

Funding Strategy until SOP

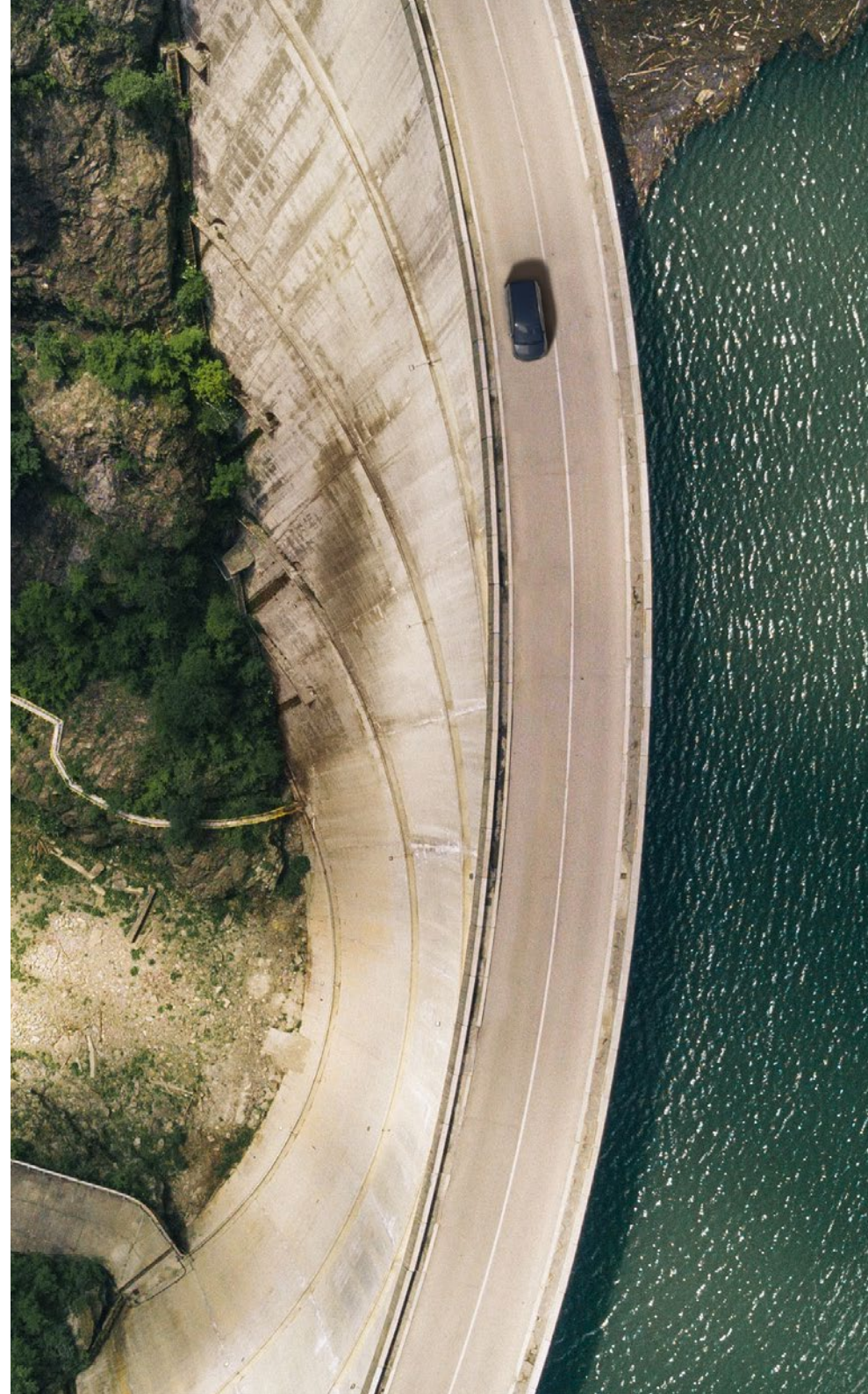


SONO  MOTORS

Foreword

- On 1/12/2019, we launched one of the largest community-funding campaigns in Europe. Within four weeks we aim to raise 50 m euro.
- The aim is to achieve the total amount through new reservations, deposit increases, loans, donations and conventional equity investments.
- To limit the risk for our supporters, we have chosen a threshold of 50 m euro. You only pay your reservation or deposit increase if we have reached 50 m euro by 30/12/2019.
- In the course of transparency, we have also published the total amount of 255 m euro which is required in order to bring the Sion to Start of Production (SOP).

This strategy paper is supposed to answer the question raised by the community, about how, after reaching the 50 m euro threshold, the further financing of 205 m euro is supposed to be secured.

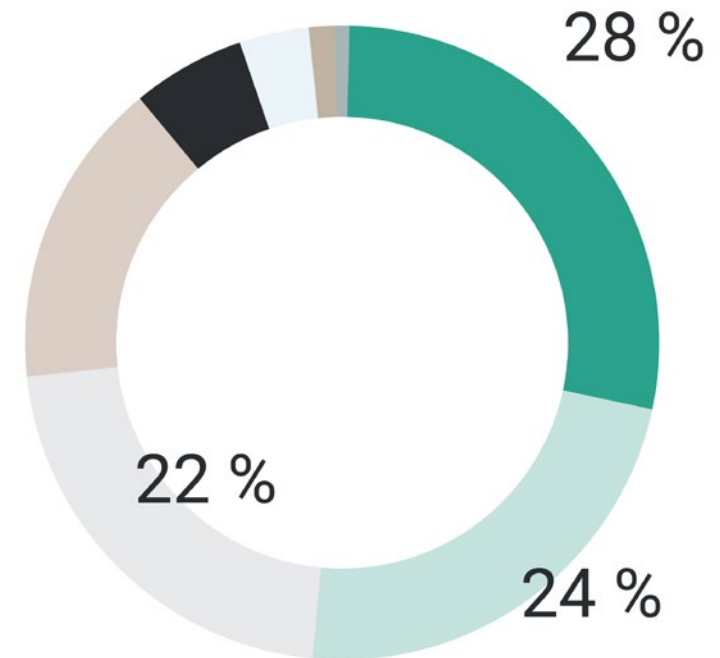


Summary of Investments

50 M Euro – Why?

Prototypes & Production Setup

With the call for our community funding and a campaign target of 50 m euro, we are financing our next steps: among other things, the manufacturing of series prototypes with which we will again offer test drives. But also the commissioning of tooling and production facilities from our partners as well as the testing of our vehicles.

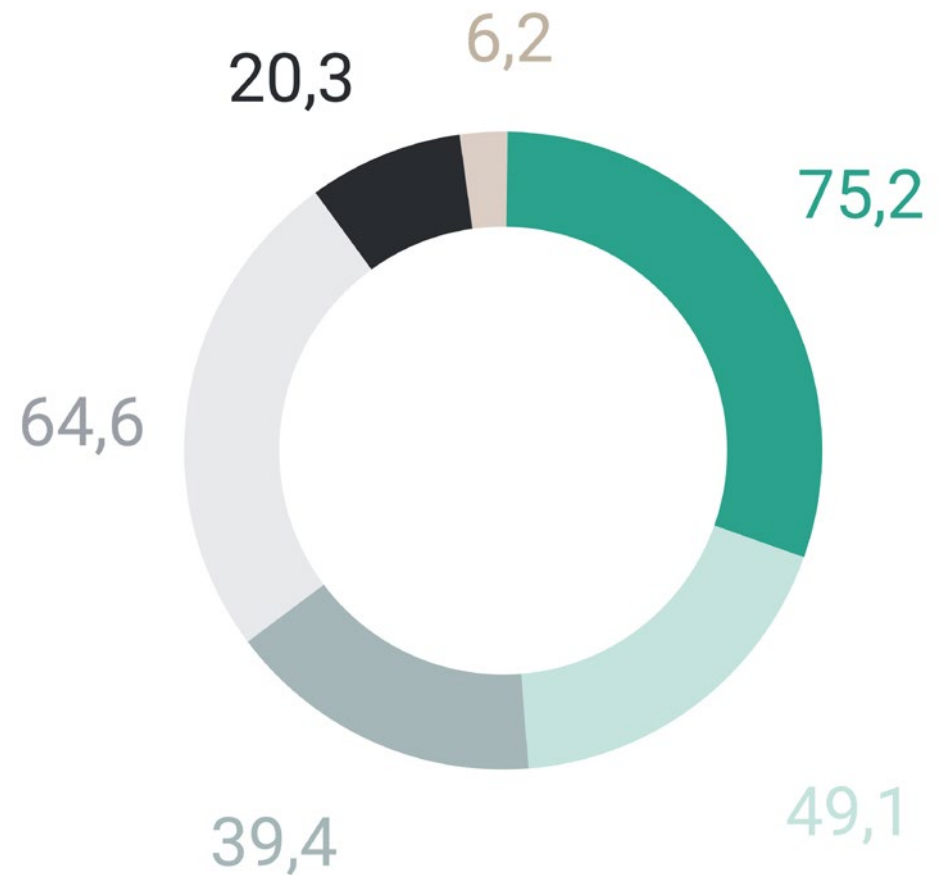


- Testing & Development Components 28 %
- Testing & Development Complete Vehicle 24 %
- Tooling 22 %
- Prototypes 15 %
- Staff 5,6 %
- Other Running Expenses 4 %
- Homologation & Quality Management 1 %
- Office Rent 0,4 %

Further 205 M Euro – How?

Production Setup, Validation & Series Tooling

All costs and investments needed to bring the Sion to SOP will account for 255 m euro in total. This is significantly less than the amount which established car manufacturers usually need to develop a new car. Amongst other strategies, the decision not to own production facilities allows us to keep investments comparatively low.



All Numbers in Million €

- Production (Suppliers, Body Construction, Final Assembly) 75,2
- Testing & Development Complete Vehicle 49,1
- Testing & Development Components 39,4
- Tooling 64,6
- Operational Expenses (Salary, Office Rent, Marketing, Others) 20,3
- Homologation & Quality 6,2

Funding Strategy

Foreword

Below, the funding strategy for the remaining 205 m euro is presented and explained in detail. In summary, the following steps make it possible to achieve the start of production (SOP):

1

Full funding:

- More than 10,000 reservation holders and 2,500 investors from previous campaigns theoretically cover the entire capital requirement until SOP if all these supporters were to pay the Sion in full before the Sion is delivered.
- According to the current business plan, banks and institutions will be able to cover approx. 34% of our capital requirements through so-called asset financing.
- We are in talks with suitable investors who share our values and want to bring the Sion to the streets in Europe.
- A further building block in the financing strategy could also be the EU regulation of the so-called CO₂ fleet pooling. Substantial additional funds could be generated with the registration of each Sion.

2

More reach: With 50 m euro, the series prototypes are built, which will continue to strengthen the confidence of reservation holders and investors and thus support the access to new funds.

3

Further income: As we continue to reach the next few milestones, we will generate revenue with our technologies (e.g. through licensing agreements) and increase the attractiveness for investors matching Sono Motors.

The necessary financial resources are to be achieved primarily through reservations, but also through licensing transactions, equity investments (investors), debt (banks), subsidies and CO₂ fleet pooling.

Community Funding Strategy

With a total capital requirement of 255 m euro, approx. 12,000 fully paid reservations of a Sion are sufficient to cover all costs and investments until the start of production. Even today, the 10,600 reservations correspond to a net turnover of approximately 230 m euro.

With a financing 100% backed by the community, at SOP we would set up funding (so-called working capital financing), which would then finance the material and manufacturing costs incurred for the production of the vehicles. Investors for this purpose could be banks or venture capital companies, for instance.

Even with 50 m euro backed by the community, further important milestones concerning development and production setup can be reached.

Above all, series prototypes (SVC2) can be built and presented to the public. A large release event with a broad press campaign and Europe-wide test drives are planned. Based on previous experience, the number of reservations is very likely to continue to grow significantly. The current number of reservations could possibly double until the start of production.

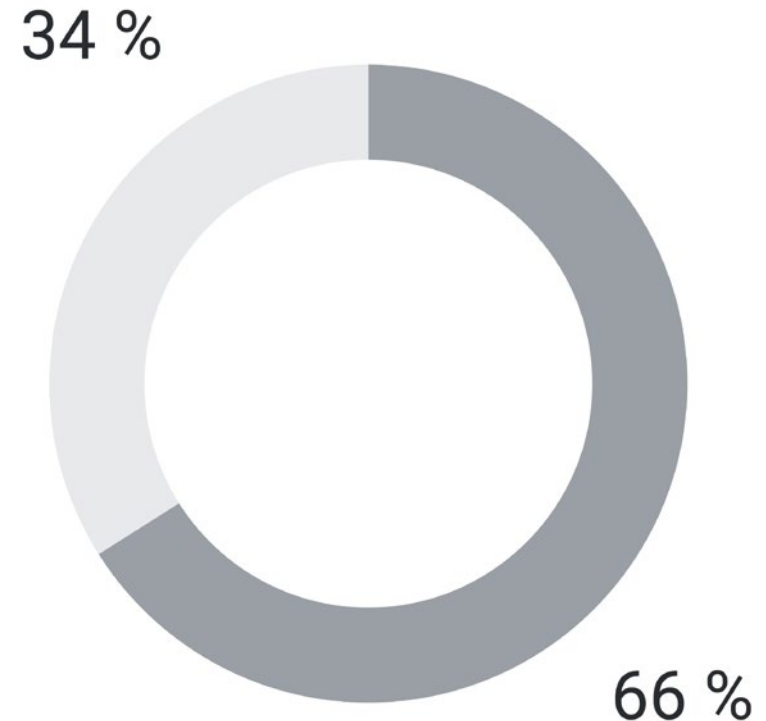
Banks & Institutions

Banks are generally not open to venture capital. Loans require the collateralization of universal assets. This means that banks only grant loans on the assets of a company which can easily be resold in the event of insolvency. These are, for example, the universal robots used for the production of the Sion. So-called tooling (e.g. moulds, jigs) are unsuitable as collateral, as they are manufactured specifically for the Sion.

In addition to the collateralization of loans, it is also crucial for banks that a borrower is able to repay the interest and the actual loan via means generated by its operation. This means that the loan must be used to generate profits that can be used to repay the loan itself. This is currently not the case, but it will be when production has started. This means that if we can start series production financed by the community, we expect to secure the full financing of the vehicle production with the support of banks.

In addition to banks, public and private institutions, such as the European Investment Bank, funding pools and private lenders also play an important role.

After negotiations with various banks and other lenders, it can be assumed that until SOP, we will receive approx. 70 m euro through loan, subsidies or grants and thus ensure the production of the Sion.



● Equity 66% ● Debt 34%

Investors

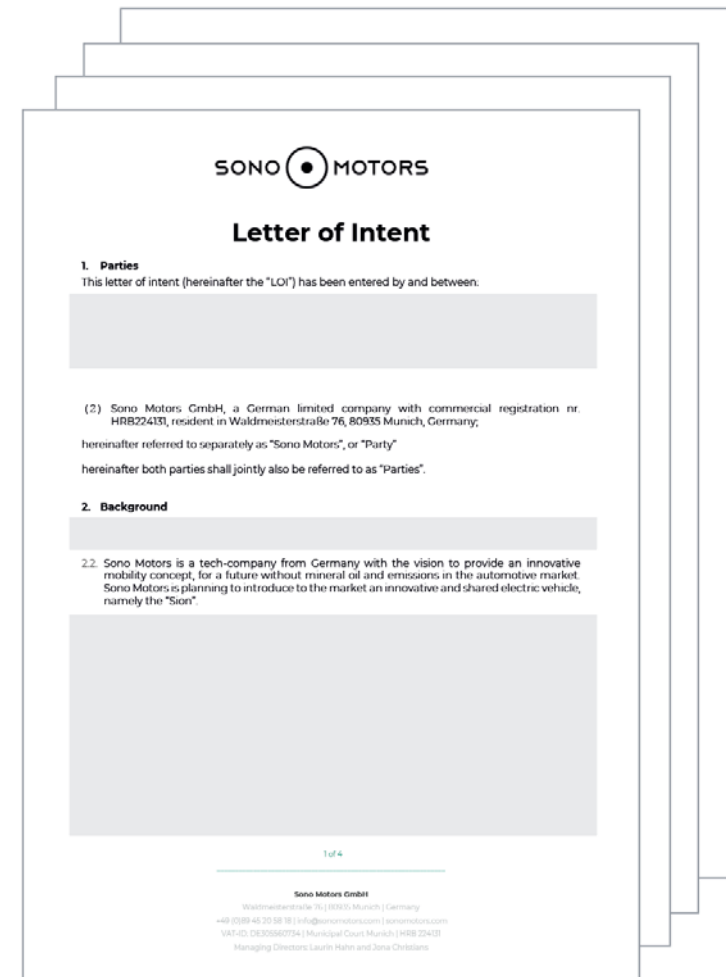
Our Terms: Values, Patents and the Sion in Europe

Since the beginning of the project, we have been focusing our funding strategy on the community concept. We started with crowdfunding and have always tried to let our supporters participate in our development.

Of course, we also went the classical way for startups in order to finance the big investments that are now ahead of us. This is practically impossible in Germany as there is a lack of venture capital for young companies with capital-intensive business models. Therefore, we negotiated with international investors and found that the interests of a value-based company that has promised sustainable and affordable electric mobility for everyone are very difficult to combine with the goals of traditional investors – fast profits, rapid growth, expansion, unfortunately often at the expense of people, sustainability and our environment.

In addition to our values, the control over our development and patents also plays an essential role when it comes to implementing the commitments we have given to our community.

For us, it is crucial to be true to what we stand for, and that is you, our community, and the Sion. Only with you and with investors who share our values and goals will we take the Sion to the streets. In Europe.



Funding Relevant Milestones

- **Q2 2020 – Construction of the SVC2 prototypes**

The construction of the SVC2 prototypes is an important milestone in the validation of technology and quality for both reservation holders and potential investors. With the SVC2 prototypes, we are planning a release event and further test drives in Europe. This milestone is to be financed by the successful completion of the Community Funding.

- **Q2 2021 – Commissioning of serial parts**

With the commissioning of the serial parts we reach one of our biggest technical milestones. The capital required for this can now be financed by conventional means due to the lower risk.

- **Q4 2021 – Launch of the pre-series**

The successful launch of the pre-series is an important milestone that is reached when the first Sion leaves the production line. Now our production risk is substantially reduced and we have further access to significant financial resources (banks, working capital financing, etc.).

- **Q1 2022 – Start of production (SOP) and delivery**

Closing Words

The aim of this document is to inform you openly and transparently of the steps to follow when the 50 m euro threshold is reached. We are convinced that we will be able to secure further financing. The strategies presented here are supposed to serve as a base for more security in your decision on possible support.

However, we want to clearly point out that there can never be complete certainty in the realization of projects like this. There is always a risk if you want to achieve great things.

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