



## Cenntro Electric Group Announces Third Quarter 2023 Unaudited Financial Results

November 14, 2023

*Q3 2023 Net Revenue Increased 175% to \$5.8 million*

*Number of Vehicles Sold Increased by 326% to 298 Vehicles*

*Gross Profit Margin Increased 4,260 bps to 12.4% from a loss of -30.3%*

*Average Selling Price Increased by 15.7% to Approximately \$19.2 Thousand*

FREEHOLD, N.J.--(BUSINESS WIRE)--Nov. 14, 2023-- [Cenntro Electric Group Limited](#) (NASDAQ: CENN) ("Cenntro", "we", "our", "us", or the "Company"), a leading electric vehicle technology company with advanced, market-validated electric commercial vehicles ("ECVs"), today announced its financial results for the third quarter ended September 30, 2023.

### Third Quarter 2023 Financial and Operating Highlights

- Net revenue of \$5.8 million increased 175% year over year;
- Sales volume increased by 326% year over year and 27% sequentially quarter over quarter to 298 vehicles;
- Average selling price ("ASP") increased 15.7% year over year to approximately \$19,200; and
- Adjusted EBITDA for the quarter is a loss of \$12.1 million compared to a loss of \$12.0 million for Q3 2022.

Peter Z. Wang, Chief Executive Officer explained, "Our sales momentum in the third quarter continued to ramp up as distribution expanded from the second quarter of 2023. Consequentially, we have sold 298 vehicles in Q3 2023 compared to 235 vehicles in Q2 2023 and 70 in Q3 2022. More importantly, to date the demand for some of our newly launched vehicle models in Europe such as the LS260® has outpaced our estimates. We have also experienced positive sales momentum for our iChassis, having sold 103 units in Q3, though these 103 units are not inclusive of the number of vehicles sold because iChassis is not considered a complete vehicle. We continue to build our sales momentum in 2023 from quarter to quarter to improve the effectiveness of our sales process, including having streamlined our North American sales team structure during Q3 2023.

"We built on our second quarter results by expanding our vehicle lineup to include Avantier and Antric, as well as our assembly capabilities in the United States, benefitting from our qualification for government incentives in both the United States and the European Union. Based on these developments, we are optimistic that our sales growth momentum will continue even amidst the current uncertain economic and global political environment.

"Cenntro's most recent US assembly and manufacturing facility in Ontario, California is preparing to scale production in Q4 2023. The facility has the capability to assemble and distribute the TeeMak, Metro and Logistar series models with a focus on the Logistar 400® and future models. We believe Ontario will also support strategic growth and sales on the west coast and the entire western region of the United States. California remains a strong market for EV sales and infrastructure development, as such we believe dealer and distributor partnerships will strengthen sales and aftermarket support. In addition, from a supply chain standpoint, we believe California will serve as a very cost-effective point of entry for our products from China to serve our customers on the West Coast.

"Cenntro's LS400 was also approved for the Commercial Clean Vehicle Credit, allowing purchasers to apply for a Federal Tax Credit under IRC 45W. Further, in conjunction with the June 2023 California Air Resources Board ("CARB") certification for the Metro and LS400, these models have recently been approved for Zero-Emission Powertrain Certification ("ZEP"), which moves us forward in the process for Hybrid and Zero-Emission Truck and Bus Voucher Incentive Program ("HVIP") approval. The HVIP program allows end purchasers to apply for the HVIP vouchers offsetting their purchase price. Under the standard HVIP approval, customers may qualify for up to \$60,000 of the purchase of the LS400. The final HVIP approval is anticipated in Q4 2023.

"Our footprint in the European market continues to build in scale with our EVC customer base looking for competitive products to complete their local commerce needs and allowing them to participate in Zero Emission initiatives. We have also determined that providing a compatible charging solution to our customers that is available for sale along with our product line is vital. We have begun to develop relationships that will allow us to provide a charging solution as part of the sales transaction.

"Looking ahead, we continue to position Cenntro to capture market share with our diverse and innovative lineup of all-electric vehicles and an expanded geographic footprint for production, distribution, and service infrastructure. Combined with our hybrid EV Center and distribution partner sales model, we continue to gain traction with customers," concluded Wang.

Edmond Cheng, Chief Financial Officer added, "Sales volume in the third quarter of 2023 of our electric commercial vehicles increased 326% year-over-year to 298 from 70 in the same period of 2022. At the same time, we achieved an increase of net revenue of 175% to approximately \$5.8 million for the third quarter of 2023 compared to \$2.1 million in the same period of 2022. The increase in net revenue is mainly attributable to an approximately \$3.6 million increase in vehicle revenue. More importantly, we continue to experience quarter-to-quarter revenue growth in 2023 as third quarter grew 36% from the second quarter of 2023 to \$5.8 million and second quarter 2023 revenue grew 22% from the first quarter of 2023. We are cautiously optimistic that the growth momentum will continue in the fourth quarter, reflecting our investment in expanding our product offerings and strengthening our global distribution capabilities.

"Our average sales price was approximately \$19.2 thousand in the third quarter of 2023, up 15.7% from approximately \$16.6 thousand in the third quarter of 2022. We continue to benefit from the transition to an in-country direct sales model and our launch of new models, particularly the LS260 as

mentioned by Peter. Also, our overall vehicles gross margin for the nine months ended September 30, 2023 and 2022 was approximately 16.3% and -3.6%, respectively. The increase in our overall gross profit was the result of less impairment of inventory recognized in the nine months ended September 30, 2023 compared with the same period in 2022.

“As of September 30, 2023, we had approximately \$44.6 million in cash and cash equivalents on our balance sheet. We also had \$4.6 million in accounts receivable, \$43.1 million in inventory which consisted of approximately \$28.4 million in finished goods inventory, and approximately \$28.6 million in investments in equity securities as of September 30, 2023,” concluded Cheng.

### Third Quarter 2023 Financial Results

#### Net Revenue

Net revenue was \$5.8 million for the three months ended September 30, 2023, an increase of 175% from \$2.1 million in the same period of 2022. The increase was primarily due to an increase in vehicle sales, spare parts sales, including 103 units of the iChassis, and an improvement in the average selling price.

#### Gross Profit

Gross Profit for the three months ended September 30, 2023 was approximately \$0.7 million, an increase of approximately \$1.4 million from approximately \$0.6 million of gross loss for the three months ended September 30, 2022. For the three months ended September 30, 2023 and 2022, our overall gross margin was approximately 12.4% and -30.3%, respectively. Our gross margin of vehicle sales for the three months ended September 30, 2023 and 2022 was 15.8% and -34.8%, respectively. The increase of our overall gross profit was caused by less impairment of inventory recognized in the three months ended September 30, 2023 compared with the same period in 2022.

#### Operating Expenses

Total operating expenses were approximately \$13.3 million in the third quarter of 2023, compared with \$9.6 million in the third quarter of 2022.

Selling and marketing expenses for the three months ended September 30, 2023 were approximately \$2.6 million, an increase of approximately \$1.0 million or approximately 60.8% from approximately \$1.6 million for the three months ended September 30, 2022. The increase in selling and marketing expenses in 2023 was primarily attributed to the increase in salary expenses and marketing related professional fee of approximately \$0.2 million and \$0.8 million, respectively.

General and administrative expenses for the three months ended September 30, 2023 were approximately \$9.1 million, an increase of approximately \$2.9 million or approximately 45.8% from approximately \$6.2 million for the three months ended September 30, 2022. The increase in general and administrative expenses in 2023 was primarily attributed to an increase in salary and social insurance and legal, share-based compensation and ROU amortization \$1.2 million, \$0.8 million and \$0.7 million, respectively.

Research and development expenses for the three months ended September 30, 2023 were approximately \$1.6 million, a decrease of approximately \$0.2 million or approximately 9.0% from approximately \$1.8 million for the three months ended September 30, 2022. The decrease in research and development expenses in 2023 was primarily attributed to the decrease in design and development expenditures of approximately \$0.5 million, offset by the increase in salary expense of approximately \$0.2 million.

#### Net Loss

Net loss was approximately \$16.1 million in the third quarter of 2023, compared with net loss of \$15.1 million in the third quarter of 2022.

#### Balance Sheet

Cash and cash equivalents were approximately \$44.6 million as of September 30, 2023, compared with \$154.0 million as of December 31, 2022.

#### Adjusted EBITDA

Adjusted EBITDA was approximately \$(12.1) million in the third quarter of 2023, compared with Adjusted EBITDA of \$(12.0) million in the third quarter of 2022.

We define Adjusted EBITDA as net income (or net loss) before net interest expense, income tax expense, depreciation and amortization as further adjusted to exclude the impact of stock-based compensation expense and other non-recurring expenses including expenses related to TME Acquisition, expenses related to one-off payment inherited from the original Naked Brand Group, impairment of goodwill, convertible bond issuance fee, loss on redemption of convertible promissory notes, loss on exercise of warrants, and change in fair value of convertible promissory notes and derivative liability. We present Adjusted EBITDA because we consider it to be an important supplemental measure of our performance and believe it is frequently used by securities analysts, investors, and other interested parties in the evaluation of companies in our industry. Our management believes that investors' understanding of our performance is enhanced by including this non-GAAP financial measure as a reasonable basis for comparing our ongoing results of operations.

### US-GAAP NET INCOME (LOSS) TO ADJUSTED EBITDA RECONCILIATION

	Three Months ended September 30,		Nine Months ended September 30,	
	2023	2022	2023	2022
	(Expressed in U.S. Dollars)		(Unaudited)	
Net loss	\$ (16,103,199)	\$(15,088,738)	\$(41,294,342)	\$(38,143,026)
Interest expense, net	84,573	110,659	137,726	(176,214)
Income tax expense	(384)	(43,366)	25,084	(92,228)

Depreciation and amortization	425,218	431,290	1,213,489	916,227
Share-based compensation expense	2,154,710	1,314,446	4,565,001	2,624,302
Loss on redemption of convertible promissory notes	(966)	-	(865)	-
Loss on exercise of warrants	1,134	-	228,749	-
Convertible bond issuance fee	-	5,589,336	-	5,589,336
Change in fair value of convertible promissory notes and derivative liability	(15,143)	(4,280,538)	(88,568)	(4,280,538)
Loss from acquisition of Antric	1,316,772	-	1,316,772	-
Expenses related to TME Acquisition	-	-	--	348,987
Expenses related to one-off payment inherited from the original Naked Brand Group	-	-	-	8,299,178
Adjusted EBITDA	\$ (12,135,425)	\$ (11,966,911)	\$ (33,896,954)	\$ (24,913,976)

Represents a non-GAAP financial measure.

### About Cenntro Electric Group Ltd.

Cenntro Electric Group Ltd. (or "Cenntro") (NASDAQ: CENN) is a leading designer and manufacturer of electric commercial vehicles. Cenntro's purpose-built ECVs are designed to serve a variety of organizations in support of city services, last-mile delivery, and other commercial applications. Cenntro plans to lead the transformation in the automotive industry through scalable, decentralized production, and smart driving solutions empowered by the Cenntro iChassis. For more information, please visit Cenntro's website at: [www.cenntroauto.com](http://www.cenntroauto.com).

### Forward-Looking Statements

This communication contains "forward-looking statements" within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements include all statements that are not historical facts. Such statements may be, but need not be, identified by words such as "may," "believe," "anticipate," "could," "should," "intend," "plan," "will," "aim(s)," "can," "would," "expect(s)," "estimate(s)," "project(s)," "forecast(s)," "positioned," "approximately," "potential," "goal," "strategy," "outlook" and similar expressions. Examples of forward-looking statements include, among other things, statements regarding assembly and distribution capabilities, decentralized production, and fully digitalized autonomous driving solutions. All such forward-looking statements are based on management's current beliefs, expectations, and assumptions, and are subject to risks, uncertainties and other factors that could cause actual results to differ materially from the results expressed or implied in this communication. For additional risks and uncertainties that could impact Cenntro's forward-looking statements, please see disclosures contained in Cenntro's public filings with the Securities and Exchange Commission (the "SEC"), including the "Risk Factors" in Cenntro's Annual Report on Form 10-K filed with the SEC on June 30, 2023 and which may be viewed at [www.sec.gov](http://www.sec.gov).

### CENNTRO ELECTRIC GROUP LIMITED CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

	September 30, 2023	December 31, 2022
	(Unaudited)	
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 44,645,341	\$ 153,966,777
Restricted cash	198,041	130,024
Accounts receivable, net	4,645,738	565,398
Inventories	43,081,772	31,843,371
Prepayment and other current assets	17,360,617	16,138,330
Deferred cost -current	14,281	-
Amounts due from a related party	210,335	366,936
<b>Total current assets</b>	<b>110,156,125</b>	<b>203,010,836</b>
<b>Non-current assets:</b>		
long-term investment, net	3,557,697	5,325,741
Investment in equity securities	28,593,070	29,759,195
Property, plant and equipment, net	20,132,381	14,962,591
Intangible assets, net	6,384,532	4,563,792
Right-of-use assets	20,679,376	8,187,149
Deferred cost - non-current	206,700	-
Other non-current assets, net	2,152,968	2,039,012
<b>Total non-current assets</b>	<b>81,706,724</b>	<b>64,837,480</b>
<b>Total Assets</b>	<b>\$ 191,862,849</b>	<b>\$ 267,848,316</b>
<b>LIABILITIES AND EQUITY</b>		

**LIABILITIES****Current liabilities:**

Accounts payable	\$ 4,842,645	\$ 3,383,021
Accrued expenses and other current liabilities	3,663,756	5,048,641
Contractual liabilities	3,084,737	2,388,480
Operating lease liabilities, current	4,548,226	1,313,334
Convertible promissory notes	9,953,562	57,372,827
Deferred government grant, current	52,721	26,533
Amounts due to related parties	37,951	716,372
<b>Total current liabilities</b>	<b>26,183,598</b>	<b>70,249,208</b>

**Non-current liabilities:**

Deferred government grant, non-current	948,971	497,484
Derivative liability - investor warrant	12,191,457	14,334,104
Derivative liability - placement agent warrant	3,455,328	3,456,404
Operating lease liabilities, non-current	17,074,145	7,421,582
<b>Total non-current liabilities</b>	<b>33,669,901</b>	<b>25,709,574</b>

**Total Liabilities**

<b>\$ 59,853,499</b>	<b>\$ 95,958,782</b>
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**Commitments and contingencies****EQUITY**

Ordinary shares (No par value; 304,449,091 and 300,841,995 shares issued and outstanding as of September 30, 2023 and December 31, 2022, respectively)

Additional paid in capital	401,672,121	397,497,817
Accumulated deficit	(260,959,274)	(219,824,176)
Accumulated other comprehensive loss	(8,701,442)	(5,306,972)
<b>Total equity attributable to shareholders</b>	<b>132,011,405</b>	<b>172,366,669</b>
Non-controlling interests	(2,055)	(477,135)
<b>Total Equity</b>	<b>\$ 132,009,350</b>	<b>\$ 171,889,534</b>
<b>Total Liabilities and Equity</b>	<b>\$ 191,862,849</b>	<b>\$ 267,848,316</b>

**CENNTRO ELECTRIC GROUP LIMITED**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**  
(Unaudited)

	<b>For the Three Months Ended</b>		<b>For the Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Net revenues	\$ 5,762,831	\$ 2,096,590	\$ 13,470,895	\$ 7,131,912
Cost of goods sold	(5,045,364)	(2,730,920)	(11,411,439)	(7,234,760)
<b>Gross profit</b>	<b>717,467</b>	<b>(634,330)</b>	<b>2,059,456</b>	<b>(102,848)</b>
<b>OPERATING EXPENSES:</b>				
Selling and marketing expenses	(2,626,829)	(1,633,340)	(7,238,563)	(4,259,908)
General and administrative expenses	(9,071,910)	(6,220,227)	(25,715,387)	(26,446,511)
Research and development expenses	(1,634,796)	(1,796,268)	(5,347,785)	(3,610,780)
<b>Total operating expenses</b>	<b>(13,333,535)</b>	<b>(9,649,835)</b>	<b>(38,301,735)</b>	<b>(34,317,199)</b>
<b>Loss from operations</b>	<b>(12,616,068)</b>	<b>(10,284,165)</b>	<b>(36,242,279)</b>	<b>(34,420,047)</b>
<b>OTHER EXPENSE:</b>				
Interest (expense) income, net	(84,573)	(110,659)	(137,726)	176,214
(Loss) Income from long-term investment	(107,069)	36,441	(236,672)	47,319
Loss from acquisition of Antric GmbH	(1,316,772)	-	(1,316,772)	-
Impairment of long-term investment	(2,668)	-	(1,157,334)	-
Gain on redemption of convertible promissory notes	966	-	865	-
Loss on exercise of warrants	(1,134)	-	(228,749)	-
Change in fair value of convertible promissory notes and derivative liability	15,143	4,280,538	88,568	4,280,538

Convertible bond issuance cost	-	(5,589,336)	-	(5,589,336)
Change in fair value of equity securities	(1,879,593)	19,052	(1,166,125)	19,052
Other expense, net	(111,815)	(3,483,975)	(873,034)	(2,748,994)
<b>Loss before income taxes</b>	<u>(16,103,583)</u>	<u>(15,132,104)</u>	<u>(41,269,258)</u>	<u>(38,235,254)</u>
Income tax benefit (expense)	384	43,366	(25,084)	92,228
<b>Net loss</b>	<u>(16,103,199)</u>	<u>(15,088,738)</u>	<u>(41,294,342)</u>	<u>(38,143,026)</u>
Less: net loss attributable to non-controlling interests	(534)	(668,512)	(159,244)	(1,339,153)
<b>Net loss attributable to the Company's shareholders</b>	<u><u>\$(16,102,665)</u></u>	<u><u>\$(14,420,226)</u></u>	<u><u>\$(41,135,098)</u></u>	<u><u>\$(36,803,873)</u></u>
<b>OTHER COMPREHENSIVE LOSS</b>				
Foreign currency translation adjustment	(931,345)	(3,686,137)	(3,419,038)	(7,511,222)
<b>Total comprehensive loss</b>	<u>(17,034,544)</u>	<u>(18,774,875)</u>	<u>(44,713,380)</u>	<u>(45,654,248)</u>
Less: total comprehensive loss attributable to non-controlling interests	(534)	(454,156)	(183,812)	(994,960)
<b>Total comprehensive loss to the Company's shareholders</b>	<u><u>\$(17,034,010)</u></u>	<u><u>\$(18,320,719)</u></u>	<u><u>\$(44,529,568)</u></u>	<u><u>\$(44,659,288)</u></u>

**CENNTRO ELECTRIC GROUP LIMITED**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

	<b>For the Nine Months Ended</b>	
	<b>September 30,</b>	
	<u><b>2023</b></u>	<u><b>2022</b></u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
<b>Net cash used in operating activities</b>	\$ (45,588,906)	\$ (47,671,865)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of equity investment	(680,932)	(3,616,188)
Purchase of equity securities	-	(5,000,000)
Purchase of plant and equipment	(7,329,509)	(1,479,712)
Purchase of land use right and property	(2,183,430)	(16,764,322)
Purchase of other intangible assets	(7,502)	-
Acquisition of CAE's equity interests	(1,924,557)	(3,612,717)
Cash acquired from acquisition of CAE	-	1,118,700
Acquisition of Antric Gmbh's equity interests	(1)	-
Cash acquired from acquisition of Antric Gmbh	1,376	-
Payment of expense for Acquisition of CAE's equity interests	-	(348,987)
Proceeds from disposal of property, plant and equipment	842	314
Loans provided to third parties	(790,000)	(1,276,617)
Repayment of loans from related parties	-	281,436
<b>Net cash used in investing activities</b>	<u>(12,913,713)</u>	<u>(30,698,093)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Repayment of loans to related parties	-	(1,734,016)
Repayment of loans to third parties	-	(1,128,070)
Repayment of bank loans	(602,477)	-
Purchase of CAE's loan	-	(13,228,101)
Reduction of capital	-	(13,930,000)
Proceed from issuance of convertible promissory notes	-	54,069,000
Redemption of convertible promissory notes	(47,534,119)	-
Proceed from exercise of share-based awards	-	14,386
Payment of expense for the reverse recapitalization	-	(904,843)
<b>Net cash (used in) provided by financing activities</b>	<u>(48,136,596)</u>	<u>23,158,356</u>
Effect of exchange rate changes on cash	(2,614,204)	(5,456,870)
Net decrease in cash, cash equivalents and restricted cash	(109,253,419)	(60,668,472)
Cash, cash equivalents and restricted cash at beginning of period	154,096,801	261,664,962
Cash, cash equivalents and restricted cash at end of period	<u><u>\$ 44,843,382</u></u>	<u><u>\$ 200,996,490</u></u>

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:**

Interest paid	\$	1,200,673	\$	371,999
Income tax paid	\$	4,829	\$	-

**SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:**

Convention from debt to equity interest of HW Electro Co., Ltd.	\$	1,000,000	\$	-
Cashless exercise of warrants	\$	2,168,185	\$	-

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