14,500	14,500
Foreign currency translation adjustment		–	–	–	–	–	(20,786)	–	(20,786)	–	(20,786)
Net loss		–	–	–	–	–	–	(9,597,274)	(9,597,274)	(41,705)	(9,638,979)
Balance as of December 31, 2018		1,057,731,012	1,809	(6,931,980)	(9,186)	41,918,936	(34,708)	(35,039,810)	6,837,041	(15,896)	6,821,145

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' (DEFICIT)/EQUITY
(All amounts in thousands, except for share and per share data)

	Ordinary Shares		Treasury Shares		Additional Paid in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Shareholders' Equity/(Deficit)	Non-Controlling Interests	Total Equity/(Deficit)
	Shares	Par Value	Shares	Amount						
Balance as of December 31, 2018	1,057,731,012	1,809	(6,931,980)	(9,186)	41,918,936	(34,708)	(35,039,810)	6,837,041	(15,896)	6,821,145
Accretion on redeemable non-controlling interests to redemption value	–	–	–	–	(126,590)	–	–	(126,590)	–	(126,590)
Purchase of capped call options and zero-strike call options in connection with issuance of convertible senior notes	–	–	–	–	(1,939,567)	–	–	(1,939,567)	–	(1,939,567)
Exercise of share options	12,775,127	22	–	–	50,768	–	–	50,790	–	50,790
Vesting of restricted shares	–	–	1,636,001	–	3,802	–	–	3,802	–	3,802
Vesting of share options	–	–	–	–	329,693	–	–	329,693	–	329,693
Cancellation of restricted shares	(3,038,262)	(4)	2,300,762	9,186	(9,186)	–	–	(4)	–	(4)
Capital injection by non-controlling interests	–	–	–	–	–	–	–	–	47,124	47,124
Foreign currency translation adjustment	–	–	–	–	–	(168,340)	–	(168,340)	–	(168,340)
Net loss	–	–	–	–	–	–	(11,286,511)	(11,286,511)	(9,141)	(11,295,652)
Balance as of December 31, 2019	1,067,467,877	1,827	(2,995,217)	–	40,227,856	(203,048)	(46,326,321)	(6,299,686)	22,087	(6,277,599)

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' (DEFICIT)/EQUITY
(All amounts in thousands, except for share and per share data)

	Ordinary Shares		Treasury Shares		Additional Paid in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Shareholders' (Deficit)/Equity	Non-Controlling Interests	Total (Deficit)/Equity
	Shares	Par Value	Shares	Amount						
Balance as of December 31, 2019	1,067,467,877	1,827	(2,995,217)	–	40,227,856	(203,048)	(46,326,321)	(6,299,686)	22,087	(6,277,599)
Cumulative effect of adoption of new accounting standard *(Note 2(i))*	–	–	–	–	–	–	(22,969)	(22,969)	–	(22,969)
Accretion on redeemable non-controlling interests to redemption value	–	–	–	–	(311,670)	–	–	(311,670)	–	(311,670)
Issuance of ordinary shares	262,775,000	448	–	–	34,571,809	–	–	34,572,257	–	34,572,257
Issuance of restricted shares	2,113,469	4	–	–	54,508	–	–	54,512	–	54,512
Conversion of convertible notes to ordinary shares	181,872,811	309	–	–	3,962,990	–	–	3,963,299	–	3,963,299
Exercise of share options	14,814,462	91	439,038	–	187,427	–	–	187,518	–	187,518
Vesting of restricted shares	–	–	51,948	–	9,551	–	–	9,551	–	9,551
Vesting of share options	–	–	–	–	177,543	–	–	177,543	–	177,543
Cancellation of restricted shares	(12,516)	–	12,516	–	–	–	–	–	–	–
Capital withdrawal by non-controlling interests	–	–	–	–	–	–	–	–	(15,000)	(15,000)
Foreign currency translation adjustment	–	–	–	–	–	137,596	–	137,596	–	137,596
Net loss	–	–	–	–	–	–	(5,299,120)	(5,299,120)	(4,962)	(5,304,082)
Balance as of December 31, 2020	1,529,031,103	2,679	(2,491,715)	–	78,880,014	(65,452)	(51,648,410)	27,168,831	2,125	27,170,956

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' (DEFICIT)/EQUITY
(All amounts in thousands, except for share and per share data)

	Ordinary Shares		Treasury Shares		Additional Paid in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Shareholders' (Deficit)/Equity	Non-Controlling Interests	Total (Deficit)/Equity
	Shares	Par value	Shares	Amount						
Balance as of December 31, 2019	1,067,467,877	1,827	(2,995,217)	–	40,227,856	(203,048)	(46,326,321)	(6,299,686)	22,087	(6,277,599)
Cumulative effect of adoption of new accounting standard *(Note 2(i))*	–	–	–	–	–	–	(22,969)	(22,969)	–	(22,969)
Accretion on redeemable non-controlling interests to redemption value	–	–	–	–	(205,864)	–	–	(205,864)	–	(205,864)
Issuance of ordinary shares	184,575,000	321	–	–	14,923,086	–	–	14,923,407	–	14,923,407
Issuance of restricted share units	2,203,469	4	(2,203,469)	–	54,508	–	–	54,512	–	54,512
Conversion of convertible notes to ordinary shares	142,639,348	243	–	–	3,131,661	–	–	3,131,904	–	3,131,904
Exercise of share options	11,178,942	19	354,181	–	121,887	–	–	121,906	–	121,906
Share based compensation of the restricted shares	–	–	2,197,366	–	3,114	–	–	3,114	–	3,114
Share based compensation of the share options	–	–	–	–	123,780	–	–	123,780	–	123,780
Cancellation of restricted shares	(12,516)	–	12,516	–	–	–	–	–	–	–
Capital withdrawal by non-controlling interests	–	–	–	–	–	–	–	–	(15,000)	(15,000)
Foreign currency translation adjustment	–	–	–	–	–	104,920	–	104,920	–	104,920
Net loss	–	–	–	–	–	–	(3,912,756)	(3,912,756)	(2,703)	(3,915,459)
Balance as of September 30, 2020 (unaudited)	1,408,052,120	2,414	(2,634,623)	–	58,380,028	(98,128)	(50,262,046)	8,022,268	4,384	8,026,652

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' (DEFICIT)/EQUITY
(All amounts in thousands, except for share and per share data)

	Ordinary Shares		Treasury Shares		Additional Paid in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Shareholders' Equity/(Deficit)	Non-Controlling Interests	Total Equity
	Shares	Par value	Shares	Amount						
Balance as of December 31, 2020	1,529,031,103	2,679	(2,491,715)	–	78,880,014	(65,452)	(51,648,410)	27,168,831	2,125	27,170,956
Accretion on redeemable non-controlling interests to redemption value	–	–	–	–	(6,519,698)	–	–	(6,519,698)	–	(6,519,698)
Settlement of capped call options and zero-strike call options *(Note 13(ii))*	–	–	(16,402,643)	(1,849,600)	1,849,600	–	–	–	–	–
Conversion of convertible senior notes to ordinary shares – related parties	7,219,872	12	–	–	148,381	–	–	148,393	–	148,393
Conversion of convertible senior notes to ordinary shares -third party	62,486,411	101	–	–	4,198,347	–	–	4,198,448	–	4,198,448
Capital injection from non-controlling interests	–	–	–	–	–	–	–	–	100,000	100,000
Issuance of ordinary shares	2,593,179	4	–	–	602,810	–	–	602,814	–	602,814
Exercise of share options	7,328,883	12	223,324	–	100,521	–	–	100,533	–	100,533
Share based compensation of the restricted shares	35,587	–	–	–	224,142	–	–	224,142	–	224,142
Issuance of restricted shares	549,376	–	–	–	148,869	–	–	148,869	–	148,869
Share based compensation of the share options	–	–	–	–	389,307	–	–	389,307	–	389,307
Cancellation of restricted shares	(188,343)	–	188,343	–	–	–	–	–	–	–
Foreign currency translation adjustment	–	–	–	–	–	(168,944)	–	(168,944)	–	(168,944)
Net loss	–	–	–	–	–	–	(1,873,389)	(1,873,389)	(131)	(1,873,520)
Balance as of September 30, 2021	1,609,056,068	2,808	(18,482,691)	(1,849,600)	80,022,293	(234,396)	(53,521,799)	24,419,306	101,994	24,521,300

CONSOLIDATED STATEMENTS OF CASH FLOWS
(All amounts in thousands, except for share and per share data)

		For the Year Ended December 31,			For the Nine Months Ended September 30,		
		2018	2019	2020	2020	2021	2021
	Notes	RMB	RMB	RMB	RMB	RMB	US$
					(Unaudited)		Note 2(e)
CASH FLOWS FROM OPERATING ACTIVITIES							
Net loss		(9,638,979)	(11,295,652)	(5,304,082)	(3,915,459)	(1,873,520)	(290,766)
Adjustments to reconcile net loss to net cash used in operating activities:							
Depreciation and amortization		474,223	998,938	1,046,496	764,820	1,145,509	177,780
Allowance against receivables	*20*	–	108,459	–	–	–	–
Expected credit losses	*20*	–	–	9,654	5,945	38,283	5,941
Inventory write-downs	*5*	–	10,427	5,803	–	–	–
Impairment on property, plant and equipment	*7*	–	75,278	25,757	27,943	–	–
Foreign exchange loss/(gain)		36,597	13,876	457,382	75,906	(122,057)	(18,943)
Share-based compensation expenses	*24*	679,468	333,495	187,094	126,895	613,449	95,206
Gain from disposal of an equity investee		–	(40,722)	–	(822)	–	–
Share of losses/(profits) of equity investees, net of tax		9,722	64,478	66,030	32,883	(64,207)	(9,965)
Loss on disposal of property, plant and equipment		21,547	50,845	127,662	26,376	6,241	969
Amortization of right-of-use assets	*15*	–	522,035	499,225	349,362	439,201	68,163
Changes in operating assets and liabilities:							
Prepayments and other current assets		(835,554)	(68,051)	135,441	21,473	198,282	30,774
Amount due from related parties		24,416	9,323	(119,128)	–	(878,751)	(136,380)
Inventory		(1,375,862)	569,163	(197,828)	(151,748)	(629,216)	(97,653)
Other non-current assets		(657,986)	(243,936)	131,657	738,687	(952,593)	(147,840)
Taxes payable		21,398	(7,948)	130,542	(11,868)	3,468	538
Trade receivable		(756,508)	(681,556)	237,928	(137,580)	(2,201,857)	(341,723)
Trade and notes payable		2,635,742	241,646	3,256,552	1,860,581	4,493,823	697,430
Long-term receivables		(574,677)	(83,021)	20,296	(15,281)	(2,175,235)	(337,591)
Operating lease liabilities		–	(345,323)	(448,466)	(323,253)	(534,076)	(82,887)
Non-current deferred revenue		193,524	102,391	381,909	230,560	580,713	90,125
Accruals and other liabilities		1,360,510	658,895	836,511	(125,996)	1,117,277	173,399
Amount due to related parties		179,514	64,347	60,673	–	465,501	72,245
Non-current liabilities		291,137	220,907	403,786	223,864	665,599	103,299
Net cash (used in)/provided by operating activities		(7,911,768)	(8,721,706)	1,950,894	(196,712)	335,834	52,121

		For the Year Ended December 31,			For the Nine Months Ended September 30,		
		2018	2019	2020	2020	2021	2021
	Notes	RMB	RMB	RMB	RMB	RMB	US$
							Note 2(e)
					(Unaudited)		
CASH FLOWS FROM INVESTING ACTIVITIES							
Purchase of property, plant and equipment and intangible assets		(2,643,964)	(1,706,787)	(1,127,686)	(952,357)	(2,394,919)	(371,686)
Purchases of short-term investments		(8,090,703)	(2,202,762)	(7,594,110)	(2,967,610)	(88,161,796)	(13,682,496)
Proceeds from sale of short-term investments		2,936,000	7,246,465	3,738,490	352,990	70,364,450	10,920,391
Loan to related parties		(65,342)	–	–	–	–	–
Loan repayment from related parties		34,066	–	–	–	–	–
Acquisitions of equity investees		(110,900)	(31,500)	(250,826)	(257,500)	(293,700)	(45,582)
Purchase of available-for-sale debt investment		–	–	–	–	(650,000)	(100,878)
Proceeds from disposal of an equity investee		–	76,653	–	–	–	–
Proceeds from disposal of property and equipment		–	–	163,072	163,072	908	141
Net cash (used in)/provided by investing activities		(7,940,843)	3,382,069	(5,071,060)	(3,661,405)	(21,135,057)	(3,280,110)
CASH FLOWS FROM FINANCING ACTIVITIES							
Proceeds from exercise of stock options		42,251	50,790	154,861	96,395	123,277	19,132
Proceeds from collection of receivable from a holder of Series D convertible redeemable preferred shares		78,651	–	–	–	–	–
Capital injection from non-controlling interests		14,500	–	–	–	100,000	15,520
Deposit from non-controlling interest		47,124	–	–	–	–	–
Proceeds from issuance of redeemable non-controlling interests		1,265,900	–	–	–	–	–
Repayment of non-recourse loan	*24(c)*	82,863	–	–	–	–	–
Repurchase of restricted shares	*24(a)*	(7,490)	–	–	–	–	–
Capital injection from redeemable non-controlling interests holders		–	–	5,000,000	5,000,000	–	–
Principal payments on finance leases		–	(43,916)	(42,529)	(32,571)	(25,164)	(3,905)
Capital withdrawal by non-controlling shareholders		–	–	(10,500)	(10,500)	(1,000)	(157)

		For the Year Ended December 31,			For the Nine Months Ended September 30,		
		2018	2019	2020	2020	2021	2021
	Notes	RMB	RMB	RMB	RMB	RMB	US$
							Note 2(e)
					(Unaudited)		
Proceeds from issuance of convertible promissory note – third parties		–	2,802,041	3,014,628	3,105,127	9,560,755	1,483,806
Proceeds from issuance of convertible promissory note – related parties		–	1,520,416	90,499	–	–	–
Redemption of redeemable non-controlling interests		–	–	(2,071,515)	(511,458)	(6,000,000)	(931,184)
Proceeds from borrowings – third parties		2,668,461	1,350,781	1,605,464	515,461	4,380,000	679,765
Repayments of borrowings – third parties		(120,205)	(2,610,958)	(964,813)	(591,192)	(1,212,322)	(188,149)
Proceeds from borrowings – related parties	*27(a) (ix)*	–	25,799	260,000	130,000	–	–
Repayment of borrowings – related parties	*27(a) (ix)*	–	–	(285,799)	(130,000)	–	–
Proceeds from issuance of ordinary shares, net		7,531,037	–	34,607,139	14,943,840	602,814	93,555
Net cash provided by financing activities		11,603,092	3,094,953	41,357,435	22,515,102	7,528,360	1,168,383
Effects of exchange rate changes on cash, cash equivalents and restricted cash		(56,947)	10,166	(682,040)	(91,270)	20,738	3,218
NET (DECREASE)/INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH		(4,306,466)	(2,234,518)	37,555,229	18,565,715	(13,250,125)	(2,056,388)
Cash, cash equivalents and restricted cash at beginning of the period	*2(g)*	7,530,853	3,224,387	989,869	989,869	38,545,098	5,982,105
Cash, cash equivalents and restricted cash at end of the period	*2(g)*	3,224,387	989,869	38,545,098	19,555,584	25,294,973	3,925,717

		For the Year Ended December 31,			For the Nine Months Ended September 30,		
		2018	2019	2020	2020	2021	2021
	Notes	RMB	RMB	RMB	RMB	RMB	US$
					(Unaudited)		Note 2(e)
NON-CASH INVESTING AND FINANCING ACTIVITIES							
Accruals related to purchase of property and equipment		1,027,377	1,121,715	749,799	716,071	881,407	136,792
Acquisition of an equity investee		–	35,931	–	–	–	–
Issuance of restricted shares		–	–	54,512	54,512	148,869	23,104
Conversion of convertible notes to ordinary shares		–	–	3,963,299	3,131,904	4,346,841	674,619
Accretion on redeemable non-controlling interests to redemption value		63,297	126,590	311,670	205,864	6,519,698	1,011,841
Accretion on convertible redeemable preferred shares to redemption value		13,667,291	–	–	–	–	–
Supplemental Disclosure							
Interest paid		112,682	260,377	333,877	207,039	159,993	24,831
Income taxes paid		11,157	18,189	13,172	12,902	6,283	975

II. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Amounts expressed in Renminbi ("RMB") thousands, unless otherwise stated)

1. ORGANIZATION AND NATURE OF OPERATIONS

NIO Inc. ("NIO", or the "Company") was incorporated under the laws of the Cayman Islands in November 2014, as an exempted company with limited liability. The Company was formerly known as NextCar Inc.. It changed its name to NextEV Inc. in December 2014, and then changed to NIO Inc. in July 2017. The Company, its subsidiaries and consolidated variable interest entities ("VIEs") are collectively referred to as the "Group".

The Group designs and develops high-performance fully electric vehicles. It launched the first volume manufactured electric vehicle, the ES8, to the public in December 2017. The Group jointly manufactures its vehicles through strategic collaboration with other Chinese vehicle manufacturers. The Group also offers power solutions and comprehensive value-added services to its users. As of December 31, 2018, 2019 and 2020 and September 30, 2021, its primary operations are conducted in the People's Republic of China ("PRC"). The Group began to sell its first vehicles in June 2018. As of September 30, 2021, the Company's principal subsidiaries and VIEs are as follows:

Subsidiaries	Equity interest held	Place and date of incorporation or date of acquisition	Principal activities
NIO NextEV Limited ("NIO HK") (formerly known as NextEV Limited)	100%	Hong Kong, February 2015	Investment holding
NIO GmbH (formerly known as NextEV GmbH)	100%	Germany, May 2015	Design and technology development
NIO Holding Co., Ltd. ("NIO Holding") (formerly named NIO (Anhui) Holding Co., Ltd.)	100%	Anhui, PRC, November 2017	Headquarter and technology development
NIO Co., Ltd. ("NIO SH") (formerly known as NextEV Co., Ltd.)	100%	Shanghai, PRC, May 2015	Headquarter and technology development
NIO Automobile (Anhui) Co., Ltd. ("NIO AH")	100%	Anhui, PRC, August 2020	Industrialization and technology development
NIO Automobile Technology (Anhui) Co., Ltd. ("NIO R&D")	100%	Anhui, PRC, August 2020	Design and technology development
NIO Financial Leasing Co., Ltd. ("NIO Leasing")	100%	Shanghai, PRC, August 2018	Financial Leasing
NIO USA, Inc. ("NIO US") (formerly known as NextEV USA, Inc.)	100%	United States, November 2015	Technology development
XPT Limited ("XPT")	100%	Hong Kong, December 2015	Investment holding
XPT Technology Limited ("XPT Technology")	100%	Hong Kong, April 2016	Investment holding
XPT Inc. ("XPT US")	100%	United States, April 2016	Technology development
XPT (Jiangsu) Investment Co., Ltd. ("XPT Jiangsu")	100%	Jiangsu, PRC, May 2016	Investment holding
NIO Norway AS ("NIO NO")	100%	Norway, January 15, 2021	Investment holding and sales and after sales management
NEU Battery Asset Co., Ltd. ("BAC Cayman")	100%	Cayman Islands, June 8, 2021	Investment holding
NEU Battery Asset (Hong Kong) Co., Limited ("BAC HK")	100%	Hong Kong, July 2, 2021	Investment holding
Instant Power Europe B.V. ("BAC NL")	100%	Netherlands, June 9, 2021	Battery Subscription Service
NIO Nextev Europe Holding B.V. ("NIO NL")	100%	Netherlands, December 4, 2020	Investment holding
Shanghai XPT Technology Limited	100%	Shanghai, PRC, May 2016	Technology development

Subsidiaries	Equity interest held	Place and date of incorporation or date of acquisition	Principal activities
XPT (Nanjing) E-Powertrain Technology Co., Ltd. ("XPT NJEP")	100%	Nanjing, PRC, July 2016	Manufacturing of E-Powertrain
XPT (Nanjing) Energy Storage System Co., Ltd. ("XPT NJES")	100%	Nanjing, PRC, October 2016	Manufacturing of battery pack
NIO Power Express Limited ("PE HK")	100%	Hong Kong, January 2017	Investment holding
NIO User Enterprise Limited ("UE HK")	100%	Hong Kong, February 2017	Investment holding
NIO Sales and Services Co., Ltd. ("UE CNHC")	100%	Shanghai, PRC, March 2017	Investment holding and sales and after sales management
NIO Energy Investment (Hubei) Co., Ltd. ("PE CNHC")	100%	Wuhan PRC, April 2017	Investment holding
Wuhan NIO Energy Co., Ltd. ("PE WHJV")	100%	Wuhan, PRC, May 2017	Investment holding
XTRONICS (Nanjing) Automotive Intelligent Technologies Co. Ltd. ("XPT NJWL")	50%	Nanjing, PRC, June 2017	Manufacturing of components
XPT (Jiangsu) Automotive Technology Co., Ltd. ("XPT AUTO")	100%	Nanjing, PRC, May 2018	Investment holding

VIE and VIE's subsidiaries	Place and date of incorporation or date of acquisition
Prime Hubs Limited ("Prime Hubs")	BVI, October 2014
Beijing NIO Network Technology Co., Ltd. ("NIO BJTECH")	Beijing, PRC, July 2017

As of September 30, 2021, the Company held 92.114% of total paid-in capital of NIO Holding. In accordance with NIO Holding's share purchase agreement, the redemption of the non-controlling interests is at the holders' option and is upon the occurrence of the events that are not solely within the control of the Company. Therefore, these redeemable non-controlling interests in NIO Holding were classified as mezzanine equity and are subsequently accreted to the redemption price using the agreed interest rate as a reduction of additional paid in capital (Note 22). With the redemption feature of the non-controlling interests, the Company is considered to effectively have 100% equity interest of NIO Holding as of September 30, 2021.

As of September 30, 2021, the Company held 51% of total paid-in capital of PE WHJV. In accordance with the joint investment agreement, the investment by Wuhan Donghu is accounted for as a loan because it is entitled to fixed interests and subject to repayment within five years or upon the financial covenant violation (Note 13(iv)). With the investment from Wuhan Donghu being accounted for as a loan, the Company is considered to effectively have 100% equity interest of PE WHJV as of September 30, 2021.

In accordance with the Article of Association of XPT NJWL, the Company has the power to control the board of directors of XPT NJWL to unilaterally govern the financial and operating policies of XPT NJWL and the non-controlling shareholder does not have substantive participating rights, therefore, the Group consolidates this entity.

Initial Public Offering

On September 12, 2018, the Company consummated its initial public offering (the "IPO") on the New York Stock Exchange, where 160,000,000 ordinary shares were newly issued with the total net proceeds of RMB6,568,291 (US$956,362). Subsequently on October 12, 2018, over-allotment option were fully exercised and the Company received a net proceeds of RMB962,746 (US$138,982) associated with issuing additional 24,000,000 ordinary shares.

Variable interest entities

NIO Technology Co., Ltd ("NIO SHTECH") was established by Li Bin and Qin Lihong (the "Nominee Shareholders") in November 2014. In 2015, NIO SH, NIO SHTECH, and the Nominee Shareholders of NIO SHTECH entered into a series of contractual agreements, including a loan agreement, an equity pledge agreement, an exclusive call option agreement and a power of attorney that irrevocably authorized the Nominee Shareholders designated by NIO SH to exercise the equity owner's rights over NIO SHTECH. These agreements provided the Company, as the only shareholder of NIO SH, with effective control over NIO SHTECH to direct the activities that most significantly impact NIO SHTECH's economic performance and enabled the Company to obtain substantially all of the economic benefits arising from NIO SHTECH. Management concluded that NIO SHTECH was a variable interest entity of the Company and the Company was the ultimate primary beneficiary of NIO SHTECH and hence consolidated the financial results of NIO SHTECH in the Group's consolidated financial statements. In April 2018, the above mentioned contractual agreements were terminated. On the same day, NIO SHTECH became a subsidiary wholly owned by Shanghai Anbin Technology Co., Ltd. ("NIO ABTECH") which was also established by the Nominee Shareholder. According to a series of contractual arrangements with the Nominee Shareholders of NIO ABTECH as well as NIO ABTECH, including a loan agreement, an equity pledge agreement, an exclusive call option agreement and a power of attorney that irrevocably authorized the Nominee Shareholders designated of NIO ABTECH by NIO SH to exercise the equity owner's rights over NIO ABTECH. These agreements provided the Company, as the only shareholder of NIO SH, with effective control over NIO ABTECH to direct the activities that most significantly impact their economic performance and enabled the Company to obtain substantially all of the economic benefits arising from them. Management concluded that NIO ABTECH was a variable interest entity of the Company and the Company was the ultimate primary beneficiary of NIO ABTECH and hence consolidated the financial results of NIO ABTECH in the Group's consolidated financial statements. On March 31, 2021, NIO SH, NIO ABTECH and each shareholder of NIO ABTECH entered into agreement to terminate all above mentioned contractual agreements among NIO SH, NIO ABTECH and its shareholders, after which, the Company no longer has effective control over NIO ABTECH, and deconsolidated the financial results of NIO ABTECH and its subsidiaries. The deconsolidation of NIO ABTECH and its subsidiaries did not have significant impact on the Company's consolidated financial statements.

In April 2018, NIO SH entered into a series of contractual arrangements with the Nominee Shareholders as well as NIO BJTECH, including a loan agreement, an equity pledge agreement, an exclusive call option agreement and a power of attorney that irrevocably authorized the Nominee Shareholders designated by NIO SH to exercise the equity owner's rights over NIO BJTECH. These agreements provide the Company, as the only shareholder of NIO SH, with effective control over NIO BJTECH to direct the activities that most significantly impact their economic performance and enable the Company to obtain substantially all of the economic benefits arising from NIO BJTECH. Management concluded that NIO BJTECH is a variable interest entity of the Company and the Company is the ultimate primary beneficiary of NIO BJTECH and hence consolidates the financial results of NIO BJTECH in the Group's consolidated financial statements. As of December 31, 2020 and September 30, 2021, NIO BJTECH did not have significant operations, nor any material assets or liabilities.

In October 2014, Prime Hubs, a British Virgin Islands ("BVI") incorporated company and a consolidated variable interest entity of the Group, was established by the shareholders of the Group to facilitate the adoption of the Company's employee stock incentive plans on behalf of the Company. The Company entered into a management agreement with Prime Hubs and Li Bin. The agreement provides the Company with effective control over Prime Hubs and enables the Company to obtain substantially all of the economic benefits arising from Prime Hubs. As of December 31, 2020 and September 30, 2021, Prime Hubs held 4,250,002 Class A Ordinary Shares of the Company, respectively, other than which, Prime Hubs did not have any operations, nor any material assets or liabilities.

Liquidity and Going Concern

The Group's consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will continue in operation for the foreseeable future and, accordingly, will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due.

The Group has been incurring losses from operations since inception. The Group incurred net losses of RMB9.6 billion, RMB11.3 billion, RMB5.3 billion, RMB3.9 billion and RMB1.9 billion for the years ended December 31, 2018, 2019 and 2020 and nine months ended September 30, 2020 and 2021, respectively. Accumulated deficit amounted to RMB35.0 billion, RMB46.3 billion, RMB51.6 billion and RMB53.5 billion as of December 31, 2018, 2019 and 2020 and September 30, 2021, respectively.

As of September 30, 2021, the Group's balance of cash and cash equivalents was RMB21.6 billion and the Group had net current assets of RMB27.7 billion. Management has evaluated the sufficiency of its working capital and concluded that the Group's available cash and cash equivalents, short-term investments, cash generated from operations will be sufficient to support its continuous operations and to meet its payment obligations when liabilities fall due within the next twelve months from the date of issuance of these consolidated financial statements. Accordingly, management continues to prepare the Group's consolidated financial statements on going concern basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). Significant accounting policies followed by the Group in the preparation of the accompanying consolidated financial statements are summarized below.

(b) Principles of consolidation

The consolidated financial statements include the financial statements of the Company, its subsidiaries and the VIEs for which the Company is the ultimate primary beneficiary.

A subsidiary is an entity in which the Company, directly or indirectly, controls more than one half of the voting power; has the power to appoint or remove the majority of the members of the board of directors (the "Board"); and to cast majority of votes at the meeting of the Board or to govern the financial and operating policies of the investee under a statute or agreement among the shareholders or equity holders.

A VIE is an entity in which the Company, or its subsidiary, through contractual arrangements, bears the risks of, and enjoys the rewards normally associated with, ownership of the entity, and therefore the Company or its subsidiary is the primary beneficiary of the entity.

All significant transactions and balances between the Company, its subsidiaries and the VIEs have been eliminated upon consolidation. The non-controlling interests in consolidated subsidiaries are shown separately in the consolidated financial statements.

(c) Use of estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, related disclosures of contingent assets and liabilities at the balance sheet date, and the reported revenue and expenses during the reported period in the consolidated financial statements and accompanying notes. Significant accounting estimates reflected in the Group's consolidated financial statements mainly include, but are not limited to, standalone selling price of each distinct performance obligation in revenue recognition, the valuation and recognition of share-based compensation arrangements, depreciable lives of property, equipment and software, assessment for impairment of long-lived assets, inventory valuation for excess and obsolete inventories, lower of cost and net realizable value of inventories, valuation of deferred tax assets, current expected credit loss of receivables, warranty liabilities as well as redemption value of the convertible redeemable preferred shares. Actual results could differ from those estimates.

(d) Functional currency and foreign currency translation

The Group's reporting currency is the Renminbi ("RMB"). The functional currency of the Company and its subsidiaries which are incorporated in HK is United States dollars ("US$"), except NIO Sport which operates mainly in United Kingdom and uses Great Britain pounds ("GBP"). The functional currencies of the other subsidiaries and the VIEs are their respective local currencies. The determination of the respective functional currency is based on the criteria set out by ASC 830, *Foreign Currency Matters*.

Transactions denominated in currencies other than in the functional currency are translated into the functional currency using the exchange rates prevailing at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into functional currency using the applicable exchange rates at the balance sheet date. Non-monetary items that are measured in terms of historical cost in foreign currency are re-measured using the exchange rates at the dates of the initial transactions. Exchange gains or losses arising from foreign currency transactions are included in the consolidated statements of comprehensive loss.

The financial statements of the Group's entities of which the functional currency is not RMB are translated from their respective functional currency into RMB. Assets and liabilities denominated in foreign currencies are translated into RMB at the exchange rates at the balance sheet date. Equity accounts other than earnings generated in current period are translated into RMB at the appropriate historical rates. Income and expense items are translated into RMB using the periodic average exchange rates. The resulting foreign currency translation adjustments are recorded in other comprehensive income or loss in the consolidated statements of comprehensive loss, and the accumulated foreign currency translation adjustments are presented as a component of accumulated other comprehensive loss in the consolidated statements of shareholders' equity. Total foreign currency translation adjustment (losses)/income were negative RMB20,786, negative RMB168,340, RMB137,596, RMB104,920 and RMB168,944 for the years ended December 31, 2018, 2019 and 2020, and the nine months ended September 30, 2020 and 2021, respectively. The grant-date fair value of the Group's share-based compensation expenses is reported in US$ as the respective valuation is conducted in US$ and the shares are denominated in US$.

(e) Convenience translation

Translations of balances in the consolidated balance sheets, consolidated statements of comprehensive loss and consolidated statements of cash flows from RMB into US$ as of and for the nine months ended September 30, 2021 are solely for the convenience of the reader and were calculated at the rate of US$1.00 = RMB6.4434, representing the noon buying rate in The City of New York for cable transfers of RMB as certified for customs purposes by the Federal Reserve Bank of New York on September 30, 2021. No representation is made that the RMB amounts represent or could have been, or could be, converted, realized or settled into US$ at that rate on September 30, 2021, or at any other rate.

(f) Fair value

Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be either recorded or disclosed at fair value, the Group considers the principal or most advantageous market in which it would transact, and it also considers assumptions that market participants would use when pricing the asset or liability.

Accounting guidance establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Accounting guidance establishes three levels of inputs that may be used to measure fair value:

Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 — Observable, market-based inputs, other than quoted prices, in active markets for identical assets or liabilities.

Level 3 — Unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

The Group's certain short-term investments in money market funds and financial products issued by banks are carried at fair value, which are classified within Level 2 and valued using directly or indirectly observable inputs in the market place. As of December 31, 2018, 2019 and 2020 and September 30, 2021, such short-term investments amounted to RMB3,475,000, RMB111,000, RMB3,210,000 and RMB17,628,470, respectively.

As disclosed in Note 2(r), the Group's derivative instruments are carried at fair value, which are classified within Level 2 and valued using indirectly observable inputs in the market place.

As disclosed in Note 2(o), in July 2021, the Group made an investment in a private company, which is recognized as available-for-sale debt security investment and is classified within Level 3. As of September 30, 2021, there was no significant changes to the value of such investment since initial investment.

Financial assets and liabilities of the Group primarily consist of cash and cash equivalents, restricted cash, short-term investments, trade receivable, amounts due from related parties, deposits and other receivables, available-for-sale debt security investments, trade and notes payable, amounts due to related parties, other payables, short-term borrowings and long-term borrowings. As of December 31, 2018, 2019 and 2020 and September 30, 2021, the carrying values of these financial instruments are approximated to their fair values.

(g) Cash, cash equivalents and restricted cash

Cash and cash equivalents represent cash on hand, time deposits and highly-liquid investments placed with banks or other financial institutions, which are unrestricted as to withdrawal and use, and which have original maturities of three months or less.

Cash which is restricted to withdrawal for use or pledged as security is reported separately on the face of the consolidated balance sheets. The Group's restricted cash mainly represents (a) secured deposits held in designated bank accounts for borrowings and corporate bank credit cards, bank acceptance notes and letters of guarantee; and (b) time deposits that are pledged for property leases.

Cash, cash equivalents and restricted cash as reported in the consolidated statement of cash flows are presented separately on the Company's consolidated balance sheet as follows:

	December 31, 2018	December 31, 2019	December 31, 2020	September 30, 2021
Cash and cash equivalents	3,133,847	862,839	38,425,541	21,594,871
Restricted cash	57,012	82,507	78,010	3,655,717
Long-term restricted cash	33,528	44,523	41,547	44,385
Total	3,224,387	989,869	38,545,098	25,294,973

(h) Short-term investments

Short-term investments consist primarily of investments in fixed deposits with maturities between three months and one year, which are stated at amortised cost and investments in money market funds and financial products issued by banks which are measured at fair value with changes in fair value reflected in the consolidated statements of comprehensive loss. As of December 31, 2018, 2019 and 2020 and September 30, 2021, the investment in fixed deposits that were recorded as short-term investments amounted to RMB5,154,703, RMB111,000, RMB3,950,747 and RMB21,706,448, respectively, among which, RMB1,775,000, RMB96,000, RMB2,873,398 and RMB5,707,964 were restricted as collateral for notes payable, bank borrowings and letters of guarantee as of December 31, 2018, 2019, 2020 and September 30, 2021, respectively.

(i) Allowance for doubtful accounts and expected credit losses

Prior to 2020, the Group provided an allowance against accounts receivable when there was doubt as to the collectability of individual balances. The Group wrote off accounts receivable when they were deemed uncollectible.

In 2016, the FASB issued ASU No. 2016-13, "Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" ("ASC Topic 326"), which amends previously issued guidance regarding the impairment of financial instruments by creating an impairment model that is based on expected losses rather than incurred losses. The Company adopted this ASC Topic 326 and several associated ASUs on January 1, 2020 using a modified retrospective approach with a cumulative effect recorded as increase of accumulated deficit with amount of RMB22,968. As of January 1, 2020, upon the adoption, the expected credit loss provision for the current and non-current assets were RMB118,851 and RMB12,899, respectively.

The Group's trade receivable, receivables of installment payments, deposits and other receivables are within the scope of ASC Topic 326. The Group has identified the relevant risk characteristics of its customers and the related receivables, prepayments, deposits and other receivables which include size, type of the services or the products the Group provides, or a combination of these characteristics. Receivables with similar risk characteristics have been grouped into pools. For each pool, the Group considers the historical credit loss experience, current economic conditions, supportable forecasts of future economic conditions, and any recoveries in assessing the lifetime expected credit losses. Other key factors that influence the expected credit loss analysis include customer demographics, payment terms offered in the normal course of business to customers, and industry-specific factors that could impact the Group's receivables. Additionally, external data and macroeconomic factors are also considered. This is assessed at each quarter based on the Group's specific facts and circumstances.

For the year ended December 31, 2020 and for the nine months ended September 30, 2021, the Company recorded RMB9,654 and RMB38,283, respectively, in expected credit loss provisions in selling, general and administrative expenses. As of December 31, 2020 and September 30, 2021, the expected credit loss reserve for current and non-current assets RMB64,676 and RMB99,315, respectively, with details as below.

Balance as at December 31, 2020:

	Original amount	Credit loss rate	Credit loss provision
Current assets:			
Trade and notes receivable	1,123,920	3.61%	40,548
Amounts due from related parties	169,288	–	–
Prepayments and other current assets	1,422,403	0.29%	4,097
Non-current assets:			
Amounts due from related parties	617	–	–
Other non-current assets	1,561,755	1.28%	20,031

Balance as at September 30, 2021:

	Original amount	Credit loss rate	Credit loss provision
Current assets:			
Trade and notes receivable	3,322,076	1.33%	44,165
Amounts due from related parties	1,048,656	–	–
Prepayments and other current assets	1,332,340	0.26%	3,517
Non-current assets:			
Other non-current assets	4,813,221	1.07%	51,633

(j) Trade Receivable and Allowance for Doubtful Accounts

Trade receivable primarily includes amounts of vehicle sales in relation of government subsidy to be collected from government on behalf of customers, auto financing receivables, current portion of battery installment and receivables due from vehicle users. The Company recorded a provision for current expected credit losses.

The following table summarizes the activity in the allowance for credit losses related to trade receivable for the year ended December 31, 2020 and nine months ended September 30, 2021:

	Allowance for credit losses
Balance as at December 31, 2019	85,824
Adoption of ASC Topic 326	6,775
Balance as at January 1, 2020	92,599
Current period provision, net	2,047
Current period write-offs	(54,098)
Balance as at December 31, 2020	40,548
Current period provision, net	7,261
Current period write-offs	(3,644)
Balance as at September 30, 2021	44,165

Allowance for trade receivable recognized for the years ended December 31, 2018 and 2019 were nil and RMB85,824, respectively.

(k) Inventory

Inventories are stated at the lower of cost or net realizable value. Cost is calculated on the average basis and includes all costs to acquire and other costs to bring the inventories to their present location and condition. The Group records inventory write-downs for excess or obsolete inventories based upon assumptions on current and future demand forecasts. If the inventory on hand is in excess of future demand forecast, the excess amounts are written down. The Group also reviews inventory to determine whether its carrying value exceeds the net amount realizable upon the ultimate sale of the inventory. This requires the determination of the estimated selling price of the vehicles less the estimated cost to convert inventory on hand into a finished product. Once inventory is written-down, a new, lower-cost basis for that inventory is established and subsequent changes in facts and circumstances do not result in the restoration or increase in that newly established cost basis.

(l) Property, plant and equipment, net

Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss, if any. Property and equipment are depreciated at rates sufficient to write off their costs less impairment and residual value, if any, over their estimated useful lives on a straight-line basis. Leasehold improvements are amortized over the shorter of the lease term or the estimated useful lives of the related assets.

The estimated useful lives are as follows:

	Useful lives
Buildings and constructions	20 years
Production facilities	10 years
Batteries and charging & battery swap equipment	5 to 8 years
R&D equipment	5 years
Computer and electronic equipment	3 years
Purchased software	3 to 5 years
Leasehold improvements	Shorter of the estimated useful life or remaining lease term
Others	3 to 5 years

Depreciation for mold and tooling is computed using the units-of-production method whereby capitalized costs are amortized over the total estimated productive life of the related assets.

The cost of maintenance and repairs is expensed as incurred, whereas the cost of renewals and betterment that extends the useful lives of property, plant and equipment is capitalized as additions to the related assets. Interest expense on outstanding debt is capitalized during the period of significant capital asset construction. Capitalized interest on construction-in-progress is included within property, plant and equipment and is amortized over the life of the related assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation and amortization are removed from their respective accounts, and any gain or loss on such sale or disposal is reflected in the consolidated statements of comprehensive loss.

(m) Intangible assets, net

Intangible assets are carried at cost less accumulated amortization and impairment, if any. Intangible assets are amortized using the straight-line method over the estimated useful lives as below:

	Useful lives
Domain names and others	5 years
License	3 years

The estimated useful lives of amortized intangible assets are reassessed if circumstances occur that indicate the original estimated useful lives have changed.

(n) Land use rights, net

Land use rights are recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis over the estimated useful lives which are 536 months representing the shorter of the estimated usage periods or the terms of the agreements.

(o) Long-term investments

The Group's long-term investments include equity investments in entities and available-for-sale debt security investments.

Investments in entities in which the Group can exercise significant influence and holds an investment in voting common stock or in-substance common stock (or both) of the investee but does not own a majority equity interest or control are accounted for using the equity method of accounting in accordance with ASC topic 323, *Investments — Equity Method and Joint Ventures* ("ASC 323"). Under the equity method, the Group initially records its investments at fair value. The Group subsequently adjusts the carrying amount of the investments to recognize the Group's proportionate share of each equity investee's net income or loss into earnings after the date of investment. The Group evaluates the equity method investments for impairment under ASC 323. An impairment loss on the equity method investments is recognized in earnings when the decline in value is determined to be other-than-temporary.

Equity securities without readily determinable fair values and over which the Group has neither significant influence nor control through investments in common stock or in-substance common stock are measured and recorded using a measurement alternative that measures the securities at cost minus impairment, if any, plus or minus changes resulting from qualifying observable price changes.

The Group's debt security investment includes an investment in preferred shares issued by a private company with redemption features. Such investment is reported at estimated fair value with the aggregate unrealized gains and losses, net of tax, reflected in accumulated other comprehensive loss in the consolidated balance sheets. Gain or losses are realized when such investment is sold or when dividends are declared or payments are received or when other than temporarily impaired.

The Group monitors its investments for other-than-temporary impairment by considering factors including, but not limited to, current economic and market conditions, the operating performance of the companies including current earnings trends and other company-specific information. No impairment charge was recognized for the year ended December 31, 2018, 2019 and 2020, and the nine months ended September 30, 2020 and 2021.

(p) Impairment of long-lived assets

Long-lived assets are evaluated for impairment whenever events or changes in circumstances (such as a significant adverse change to market conditions that will impact the future use of the assets) indicate that the carrying amount may not be fully recoverable or that the useful life is shorter than the Group had originally estimated. When these events occur, the Group evaluates the impairment by comparing carrying value of the assets to an estimate of future undiscounted cash flows expected to be generated from the use of the assets and their eventual disposition. If the sum of the expected future undiscounted cash flows is less than the carrying value of the assets, the Group recognizes an impairment loss based on the excess of the carrying value of the assets over the fair value of the assets. Impairment charge recognized for the years ended December 31, 2018, 2019 and 2020, and the nine months ended September 30, 2020 and 2021 were nil, RMB75,278, RMB25,757, RMB25,757 and nil, respectively. Impairment charge of nil, nil, RMB20,853, nil and nil were written off against original amount upon the disposal of related long-lived assets for the years ended December 31, 2018, 2019 and 2020, and the nine months ended September 30, 2020 and 2021.

(q) Warranty liabilities

The Group accrues a warranty reserve for all new vehicles sold by the Group, which includes the Group's best estimate of the projected costs to repair or replace items under warranty. These estimates are based on actual claims incurred to date and an estimate of the nature, frequency and costs of future claims. These estimates are inherently uncertain given the Group's relatively short history of sales, and changes to the historical or projected warranty experience may cause material changes to the warranty reserve when the Group accumulates more actual data and experience in the future.

The portion of the warranty reserve expected to be incurred within the next 12 months is included within accruals and other liabilities, while the remaining balance is included within other non-current liabilities on the consolidated balance sheets. Warranty expense is recorded as a component of cost of revenues in the consolidated statements of comprehensive loss.

The following table shows a reconciliation in the current reporting period related to carried-forward warranty liabilities.

	For the Year Ended December 31,			For the Nine Months Ended September 30,	
	2018	2019	2020	2020	2021
				(Unaudited)	
Warranty — beginning of period	–	177,293	412,004	412,004	952,946
Provision for warranty	179,766	283,647	582,069	345,971	776,368
Warranty costs incurred	(2,473)	(48,936)	(41,127)	(31,613)	(51,447)
Warranty — end of period	177,293	412,004	952,946	726,362	1,677,867

(r) Derivative Financial Instruments

Derivative instruments are carried at fair value, which generally represent the estimated amounts expect to receive or pay upon termination of the contracts as of the reporting date. Derivative financial instruments are not used for trading or speculative purposes.

The Group has entered into several currency exchange forward contracts with certain commercial banks in PRC to mitigate the risks of foreign exchange gain/loss generated from the Group's balances of cash and cash equivalents and short-term investments denominated in US dollars. As such instruments do not qualify for hedge accounting treatment, the Group records the changes in fair value of the derivatives in Other (loss)/income, net. For the nine months ended September 30, 2021, RMB117,610 of changes in fair value were recorded in Other (loss)/income, net.

(s) Revenue recognition

Revenue is recognized when or as the control of the goods or services is transferred to a customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time. Control of the goods and services is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods and services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the goods and services.

Contracts with customers may include multiple performance obligations. For such arrangements, the Group allocates revenue to each performance obligation based on its relative standalone selling price. The Group generally determines standalone selling prices based on the prices charged to customers. If the standalone selling price is not directly observable, it is estimated using expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information. Assumptions and estimations have been made in estimating the relative selling price of each distinct performance obligation, and changes in judgments on these assumptions and estimates may impact the revenue recognition.

When either party to a contract has performed, the Group presents the contract in the consolidated balance sheets as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

A contract asset is the Group's right to consideration in exchange for goods and services that the Group has transferred to a customer. A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the Group presents the contract liability when the payment is made, or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. The Group's contract liabilities primarily resulted from the multiple performance obligations identified in the vehicle sales contract and the sales of packages, which is recorded as deferred revenue and advance from customers. As of December 31, 2018, 2019 and 2020 and September 30, 2021, the balances of contract liabilities from vehicle sales contracts were RMB99,128, RMB491,014, RMB1,253,620 and RMB1,942,423, respectively. As of December 31, 2018, 2019 and 2020 and September 30, 2021, the balances of contract liabilities from the sales of packages were RMB32,226, RMB57,842, RMB91,486 and RMB136,261, respectively. As of December 31, 2018, 2019 and 2020 and September 30, 2021, the Company did not record any contract assets.

The Group generates revenue from (i) vehicle sales, (ii) battery upgrade service, (iii) sales of charging piles, (iv) sales of packages, (v) automotive regulatory credits, and (vi) others.

Vehicle sales

The Group generates revenue from sales of electric vehicles, together with a number of embedded products and services through a series of contracts. The Group identifies the users who purchase the vehicle as its customers. There are multiple distinct performance obligations explicitly stated in a series of contracts including sales of vehicles, home chargers, vehicle connectivity services, extended warranty and battery swapping service which are accounted for in accordance with ASC 606. The standard warranty provided by the Group is accounted for in accordance with ASC 460, Guarantees, and the estimated costs are recorded as a liability when NIO transfers the control of vehicle to a user.

Customers only pay the amount after deducting the government subsidies to which they are entitled for the purchase of electric vehicles. The government subsidies are applied and collected by the Group or Jianghuai Automobile Group Co., Ltd. ("JAC") from the government. The government subsidy is considered as a part of the transaction price it charges the customers for the electric vehicle, as the subsidy is granted to the buyer of the electric vehicle instead of the Group and the buyer remains liable for such amount to the Group in the event the subsidies were not received by the Group. The Group or JAC applies and collects the payment on behalf of the customers.

In the instance that some eligible customers select installment payment for battery or the auto financing program, the Group believes such arrangement contains a significant financing component and as a result adjusts the transaction price to reflect the impact of time value on the transaction price using an appropriate discount rate (i.e. the interest rates of the loan reflecting the credit risk of the borrower). Interest income resulting from a significant financing component is presented as other sales. Receivables related to the battery installment payment and auto financing programs that are expected to be repaid by customers beyond one year of the dates of the financial statements are recognized as non-current assets. The difference between the gross receivable and the respective present value is recorded as unrealized finance income. Interest income resulting from arrangements with a significant financing component is presented separately from revenue from contracts with customers.

The Group uses a cost plus margin approach to determine the estimated standalone selling price for each individual distinct performance obligation identified, considering the Group's pricing policies and practices, and the data utilized in making pricing decisions. The overall contract price is then allocated to each distinct performance obligation based on the relative estimated standalone selling price in accordance with ASC606. The revenue for vehicle sales and home chargers are recognized at a point in time when the control of the product is transferred to the customer. For the vehicle connectivity service and battery swapping service, the Group recognizes the revenue over time using a straight-line method for the estimated beneficial period. As for the extended warranty, given limited operating history and lack of historical data, the Group decides to recognize the revenue over time based on a straight-line method initially, and will continue monitoring the cost pattern periodically and adjust the revenue recognition pattern to reflect the actual cost pattern as it becomes available.

As the consideration for the vehicle and all embedded services are generally paid in advance, which means the payments received are prior to the transfer of goods or services by the Group, the Group records a contract liability (deferred revenue) for the allocated amount regarding those unperformed obligations.

Battery as a Service (BaaS)

The Battery as a Service (the "BaaS"), allows users to purchase electric vehicles without battery packs and subscribe for the usage of battery packs separately. In PRC, under the BaaS, the Group sells battery packs to Weineng, on a back-to-back basis when the Group sells the vehicle to the BaaS users and the Baas users subscribe for the usage of the battery packs from Weineng by paying a monthly subscription fee to Weineng. The promise to transfer the control of the battery packs to Weineng is the only performance obligation in the contract with Weineng for the sales of battery packs. The Group recognizes revenue from the sales of battery packs to Weineng when the vehicles (together with the battery packs) are delivered to the BaaS users which is the point considered then the control of the battery packs is transferred to Weineng.

Together with the sales of the BaaS, the Group entered into service agreements with Weineng, pursuant to which the Group provides services to Weineng including battery packs monitoring, maintenance, upgrade, replacement, IT system support, etc., with monthly service charges. In case of any default in payment of monthly rental fees from users, Weineng also has right to request the Group to track and lock down the battery subscribed by the users to limit its usage. In addition, in furtherance of the BaaS, the Group agreed to provide guarantee to Weineng for the default in payment of monthly subscription fees from users. The maximum amount of guarantee that can be claimed by Weineng for the users' payment default shall not be higher than the accumulated service fees the Group receives from Weineng.

For services provided to Weineng, revenue is recognized over the period when services are rendered. As for financial guarantee liabilities, the provision of guarantee is linked to and associated with services rendered to Weineng and the payment of guarantee amount is therefore accounted for as the reduction to the revenue from Weineng.

The fair value of the guarantee liabilities is determined by taking considerations of the default pattern of the Company's existing battery installment programs provided to users. At each period end, the financial liabilities are remeasured with the corresponding changes recorded as the reduction to the revenue.

As of September 30, 2021, both service revenue and guarantee liability were immaterial.

Battery swapping service

The Group also provides battery swapping service to both BaaS users and non-BaaS users, which provides the users with convenient "recharging" experience by swapping the user's battery for another one. The initial users can have their battery packs swapped certain times a month free of charges (i.e. monthly free-of-charge quota), as set forth in the vehicle sales contracts, or at certain charges each time after the monthly free-of-charge quota of swapping is consumed. The battery swapping service is in substance a charging service instead of non-monetary exchanges or sales of battery packs as the battery packs involved in such swapping are the same in capacity and very similar in performance. For performance obligation of the battery swapping service sold together with the vehicles, the Group recognizes the revenue over time using a straight-line method in the estimated beneficial. For battery swapping out of free-of-charge quota, the Group recognizes revenue at the amount of consideration paid by users for swapping.

Practical expedients and exemptions

The Group follows the guidance on immaterial promises when identifying performance obligations in the vehicle sales contracts and concludes that roadside assistance and out-of-town charging services are not performance obligations considering these two services are value-added services to enhance user experience rather than critical items for vehicle driving and forecasted that usage of these two services will be very limited. The Group also performs an estimation on the standalone fair value of each promise applying a cost plus margin approach and concludes that the standalone fair value of roadside assistance and out-of- town charging services are insignificant individually and in aggregate, representing less than 1% of vehicle gross selling price and aggregate fair value of each individual promise.

Considering the qualitative assessment and the result of the quantitative estimate, the Group concluded not to assess whether promises are performance obligations if they are immaterial in the context of the contract and the relative standalone fair value individually and in aggregate is less than 3% of the contract price, namely the road-side assistance and out-of-town charging services. Related costs are recognized as incurred.

Battery upgrade service

The Group provides battery upgrade service to both BaaS users and non-BaaS users. The users can exchange their battery packs with lower capacity for the battery packs with higher capacity from the Group with a fixed cash consideration. The battery upgrade service is in substance the provision of incremental battery capacity to the users instead of non-monetary battery exchanges or sales of battery pack. Therefore, under non-BaaS model, the revenue from the battery upgrade service is recognized at the amount of cash consideration paid by users at a point in time when the service is rendered. Under the BaaS model, since the ownership of originally installed battery belongs to Weineng, when a user requests battery upgrade, the Group actually upgrades the battery that belongs to Weineng and recognize revenue for the battery upgrade service at the amount paid by Weineng when upgrade service is rendered. BaaS users will further pay a higher monthly subscription fee to the Weineng for subscribing for the battery with higher capacity.

Sales of charging piles

In addition to the home chargers provided as one of the performance obligations in the contract of vehicle sales, the Group also sells charging piles to customers separately. Revenue for charging piles are recognized at a point in time when the control of the product is transferred to customers.

Sales of packages

The Group also sells the two packages, energy package and service package in exchange for cash considerations. The energy package includes battery charging and swapping services and service package includes repair and maintenance services.

The agreements for packages create legal enforceability to both parties on a monthly basis as the respective packages can be canceled at any time without any penalty. The Group concludes that each service provided in the energy or service package is a series and meets the stand-ready criteria and contains one performance obligation within each package. Therefore, each service provided in the energy or service package is recognized under the same pattern over time on a monthly basis as customer simultaneously receives and consumes the benefits provided and the term of legally enforceable contract is only one month.

As the consideration for packages are generally paid in advance, which means the payments received are prior to the transfer of services by the Group, the Group records the consideration as a contract liability (advance from customers) upon receipt.

Sales of Automotive Regulatory Credits

New Energy Vehicle ("NEV") mandate policy launched by China's Ministry of Industry and Information Technology ("MIIT") specifies the NEV credit targets and as all of the Group's products are NEVs, the Group is able to generate NEV credits above target. The credits earned per vehicle is dependent on various metrics such as vehicle driving range and battery energy efficiency, and is calculated based on the MIIT published formula. Excess positive NEV credits are tradable to other vehicle manufacturers through a credit management system established by the MIIT or separately negotiated basis. The Group sells these credits at agreed price to other vehicle manufacturers.

Considerations for automotive regulatory credits are typically received at the point control transfers to the customer, or in accordance with payment terms customary to the business. The Company recognize revenue on the sale of automotive regulatory credits at the time control of the regulatory credits is transferred to the purchasing party as other sales revenue in the consolidated statements of comprehensive loss. Revenue from the sale of automotive regulatory credits totaled nil, nil, RMB120,648, nil and RMB516,549 for the years ended December 31, 2018, 2019 and 2020, and the nine months ended September 30, 2020 and 2021, respectively.

Others

Other revenues primarily comprise revenues generated from (i) sales of accessories, (ii) embedded products and services offered together with vehicle sales, including vehicle connectivity service and extended warranty, and (iii) others. Revenue is recognized when relevant services are rendered or control of the products is transferred.

Lease — Lessor

Revenues from finance leases are recognized using the effective yield method. Revenues from operating leases are recognized on a straight-line basis over the lease term.

Incentives

The Group offers a self-managed customer loyalty program points, which can be used in the Group's online store and at NIO houses to redeem NIO merchandise. The Group determines the value of each point based on estimated incremental cost. Customers and NIO fans and advocates have a variety of ways to obtain the points. The major accounting policy for its points program is described as follows:

(i) Sales of vehicle

The Group concludes the points offered linked to the purchase transaction of the vehicle is a material right and accordingly a separate performance obligation according to ASC 606, and should be taken into consideration when allocating the transaction price of the vehicle sales. The Group also estimates the probability of points redemption when performing the allocation. Since historical information does not yet exist for the Group to determine any potential points forfeitures and the fact that most merchandise can be redeemed without requiring a significant amount of points compared with the amount of points provided to users, the Group believes it is reasonable to assume all points will be redeemed and no forfeiture is estimated currently. The amount allocated to the points as separate performance obligation is recorded as contract liability (deferred revenue) and revenue should be recognized when future goods or services are transferred. The Group will continue to monitor when and if forfeiture rate data becomes available and will apply and update the estimated forfeiture rate at each reporting period.

(ii) Sales of packages

Energy package — when the customers charge their vehicles without using the Group's charging network as tracked by the Group's system, the Group will grant points to the customers based on the quantity of electricity charged. The Group records the value of the points as a reduction of revenue from the energy package.

Service package — the Group grants points to the customers when the customers accumulate miles of safe driving during the service period of the service package. The Group records the value of the points as a reduction of revenue from the service package.

Since historical information is limited for the Group to determine any potential points forfeiture and most merchandise can be redeemed without requiring a significant amount of points compared with the amount of points provided to users, the Group has used an estimated forfeiture rate of zero.

(iii) Other scenarios

Customers or users of the mobile application can also obtain points through any other ways such as frequent sign-ins to the Group's mobile application, sharing articles from the application to users' own social media. The Group believes these points are to encourage user engagement and generate market awareness. As a result, the Group accounts for such points as selling and marketing expenses with a corresponding liability recorded under other current liabilities of its consolidated balance sheets upon the points offering. The Group estimates liabilities under the customer loyalty program based on cost of the NIO merchandise that can be redeemed, and its estimate of probability of redemption. At the time of redemption, the Group records a reduction of inventory and other current liabilities. In certain cases where merchandise is sold for cash in addition to points, the Group records other revenue.

Similar to the reasons above, the Group estimates no points forfeiture currently and continues to assess when and if a forfeiture rate should be applied.

For the years ended December 31, 2018, 2019 and 2020, and the nine months ended September 30, 2020 and 2021, the revenue portion allocated to the points as separate performance obligation was RMB47,310, RMB66,286, RMB162,485, RMB78,741 and RMB241,835, respectively, which is recorded as contract liability (deferred revenue). For the years ended December 31, 2018, 2019 and 2020, and the nine months ended September 30, 2020 and 2021, the total points recorded as a reduction of revenue were insignificant. For the years ended December 31, 2018, 2019 and 2020, and the nine months ended September 30, 2020 and 2021, the total points recorded as selling and marketing expenses were RMB153,057, RMB142,425, RMB78,229, RMB50,066 and RMB111,404, respectively.

As of December 31, 2018, 2019 and 2020 and September 30, 2021, liabilities recorded related to unredeemed points were RMB143,868, RMB178,666, RMB221,450 and RMB383,743, respectively.

(t) Cost of Sales

Vehicle

Cost of vehicle revenue includes parts and materials, processing fee, compensation to JAC, labor costs, manufacturing overhead (including depreciation of assets associated with the production), and reserves for estimated warranty expenses. Cost of vehicle revenue also includes reserves for estimated warranty expenses and charges to write-down the carrying value of the inventory when it exceeds its estimated net realizable value and to provide for on-hand inventory that is either obsolete or in excess of forecasted demand.

Service and Other

Cost of service and other revenue includes parts and materials, labor costs, vehicle connectivity costs, and depreciation of assets that are associated with sales of packages.

(u) Sales and marketing expenses

Sales and marketing expenses consist primarily of advertising expenses, marketing and promotional expenses, salaries and other compensation-related expenses to sales and marketing personnel. Advertising expenses consist primarily of costs for the promotion of corporate image and product marketing. The Group expenses all advertising costs as incurred and classifies these costs under sales and marketing expenses. For the years ended December 31, 2018, 2019 and 2020, and the nine months ended September 30, 2020 and 2021, advertising costs totalled RMB218,060, RMB230,061, RMB266,569, RMB180,757 and RMB304,106, respectively.

(v) Research and development expenses

Certain costs associated with developing internal-use software are capitalized when such costs are incurred within the application development stage of software development. Other than that, all costs associated with research and development ("R&D") are expensed as incurred. R&D expenses are primary comprised of charges for R&D and consulting work performed by third parties; salaries, bonuses, share-based compensation, and benefits for those employees engaged in research, design and development activities; costs related to design tools; license expenses related to intellectual property, supplies and services; and allocated costs, including depreciation and amortization, rental fees, and utilities.

(w) General and administrative expenses

General and administrative expenses consist primarily of salaries, bonuses, share-based compensation and benefits for employees involved in general corporate functions and those not specifically dedicated to research and development activities, depreciation and amortization of fixed assets which are not used in research and development activities, legal and other professional services fees, rental and other general corporate related expenses.

(x) Employee benefits

Full time employees of the Group in the PRC participate in a government mandated defined contribution plan, pursuant to which certain pension benefits, medical care, employee housing fund and other welfare benefits are provided to the employees. Chinese labor regulations require that the PRC subsidiaries and VIEs of the Group make contributions to the government for these benefits based on certain percentages of the employees' salaries, up to a maximum amount specified by the local government. The Group has no legal obligation for the benefits beyond the contributions made. Total amounts of such employee benefit expenses, which were expensed as incurred, were approximately RMB517,787, RMB553,523, RMB366,223, RMB256,682 and RMB501,763 for the years ended December 31, 2018, 2019 and 2020, and the nine months ended September 30, 2020 and 2021, respectively.

(y) Government grants

The Group's PRC based subsidiaries received government subsidies from certain local governments. The Group's government subsidies consisted of specific subsidies and other subsidies. Specific subsidies are subsidies that the local government has provided for a specific purpose, such as product development and renewal of production facilities. Other subsidies are the subsidies that the local government has not specified its purpose for and are not tied to future trends or performance of the Group; receipt of such subsidy income is not contingent upon any further actions or performance of the Group and the amounts do not have to be refunded under any circumstances. The Group recorded specific purpose subsidies as advances payable when received. For specific subsidies, upon government acceptance of the related project development or asset acquisition, the specific purpose subsidies are recognized to reduce related R&D expenses or the cost of asset acquisition. Other subsidies are recognized as other operating income upon receipt as further performance by the Group is not required.

(z) Income taxes

Current income taxes are recorded in accordance with the regulations of the relevant tax jurisdiction. The Group accounts for income taxes under the asset and liability method in accordance with ASC 740, *Income Tax*. Under this method, deferred tax assets and liabilities are recognized for the tax consequences attributable to differences between carrying amounts of existing assets and liabilities in the financial statements and their respective tax basis, and operating loss carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred taxes of a change in tax rates is recognized in the consolidated statements of comprehensive loss in the period of change. Valuation allowances are established when necessary to reduce the amount of deferred tax assets if it is considered more likely than not that amount of the deferred tax assets will not be realized.

The Group records liabilities related to uncertain tax positions when, despite the Group's belief that the Group's tax return positions are supportable, the Group believes that it is more likely than not that those positions may not be fully sustained upon review by tax authorities. Accrued interest and penalties related to unrecognized tax benefits are classified as income tax expense. The Group did not recognize uncertain tax positions as of December 31, 2018, 2019 and 2020, and September 30, 2021.

(aa) Share-based compensation

The Company grants restricted shares and share options to eligible employees and non-employee consultants and accounts for share-based compensation in accordance with ASC 718, Compensation — *Stock Compensation* and ASC505-50 *Equity-Based Payments to Non-Employees*. There were no new grants to non-employee consultants after the effectiveness of ASU 2018-07 — Compensation — stock compensation (Topic 718) — Improvements to non-employee share-based payment accounting.

Employees' share-based compensation awards are measured at the grant date fair value of the awards and recognized as expenses a) immediately at the grant date if no vesting conditions are required; or b) for share options or restricted shares granted with only service conditions, using the straight-line vesting method, net of estimated forfeitures, over the vesting period; or c) for share options granted with service conditions and the occurrence of an IPO as performance condition, cumulative share-based compensation expenses for the options that have satisfied the service condition should be recorded upon the completion of the IPO, using the graded vesting method. This performance condition was met upon completion of the Company's IPO on September 12, 2018 and the associated share-based compensation expense for awards vested as of that date were recognized; or d) for share options where the underlying share is liability within the scope of ASC 480, using the graded vesting method, net of estimated forfeitures, over the vesting period, and re-measuring the fair value of the award at each reporting period end until the award is settled.

All transactions in which goods or services are received in exchange for equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable.

Share-based compensation expenses for share options and restricted shares granted to non-employees are measured at fair value at the earlier of the performance commitment date or the date service is completed, and recognized over the period during which the service is provided. The Group applies the guidance in ASC 505-50 to measure share options and restricted shares granted to non-employees based on the then-current fair value at each reporting date.

Before the completion of the Company's IPO, the fair value of the restricted shares was assessed using the income approaches/market approaches, with a discount for lack of marketability given that the shares underlying the awards were not publicly traded at the time of grant. This assessment required complex and subjective judgments regarding the Company's projected financial and operating results, its unique business risks, the liquidity of its ordinary shares and its operating history and prospects at the time the grants were made. Upon the completion of the IPO, the fair value of the restricted shares is based on the fair market value of the underlying ordinary shares on the date of grant. In addition, the binomial option-pricing model is used to measure the value of share options. The determination of the fair value is affected by the fair value of the ordinary shares as well as assumptions including the expected share price volatility, actual and projected employee and non-employee share option exercise behavior, risk-free interest rates and expected dividends. The fair value of these awards was determined taking into account independent valuation advice.

The assumptions used in share-based compensation expense recognition represent management's best estimates, but these estimates involve inherent uncertainties and application of management judgment. If factors change or different assumptions are used, the share-based compensation expenses could be materially different for any period. Moreover, the estimates of fair value of the awards are not intended to predict actual future events or the value that ultimately will be realized by grantees who receive share-based awards, and subsequent events are not indicative of the reasonableness of the original estimates of fair value made by the Company for accounting purposes.

For the restricted shares granted by the Company's subsidiaries to the employees, determination of estimated fair value of the Company's subsidiary before it was publicly listed requires complex and subjective judgments due to its limited financial and operating history, unique business risks and limited public information on companies in China similar to the Company's subsidiary. The Company estimates its subsidiaries' enterprise value for purposes of recording share-based compensation, and the information considered by the Company mainly include but are not limited to the pricing of recent rounds of financing, future cash flow forecasts, discount rates, and liquidity factors.

Forfeitures are estimated at the time of grant and revised in subsequent periods if actual forfeitures differ from those estimates. The Group uses historical data to estimate pre-vesting options and records share-based compensation expenses only for those awards that are expected to vest.

(ab) Comprehensive income/(loss)

The Group applies ASC 220, *Comprehensive Income*, with respect to reporting and presentation of comprehensive income/(loss) and its components in a full set of financial statements. Comprehensive income/(loss) is defined to include all changes in equity of the Group during a period arising from transactions and other event and circumstances except those resulting from investments by shareholders and distributions to shareholders. For the years presented, the Group's comprehensive loss includes net loss and other comprehensive income/(loss), which mainly consists of the foreign currency translation adjustment that have been excluded from the determination of net loss.

(ac) Leases

Prior to 2019, the Group accounted for leases under ASC 840, Leases. As the lessee, a lease was a capital lease if any of the following conditions existed: a) ownership was transferred to the lessee by the end of the lease term, b) there was a bargain purchase option, c) the lease term was at least 75% of the property's estimated remaining economic life, or d) the present value of the minimum lease payments at the beginning of the lease term was 90% or more of the fair value of the leased property to the lessor at the inception date. A capital lease was accounted for as if there was an acquisition of an asset and an incurrence of an obligation at the inception of the lease. All other leases were accounted for as operating leases wherein rental payments were expensed as incurred. Payments made under operating lease to the lessors were charged to the consolidated statement of comprehensive loss on a straight-line basis over the lease period.

In February 2016, the FASB issued ASU No. 2016-02 ("ASC 842"), Leases, to require lessees to recognize all leases, with certain exceptions, on the balance sheet, while recognition on the statement of operations will remain similar to current lease accounting. Subsequently, the FASB issued ASU No. 2018-10, Codification Improvements to Topic 842, Leases, ASU No. 2018-11, Targeted Improvements, ASU No. 2018-20, Narrow-Scope Improvements for Lessors, and ASU 2019-01, Codification Improvements, to clarify and amend the guidance in ASU No. 2016-02. ASC 842 eliminates real estate-specific provisions and modifies certain aspects of lessor accounting. This standard is effective for interim and annual periods beginning after December 15, 2018, with early adoption permitted. The

Group adopted ASC 842 as of January 1, 2019 using the additional transition method ("adoption of the new lease standard"). In addition, the Group elected the package of practical expedients permitted under the transition guidance within the new standard, which allowed the Group to carry forward the historical determination of contracts as leases, lease classification and not reassess initial direct costs for historical lease arrangements. Accordingly, previously reported financial statements, including footnote disclosures, have not been recast to reflect the application of the new standard to all comparative periods presented. The finance lease classification under ASC 842 includes leases previously classified as capital leases under ASC 840.

Operating lease assets are included within right-of-use assets — operating lease, and the corresponding operating lease liabilities are included within operating lease liabilities on the consolidated balance sheet as of December 31, 2019. Finance lease assets are included within other non-current assets, and the corresponding finance lease liabilities are included within accruals and other liabilities for the current portion, and within other non-current liabilities on the Group's consolidated balance sheet as of December 31, 2019.

Adoption of the new lease standard on January 1, 2019 had a material impact on the consolidated financial statements. The most significant impacts related to the 1) recognition of right-of-use assets of RMB2,023.8 million and lease liabilities of RMB2,102.2 million for operating leases on the consolidated balance sheet; 2) recognition of right-of-use assets of RMB5.6 million and lease liabilities of RMB7.7 million for finance leases on the consolidated balance sheet.

There was no impact to accumulated deficit at adoption.

The cumulative effect of the changes made to the Group's consolidated balance sheet as of January 1, 2019 for the adoption of the new lease standard was as follows (in thousands):

	Balances at December 31, 2018	Adjustments from Adoption of New Lease Standard	Balances at January 1, 2019
Assets			
Prepayments and other current assets	1,514,257	(90,074)	1,424,183
Property, plant and equipment, net	4,853,157	(5,563)	4,847,594
Right-of-use assets — operating lease	–	2,023,785	2,023,785
Other non-current assets	–	5,563	5,563
Liabilities			
Current portion of operating lease liabilities	–	510,295	510,295
Accruals and other liabilities	3,383,681	(37,137)	3,346,544
Non-current operating lease liabilities	–	1,591,865	1,591,865
Other non-current liabilities	930,812	(131,312)	799,500

As the lessee, the Group recognizes in the balance sheet a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, the Group makes an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities and recognizes lease expenses for such lease generally on a straight-line basis over the lease term. Operating lease assets are included within right-of-use assets — operating lease, and the corresponding operating lease liabilities are included within operating lease liabilities on the consolidated balance sheets as of December 31, 2019, 2020 and September 30, 2021. Finance lease assets are included within other non-current assets, and the corresponding finance lease liabilities are included within accruals and other liabilities for the current portion, and within other non-current liabilities on the Group's consolidated balance sheets as of December 31, 2019, 2020 and September 30, 2021.

(ad) Dividends

Dividends are recognized when declared. No dividends were declared for the years ended December 31, 2018, 2019 and 2020, and the nine months ended September 30, 2020 and 2021.

(ae) Earnings/(Loss) per share

Basic earnings/(loss) per share is computed by dividing net income/(loss) attributable to holders of ordinary shares, considering the accretions to redemption value of the preferred shares, by the weighted average number of ordinary shares outstanding during the period using the two-class method. Under the two-class method, net income is allocated between ordinary shares and other participating securities based on their participating rights. Diluted earnings/(loss) per share is calculated by dividing net income/(loss) attributable to ordinary shareholders, as adjusted for the accretion and allocation of net income related to the preferred shares, if any, by the weighted average number of ordinary and dilutive ordinary equivalent shares outstanding during the period. Ordinary equivalent shares consist of shares issuable upon the conversion of the preferred shares using the if-converted method, unvested restricted shares, restricted share units and ordinary shares issuable upon the exercise of outstanding share options (using the treasury stock method). Ordinary equivalent shares are not included in the denominator of the diluted earnings per share calculation when inclusion of such shares would be anti-dilutive.

(af) Segment reporting

ASC 280, *Segment Reporting*, establishes standards for companies to report in their financial statements information about operating segments, products, services, geographic areas, and major customers.

Based on the criteria established by ASC 280, the Group's chief operating decision maker ("CODM") has been identified as the Chief Executive Officer, who reviews consolidated results when making decisions about allocating resources and assessing performance of the Group as a whole and hence, the Group has only one reportable segment. The Group does not distinguish between markets or segments for the purpose of internal reporting. As the Group's long-lived assets are substantially located in the PRC, no geographical segments are presented.

3. RECENT ACCOUNTING PRONOUNCEMENTS

(a) Recently adopted accounting pronouncements

In December 2019, the FASB issued ASU 2019-12 — Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes. This ASU provides an exception to the general methodology for calculating income taxes in an interim period when a year-to-date loss exceeds the anticipated loss for the year. This update also (1) requires an entity to recognize a franchise tax (or similar tax) that is partially based on income as an income-based tax and account for any incremental amount incurred as a non-income-based tax, (2) requires an entity to evaluate when a step-up in the tax basis of goodwill should be considered part of the business combination in which goodwill was originally recognized for accounting purposes and when it should be considered a separate transaction, and (3) requires that an entity reflect the effect of an enacted change in tax laws or rates in the annual effective tax rate computation in the interim period that includes the enactment date. The Company adopted ASU No. 2019-12 from January 1, 2021, which did not have a material impact on the Company's consolidated financial statements.

In January 2020, the FASB issued Accounting Standards Update No. 2020-01, Investments — Equity Securities (Topic 321), Investments — Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815): Clarifying the Interactions between Topic 321, Topic 323, and Topic 815. The amendments clarified that an entity should consider observable transactions that require it to either apply or discontinue the equity method of accounting for the purposes of applying the measurement alternative in accordance with Topic 321 immediately before applying or upon discontinuing the equity method. The amendments also clarified that for the purpose of applying paragraph 815-10-15-141(a) an entity should not consider whether, upon the settlement of the forward contract or exercise of the purchased option, individually or with existing investments, the underlying securities would be accounted for under the equity method in Topic 323 or the fair value option in accordance with the financial instruments guidance in Topic 825. An entity also would evaluate the remaining characteristics in paragraph 815-10-15-141 to determine the accounting for those forward contracts and purchased options. The Company adopted ASU No. 2020-01 from January 1, 2021, which did not have a material impact on the Company's consolidated financial statements.

In August 2020, the FASB issued a new accounting update relating to convertible instruments and contracts in an entity's own equity. For convertible instruments, the accounting update reduces the number of accounting models for convertible debt instruments and convertible preferred stock. Limiting the accounting models results in fewer embedded conversion features being separately recognized from the host contract as compared with current U.S. GAAP. The accounting update amends the guidance for the derivatives scope exception for contracts in an entity's own equity to reduce form-over-substance-based accounting conclusions. The accounting update also simplifies the diluted earnings per share calculation in certain areas. For public business entities, the update is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. Early adoption is permitted for fiscal years beginning after December 15, 2020 and interim periods within those fiscal years. Entities are allowed to apply this update on either a full or modified retrospective basis. The Company has early adopted this new accounting update on a modified retrospective basis from January 1, 2021 and reported the 2026 Notes as one single unit of account of long-term borrowings on the balance sheet.

In May 2021, the FASB issued ASU No. 2021-04, Issuer's Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options. The ASU addresses the previous lack of specific guidance in the accounting standards codification related to modifications or exchanges of freestanding equity-classified written call options by specifying the accounting for various modification scenarios. The ASU is effective for interim and annual periods beginning after December 15, 2021, with early adoption permitted for any periods after issuance to be applied as of the beginning of the fiscal year that includes the interim period. The Company has early adopted the ASU during 2021 as of the beginning of our fiscal year, which did not have a material impact on the Group's consolidated financial statements.

(b) Recently issued accounting pronouncements not yet adopted

In March 2020, the FASB issued ASU 2020-04, "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting", which provides optional expedients and exceptions for applying U.S. GAAP on contract modifications and hedge accounting to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform, if certain criteria are met. These optional expedients and exceptions provided in ASU 2020-04 are effective for the Company as of March 12, 2020 through December 31, 2022. The Company will evaluate transactions or contract modifications occurring as a result of reference rate reform and determine whether to apply the optional guidance on an ongoing basis. The ASU is currently not expected to have a material impact on the Group's consolidated financial statements.

4. CONCENTRATION AND RISKS

(a) Concentration of credit risk

Assets that potentially subject the Group to significant concentrations of credit risk primarily consist of cash and cash equivalents, restricted cash, short-term investment, trade receivable, amount due from related parties, deposits and other receivables. The maximum exposure of such assets to credit risk is their carrying amounts as of the balance sheet dates. As of December 31, 2018, 2019 and 2020, all of the Group's cash and cash equivalents, restricted cash and short-term investments were held by major financial institutions located in the PRC and Hong Kong which management believes are of high credit quality. The PRC does not have an official deposit insurance program, nor does it have an agency similar to the Federal Deposit Insurance Corporation (FDIC) in the United States. However, the Group believes that the risk of failure of any of these PRC banks is remote. Bank failure is uncommon in China and the Group believes that those Chinese banks that hold the Group's cash and cash equivalents and restricted cash are financially sound based on publicly available information.

(b) Currency convertibility risk

The PRC government imposes controls on the convertibility of RMB into foreign currencies. The Group's cash and cash equivalents and restricted cash denominated in RMB that are subject to such government controls amounted to RMB2,051,482, RMB829,175, RMB6,219,252 and RMB12,027,125 as of December 31, 2018, 2019 and 2020 and September 30, 2021, respectively. The value of RMB is subject to changes in the central government policies and to international economic and political developments affecting supply and demand in the PRC foreign exchange trading system market. In the PRC, certain foreign exchange transactions are required by law to be transacted only by authorized financial institutions at exchange rates set by the People's Bank of China (the "PBOC"). Remittances in currencies other than RMB by the Group in the PRC must be processed through PBOC or other Chinese foreign exchange regulatory bodies which require certain supporting documentation in order to process the remittance.

(c) Foreign currency exchange rate risk

Since July 21, 2005, the RMB has been permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. While the international reaction to the RMB appreciation has generally been positive, there remains significant international pressure on the PRC government to adopt an even more flexible currency policy, which could result in a further and more significant appreciation of the RMB against other currencies.

(d) Concentration of customers and suppliers

The following tables summarized the customer with greater than 10% of the total revenue and account receivables:

	For the Year Ended December 31,			For the Nine Months Ended September 30,	
	2018	**2019**	**2020**	**2020**	**2021**
				(Unaudited)	
Percentage of the total revenue					
Customer A	*	*	*	*	11%

	December 31, 2018	December 31, 2019	December 31, 2020	September 30, 2021
Percentage of the account receivables				
Customer A	*	*	*	23%

* Less than 10%

Supplier A, a third party of the Group, accounted for 14%, 13%, 16%, 16% and 21% of purchases for the years ended December 31, 2018, 2019 and 2020, and for the nine months ended September 30, 2020 and 2021, respectively.

5. INVENTORY

Inventory consists of the following:

	December 31, 2018	December 31, 2019	December 31, 2020	September 30, 2021
Raw materials	696,005	510,990	579,842	965,624
Work in process	6,727	1,862	2,995	5,160
Finished goods	723,591	291,116	381,387	528,957
Merchandise	38,916	95,987	121,978	205,394
Less: write-downs	–	(10,427)	(4,649)	(2,130)
Total	1,465,239	889,528	1,081,553	1,703,005

Raw materials primarily consist of materials for volume production as well as spare parts used for aftersales services.

Finished goods include vehicles ready for transit at production factory, vehicles in transit to fulfill customer orders, new vehicles available for immediate sale at the Group's sales and service center locations and charging piles.

Merchandise includes accessories and branded merchandise which can be redeemed by customer loyalty program.

Inventory write-downs recognized in cost of sales for the years ended December 31, 2018 and 2019, 2020, and the nine months ended September 30, 2020 and 2021 were nil, RMB10,427, RMB5,803, RMB2,186 and nil, respectively.

6. PREPAYMENTS AND OTHER CURRENT ASSETS

Prepayments and other current assets consist of the following:

	December 31, 2018	December 31, 2019	December 31, 2020	September 30, 2021
Deductible VAT input	1,018,766	1,253,617	943,577	727,319
Prepayment to vendors	333,367	88,900	83,792	184,535
Interest receivable	30,957	215	14,046	101,594
Deposits	23,321	73,271	45,891	69,511
Receivables from JAC	–	78,132	121,012	58,150
Receivables from third party online payment service providers	31,353	47,592	69,009	49,321
Others	76,493	60,166	145,076	141,910
Less: Allowance for doubtful accounts	–	(22,635)	–	–
Total	1,514,257	1,579,258	1,422,403	1,332,340

Receivables from JAC mainly consist of national subsidy applied and collected by JAC on behalf of the Group's customers.

In March 2021, the Group entered into several currency exchange forward contracts with certain commercial banks in PRC. Pursuant to these contracts, the Group agreed to sell US dollars to the banks in exchange for Renminbi at pre-arranged fixed foreign exchange rates on specific future dates with no upfront payments to mitigate the risks of foreign exchange gain/ loss generated from the Group's balances of cash and cash equivalents and short-term investments denominated in US dollars.

The following table summarizes the activity in the allowance for credit losses related to prepayments and other current assets for the year ended December 31, 2020 and nine months ended September 30, 2021:

	Allowance for credit losses
Balance as at December 31, 2019	22,635
Adoption of ASC Topic 326	3,617
Balance as at January 1, 2020	26,252
Current period provision, net	475
Current period write-offs	(22,630)
Balance as at December 31, 2020	4,097
Current period reversal, net	(580)
Balance as at September 30, 2021	3,517

Allowance for the prepayments and other current assets recognized for the years ended December 31, 2018 and 2019 were nil and RMB22,635, respectively.

7. PROPERTY, PLANT AND EQUIPMENT, NET

Property and equipment and related accumulated depreciation were as follows:

	December 31, 2018	December 31, 2019	December 31, 2020	September 30, 2021
Mold and tooling	1,032,685	1,898,975	2,411,164	2,361,399
Charging & battery swap equipment	470,506	608,919	721,583	1,698,730
Leasehold improvements	653,298	1,025,570	997,191	1,337,389
Buildings and constructions	481,121	828,958	862,603	871,187
Construction in process	1,289,611	475,977	177,457	829,359
Production facilities	456,569	869,819	787,039	760,319
Computer and electronic equipment	393,931	428,028	372,956	506,299
R&D equipment	320,362	400,461	432,781	490,527
Purchased software	286,034	341,379	409,445	434,186
Others	146,869	279,233	374,219	408,723
Subtotal	5,530,986	7,157,319	7,546,438	9,698,118
Less: Accumulated depreciation	(677,829)	(1,548,977)	(2,470,028)	(3,585,788)
Less: Accumulated impairment	–	(75,278)	(80,182)	(79,827)
Total property, plant and equipment, net	4,853,157	5,533,064	4,996,228	6,032,503

The Group recorded depreciation expenses of RMB469,408, RMB993,070, RMB1,041,011, RMB760,614 and RMB1,141,287 for the years ended December 31, 2018, 2019 and 2020 and nine months ended September 30, 2020 and 2021, respectively.

8. INTANGIBLE ASSETS, NET

Intangible assets and related accumulated amortization were as follows:

	December 31, 2018			December 31, 2019			December 31, 2020			September 30, 2021		
	Gross carrying value	Accumulated amortization	Net carrying value	Gross carrying value	Accumulated amortization	Net carrying value	Gross carrying value	Accumulated amortization	Net carrying value	Gross carrying value	Accumulated amortization	Net carrying value
Domain names and others	5,269	(1,974)	3,295	4,342	(2,820)	1,522	4,071	(3,458)	613	4,048	(4,045)	3
License	3,161	(2,986)	175	–	–	–	–	–	–	–	–	–
Total intangible assets, net	8,430	(4,960)	3,470	4,342	(2,820)	1,522	4,071	(3,458)	613	4,048	(4,045)	3

The Group recorded amortization expenses of RMB1,988, RMB1,021, RMB638, RMB571 and RMB587 for the years ended December 31, 2018, 2019 and 2020, and the nine months ended September 30, 2020 and 2021, respectively.

9. LAND USE RIGHTS, NET

Land use rights and related accumulated amortization were as follows:

	December 31, 2018	December 31, 2019	December 31, 2020	September 30, 2021
Land use rights	216,489	216,489	216,489	216,489
Less: Accumulated amortization–land use rights	(2,827)	(7,674)	(12,521)	(16,156)
Total land use rights, net	213,662	208,815	203,968	200,333

In June 2018, XPT NJEP entered into an agreement to purchase land use rights for usage of land to build a factory for manufacturing of e-powertrain for the Group.

The Group recorded amortization expenses for land use rights of RMB2,827, RMB4,847, RMB4,847, RMB3,635 and RMB3,635 for the years ended December 31, 2018, 2019 and 2020, and the nine months ended September 30, 2020 and 2021, respectively.

10. LONG-TERM INVESTMENTS

The Company's long-term investments consisted of the following:

	December 31, 2018	December 31, 2019	December 31, 2020	September 30, 2021
Equity investments:				
Equity method investments	148,303	115,325	294,679	514,766
Equity securities without readily determinable fair value	–	–	5,442	143,209
Debt investments:				
Available for sale debt securities	–	–	–	650,000
Total	148,303	115,325	300,121	1,307,975

In August 2020, the Company and three other third party investors entered into an investment agreement to establish Wuhan Weineng Battery Asset Co., Ltd. ("Weineng"). The Company invested RMB200 million in Weineng and held 25% of Weineng's equity interests. In December 2020, Weineng entered into an agreement with the other third-party investors for a total additional investment of RMB640 million by those investors. In Q3 2021, the Company further invested RMB270 million in Weineng by subscribing shares newly issued by Weineng and upon the consummation of the investment, the Company owns approximately 19.84% of the equity interests in Weineng. The Group, as one of the largest shareholders of Weineng, is entitled to appoint one out of nine directors in Weineng's board of directors and can exercise significant influence over investees through participation and voting right in the board. Therefore, the investment in Weineng is accounted for using the equity method of accounting.

In 2021 Q3, pursuant to a definitive agreement with JAC, JAC and the Company established an entity named Jianglai Advanced Manufacturing Technology (Anhui) Co., Ltd. ("Jianglai") with a registered capital of RMB500 million where the Company holds 49% equity interests. The Company takes two out of five board of directors in Jianglai. The Company can exercise significant influence over investees through participation and voting right in the board of Jianglai and equity method accounting is applied for this investment. As of September 30, 2021, the Company has invested RMB9.8 million in Jianglai and the profit/loss of Jianglai shared by the Company was insignificant for Q3 2021.

In July 2021, together with several unrelated investors, established a fund in the form of limited partnership investment with total capital contribution of RMB650 million, among which the Group contributed RMB550 million. In accordance with ASC 810, the Group consolidated the financial statements of the fund and the investment provided by the Group is eliminated in consolidation with the investment provided by other investors with amount of RMB100 million being classified as non-controlling interest. The fund purchased a minority interest of a private company with total consideration of RMB650 million. Since the investment contains certain substantive preferential rights, including redemption and liquidation preference over the common shareholders, it is not considered as common stock or in-substance common stock. The investment is therefore classified as available-for-sale debt investment and is measured at its fair value with the change of fair value recognized as other comprehensive income. For the nine months period ended September 30, 2021, the changes in the fair value of such investment was not material.

No impairment charge was recognized for the years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2020 and 2021.

11. OTHER NON-CURRENT ASSETS

Other non-current assets consist of the following:

	December 31, 2018	December 31, 2019	December 31, 2020	September 30, 2021
Auto financing receivables	–	–	–	2,324,879
Non-current portion of national subsidy receivable	–	–	651,006	1,179,931
Long-term deposits	616,199	848,655	128,355	600,364
Receivables of installment payments for battery	574,677	657,698	637,402	455,930
Prepayments for purchase of property and equipment	159,341	17,603	15,072	164,880
Right-of-use assets — finance lease	–	155,051	95,887	69,946
Others	62,613	74,093	34,033	17,291
Total	1,412,830	1,753,100	1,561,755	4,813,221

Long-term deposit mainly consists of deposits to vendors for guarantee of production capacity as well as rental deposit which will not be collectible within one year.

The following table summarizes the activity in the allowance for credit losses related to other non-current assets for the year ended December 31, 2020 and nine months ended September 30, 2021:

	Allowance for credit losses
Balance as at December 31, 2019	323
Adoption of ASC Topic 326	12,576
Balance as at January 1, 2020	12,899
Current period provision, net	7,132
Balance as at December 31, 2020	20,031
Current period provision, net	31,602
Balance as at September 30, 2021	51,633

Allowance for the other non-current assets recognized for the years ended December 31,2018 and 2019 were nil and RMB323, respectively.

12. ACCRUALS AND OTHER LIABILITIES

Accruals and other liabilities consist of the following:

	December 31, 2018	December 31, 2019	December 31, 2020	September 30, 2021
Payables for repurchase of redeemable non-controlling interests *(Note 22)*	–	–	–	2,000,000
Payables for purchase of property and equipment	1,027,377	1,121,715	715,561	881,407
Payables for marketing events	423,953	436,610	596,110	777,330
Salaries and benefits payable	402,163	344,922	494,726	724,796
Current portion of deferred revenue	108,250	189,172	383,430	618,122
Payable for R&D expenses	437,731	694,081	402,777	553,275
Advance from customers	233,767	297,096	620,907	508,892
Warranty liabilities	46,574	120,161	297,446	466,844
Accrued expenses	308,486	246,121	273,676	337,146
Current portion of deferred construction allowance	87,330	84,495	60,695	43,658
Interest payables	2,584	105,940	98,462	31,095
Current portion of finance lease liabilities	–	40,334	33,237	27,541
Payables for traveling expenses of employees	43,147	17,685	18,672	15,838
Payable to employees for options exercised	–	–	278,209	1,708
Investment deposit from investors	47,124	154,643	–	–
Other payables	215,195	363,666	330,116	303,154
Total	3,383,681	4,216,641	4,604,024	7,290,806

13. BORROWINGS

Borrowings consist of the following:

	December 31, 2018	December 31, 2019	December 31, 2020	September 30, 2021
Short-term borrowings:				
Bank loan (i)	1,870,000	188,000	1,550,000	5,310,000
Convertible notes (ii)	–	697,620	–	1,071,345
Current portion of long-term bank loan (iii)	198,852	322,436	380,560	39,840
Current portion of loan from joint investor (iv)	–	–	–	451,592
Long-term borrowings:				
Bank loan (iii)	766,592	950,154	303,822	52,220
Convertible notes (ii)	–	5,784,984	5,196,507	9,774,392
Loan from joint investor (iv)	401,420	419,660	437,950	–
Total	3,236,864	8,362,854	7,868,839	16,699,389

(i) Short-term bank loan

As of December 31, 2018, the Group obtained short-term borrowings from ten banks of RMB1,870,000 in aggregate collateralized by bank deposit of RMB1,375,000 classified as short-term investment provided by one of the Group's wholly-owned subsidiaries. The annual interest rate of these borrowings is approximately 4.35% to 5.22%.

As of December 31, 2019, the Group obtained short-term borrowings from several banks of RMB128,000 in aggregate and bank acceptance of RMB60,000. The annual interest rate of these borrowings is approximately 3.45% to 4.87%.

As of December 31, 2020, the Group obtained short-term borrowings from several banks of RMB1,550,000 in aggregate. The annual interest rate of these borrowings is approximately 3.3% to 4.85%.

As of September 30, 2021, the Group obtained short-term borrowings from several banks of RMB5,310,000 in aggregate. The annual interest rate of these borrowings is approximately 2.95% to 4.45%.

The short-term borrowings contain covenants including, among others, limitation on liens, consolidation, merger, sale of the Company's assets and certain financial measures. The Company is in compliance with all of the loan covenants as of December 31, 2018, 2019, 2020 and September 30, 2021. As of December 31, 2018, 2019 and 2020 and September 30, 2021, certain of the Group's short-term borrowings were guaranteed by the Group's subsidiaries or pledged with trade receivable of nil, nil, RMB49,800 and RMB440,159, short-term investments of RMB175,000, nil, RMB155,498 and RMB563,978, and restricted cash of nil, RMB60,000, nil and RMB1,138,188, respectively.

(ii) Convertible notes

On January 30, 2019, the Group issued US$650,000 convertible senior notes and additional US$100,000 senior notes (collectively the "2024 Notes") to the notes purchasers (the "Notes Offering"). The 2024 Notes bears interest at a rate of 4.50% per year, payable semi-annually in arrears on February 1 and August 1 of each year, beginning on August 1, 2019. The 2024 Notes is convertible into the Company's American Depositary Shares at the pre-agreed fixed conversion price at the discretion of the holders and will mature for repayment on February 1, 2024. Holders of the 2024 Notes are entitled to require the Company to repurchase all or part of the 2024 Notes in cash on February 1, 2022 or in the event of certain fundamental changes. In connection with the Notes Offering, the Company entered into capped call transactions with certain notes purchasers and/or their respective affiliates and/or other financial institutions (the "Capped Call Option Counterparties") and used a portion of the net proceeds of the Notes Offering to pay the cost of such transactions. In addition, the Company also entered into privately negotiated zero-strike call option transactions with certain notes purchasers or their respective affiliates (the "Zero-Strike Call Option Counterparties") and used a portion of the net proceeds of the Notes Offering to pay the aggregate premium under such transactions. The Company accounts for the 2024 Notes as a single instrument as a long-term debt. The debt issuance cost were recorded as reduction to the long-term debts and are amortized as interest expenses using the effective interest method. The value of the 2024 Notes are measured by the cash received. The cost for the capped call transactions have been recorded as deduction of additional paid-in capital within total shareholders' deficit. The zero-strike call option was deemed as a prepaid forward to purchase the Company's own shares and recognized as permanent equity at its fair value at inception as a reduction to additional paid in capital in the consolidated balance sheet. As of December 31, 2018, 2019 and 2020, the balances of these convertible notes were nil, RMB5,179,027 and RMB4,870,262, respectively. In November 2020, US$7.0 in aggregate principal amount of 2024 Notes were converted, pursuant to which the Company issued 735 ADSs to the holders of 2024 Notes. Accordingly, the balance of the notes converted were derecognized and recorded as ordinary shares and additional paid-in capital.

On January 15, 2021, the Company entered into separate and individually privately negotiated agreements with certain holders of its outstanding 2024 Notes to exchange US$581,685 principal amount of the outstanding 2024 Notes for 62,192,017 ADSs with a conversion premium of US$56,359 (the "2024 Notes Exchanges"). In connection with the 2024 Notes Exchanges, the Company also entered into agreements with certain financial institutions to terminate a portion of the capped call transactions and Zero-Strike Call transactions with the amount corresponding to the portion of the principal amount of the 2024 Notes that were exchanged. With the termination of the capped call transactions and Zero-Strike Call transactions, the Company received 16,402,643 ADSs.

For the 2024 Notes Exchanges, the 2024 Notes with carrying amount of US$578,902 were derecognised with a corresponding amount being recognised as share capital and additional paid-in capital. The conversion premium of US$56,359 was recorded as interest expenses, according to ASC 470-20-40-16, which requires a reporting entity to recognize an expense equal to the fair value of the shares or other consideration issued to induce conversion, i.e., the fair value of all consideration transferred in excess of the fair value of the securities transferred pursuant to the original conversion terms. For the terminations of the capped call transactions and Zero-Strike Call transactions, the amount of the purchase price of the capped call transactions and Zero-Strike Call transactions terminated of RMB1,849,600 that was previously recorded in the additional paid-in capital was reclassified to treasury stock.

In May 2021, US$1,000 in aggregate principal amount of such notes were converted, pursuant to which the Company issued 115,665 ADSs to the holders of such notes. In August and September 2021, US$1,765 in aggregate principal amount of such notes were converted, pursuant to which the Company issued 178,729 ADSs to the holders of such notes. Accordingly, the balance of the notes converted were derecognized and recorded as ordinary shares and additional paid-in capital.

As of September 30, 2021, the Company reclassified the carrying value of the remaining 2024 Notes with the amount of RMB1,071,345 in current liabilities as a result of the early redemption right by holders on February 1, 2022 of the 2024 Notes.

On September 5, 2019, the Group issued US$200,000 convertible senior notes to an affiliate of Tencent Holdings Limited and Mr. Bin Li, chairman and chief executive officer of the Company. Tencent and Mr. Li each subscribed for US$100,000 principal amount of the convertible notes, each in two equally split tranches. The 360-day Notes would be convertible into Class A ordinary shares (or ADSs) of the Company at a conversion price of US$2.98 per ADS at the holder's option from the 15th day immediately prior to maturity, and the 3-year Notes will be convertible into Class A ordinary shares (or ADSs) of the Company at a conversion price of US$3.12 per ADS at the holder's option from the first anniversary of the issuance date. The holders of the 3-year Notes will have the right to require the Company to repurchase for cash all of the notes or any portion thereof on February 1, 2022. The 360-day Notes was recorded in short-term borrowings and the 3-year Notes were recorded in long-term borrowings. The Company will pay an annual premium of 2% at maturity. Interest expenses were accrued over the term of each note using the effective interest method.

In September and December 2020, all of the 360-day Notes due in 2020 and US$50,000 in aggregate principal amount of the 3-year Notes due in 2022 were converted, pursuant to which the Company issued 49,582,686 Class A ordinary shares to the holders of such notes. In January 2021, US$22,526 (RMB148,393) in aggregate principal amount of the 3-year Notes due in 2022 were converted, pursuant to which the Company issued 7,219,872 Class A ordinary shares to the holders of such notes. Such notes were derecognized and recorded as ordinary shares and additional paid-in capital. As of December 31, 2018, 2019 and 2020 and September 30, 2021, the balances of these convertible notes outstanding were nil, RMB1,303,577, RMB326,245 and RMB178,180, respectively.

In January and February 2020, the Company consummated the issuance of convertible notes to several third party investors in an aggregate principal amount of US$200,000. The notes issued bore zero interest and matured on February 4, 2021. Prior to maturity, the holder of the notes has the right to convert the notes (a) after the six-month anniversary, into ADSs representing Class A ordinary shares of the Company at an initial conversion price of US$3.07 per ADS or (b) upon the completion of a bona fide issuance of equity securities of the Company for fundraising purposes, into ADSs representing Class A ordinary shares of the Company at the conversion price derived from such equity financing. The notes were recorded in short-term borrowings with interest expenses accrued over the term using the effective interest method. The debt issuance cost were recorded as reduction to the short-term borrowings and are amortized as interest expenses using the effective interest method. In July and August 2020, all of such notes were converted, pursuant to which the Company issued 65,146,600 ADSs to the holders of such notes. Such notes were derecognized and recorded as ordinary shares and additional paid-in capital. As of December 31, 2018, 2019 and 2020, the balances of these convertible notes outstanding were nil.

In March 2020, the Company consummated the issuance of convertible notes to several third party investors with an aggregate principal amount of US$235,000. The notes issued bore zero interest and matured on March 5, 2021. Prior to maturity, holders of the notes had the right to convert either all or part of the principal amount of the notes into Class A ordinary shares (or ADSs) of the Company from September 5, 2020, at a conversion price of US$3.50 per ADS, subject to certain adjustments. The notes were recorded in short-term borrowings with interest expenses accrued over the term using the effective interest method. The debt issuance costs were recorded as reduction to the short-term borrowings and are amortized as interest expenses using the effective interest method. In September and October 2020, all of such notes were converted, pursuant to which the Company issued 67,142,790 Class A ADSs to the holders of such notes. Such notes were derecognized and recorded as ordinary shares and additional paid-in capital. As of December 31, 2018, 2019 and 2020 and September 30, 2021, the balances of these convertible notes outstanding were nil.

In January 2021, the Group issued US$750,000 convertible senior notes due 2026 (the "2026 Notes") and US$750,000 convertible senior notes due 2027 (the "2027 Notes," and, together with the 2026 Notes, the "Notes"). The 2026 Notes bears no interest and the 2027 Notes bears interest at a rate of 0.50% per year, which is payable semiannually in arrears on February 1 and August 1 of each year, beginning on August 1, 2021. Holders may convert their 2026 Notes at their option prior to the close of business on the business day immediately preceding August 1, 2025, and holders may convert their 2027 Notes at their option prior to the close of business on the business day immediately preceding August 1, 2026. The initial conversion price is US$93.06 per ADS for the Notes, subject to customary anti-dilution adjustments. Upon conversion, the Company will pay or deliver, as the case may be, cash, ADSs, or a combination of cash and ADSs, at the Company's discretion. Holders of the 2026 Notes have the right to require the Company to repurchase for cash all or part of their notes on February 1, 2024 or in the event of certain fundamental changes at a repurchase price equal to 100% of the principal amount of the notes to be repurchased. Holders of the 2027 Notes have the right to require the Company to repurchase for cash all or part of their notes on February 1, 2025 or in the event of certain fundamental changes at a repurchase price equal to 100% of the principal amount of the notes to be repurchased, plus accrued and unpaid interest.

The Company early adopted ASU 2020-06 which eliminates the cash conversion accounting models for the Notes. Accordingly, the principal amount of the Notes was reported as one single unit of account in long-term borrowings at its principal amount, net of debt issuance costs of US$26,340, on the basis of not electing fair value option for the notes and no substantial premium to be offered. The Notes are subsequently measured at amortized cost with interest expenses accrued over the term of the Notes using the effective interest method. As of September 30, 2021, the carrying amount of the Notes were RMB9,596,212.

As of December 31, 2018, 2019 and 2020 and September 30, 2021, nil, RMB697,620, nil and RMB1,071,345 of convertible notes were due within one year, respectively.

(iii) Long-term bank loan

Ref.	Date of borrowing	Lender/Banks	Maturity/ Repayment date	As of December 31, 2018			As of December 31, 2019			As of December 31, 2020			As of September 30, 2021		
				Outstanding loan	Current portion according to the repayment schedule	Long-term portion	Outstanding loan	Current portion according to the repayment schedule	Long-term portion	Outstanding loan	Current portion according to the repayment schedule	Long-term portion	Outstanding loan	Current portion according to the repayment schedule	Long-term portion
1	May 17, 2017	Bank of Nanjing	May 17, 2022	674,279	189,602	484,677	475,382	200,000	275,382	275,382	200,000	75,382	–	–	–
2	January 25, 2018	China Merchants Bank	January 25, 2021	49,500	1,500	48,000	48,000	6,000	42,000	42,000	42,000	–	–	–	–
3	September 14, 2018	China Merchants Bank	September 13, 2021	50,000	2,000	48,000	48,000	2,000	46,000	46,000	46,000	–	–	–	–
4	February 2, 2018	China CITIC Bank	February 1, 2021	49,750	5,250	44,500	44,500	10,000	34,500	34,500	34,500	–	–	–	–
5	June 6, 2018	Bank of Shanghai	June 15, 2020	10,000	–	10,000	–	–	–	–	–	–	–	–	–
6	June 6, 2018	Bank of Shanghai	December 15, 2020	5,000	–	5,000	–	–	–	–	–	–	–	–	–
7	July 4, 2018	Bank of Shanghai	December 15, 2020	7,000	–	7,000	–	–	–	–	–	–	–	–	–
8	July 4, 2018	Bank of Shanghai	June 15, 2020	5,000	–	5,000	–	–	–	–	–	–	–	–	–
9	August 17, 2018	China CITIC Bank	March 7, 2021	50,000	500	49,500	49,500	10,000	39,500	39,500	39,500	–	–	–	–
10 ...	November 30, 2018	Bank of Shanghai	November 30, 2021	5,115	–	5,115	4,102	1,014	3,088	–	–	–	–	–	–
11 ...	December 24, 2018	Bank of Shanghai	November 30, 2021	40,000	–	40,000	32,305	7,695	24,610	–	–	–	–	–	–
12 ...	December 20, 2018	Bank of Shanghai	November 30, 2021	19,800	–	19,800	–	–	–	–	–	–	–	–	–
13 ...	January 3, 2019	Bank of Shanghai	November 30, 2021	–	–	–	16,145	3,855	12,290	–	–	–	–	–	–
14 ...	January 10, 2019	Bank of Shanghai	November 30, 2021	–	–	–	32,305	7,695	24,610	–	–	–	–	–	–
15 ...	January 17, 2019	Bank of Shanghai	November 30, 2021	–	–	–	32,305	7,695	24,610	–	–	–	–	–	–

				As of December 31, 2018			As of December 31, 2019			As of December 31, 2020			As of September 30, 2021		
Ref.	Date of borrowing	Lender/Banks	Maturity/ Repayment date	Outstanding loan	Current portion according to the repayment schedule	Long-term portion	Outstanding loan	Current portion according to the repayment schedule	Long-term portion	Outstanding loan	Current portion according to the repayment schedule	Long-term portion	Outstanding loan	Current portion according to the repayment schedule	Long-term portion
16 . . .	January 24, 2019	Bank of Shanghai	November 30, 2021	–	–	–	28,257	6,743	21,514	–	–	–	–	–	–
17 . . .	March 25, 2019	Bank of Shanghai	November 30, 2021	–	–	–	128,353	28,862	99,491	–	–	–	–	–	–
18 . . .	March 27, 2019	Bank of Shanghai	November 30, 2021	–	–	–	42,777	9,631	33,146	–	–	–	–	–	–
19 . . .	March 29, 2019	Hankou Bank	March 29, 2022	–	–	–	199,000	2,000	197,000	197,000	2,000	195,000	–	–	–
20 . . .	June 26, 2019	Bank of Shanghai	November 30, 2021	–	–	–	18,072	3,855	14,217	–	–	–	–	–	–
21 . . .	September 11, 2019	Bank of Shanghai	November 30, 2021	–	–	–	73,587	15,391	58,196	–	–	–	–	–	–
22 . . .	December 24, 2020	Bank of Shanghai	December 24, 2023	–	–	–	–	–	–	50,000	16,560	33,440	37,580	16,560	21,020
23 . . .	February 8, 2021	Bank of Shanghai	February 8, 2024	–	–	–	–	–	–	–	–	–	54,480	23,280	31,200
	Total			965,444	198,852	766,592	1,272,590	322,436	950,154	684,382	380,560	303,822	92,060	39,840	52,220

The long-term borrowings contain covenants including, among others, limitation on liens, consolidation, merger and sale of the Company's assets and certain financial measures. The Group is in compliance with all of the loan covenants as of December 31, 2018, 2019, 2020 and September 30, 2021. As of December 31, 2018, 2019 and 2020 and September 30, 2021, certain of the Group's long-term borrowings were guaranteed by the Company's subsidiaries or pledged with trade receivable of RMB81,370, RMB601,236, RMB65,138 and RMB152,512, respectively.

(iv) Loan from joint investor

On May 18, 2017, the Group entered into a joint investment agreement with Wuhan Donghu New Technology Development Zone Management Committee ("Wuhan Donghu") to set up an entity (the "PE WHJV"). Wuhan Donghu subscribed for RMB384,000 paid in capital in PE WHJV with 49% of the shares. On June 30, 2017, September 29, 2017 and April 16, 2018, Wuhan Donghu injected RMB50,000, RMB100,000 and RMB234,000 in cash to PE WHJV, respectively. Pursuant to the investment agreement, Wuhan Donghu does not have substantive participating rights to PE WHJV, nor is allowed to transfer its equity interest in PE WHJV to other third party. In addition, within five years or when the net assets of PE WHJV is less than RMB550,000, the Group is obligated to purchase from Wuhan Donghu all of its interest in PE WHJV at its investment amount paid plus interest at the current market rate announced by PBOC. As such, the Group consolidates PE WHJV. The investment by Wuhan Donghu is accounted for as a loan because it is only entitled to fixed interest income and subject to repayment within five years or upon the financial covenant violation. As of December 31, 2018, 2019 and 2020 and September 30, 2021, RMB17,420, RMB35,660, RMB53,950 and RMB67,592 of interest were accrued at the benchmark rate of medium and long-term loan announced by PBOC. As of December 31, 2018, 2019 and 2020, and the September 30, 2021, certain bank borrowings of PE WHJV were guaranteed by Wuhan Donghu.

As of September 30, 2021, the Group reclassified the carrying value of the remaining loan from joint venture with the amount of RMB451,592 in current liabilities as a result of the May 17, 2022 maturity date of the loan.

14. OTHER NON-CURRENT LIABILITIES

Other non-current liabilities consist of the following:

	December 31, 2018	December 31, 2019	December 31, 2020	September 30, 2021
Deferred revenue	193,524	295,915	677,824	1,258,537
Warranty liabilities	130,719	291,843	655,500	1,211,023
Deferred government grants	351,896	340,667	326,373	315,073
Non-current finance lease liabilities	–	88,790	55,107	35,950
Deferred construction allowance	124,678	72,762	49,484	19,096
Rental payable	129,995	–	–	–
Others	–	61,836	85,618	215,891
Total	930,812	1,151,813	1,849,906	3,055,570

Deferred government grants mainly consist of specific government subsidies for purchase of land use right and buildings, product development and renewal of production facilities, which is amortized using the straight-line method as a deduction of the amortization expense of the land use right over its remaining estimated useful life.

As of December 31, 2018, rental payable represents the difference between the straight-line rental expenses and the actual rental fee paid for long term rental agreements. On January 1, 2019, the Group adopted ASC 842 Leases and used the additional transition method to initially apply this new lease standard at the adoption date. Lease liabilities were recognized on the Company's consolidated financial statements.

Deferred construction allowance consists of long-term payable of construction projects, with payment terms over one year.

15. LEASE

The Group has entered into various non-cancellable operating and finance lease agreements for certain offices, warehouses, retail and service locations, equipment and vehicles worldwide. The Group determines if an arrangement is a lease, or contains a lease, at inception and record the leases in the financial statements upon lease commencement, which is the date when the underlying asset is made available for use by the lessor.

The balances for the operating and finance leases where the Group is the lessee are presented as follows within the consolidated balance sheets:

	As of December 31, 2019	As of December 31, 2020	As of September 30, 2021
Operating leases:			
Right-of-use assets — operating lease	1,997,672	1,350,294	2,348,642
Current portion of operating lease liabilities	608,747	547,142	646,887
Non-current operating lease liabilities	1,598,372	1,015,261	1,792,738
Total operating lease liabilities	2,207,119	1,562,403	2,439,625
Finance leases:			
Right-of-use assets — finance lease	155,051	95,887	69,946
Current portion of finance lease liabilities	40,334	33,237	27,541
Non-current finance lease liabilities	88,790	55,107	35,950
Total finance lease liabilities	129,124	88,344	63,491

The components of lease expenses were as follows:

Lease cost:	Year Ended December 31, 2019	Year Ended December 31, 2020	For the Nine Months Ended September 30, 2020	For the Nine Months Ended September 30, 2021
			(Unaudited)	
Amortization of right-of-use assets	522,035	499,225	349,362	439,201
Interest of operating lease liabilities	137,459	96,430	84,444	66,932
Expenses for short-term leases within 12 months and other non-lease component	155,613	81,022	57,877	169,955
Total lease cost	815,107	676,677	491,683	676,088

Other information related to leases where the Group is the lessee is as follows:

	As of December 31, 2019	As of December 31, 2020	As of September 30, 2021
Weighted-average remaining lease term:			
Operating leases	4.7 years	3.8 years	5.9 years
Finance leases	3.9 years	3.1 years	2.5 years
Weighted-average discount rate:			
Operating leases	5.83%	5.82%	5.61%
Finance leases	5.77%	5.70%	5.79%

Supplemental cash flow information related to leases where the Group are the lessee is as follows (in thousands):

	Year Ended December 31, 2019	Year Ended December 31, 2020	For the Nine Months Ended September 30, 2020	For the Nine Months Ended September 30, 2021
			(Unaudited)	
Operating cash outflows from operating leases	482,782	544,896	407,697	469,014
Operating cash outflows from finance leases (interest payments)	5,969	5,729	5,680	3,606
Financing cash outflows from finance leases	43,916	42,529	32,571	25,164
Right-of-use assets obtained in exchange for lease liabilities	777,169	279,274	116,714	1,289,501

As of December 31, 2019, 2020, and September 30, 2021, the maturities of the Group's operating and finance lease liabilities (excluding short-term leases) are as follows (in thousands):

	As of December 31, 2019		As of December 31, 2020		As of September 30, 2021	
	Operating Leases	Finance Leases	Operating Leases	Finance Leases	Operating Leases	Finance Leases
2020	716,289	50,043	–	–	–	–
2021	574,702	36,585	609,011	36,494	200,307	8,096
2022	466,041	28,206	421,579	29,561	736,431	29,140
2023	332,357	20,042	287,087	22,515	584,967	22,196
2024	173,133	7,858	146,459	7,996	358,595	8,067
2025	107,809	–	84,925	36	251,987	106
Thereafter	146,798	–	175,950	–	749,371	35
Total minimum lease payments	2,517,129	142,734	1,725,011	96,602	2,881,658	67,640
Less: Interest	(310,010)	(13,610)	(162,608)	(8,258)	(442,033)	(4,149)
Present value of lease obligations	2,207,119	129,124	1,562,403	88,344	2,439,625	63,491
Less: Current portion	(608,747)	(40,334)	(547,142)	(33,237)	(646,887)	(27,541)
Long-term portion of lease obligations	1,598,372	88,790	1,015,261	55,107	1,792,738	35,950

As of December 31, 2019, 2020 and September 30, 2021, the Group had future minimum lease payments for non-cancelable short-term operating leases of RMB33,580, RMB55,977 and RMB133,058, respectively.

For the year ended December 31, 2018, the Company recognized lease expense of RMB490,936 under ASC 840.

16. REVENUES

Revenues by source consists of the following:

	For the Year Ended December 31,			For the Nine Months Ended September 30,	
	2018	2019	2020	2020	2021
				(Unaudited)	
Vehicle sales	4,852,470	7,367,113	15,182,522	9,008,474	23,954,365
Sales of automotive regulatory credits	–	–	120,648	–	516,549
Sales of packages	10,220	111,448	244,072	162,975	368,433
Battery upgrade service	–	–	5,346	–	270,828
Sales of charging piles	82,184	127,632	229,781	133,135	243,740
Others	6,297	218,711	475,564	312,258	881,766
Total	4,951,171	7,824,904	16,257,933	9,616,842	26,235,681

For the years ended December 31, 2018, 2019 and 2020, and the nine months ended September 30, 2020 and 2021, revenue recognised at a point in time was RMB4,939.3 million, RMB7,696.2 million, RMB15,969.4 million, RMB9,418.9 million and RMB25,755.8 million, respectively, and revenue recognised over time was RMB11.9 million, RMB128.7 million, RMB288.5 million, RMB198.0 million and RMB479.9 million, respectively.

17. DEFERRED REVENUE/INCOME

The following table shows a reconciliation in the current reporting period related to carried-forward deferred revenue/income.

	For the Year Ended December 31,			For the Nine Months Ended September 30,	
	2018	2019	2020	2020	2021
				(Unaudited)	
Deferred revenue/income — beginning of year	–	301,774	485,087	485,087	1,061,254
Additions	384,116	428,786	1,013,397	611,030	1,376,346
Recognition	(82,342)	(246,861)	(432,069)	(282,991)	(560,611)
Effects on foreign exchange adjustment	–	1,388	(5,161)	(1,900)	(330)
Deferred revenue/income — end of year	301,774	485,087	1,061,254	811,226	1,876,659

Deferred revenue mainly includes the transaction price allocated to the performance obligations that are unsatisfied, or partially satisfied, which mainly arises from the undelivered home chargers, the vehicle connectivity service, the extended warranty service, the points offered to customers as well as battery swapping service embedded in the vehicle sales contract, with unrecognized deferred revenue balance of RMB181,539, RMB405,326, RMB1,006,824 and RMB1,837,595 as of December 31, 2018, 2019 and 2020 and September 30, 2021, respectively.

The Group expects that 33% of the transaction price allocated to unsatisfied performance obligation as at September 30, 2021 will be recognized as revenue during the period from October 1, 2021 to September 30, 2022. The remaining 67% will be recognized during the period from October 1, 2022 to March 31, 2026.

Deferred income includes the reimbursement from a depository bank in connection with the advancement of the Company's ADS and investor relations programs in the next five years. The Company initially recorded the payment from the depository bank as deferred revenue and then recognized as other income over the beneficial period, with unrecognized deferred income balance of RMB99,684, RMB79,761, RMB54,430 and RMB39,064 as of December 31, 2018, 2019 and 2020 and September 30, 2021.

18. MANUFACTURING IN COLLABORATION WITH JAC

In May 2016, April 2019 and March 2020, the Group entered into several agreements with JAC for the manufacture of the ES8, the ES6 and the EC6 for five years. Pursuant to the arrangements, JAC built up a new manufacturing plant ("Hefei Manufacturing Plant") and is responsible for the equipment used on the product line while NIO is responsible for the tooling. For each vehicle produced the Group pays processing fee to JAC on a per-vehicle basis monthly for the first three years on the basis that NIO provides all the raw materials to JAC. In addition, for the first 36 months after agreed time of start of production, which was April 2018, the Group should compensate JAC operating losses incurred in Hefei Manufacturing Plant. In May 2021, the Group and JAC entered into a renewed manufacturing agreement pursuant to which, from May 2021 to May 2024, JAC will continue to manufacture the ES8, ES6, EC6, ET7 and other NIO models. 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 per-vehicle basis, payable monthly and subject to adjustment annually; and (iii) certain compensatory arrangements up to a capped amount for JAC's investment into JAC-NIO manufacturing plant, including for the land, factory and equipment; (iv) relevant tax; and (v) purchase amount of certain production materials. For the years ended December 31, 2018, 2019 and 2020 and nine months ended September 30, 2020 and 2021, the Company recorded manufacturing and processing fees and relevant expenses in cost of sales of RMB115.4 million, RMB234.1 million, RMB466.2 million, RMB231.4 million and RMB531.3 million, respectively, and compensation in cost of sales of RMB126,425, RMB206,736, RMB65,384, RMB65,384 and nil, respectively, for operating losses incurred at Hefei Manufacturing Plant during the same periods.

19. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses consist of the following:

	Year Ended December 31,			For the Nine Months Ended September 30,	
	2018	2019	2020	2020	2021
				(Unaudited)	
Employee compensation	1,850,886	2,004,931	1,362,231	991,252	1,659,053
Design and development expenses	1,827,980	2,041,024	778,463	452,833	873,510
Depreciation and amortization expenses	103,427	187,137	255,544	149,050	146,466
Rental and related expenses	33,105	57,401	51,123	39,443	39,721
Travel and entertainment expenses	104,949	63,998	15,720	10,315	25,470
Others	77,595	74,089	24,689	15,434	19,116
Total	3,997,942	4,428,580	2,487,770	1,658,327	2,763,336

20. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses consist of the following:

	Year Ended December 31,			For the Nine Months Ended September 30,	
	2018	2019	2020	2020	2021
				(Unaudited)	
Employee compensation	2,256,455	2,231,698	1,687,945	1,176,369	1,960,373
Marketing and promotional expenses	1,158,519	818,053	675,142	401,842	969,543
Rental and related expenses	450,113	737,578	498,601	371,361	544,291
Professional services	578,469	487,537	307,658	224,556	276,061
Depreciation and amortization expenses	249,765	457,364	325,478	252,740	253,091
IT consumable, office supply and other low value consumable	167,323	109,501	69,954	47,096	141,352
Travel and entertainment expenses	197,187	126,571	39,328	24,857	49,894
Expected credit losses	–	–	9,654	5,945	38,283
Allowance against receivables	–	108,459	–	–	–
Others	283,959	375,026	318,511	220,699	286,995
Total	5,341,790	5,451,787	3,932,271	2,725,465	4,519,883

21. CONVERTIBLE REDEEMABLE PREFERRED SHARES

In March 2015, the Company issued 165,000,000 shares of Series A-1 convertible redeemable preferred shares ("Series A-1 Preferred Shares") for US$1.00 per share for cash of US$165,000. The total consideration was paid in three installments and were fully paid in January 2017. In March and May 2015, the Company issued 130,000,000 shares of Series A-2 convertible redeemable preferred shares ("Series A-2 Preferred Shares") for US$1.00 per share for cash of US$130,000. In September 2015, the Company issued 24,210,431 shares of Series A-3 Preferred Shares for US$1.6522 per share for cash of US$40,000. The Series A-1, A-2 and A-3 Preferred Shares are collectively referred to as the "Series A Preferred Shares".

In June, July, August, September 2016 and February 2017, the Company issued 114,867,321 shares of Series B convertible redeemable preferred shares ("Series B Preferred Shares") for US$2.751 per share for cash of US$316,000.

In March, April, May and July 2017, the Company issued 166,205,830 shares of Series C convertible redeemable preferred shares ("Series C Preferred Shares") for US$3.885 per share for cash of US$645,709.

In November and December 2017, the Company issued 211,156,415 shares of Series D convertible redeemable preferred shares ("Series D Preferred Shares") for US$5.353 per share for cash of US$1,130,320. US$12,000 out of the total consideration from one of the investor was not paid until March 28, 2018 and it was treated as a reduction of Series D Preferred Shares until it was paid. In addition, a finder's commission of US$26,000 was incurred for the Series D Preferred Shares financing. The Company paid 50% of the commission in cash amounted US$13,000 and the remaining 50% by issuance of 2,428,588 shares of Series D Preferred Shares for free to the financial advisory. The total of the finder's commission was also recorded as an issuance cost as a deduction of the preferred shares.

The Series A-1, A-2, A-3, B, C and D Preferred Shares are collectively referred to as the "Preferred Shares". All series of Preferred Shares have the same par value of US$0.00025 per share.

The Company classified the Preferred Shares in the mezzanine section of the consolidated balance sheets because they were redeemable at the holders' option any time after a certain date and were contingently redeemable upon the occurrence of certain liquidation events outside of the Company's control, that being the Company's failure to complete a QIPO by December 31, 2021. The Preferred Shares are recorded initially at fair value, net of issuance costs. The issuance costs for Series A-1, A-2, A-3, B, C, and D were RMB1,892, RMB1,177, RMB1,296, RMB11,857, RMB10,039 and RMB6,033 (US$301, US$189, US$208, US$1,782, US$1,489 and US$901, equivalent).

The major rights, preferences and privileges of the Preferred Shares are as follows:

Voting Rights

The holders of the Preferred Shares shall have the right to one vote for each ordinary share into which each outstanding Preferred Share held could then be converted. The holders of the Preferred Shares vote together with the Ordinary Shareholders, and not as a separate class or series, on all matters put before the shareholders. The holders of the Preferred Shares are entitled to appoint a total of 10 out of 11 directors of the Board.

Dividends

Subject to the approval and declaration by the Board of Directors, the holders of the Preferred Shares (exclusive of unpaid shares) are entitled to receive dividends in the following order:

- Series D Preferred Shareholders are entitled to receive dividends at an amount equal to 5% of the issue price prior to and in preference to any dividend on the Series C preferred Shares, Series B preferred shares, Series A Preferred Shares and ordinary shares;

- Series C Preferred Shareholders are entitled to receive dividends at an amount equal to 5% of the issue price prior to and in preference to any dividend on the Series B preferred shares, Series A Preferred Shares and ordinary shares;

- Series B Preferred Shareholders are entitled to receive dividends at an amount equal to 5% of the issue price prior to and in preference to any dividend on the Series A Preferred Shares and ordinary shares;

- Series A Preferred Shareholders are entitled to receive dividends at an amount equal to 5% of the issue price prior to and in preference to any ordinary shares;

- any remaining dividends shall be distributed on a pro rata basis to holders of all the Preferred Shares and ordinary shares on a fully diluted and as-if converted basis.

No dividends on preferred and ordinary shares have been declared since the issuance date through December 31, 2018 2019, 2020, and the September 30, 2020 and 2021.

Liquidation

In the event of any liquidation, the holders of Preferred Shares have preference over holders of ordinary shares with respect to payment of dividends and distribution of assets. Upon Liquidation, Series D Preferred Shares shall rank senior to Series C Preferred Shares, Series C Preferred Shares shall rank senior to Series B Preferred Shares, Series B Preferred Shares shall rank senior to Series A-3 Preferred Shares, Series A-3 Preferred Shares shall rank senior to Series A-1 and A-2 Preferred Shares, Series A-1 and A-2 Preferred Shares shall rank senior to ordinary shares.

The holders of Preferred Shares (exclusive of unpaid shares) shall be entitled to receive an amount per share equal to (A) an amount equal to the higher of (1) 100% of the original issue price of such Preferred Shares, and (2) the amount that would be payable on such Preferred Shares if converted into ordinary shares immediately before such Liquidation; and (B) the amount of all declared but unpaid dividends on such Preferred Shares based on such holder's pro rata portion of the total number of the Preferred Shares. If there are still assets of the Company legally available for distribution, such remaining assets of the Company shall be distributed to the holders of issued and outstanding Ordinary Shares on pro rata basis among themselves.

Conversion

The Preferred Shares (exclusive of unpaid shares) would automatically be converted into common shares 1) upon a QIPO; or 2) upon the written consent of the holders of a majority of the outstanding Preferred Share of each class with respect to conversion of each class.

The initial conversion ratio of Preferred Shares to ordinary shares shall be 1:1, subject to adjustments in the event of (i) share splits, share dividends, combinations, recapitalization and similar events, or (ii) issuance of Ordinary Shares (excluding certain events such as issuance of ordinary shares pursuant to a public offering) at a price per share less than the conversion price in effect on the date of or immediately prior to such issuance.

The Company determined that there were no beneficial conversion features identified for any of the Preferred Shares during any of the periods. In making this determination, the Company compared the fair value of the ordinary shares into which the Preferred Shares are convertible with the respective effective conversion price at the issuance date. In all instances, the effective conversion price was greater than the fair value of the ordinary shares. To the extent a conversion price adjustment occurs, as described above, the Company will re-evaluate whether or not a beneficial conversion feature should be recognized.

Redemption

The Company shall redeem, at the option of any holder of outstanding Preferred Shares, all of the outstanding Preferred Shares (other than the unpaid shares) held by the requesting holder, at any time after the earliest to occur of (a) December 31, 2021, if no QIPO or Approved Sale has been consummated prior to such date, (b) any material change in applicable law that would prohibit or otherwise make it illegal to continue to operate the business under the then-existing equity structure of the Group, which could not be solved by alteration or adjustment of the equity structure of the Group after good faith consultation among the Company and its shareholders, (c) the early termination of employment or service contracts of no less than 30% of the certain key employees (or subsequent persons holding their respective positions) with the Group during any six-month period (excluding any early termination with cause) which has resulted in material adverse effect with respect to the Business of the Group as a whole, and (d) termination or disruption of the business of the Group as a whole, which is attributable to any Group Company's non-compliance with applicable laws or breach or early termination of material business contracts or business arrangements with any supplier, clients or otherwise (any matter or event as described in items (a) to (d), hereinafter a "Redemption Event"), or (e) any other Preferred Share holder has requested the Company to redeem its shares in any Redemption Event by delivery of a notice.

The redemption amount payable for each Preferred Share (other than the unpaid shares) will be an amount equal to the greater of (a) 100% of the Preferred Shares' original issue price, plus all accrued but unpaid dividends thereon up to the date of redemption and compound interest on the preferred shares' original issue price at the rate of 8% per annum, proportionally adjusted for share subdivisions, share dividends, reorganizations, reclassifications, consolidations, mergers or similar transactions, and (b) the fair market value of such Preferred Shares at the date of redemption.

Upon the redemption, Series D Preferred Shares shall rank senior to Series C Preferred Shares, Series C Preferred Shares shall rank senior to Series B Preferred Shares, Series B Preferred Shares shall rank senior to Series A-3 Preferred Shares, Series A-3 Preferred Shares shall rank senior to Series A-1 and A-2 Preferred Shares, Series A-1 and A-2 Preferred Shares shall rank pari passu to each other.

Conversion upon IPO

On September 14, 2018, in connection with the completion of IPO, all of the Preferred Shares were automatically converted to 821,378,518 ordinary shares based on the aforementioned conversion price.

Accounting for Preferred Shares

The Company recognized accretion to the respective redemption value of the Preferred Shares over the period starting from issuance date to September 12, 2018, the earliest redemption date. According to the redemption price calculation described above, the Company recognized accretion of the Preferred Shares amounted to RMB13,667,291, nil and nil for the years ended December 31, 2018, 2019 and 2020.

The Company's convertible redeemable preferred shares activities for the year ended December 31, 2018 are summarized below.:

	Series A-1 & A-2		Series A-3		Series B		Series C		Series D		Total	
	Number of shares	Amount (RMB)	Number of shares	Amount (RMB)	Number of shares	Amount (RMB)	Number of shares	Amount (RMB)	Number of shares	Amount (RMB)	Number of shares	Amount (RMB)
Balances as of December 31, 2017	295,000,000	5,011,731	24,210,431	427,129	114,867,321	2,294,980	166,205,830	4,454,596	213,585,003	7,469,350	813,868,585	19,657,786
Issuance of Series A-3 Preferred Shares *(note 24(c))*	–	–	7,509,933	–	–	–	–	–	–	–	7,509,933	–
Proceeds from Series D Preferred Shares	–	–	–	–	–	–	–	–	–	78,651	–	78,651
Accretion on convertible redeemable preferred shares to redemption value	–	7,091,163	–	565,979	–	2,417,979	–	2,375,943	–	1,216,227	–	13,667,291
Conversion of Series A-1 and A-2 Preferred Shares to Ordinary shares	(295,000,000)	(12,102,894)	–	–	–	–	–	–	–	–	(295,000,000)	(12,102,894)
Conversion of Series A-3 Preferred Shares to Ordinary shares	–	–	(31,720,364)	(993,108)	–	–	–	–	–	–	(31,720,364)	(993,108)
Conversion of Series B Preferred Shares to Ordinary shares	–	–	–	–	(114,867,321)	(4,712,959)	–	–	–	–	(114,867,321)	(4,712,959)
Conversion of Series C Preferred Shares to Ordinary shares	–	–	–	–	–	–	(166,205,830)	(6,830,539)	–	–	(166,205,830)	(6,830,539)
Conversion of Series D Preferred Shares to Ordinary shares	–	–	–	–	–	–	–	–	(213,585,003)	(8,764,228)	(213,585,003)	(8,764,228)
Balances as of December 31, 2018	–	–	–	–	–	–	–	–	–	–	–	–

22. REDEEMABLE NON-CONTROLLING INTERESTS

Investment in XPT Auto

XPT Auto, the Group's wholly owned subsidiary had its redeemable preferred share ("XPT Auto PS") financing of RMB1,269,900 to certain third party strategic investors in the second quarter of 2018. These third party strategic investors' contributions in XPT Auto were accounted for as the Group's redeemable non-controlling interests, and were classified as mezzanine equity. Pursuant to XPT Auto's share purchase agreement, the XPT Auto PS issued to third party strategic investors have the same rights as the existing ordinary shareholder of XPT Auto except that they have following privileges:

Redemption

The holders of XPT Auto PS have the option to request XPT Auto to redeem those shares under certain circumstance: (1) a qualified initial public offering of XPT Auto has not occurred by the fifth anniversary after the issuance of XPT Auto PS; (2) XPT Auto doesn't meet its performance target (revenue and net profit) for each of the year during FY2019 and FY2023; or (3) a deadlock event lasts for 60 working days and cannot be resolved.

The redemption price should be equal to the original issue price plus simple interest on the original issue price at the rate of 10% per annum minus the dividends paid up to the date of redemption.

Liquidation

In the event of any liquidation, the holders of XPT Auto PS have preference over holders of ordinary shares. On a return of capital on liquidation, XPT Auto's assets available for distribution among the investors shall first be paid to XPT Auto PS investors at the amount equal to the original issue price plus simple interest on the original issue price at the rate of 10% per annum minus the dividends paid up to the date of liquidation. The remaining assets of XPT Auto shall all be distributed to its ordinary shareholders.

The Company recognized accretion to the respective redemption value of the XPT Auto PS as a reduction of additional paid in capital over the period starting from issuance date. For the years ended December 31, 2018, 2019 and 2020, and the nine months ended September 30, 2020 and 2021, the Company recorded RMB63,297, RMB126,590, RMB104,270, RMB95,029 and nil, respectively, of accretion on redeemable non-controlling interests to redemption value.

In November 2020, the Company, through its wholly owned subsidiary, purchased all the equity interests in XPT Auto held by its minority shareholders with a cash consideration of RMB1.6 billion, which equaled the redemption price. As a result, the Company indirectly wholly owned XPT Auto thereafter. The Company accounted for such transaction as an equity transaction. The equity interests held by the minority shareholders, which were recorded as redeemable non-controlling interests with the carrying value of RMB1.6 billion, were derecognized accordingly.

Investment in NIO China

On April 29, 2020, the Company entered into definitive agreements, as amended and supplemented in May and June 2020, for investments in NIO China, with a group of investors (collectively, the "Strategic Investors"), pursuant to which, the Strategic Investors agreed to invest an aggregate of RMB7.0 billion in cash into NIO China for its 24.115% non-controlling interest. In June and July 2020, the Company received RMB5.0 billion. On September 16, 2020, pursuant to a share transfer agreement, the Company repurchased 8.612% equity interests owned by one of the Strategic Investors with the total consideration of RMB511.5 million, consisting of the actual capital investment plus accrued interest, and the Company assumed the remaining cash consideration obligation of RMB2.0 billion of the Strategic Investors. On February 2021, the Company, purchased from two of the 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, the Company, 1.418% equity interests from the strategic investors for a total consideration of RMB2.5 billion and recorded an amount of RMB2,023.5 million (US$314.0 million) in accretion on redeemable non-controlling interests to redemption value. As of September 30, 2021, the Group paid RMB500 million and the remaining RMB2.0 billion was recorded in other payable, which was subsequently paid in December 2021. As of September 30, 2021, the registered capital of NIO China was approximately RMB6.429 billion, and the Company hold 92.114% controlling equity interests in NIO China.

Each of the Strategic Investors has the right to request the Company to redeem their equity interests in NIO China at an agreed price in case of NIO China's failure to submit the application for a qualified initial public offering in 48 months commencing from June 29, 2020, failure to complete a qualified initial public offering in 60 months commencing from June 29, 2020, or other events as set forth in the share purchase agreement. The agreed price is calculated based on each non-controlling shareholder's cash investment to NIO China plus an annual interest rate of 8.5% that is not solely within the control of the Company.

As the redemption is at the holders' option and is upon the occurrence of the events that are not solely within the control of the Company, these Strategic Investors' contributions in NIO China were classified as mezzanine equity and is subsequent accreted to the redemption price using the agreed interest rate as a reduction of additional paid in capital. The Company recorded nil, nil, RMB207,400, RMB110,835 and RMB6,519,698 of accretion on redeemable non-controlling interests to redemption value for the years ended December 31, 2018, 2019 and 2020, and the nine months ended September 30, 2020 and 2021, respectively.

23. ORDINARY SHARES

Upon inception, each ordinary share was issued at a par value of US$0.00025 per share. Various numbers of ordinary shares were issued to share-based compensation award recipients. Each Class A ordinary share shall entitle the holder thereof to one (1) vote on all matters subject to vote at general meetings of our company, each Class B ordinary share shall entitle the holder thereof to four (4) votes on all matters subject to vote at general meetings of our company, and each Class C ordinary share shall entitle the holder thereof to eight (8) votes on all matters subject to vote at general meetings of our company.

In 2020, the Company consummated the follow-on offering of a total of 82,800,000, 101,775,000 and 78,200,000 American depositary shares (the "ADS") at a price of US$5.95, US$17.00 and US$39.00 per ADS, respectively.

As disclosed in Note 13 (ii), the Company induced early conversion of its outstanding 2024 Notes and with US$581,685 principal amount (including additional 9% premium) in January 2021 and issued a total of 62,192,017 ADSs. In May 2021, US$1,000 in aggregate principal amount of such notes were converted, pursuant to which the Company issued 115,665 ADSs to the holders of such notes. In August and September 2021, US$1,765 in aggregate principal amount of such notes were converted, pursuant to which the Company issued 178,729 ADSs to the holders of such notes.

In 2021, the Company issuance completed the sales of 2,593,179 ADSs with net proceeds of RMB602,814 (US$94,215) through an ATM offering.

As of December 31, 2018, 2019 and 2020 and September 30, 2021, 4,000,000,000 ordinary shares were authorized, 1,057,731,012, 1,067,467,877, 1,529,031,103 and 1,609,056,068 shares were issued and 1,050,799,032, 1,064,472,660, 1,526,539,388 and 1,590,573,377 shares were outstanding as of December 31, 2018, 2019 and 2020 and September 30, 2021, respectively. The share number excludes 32,356,429 Class A Ordinary Shares issued to the depositary bank for bulk issuance of ADSs reserved for future issuance upon the exercise or vesting of awards granted under the Company's share incentive plans.

24. SHARE-BASED COMPENSATION

Compensation expenses recognized for share-based awards granted by the Company were as follows:

	For the Year Ended December 31,			For the Nine Months Ended September 30,	
	2018	2019	2020	2020	2021
				(Unaudited)	
Cost of sales	9,289	9,763	5,564	3,575	22,065
Selling, general and administrative expenses	561,055	241,052	130,506	90,725	373,928
Research and development expenses	109,124	82,680	51,024	32,595	217,456
Total	679,468	333,495	187,094	126,895	613,449

There was no income tax benefit recognized in the consolidated statements of comprehensive loss for share-based compensation expenses and the Group did not capitalize any of the share-based compensation expenses as part of the cost of any assets in the years ended December 31, 2018, 2019 and 2020, and the nine months ended September 30, 2020 and 2021.

(a) Prime Hubs' Restricted Shares Plan

In 2015, the Company adopted the Prime Hubs Restricted Shares Plan (the "Prime Hubs Plan"). Pursuant to the Prime Hubs Plan, restricted shares were granted to certain employees and non-employee consultants of the Group as approved by the board of directors. The restricted shares granted require the non-employee consultants to serve the Group for a period of one year with 100% of the restricted shares vesting upon the completion of the service period and the employees to serve the Group for a period of four years with 25% of the restricted shares vesting at each anniversary of the service commencement date. The restricted shares issued under the Prime Hubs Plan are held by Prime Hubs, a consolidated variable interest entity of the Company, and are accounted for as treasury stocks of the Company prior to their vesting.

The following table summarizes activities of the Company's restricted shares granted to employees under the Prime Hubs Plan:

Employees	Number of Shares Outstanding	Weighted Average Grant Date Fair Value
		US$
Unvested as of December 31, 2017	7,058,338	1.04
Vested	(7,058,338)	1.04
Unvested as of December 31, 2018, 2019 and 2020 and September 30, 2021	–	–

In August 2018, the Company agreed to repurchase 562,500 vested Prime Hubs restricted shares from a former employee who passed away with total cash consideration of RMB7,490 at the fair value.

For the years ended December 31, 2018, 2019 and 2020, and the nine months ended September 30, 2020 and 2021, total share-based compensation expenses recognized for the employee restricted shares granted under the Prime Hubs Plan were RMB39,560, nil, nil, nil and nil respectively.

As of December 31, 2018, all the employee restricted shares granted under the Prime Hubs Plan had been fully vested and hence all related share-based compensation expenses had been recognized.

(b) NIO Incentive Plans

In 2015, the Company adopted the 2015 Stock Incentive Plan (the "2015 Plan"), which allows the plan administrator to grant share options and restricted shares of the Company to its employees, directors, and consultants.

The Company granted both share options and restricted shares to the employees. The share options and restricted shares of the Company under 2015 Plan have a contractual term of ten years from the grant date, and vest over a period of four years of continuous service, one fourth (1/4) of which vest upon the first anniversary of the stated vesting commencement date and the remaining vest ratably over the following 36 months. Under the 2015 Plan, share options granted to the non-NIO US employees of the Group are only exercisable upon the occurrence of an initial public offering by the Company.

In 2016, 2017 and 2018, the Board of Directors further approved the 2016 Stock Incentive Plan (the "2016 Plan"), the 2017 Stock Incentive Plan (the "2017 Plan") and the 2018 Stock Incentive Plan (the "2018 Plan"). The share options of the Company under 2016, 2017 and 2018 Plans have a contractual term of seven or ten years from the grant date, and vest immediately or over a period of four or five years of continuous service.

The Group did not recognize any share-based compensation expenses for share options granted to the non-NIO US employees of the Group until completion of the Company's IPO on September 12, 2018. The Group recognized the share options and restricted shares of the Company granted to the employees of NIO US on a straight-line basis over the vesting term of the awards, net of estimated forfeitures. Share-based compensation expenses for share options granted to the non-NIO US employees of the Group before IPO were recognized by using the graded-vesting method.

(i) Share Options

The following table summarizes activities of the Company's share options under the 2015, 2016, 2017 and 2018 Plans for the years ended December 31, 2018, 2019 and 2020 and nine months ended September 30, 2021:

	Number of Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
		US$	In Years	US$
Outstanding as of December 31, 2017	57,775,914	0.57	8.52	114,299
Granted	47,216,792	2.79	–	–
Exercised	(7,732,317)	0.40	–	–
Cancelled	(5,498,453)	1.17	–	–
Expired	(687,796)	0.62	–	–
Outstanding as of December 31, 2018	91,074,140	1.69	8.23	425,988
Granted	33,964,176	3.29	–	–
Exercised	(20,133,668)	0.49	–	–
Cancelled	(14,759,778)	2.69	–	–
Expired	(1,300,898)	4.11	–	–
Outstanding as of December 31, 2019	88,843,972	2.38	6.77	164,363
Granted	16,077,700	8.09	–	–
Exercised	(15,253,500)	1.55	–	–
Cancelled	(9,030,781)	3.02	–	–
Expired	(1,318,892)	4.49	–	–
Outstanding as of December 31, 2020	79,318,499	3.59	6.39	3,581,119
Granted	2,402,150	40.21	–	–
Exercised	(7,552,207)	2.30	–	–
Cancelled	(1,891,646)	12.75	–	–
Expired	(5,039)	17.21	–	–
Outstanding as of September 30, 2021	72,271,757	4.70	5.70	2,267,508
Vested and expected to vest as of December 31, 2018	88,168,431	1.67	8.21	413,978
Exercisable as of December 31, 2018	32,959,964	0.73	7.45	185,787
Vested and expected to vest as of December 31, 2019	85,578,313	2.37	6.76	159,483
Exercisable as of December 31, 2019	32,925,154	1.78	6.34	80,801
Vested and expected to vest as of December 31, 2020	78,405,625	3.58	6.39	3,540,734
Exercisable as of December 31, 2020	32,504,454	2.28	6.24	1,510,113
Vested and expected to vest as of September 30, 2021	71,689,546	4.68	5.70	2,250,540
Exercisable as of September 30, 2021	42,414,771	2.77	5.69	1,397,359

The weighted-average grant date fair value for options granted under the Company's 2017, 2018 and 2019 Plans during the years ended December 31, 2018, 2019 and 2020, and the nine months ended September 30, 2020 and 2021, was US$1.93, US$1.46, US$4.03, US$1.47 and US$34.03, respectively, computed using the binomial option pricing model.

The total share-based compensation expenses recognized for share options during the years ended December 31, 2018, 2019 and 2020, and the nine months ended September 30, 2020 and 2021, was RMB437,320, RMB329,693, RMB177,543, RMB123,781 and RMB389,202, respectively.

The fair value of each option granted under the Company's 2017, 2018 and 2019 Plans during 2018, 2019 and 2020 and 2021 was estimated on the date of each grant using the binomial option pricing model with the assumptions (or ranges thereof) in the following table:

	For the Year Ended December 31			For the Nine Months Ended September 30	
	2018	2019	2020	2020	2021
				(Unaudited)	
Exercise price (US$)	0.10 – 6.74	1.80 – 7.09	2.38 – 48.45	2.38 – 13.36	2.39 – 41.53
Fair value of the ordinary shares on the date of option grant (US$)	3.38 – 6.74	1.80 – 7.09	2.38 – 48.45	2.38 – 13.36	39.54 – 41.53
Risk-free interest rate	2.74% – 3.15%	1.66% – 2.54%	0.50% – 1.00%	0.47% – 0.55%	1.08% – 1.47%
Expected term (in years)	7 – 10	7 – 10	7 – 10	7 – 10	7 – 10
Expected dividend yield	0%	0%	0%	0%	0%
Expected volatility	47% – 51%	44% – 52%	54% – 55%	54%	55%
Expected forfeiture rate (post-vesting)	5% – 8%	6% – 8%	2% – 6%	6%	2%

Risk-free interest rate is estimated based on the yield curve of US Sovereign Bond as of the option valuation date. The expected volatility at the grant date and each option valuation date is estimated based on annualized standard deviation of daily stock price return of comparable companies with a time horizon close to the expected expiry of the term of the options. The Company has never declared or paid any cash dividends on its capital stock, and the Group does not anticipate any dividend payments in the foreseeable future. Expected term is the contract life of the options.

As of December 31, 2018, 2019 and 2020 and September 30, 2021, there were RMB117,367, RMB89,896, RMB109,905 and RMB68,965 of unrecognized compensation expenses related to the stock options granted to the employees of NIO US, which is expected to be recognized over a weighted-average period of 2.67, 2.78, 2.73 and 2.05 years, respectively.

As of December 31, 2018, 2019, 2020 and September 30, 2021, there were RMB345,072, RMB269,425, RMB430,414 and RMB483,798 of unrecognized compensation expenses related to the stocks options granted to the Group's non-NIO US employees which is expected to be recognized over a weighted-average period of 3.02 years, 2.67 years, 2.01 years and 1.40 years, respectively.

(ii) Restricted shares

The fair value of each restricted share granted with service conditions is estimated based on the fair market value of the underlying ordinary shares of the Company on the date of grant.

The following table summarizes activities of the Company's restricted shares to US employees under the 2016 Plan:

	Number of Restricted Shares Outstanding	Weighted Average Grant Date Fair Value
		US$
Unvested at December 31, 2017	1,112,977	0.96
Vested	(608,406)	0.96
Forfeited	(63,058)	0.96
Unvested at December 31, 2018	441,513	0.96
Vested	(362,685)	0.96
Forfeited	(78,828)	0.96
Unvested at December 31, 2019, 2020 and September 30, 2021	–	–

Share-based compensation expenses of RMB3,790, RMB2,357, nil, nil and RMB7,444 related to restricted shares granted to the employees of NIO US was recognized for the years ended December 31, 2018, 2019 and 2020, and the nine months ended September 30, 2020 and 2021, respectively.

As of December 31, 2018, 2019 and 2020, and the September 30, 2021, there were nil, nil, nil and RMB127,724 of unrecognized compensation expenses related to restricted shares granted to the employees of NIO US, which is expected to be recognized over a weighted-average period of nil, nil, nil and 3.65 years, respectively.

The following table summarizes activities of the Company's restricted shares to non-US employees under the 2017 and 2018 Plan:

	Number of Restricted Shares Outstanding	Weighted Average Grant Date Fair Value
		US$
Unvested at December 31, 2018	63,897	6.60
Vested	(31,949)	6.60
Unvested at December 31, 2019	31,948	6.60
Granted	3,869,213	20.07
Vested	(2,165,417)	3.85
Unvested at December 31, 2020	1,735,744	40.05
Granted	9,197,669	33.90
Vested	(584,963)	41.33
Forfeited	(188,343)	38.12
Unvested at September 30, 2021	10,160,107	33.29

Share-based compensation expenses of RMB20,323, RMB1,445, RMB9,551, RMB3,114 and RMB216,803 related to restricted shares granted to the non-US employees was recognized for the years ended December 31, 2018, 2019 and 2020, and the nine months ended September 30, 2020 and 2021, respectively.

As of December 31, 2018, 2019 and 2020 and September 30, 2021, there were RMB2,798, RMB1,028, RMB472,628 and RMB2,046,492 of unrecognized compensation expenses related to restricted shares granted to the non-US employees, which is expected to be recognized over a weighted-average period of 1.7, 0.7, 3.65 and 3.64 years, respectively.

(c) Non-recourse Loan

In November 2015, the Company issued an offer letter to one of its key management team member ("the Borrower"). In the offer letter, the Company offered the Borrower to purchase 7,509,933 Series A-3 Preferred Shares of the Company at the price of US$1.6522 per share, which equals to the purchase price same class of preferred shares by other third party investors in the most recent round of financing prior to the offer letter. In addition, the Company agreed to provide a loan in the amount of US$12,408 with an interest rate of 1.8% compounded semiannually to paid for the fund the purchase of such Series A-3 Preferred Shares by the Borrower ("the Loan"). The Loan agreement was signed on March 10, 2016. The Loan is subject to a three-year service condition with 25% immediately vested on the grant date and 25% cliff vesting annually. The Borrower's personal liability on the Loan, and the Company's recourse against the Borrower personally on the Loan, shall be limited to 50% of the then-outstanding principal amount of the Loan, including any interest accrued thereon.

In June 2018, the Borrower repaid the loan pursuant to the agreement, including the interest accrued, to the Company, amounting to RMB82,863. By the time of the repayment, 75% of the Award was vested and considered as exercised while 25% remained as unvested.

Pursuant to ASC 718, the Company accounted for the Loan as a stock liability (the "Award"). Given the underlying of the Award is Series A-3 Preferred Shares, it was treated as a liability award following ASC 480. The Award was initially recognized at fair value and subsequently re-measured by recognizing the change in fair value as an adjustment to the compensation costs. The fair value of the Award granted was estimated on each reporting date using the Black-Scholes option pricing model with the assumptions (or ranges thereof) in the following table:

	2018
Exercise price	1.74
Fair value of the Preferred Shares on the measurement date	4.54
Risk-free interest rate	2%
Remaining life (in years)	0.26
Expected dividend yield	0%
Expected volatility	43% – 44%

As of December 31, 2018, the Award was fully vested and exercised.

Share-based compensation expenses related to the Award of RMB178,475, nil, nil, nil and nil were recognized for the years ended December 31, 2018, 2019 and 2020, and the nine months ended September 30, 2020 and 2021, respectively.

25. TAXATION

(a) Income taxes

Cayman Islands

The Group is incorporated in the Cayman Islands. The Cayman Islands currently have no form of income, corporate or capital gains tax and no estate duty, inheritance tax or gift tax. There are no other taxes likely to be material to us levied by the government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or, after execution, brought within the jurisdiction of the Cayman Islands.

PRC

Generally, the Company's PRC subsidiaries are subject to enterprise income tax on their taxable income in China at a statutory rate of 25%, except for certain PRC subsidiaries that are qualified as high and new technology enterprises under the PRC Enterprise Income Tax Law and are eligible for a preferential enterprise income tax rate of 15%. The enterprise income tax is calculated based on the entity's global income as determined under PRC tax laws and accounting standards.

Dividends paid by the Company's PRC subsidiaries in China to its Hong Kong subsidiaries will be subject to a withholding tax rate of 10%, unless the relevant Hong Kong entity satisfies all the requirements under the Double Taxation Avoidance Arrangement and receives approval from the relevant tax authority. If Hong Kong subsidiaries satisfy all the requirements under the tax arrangement and receive approval from the relevant tax authority, then the dividends paid to the Hong Kong subsidiaries would be subject to withholding tax at the standard rate of 5%. Effective from November 1, 2015, the above-mentioned approval requirement has been abolished, but a Hong Kong entity is still required to file application package with the relevant tax authority, and settle the overdue taxes if the preferential 5% tax rate is denied based on the subsequent review of the application package by the relevant tax authority.

If the Company or any of its subsidiaries outside of China were deemed to be a "resident enterprise" under the PRC Enterprise Income Tax Law, it would be subject to enterprise income tax on its worldwide income at a rate of 25%.

Under the PRC Enterprise Income Tax Law, research and development expenses incurred by an enterprise in the course of carrying out research and development activities that have not formed intangible assets and are included in the profit and loss account for the current year. Besides deducting the actual amount of research and development expenses incurred, an enterprise is allowed an additional 75% deduction of the amount in calculating its taxable income for the relevant year. For research and development expenses that have formed intangible assets, the tax amortization is based on 175% of the costs of the intangible assets.

Hong Kong

Subsidiaries incorporated in Hong Kong are subject to 8.25% profit tax on the first HKD2 million taxable income and 16.5% profit tax on the remaining taxable income generated from operations in Hong Kong. There is no withholding tax in Hong Kong on remittance of dividends.

Other Countries

The maximum applicable income tax rates of other countries where the Company's subsidiaries having significant operations for the years ended December 31, 2018, 2019 and 2020 and nine months ended September 30, 2021 are as follows:

	For the Year Ended December 31,			For the Nine Months Ended September 30,
	2018	**2019**	**2020**	**2021**
United States	29.84%	29.84%	29.84%	29.84%
United Kingdom	19.00%	19.00%	19.00%	19.00%
Germany	32.98%	32.98%	32.98%	32.98%
Netherlands	–	–	–	25%
Norway	–	–	–	22%

Subsidiaries incorporated in Netherlands are subject to 15% profit tax on the first EUR245 taxable income and 25% profit tax on remaining taxable income generated from operations in Netherlands.

Composition of income tax expense for the periods presented are as follows:

	For the Year Ended December 31,			For the Nine Months Ended September 30,	
	2018	2019	2020	2020	2021
				(Unaudited)	
Current income tax expense	22,044	7,888	6,368	4,704	9,018

Reconciliations of the income tax expense computed by applying the PRC statutory income tax rate of 25% to the Group's income tax expense of the years presented are as follows:

	For the Year Ended December 31,			For the Nine Months Ended September 30,	
	2018	2019	2020	2020	2021
				(Unaudited)	
Loss before income tax expense	(9,616,935)	(11,287,764)	(5,297,714)	(3,840,845)	(1,864,502)
Income tax expense computed at PRC statutory income tax rate of 25%	(2,404,234)	(2,821,941)	(1,324,429)	(960,211)	(466,125)
Non-deductible expenses	96,684	58,374	47,151	6,861	13,589
Foreign tax rates differential	167,180	107,617	(81,668)	85,595	123,775
Additional 75% tax deduction for qualified research and development expenses	(216,993)	(22,630)	(36,775)	–	(404,770)
Tax exempted interest income	(10,377)	(3,093)	–	–	(1,619)
Non-taxable offshore income	–	–	(523,276)	–	–
US tax credits	(42,781)	(72,448)	(21,633)	(60,563)	(22,845)
Prior year adjustments	(1,422)	(16,259)	(4,324)	(2,606)	(5,269)
Tax benefit contributed by Non-controlling interest	–	2,285	1,241	–	–
Tax benefit not utilized	2,433,987	2,775,983	1,950,081	934,952	772,235
Others	–	–	–	676	47
Income tax expense	22,044	7,888	6,368	4,704	9,018

The PRC statutory income tax rate was used because the majority of the Group's operations are based in PRC.

(b) Deferred tax

The Group considers positive and negative evidence to determine whether some portion or all of the deferred tax assets will be more-likely-than-not realized. This assessment considers, among other matters, the nature, frequency and severity of recent losses and forecasts of future profitability. These assumptions require significant judgment and the forecasts of future taxable income are consistent with the plans and estimates the Group is using to manage the underlying business. The statutory income tax rate of 25% or applicable preferential income tax rates were applied when calculating deferred tax assets.

The Group's deferred tax assets consist of the following components:

	As of December 31,			As of September 30,
	2018	2019	2020	2021
Deferred tax assets				
Net operating loss carry-forwards	3,777,696	6,005,461	6,831,387	7,049,709
Accrued and prepaid expenses	255,240	420,714	534,693	814,367
Deferred Revenue	83,877	105,840	251,778	487,878
Tax credit carry-forwards	117,801	213,773	233,326	258,983
Property, plant and equipment, net	17,467	10,584	64,191	70,200
Unrealized financing cost	41,939	29,200	40,800	37,780
Intangible assets	15,687	36,362	36,702	48,853
Allowance against receivables	–	27,196	9,027	24,829
Deferred rent	36,729	19,035	9,791	26,992
Share-based compensation	8,962	7,688	6,857	11,283
Write-downs of inventory	–	2,607	1,162	533
Advertising expenses in excess of deduction limit	14,234	353	507	602
Unrealized foreign exchange loss	55	55	(971)	(928)
Others	–	162	269	1,024
Total deferred tax assets	4,369,687	6,879,030	8,019,519	8,832,105
Less: Valuation allowance	(4,369,687)	(6,879,030)	(8,019,519)	(8,832,105)
Total deferred tax assets, net	–	–	–	–

Full valuation allowances have been provided where, based on all available evidence, management determined that deferred tax assets are not more likely than not to be realizable in future tax years. Movement of valuation allowance is as follow:

	As of December 31,			As of September 30,
Valuation allowance	2018	2019	2020	2021
Balance at beginning of the year	1,878,643	4,369,687	6,879,030	8,019,519
Additions	2,491,044	2,509,343	1,140,489	812,586
Balance at end of the year	4,369,687	6,879,030	8,019,519	8,832,105

The Group has tax losses arising in Mainland China of RMB21,419,766, that will expire in one to nine years for deduction against future taxable profit.

Loss expiring in 2021	26,311
Loss expiring in 2022	52,884
Loss expiring in 2023	2,413,090
Loss expiring in 2024	3,370,830
Loss expiring in 2025	3,726,951
Loss expiring in 2026	309,211
Loss expiring in 2027	2,799,057
Loss expiring in 2028	3,386,869
Loss expiring in 2029	5,334,563
Total	21,419,766

The Group has tax losses arising in Hong Kong of RMB2,601,564 for which could be carried forward indefinitely against future taxable income.

The Group has tax losses arising in United States of RMB22,731, RMB230,117, RMB806,692 and RMB2,366,316 that will expire in sixteen, seventeen, eighteen and infinite years for deduction against future taxable income.

Uncertain Tax Position

The Group did not identify any significant unrecognized tax benefits for each of the periods presented. The Group did not incur any interest related to unrecognized tax benefits, did not recognize any penalties as income tax expense and also does not anticipate any significant change in unrecognized tax benefits within 12 months from September 30, 2021.

26. LOSS PER SHARE

Basic loss per share and diluted loss per share have been calculated in accordance with ASC 260 on computation of earnings per share for the years ended December 31, 2018, 2019 and 2020, and the nine months ended September 30, 2020 and 2021 as follows:

	For the Year Ended December 31,			For the Nine Months Ended September 30,	
	2018	2019	2020	2020	2021
				(Unaudited)	
Numerator:					
Net loss	(9,638,979)	(11,295,652)	(5,304,082)	(3,915,459)	(1,873,520)
Accretion on convertible redeemable preferred shares to redemption value	(13,667,291)	–	–	–	–
Accretion on redeemable non-controlling interests to redemption value	(63,297)	(126,590)	(311,670)	(205,864)	(6,519,698)
Net loss attributable to non-controlling interests	41,705	9,141	4,962	2,703	131
Net loss attributable to ordinary shareholders of NIO Inc. for basic/dilutive net loss per share	(23,327,862)	(11,413,101)	(5,610,790)	(4,118,620)	(8,393,087)
Denominator:					
Weighted-average number of ordinary shares outstanding – basic and diluted	332,153,211	1,029,931,705	1,182,660,948	1,100,928,485	1,561,225,055
Basic and diluted net loss per share attributable to ordinary shareholders of NIO Inc.	(70.23)	(11.08)	(4.74)	(3.74)	(5.38)

For the years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2021, the Company had potential ordinary shares, including non-vested restricted shares, options granted, Convertible Notes and Preferred Shares. As the Group incurred losses for the years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2020 and 2021, these potential ordinary shares were anti-dilutive and excluded from the calculation of diluted net loss per share of the Company. Such weighted average numbers of ordinary shares outstanding are as following:

	For the Year Ended December 31,			For the Nine Months Ended September 30,	
	2018	2019	2020	2020	2021
				(Unaudited)	
Non-vested restricted shares	340,518	459,199	–	–	–
Outstanding weighted average options granted	72,735,288	31,276,979	52,558,756	50,760,592	57,438,555
Convertible Notes	–	92,512,382	183,942,782	233,488,685	47,836,368
Preferred Shares	678,614,152	–	–	–	–
Total	751,689,958	124,248,560	236,501,538	284,249,277	105,274,923

27. RELATED PARTY BALANCES AND TRANSACTIONS

The principal related parties with which the Group had transactions during the years presented are as follows:

Name of Entity or Individual	Relationship with the Company
Baidu Capital L.P.	Shareholder
Ningbo Meishan Bonded Port Area Weilan Investment Co., Ltd.	Controlled by Principal Shareholder
Shanghai NIO Hongling Investment Management Co., Ltd.	Controlled by Principal Shareholder
Miracle Mission Limited	Controlled by Principal Shareholder
Beijing Chehui Hudong Guanggao Co., Ltd.	Controlled by Principal Shareholder
Beijing Xinyi Hudong Guanggao Co., Ltd.	Controlled by Principal Shareholder
Bite Shijie (Beijing) Keji Co., Ltd.	Controlled by Principal Shareholder
Shanghai Weishang Business Consulting Co., Ltd.	Controlled by Principal Shareholder
Beijing Bit Ep Information Technology Co., Ltd.	Controlled by Principal Shareholder
Serene View Investment Limited	Controlled by Principal Shareholder
Huang River Investment Limited	Controlled by Principal Shareholder
Tianjin Boyou Information Technology Co., Ltd.	Controlled by Principal Shareholder
Beijing Yiche Information Science and Technology Co., Ltd.	Controlled by Principal Shareholder
Beijing Yiche Interactive Advertising Co., Ltd.	Controlled by Principal Shareholder
Shanghai Yiju Information Technology Co., Ltd.	Controlled by Principal Shareholder
Beijing Bitauto Interactive Technology Co., Ltd.	Controlled by Principal Shareholder
Beijing Weixu Business Consulting Co., Ltd.	Controlled by Principal Shareholder
Xunjie Energy (Wuhan) Co., Ltd.	Affiliate
Suzhou Zenlead XPT New Energy Technologies Co., Ltd	Affiliate
Kunshan Siwopu Intelligent Equipment Co., Ltd.	Affiliate
Nanjing Weibang Transmission Technology Co., Ltd.	Affiliate
Wuhan Weineng Battery Assets Co., Ltd.	Affiliate
Wistron Info Comm (Kunshan) Co., Ltd.	Subsidiary's Non-controlling shareholder
Xtronics Innovation Ltd.	Subsidiary's Non-controlling shareholder
Beijing Changxing Information Technology Co., Ltd.	Significantly influenced by Principal Shareholder

In June 2018, Wenjie Wu, originally appointed by Baidu Capital L.P. to be a board director of the Company, resigned and since then, Baidu Capital L.P. ceased to have significant influence over the Company and was no longer the Group's related party.

In December 2020, Mr. Bin Li resigned as chairman of the Board in Beijing Bitauto Interactive Technology Co., Ltd.. Since then, Beijing Bitauto Interactive Technology Co., Ltd., Beijing Xinyi Hudong Guanggao Co., Ltd., Bite Shijie (Beijing) Keji Co., Ltd. and Beijing Chehui Hudong Guanggao Co., Ltd. were no longer controlled by Mr. Bin Li, and were no longer the Group's related parties.

(a) The Group entered into the following significant related party transactions:

(i) Provision of service

For the years ended December 31, 2018, 2019 and 2020, and the nine months ended September 30, 2020 and 2021, service income was primarily generated from property management, administrative support, design and research and development services the Group provided to its related parties.

	For the Year Ended December 31,			For the Nine Months Ended September 30,	
	2018	**2019**	**2020**	**2020**	**2021**
				(Unaudited)	
Wuhan Weineng Battery Assets Co., Ltd.	–	–	38	–	37,948
Nanjing Weibang Transmission Technology Co., Ltd.	–	2,417	1,523	1,163	1,197
Beijing Weixu Business Consulting Co., Ltd.	–	–	–	–	165
Shanghai Weishang Business Consulting Co., Ltd.	905	1,806	–	–	–
Shanghai NIO Hongling Investment Management Co., Ltd.	2,707	–	–	–	–
	3,612	4,223	1,561	1,163	39,310

(ii) Acceptance of advertising and IT support services

	For the Year Ended December 31,			For the Nine Months Ended September 30,	
	2018	**2019**	**2020**	**2020**	**2021**
				(Unaudited)	
Beijing Bit Ep Information Technology Co., Ltd.	–	3,627	4,159	4,159	3,802
Beijing Yiche Interactive Advertising Co., Ltd.	–	6,132	–	–	472
Tianjin Boyou Information Technology Co., Ltd.	–	264	1,594	1,594	217
Beijing Chehui Hudong Guanggao Co., Ltd.	6,915	29,599	92,356	61,171	–
Beijing Xinyi Hudong Guanggao Co., Ltd.	28,245	37,935	39,919	20,404	–
Beijing Yiche Information Science and Technology Co., Ltd.	32	466	280	234	–
Shanghai Yiju Information Technology Co., Ltd.	–	76	142	123	–
Bite Shijie (Beijing) Keji Co., Ltd.	2,865	1,664	47	–	–
	38,057	79,763	138,497	87,685	4,491

(iii) Loan to related party

	For the Year Ended December 31,			For the Nine Months Ended September 30,	
	2018	**2019**	**2020**	**2020**	**2021**
				(Unaudited)	
Miracle Mission Limited .	66,166	–	–	–	–

On January 12, 2018, the Group granted two interest free loans to Miracle Mission Limited, with principal amount of US$5,000 each. The loans mature in six months. One of the loan has been received by the Group and the other has been converted into the investment in ordinary shares of a subsidiary of Miracle Mission Limited, which was further disposed in 2019.

(iv) Cost of manufacturing consignment

	For the Year Ended December 31,			For the Nine Months Ended September 30,	
	2018	**2019**	**2020**	**2020**	**2021**
				(Unaudited)	
Suzhou Zenlead XPT New Energy Technologies Co., Ltd.	132,152	132,511	174,680	106,188	84,915

(v) Purchase of raw material, property and equipment

	For the Year Ended December 31,			For the Nine Months Ended September 30,	
	2018	**2019**	**2020**	**2020**	**2021**
				(Unaudited)	
Kunshan Siwopu Intelligent Equipment Co., Ltd.	11,107	7,982	22,797	8,142	455,070
Nanjing Weibang Transmission Technology Co., Ltd. . . .	–	34,220	114,329	35,859	153,981
Xunjie Energy (Wuhan) Co., Ltd.	–	–	460	–	24,920
	11,107	42,202	137,586	44,001	633,971

(vi) Interest payment

	For the Year Ended December 31,			For the Nine Months Ended September 30,	
	2018	**2019**	**2020**	**2020**	**2021**
				(Unaudited)	
Baidu Capital L.P.	8,065	–	–	–	–

(vii) Acceptance of R&D and maintenance service

	For the Year Ended December 31,			For the Nine Months Ended September 30,	
	2018	**2019**	**2020**	**2020**	**2021**
				(Unaudited)	
Kunshan Siwopu Intelligent Equipment Co., Ltd.	2,436	341	1,449	554	12,767
Xunjie Energy (Wuhan) Co., Ltd.	–	–	–	–	231
Suzhou Zenlead XPT New Energy Technologies Co., Ltd.	14,776	–	1,953	–	–
	17,212	341	3,402	554	12,998

(viii) Payment on behalf of related party

	For the Year Ended December 31,			For the Nine Months Ended September 30,	
	2018	**2019**	**2020**	**2020**	**2021**
				(Unaudited)	
Nanjing Weibang Transmission Technology Co., Ltd.	2,790	–	–	–	–

(ix) Loan from related party

	For the Year Ended December 31,			For the Nine Months Ended September 30,	
	2018	**2019**	**2020**	**2020**	**2021**
				(Unaudited)	
Beijing Bitauto Interactive Technology Co., Ltd.	–	–	260,000	133,419	–
Beijing Changxing Information Technology Co., Ltd.	–	25,799	–	–	–
	–	25,799	260,000	133,419	–

In 2019, the Company signed a loan agreement with Beijing Changxing Information Technology Co., Ltd. for a loan of RMB25,799 at an interest rate of 15%. As of September 30, 2021, the loan has been fully repaid by the Company.

In 2020, the Company signed loan agreements with Beijing Bitauto Interactive Technology Co., Ltd. for an aggregate loan amount of RMB260,000 at an interest rate of 6%. As of September 30, 2021, the loans have been fully repaid by the Company.

(x) Sale of raw material, property and equipment

	For the Year Ended December 31,			For the Nine Months Ended September 30,	
	2018	2019	2020	2020	2021
				(Unaudited)	
Wistron Info Comm (Kunshan) Co., Ltd.	–	725	358	–	–
Wuhan Weineng Battery Assets Co., Ltd.	–	–	120	–	–
	–	725	478	–	–

(xi) Convertible notes issued to related parties and interest accrual (Note 13)

	For the Year Ended December 31,			For the Nine Months Ended September 30,	
	2018	2019	2020	2020	2021
				(Unaudited)	
Huang River Investment Limited	–	920,914	22,018	101,087	11,875
Serene View Investment Limited	–	614,926	101,927	18,136	–
	–	1,535,840	123,945	119,223	11,875

(xii) Sales of goods

	For the Year Ended December 31,			For the Nine Months Ended September 30,	
	2018	2019	2020	2020	2021
				(Unaudited)	
Wuhan Weineng Battery Assets Co., Ltd.	–	–	290,135	30,973	2,796,637
Beijing Yiche Interactive Advertising Co., Ltd. . . .	–	–	1,453	–	485
Kunshan Siwopu Intelligent Equipment Co., Ltd.	–	–	–	–	370
Shanghai Weishang Business Consulting Co., Ltd.	–	–	–	–	157
Beijing Bit Ep Information Technology Co., Ltd. . . .	–	–	4,402	–	–
Beijing Bitauto Interactive Technology Co., Ltd. . . .	–	–	1,974	–	–
Beijing Yiche Information Science and Technology Co., Ltd.	–	–	525	–	–
	–	–	298,489	30,973	2,797,649

(b) The Group had the following significant related party balances:

(i) Amounts due from related parties

	As of December 31,			As of September 30,
	2018	2019	2020	2021
Due from related parties, current:				
Trade related				
Due from Wuhan Weineng Battery Assets Co. Ltd.	–	–	118,779	998,388
Due from Wistron Info Comm (Kunshan) Co., Ltd.	–	109	–	–
Non-trade related				
Due from Ningbo Meishan Bonded Port Area Weilan Investment Co., Ltd.	50,000	50,000	50,000	50,000
Due from Nanjing Weibang Transmission Technology Co., Ltd.	2,790	674	509	268
Due from Miracle Mission Limited	34,316	–	–	–
Due from Shanghai NIO Hongling Investment Management Co., Ltd.	960	–	–	–
	88,066	50,783	169,288	1,048,656
Due from related parties, non-current:				
Non-trade related				
Due from Kunshan Siwopu Intelligent Equipment Co., Ltd.	7,970	–	617	–
Total	96,036	50,783	169,905	1,048,656

In 2017, the Company grant interest-free loans to Ningbo Meishen Bonded Port Area Weilan Investment Co., Ltd. As of September 30, 2021, the loans remain outstanding.

(ii) Amounts due to related parties

	As of December 31,			As of September 30,
	2018	2019	2020	2021
Due to related parties, current:				
Trade related				
Due to Kunshan Siwopu Intelligent Equipment Co., Ltd.	761	379	11,986	473,930
Due to Suzhou Zenlead XPT New Energy Technologies Co., Ltd.	210,868	180,687	273,982	279,099
Due to Nanjing Weibang Transmission Technology Co., Ltd.	–	33,018	51,687	33,608
Due to Xunjie Energy (Wuhan) Co., Ltd.	–	–	513	18,419
Non-trade related				
Due to Wistron Info Comm (Kunshan) Co., Ltd.	–	–	3,007	2,339
Due to Xtronics Innovation Ltd.	–	–	1,493	1,161
Due to Beijing Bit Ep Information Technology Co., Ltd.	–	2,598	1,768	1,076
Due to Beijing Yiche Interactive Advertising Co., Ltd.	–	3,500	–	472
Due to Beijing Yiche Information Science and Technology Co., Ltd.	–	205	167	–
Due to Beijing Xinyi Hudong Guanggao Co., Ltd.	3,530	36,714	–	–
Due to Beijing Changxing Information Technology Co., Ltd.	–	25,799	–	–
Due to Beijing Chehui Hudong Guanggao Co., Ltd.	4,085	25,170	–	–
Due to Bite Shijie (Beijing) Keji Co., Ltd.	339	1,549	–	–
Due to Shanghai Yiju Information Technology Co., Ltd.	–	80	–	–
Due to Tianjin Boyou Information Technology Co., Ltd.	–	30	–	–
Total	219,583	309,729	344,603	810,104

(iii) Short-term borrowings and interest payable

	As of December 31,			As of September 30,
	2018	2019	2020	2021
Huang River Investment Limited	–	354,840	3,391	75
Serene View Investment Limited	–	350,255	–	–
Total	–	705,095	3,391	75

(iv) Long-term borrowings and interest payable

	As of December 31,			As of September 30,
	2018	2019	2020	2021
Huang River Investment Limited	–	560,325	531,507	384,429
Serene View Investment Limited	–	258,213	–	–
Total	–	818,538	531,507	384,429

28. COMMITMENTS AND CONTINGENCIES

(a) Capital commitments

Capital expenditures contracted for at the balance sheet dates but not recognized in the Group's consolidated financial statements are as follows:

	As of December 31,			As of September 30,
	2018	2019	2020	2021
Property and equipment	1,454,031	551,582	428,448	2,636,325
Leasehold improvements	149,551	68,652	54,911	483,446
Total	1,603,582	620,234	483,359	3,119,771

(b) Contingencies

Between March and July 2019, several putative securities class action lawsuits were filed against the Company, certain of the Company's directors and officers, the underwriters in the IPO and the process agent, alleging, in sum and substance, that the Company's statements in the Registration Statement and/or other public statements were false or misleading and in violation of the U.S. federal securities laws. 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, the Company and other defendants filed their Motion to Dismiss on October 19, 2020. Certain of the Company's directors and officers, 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 action has since proceeded to the discovery stage. The Company and other Defendants submitted their respective Answers to Plaintiffs' Complaint on October 25, 2021, and will continue to proceed with the discovery process, subject to further negotiations with Plaintiffs regarding the scope, steps and timeline for the exchange of documents. In the New York county action, 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 filed a motion to dismiss on May 17, 2021. Briefing on the Motion to Dismiss was completed on August 2, 2021. The Court's decision on the Motion is pending. On October 4, 2021, the Court granted the Company and other Defendants' Motion to Dismiss. The Court dismissed Plaintiffs' claims with respect to the subsidy issue with prejudice (not permitting Plaintiffs to amend their claims), and dismissed Plaintiffs' claims with respect to the quality and design of ES8 without prejudice (allowing Plaintiffs, if they choose, to amend their claims by November 5, 2021). In the Kings County action, the judge has yet to be assigned and there has not been any major development. These actions remain in their preliminary stages. The Company is currently unable to determine any estimate of the amount or range of any potential loss, if any, associated with the resolution of such lawsuits, if they proceed.

The Group is subject to legal proceedings and regulatory actions in the ordinary course of business, such as disputes with landlords, suppliers, employees, etc. The results of such proceedings cannot be predicted with certainty, but the Group does not anticipate that the final outcome arising out of any of such matters will have a material adverse effect on the consolidated balance sheets, comprehensive loss or cash flows on an individual basis or in the aggregate. As of December 31, 2018, 2019 and 2020 and September 30, 2021, other than as discussed above, the Group is not a party to any material legal or administrative proceedings.

29. PARENT COMPANY ONLY CONDENSED FINANCIAL INFORMATION

The Company performed a test on the restricted net assets of its consolidated subsidiaries and VIEs in accordance with Securities and Exchange Commission Regulation S-X Rule 4-08 (e) (3), "General Notes to Financial Statements" and concluded that it was applicable for the Company to disclose the financial information for the Company only.

The subsidiaries did not pay any dividend to the Company for the years and periods presented. Certain information and footnote disclosures generally included in financial statements prepared in accordance with U.S. GAAP have been condensed and omitted. The footnote disclosures contain supplemental information relating to the operations of the Company, as such, these statements are not the general-purpose financial statements of the reporting entity and should be read in conjunction with the notes to the consolidated financial statements of the Company.

The Company did not have significant capital and other commitments or guarantees as of September 30, 2021.

Condensed Balance Sheets

	As of December 31,			As of September 30,	
	2018	2019	2020	2021	2021
	RMB	RMB	RMB	RMB	US$
					Note 2(e)
ASSETS					
Current assets:					
Cash and cash equivalents	17,179	11,629	22,173,454	2,862,130	444,195
Short-term investment	–	–	–	3,543,870	550,000
Amounts due from related parties	20,701	22,698	19,680	121	19
Prepayments and other current assets	54,847	–	34,664	2,097	325
Total current assets	92,727	34,327	22,227,798	6,408,218	994,539
Non-current assets:					
Investments in subsidiaries and VIEs	8,891,882	2,884,635	10,540,521	28,951,970	4,493,275
Total non-current assets	8,891,882	2,884,635	10,540,521	28,951,970	4,493,275
Total assets	8,984,609	2,918,962	32,768,319	35,360,188	5,487,814
LIABILITIES					
Current liabilities:					
Short-term borrowings	–	697,620	–	–	–
Amounts due to subsidiaries of the Group	2,046,971	2,555,511	246,800	33,971	5,272
Current portion of long-term borrowings	–	–	–	1,071,345	166,270
Accruals and other liabilities	913	100,772	101,750	42,156	6,541
Total current liabilities	2,047,884	3,353,903	348,550	1,147,472	178,083
Long-term borrowings	–	5,784,984	5,196,507	9,774,392	1,516,962
Deferred revenue	99,684	79,761	54,431	19,018	2,952
Total non-current liabilities	99,684	5,864,745	5,250,938	9,793,410	1,519,914
Total liabilities	2,147,568	9,218,648	5,599,488	10,940,882	1,697,997

	As of December 31,			As of September 30,	
	2018	2019	2020	2021	2021
	RMB	RMB	RMB	RMB	US$
					Note 2(e)
SHAREHOLDERS' EQUITY					
Class A Ordinary Shares	1,329	1,347	2,205	2,334	362
Class B Ordinary Shares	226	226	220	220	34
Class C Ordinary Shares	254	254	254	254	39
Treasury shares	(9,186)	–	–	(1,849,600)	(287,053)
Additional paid in capital	41,918,936	40,227,856	78,880,014	80,022,293	12,419,265
Accumulated other comprehensive loss	(34,708)	(203,048)	(65,452)	(234,396)	(36,378)
Accumulated deficit	(35,039,810)	(46,326,321)	(51,648,410)	(53,521,799)	(8,306,452)
Total shareholders' equity/(deficit)	6,837,041	(6,299,686)	27,168,831	24,419,306	3,789,817
Total liabilities and shareholders' equity	8,984,609	2,918,962	32,768,319	35,360,188	5,487,814

Condensed Statements of Comprehensive Loss

	For the Year Ended December 31,			For the Nine Months Ended September 30,		
	2018	2019	2020	2020	2021	2021
	RMB	RMB	RMB	RMB	RMB	US$
					Note 2(e)	
				(Unaudited)		
Operating expenses:						
Selling, general and administrative	(178,479)	(97)	(7,463)	(6,680)	(3,783)	(587)
Total operating expenses	(178,479)	(97)	(7,463)	(6,680)	(3,783)	(587)
Loss from operations	(178,479)	(97)	(7,463)	(6,680)	(3,783)	(587)
Interest income	7,692	4,212	10,086	6,621	43,349	6,728
Interest expense	–	(237,374)	(312,662)	(247,386)	(447,133)	(69,394)
Equity in loss of subsidiaries and VIEs	(9,432,640)	(11,076,907)	(5,089,371)	(3,761,603)	(1,424,223)	(221,036)
Investment loss	–	–	–	–	(19,432)	(3,016)
Other income	6,153	23,655	100,290	96,274	(22,167)	(3,441)
Loss before income tax expense	(9,597,274)	(11,286,511)	(5,299,120)	(3,912,756)	(1,873,389)	(290,746)
Income tax expense	–	–	–	–	–	–
Net loss	(9,597,274)	(11,286,511)	(5,299,120)	(3,912,756)	(1,873,389)	(290,746)
Accretion on convertible redeemable preferred shares to redemption value	(13,667,291)	–	–	–	–	–
Accretion on redeemable non-controlling interests to redemption value	(63,297)	(126,590)	(311,670)	(205,864)	(6,519,698)	(1,011,841)
Net loss attributable to ordinary shareholders of NIO Inc.	(23,327,862)	(11,413,101)	(5,610,790)	(4,118,620)	(8,393,087)	(1,302,587)

Condensed Statements of Cash Flows

	For The Year Ended December 31,			For the Nine Months Ended September 30,		
	2018	2019	2020	2020	2021	2021
	RMB	RMB	RMB	RMB	RMB	US$
				(Unaudited)		Note 2(e)
CASH FLOWS FROM OPERATING ACTIVITIES						
Net cash provided by/(used in) operating activities	3,917,654	438,465	(2,460,216)	(2,336,328)	(287,328)	(44,593)
CASH FLOWS FROM INVESTING ACTIVITIES						
Net cash used in investing activities	(11,693,144)	(4,817,498)	(12,998,602)	(12,804,266)	(29,199,735)	(4,531,729)
CASH FLOWS FROM FINANCING ACTIVITIES						
Net cash provided by financing activities	7,762,745	4,373,247	37,867,127	18,145,362	10,286,842	1,596,493
Effects of exchange rate changes on cash and cash equivalents	6,654	236	(246,484)	(205,590)	(111,103)	(17,243)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(6,091)	(5,550)	22,161,825	2,799,178	(19,311,324)	(2,997,072)
Cash and cash equivalents at beginning of the period	23,270	17,179	11,629	11,629	22,173,454	3,441,267
Cash and cash equivalents at end of the period	17,179	11,629	22,173,454	2,810,807	2,862,130	444,195

Basis of presentation

The Company's accounting policies are the same as the Group's accounting policies with the exception of the accounting for the investments in subsidiaries and VIEs.

For the company only condensed financial information, the Company records its investments in subsidiaries and VIEs under the equity method of accounting as prescribed in ASC 323, Investments — Equity Method and Joint Ventures.

Such investments are presented on the Condensed Balance Sheets as "Investments in subsidiaries and VIEs" and shares in the subsidiaries and VIEs' loss are presented as "Equity in loss of subsidiaries and VIEs" on the Condensed Statements of Comprehensive Loss. The parent company only condensed financial information should be read in conjunction with the Group' consolidated financial statements.

30. SUBSEQUENT EVENTS

In October 2021, the Company, through its wholly owned subsidiary, completed the launch of RMB1,030 million of asset-backed securities by issuing senior debt securities to investors.

On November 19, 2021, the Company completed its at-the-market offering, 50,699,222 ADS are sold with net proceeds of RMB12,075 million subsequent to September 30, 2021.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company in respect of any period subsequent to September 30, 2021 and up to the date of this report. Save as disclosed in this report, no dividend or distribution has been declared or made by the Company in respect of any period subsequent to September 30, 2021.