

LION ELECTRIC ANNOUNCES SECOND QUARTER 2022 RESULTS

8/5/2022

MONTREAL, Aug. 5, 2022 /PRNewswire/ - The Lion Electric Company (NYSE: LEV) (TSX: LEV) ("Lion" or the "Company"), a leading manufacturer of all-electric medium and heavy-duty urban vehicles, today announced its financial and operating results for the second quarter of fiscal year 2022, which ended on June 30, 2022. Lion reports its results in U.S. dollars and in accordance with International Financial Reporting Standards ("IFRS").

Q2 2022 FINANCIAL HIGHLIGHTS

- Delivery of 105 vehicles, an increase of 44 vehicles, as compared to the 61 delivered in the same period last year.
- Revenue of \$29.5 million, up \$12.8 million, as compared to \$16.7 million in Q2 2021.
- Gross loss of \$3.5 million, as compared to a gross profit of \$0.9 million in Q2 2021.
- Net earnings of \$37.5 million, as compared to a net loss of \$178.5 million in Q2 2021. Net earnings for Q2 2022 include a \$56.9 million gain related to non-cash decrease in the fair value of share warrant obligations and a \$3.4 million charge related to non-cash share-based compensation, compared to a \$99.3 million charge related to non-cash increase in the fair value of share warrant obligations, \$54.8 million charge related to non-cash share-based compensation, and \$13.7 million of transaction costs included in net loss for Q2 2021.
- Adjusted EBITDA[1] of negative \$14.4 million, as compared to negative \$5.5 million in Q2 2021, after mainly adjusting for certain non-cash items such as change in fair value of share warrant obligations and share-based compensation.
- Capital expenditures, which included expenditures related to the Joliet Facility and the Lion Campus, amounted to \$44.3 million, up \$41.0 million, as compared to \$3.3 million in Q2 2021.
- Additions to intangible assets, which mainly consist of R&D activities, amounted to \$24.6 million, up \$13.9 million, as compared to \$10.7 million in Q2 2021.

- Establishment of cross-border \$125 million "at-the-market" equity program ("ATM Program").
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[†] Adjusted EBITDA is a non-IFRS financial measure. See "Non-IFRS Measures and Other Performance Metrics" section of this press release.

BUSINESS UPDATES

- More than 700 vehicles on the road, with over 10 million miles driven.
- Vehicle order book^[2] of 2,357 all-electric medium- and heavy-duty urban vehicles as of August 4, 2022, consisting of 286 trucks and 2,071 buses, representing a combined total order value of approximately \$575 million based on management's estimates.
- LionEnergy order book² of 226 charging stations and related services as of August 4, 2022, representing a combined total order value of approximately \$3.0 million.
- 12 Experience Centers in operation in the United States and Canada.
- Installation of assembly stations continued at the Joliet Facility in the quarter and manufacturing of Lion C units (for working stations set up and employees training purposes) began. In order to accelerate return on investment, the Company decided to review the cadence of its initial ramp up of production capacity at the Joliet Facility to align it further with projected deliveries and to initially focus on bus production.
- The building shell for the battery plant building is substantially completed. For the Innovation center, the foundation work has been completed and the steel structure is 90% completed. The Company's prototype battery packs are currently undergoing testing and certification and engineering design for one version of the packs and module line has been finalized. Lion continues to expect the certification of packs, factory acceptance of production equipment at JR Automation's facility, and production of packs in Mirabel to take place prior to the end of 2022. Site acceptance of production equipment in Mirabel is expected to be completed near the beginning of 2023.
- The Company has elected to implement configuration changes to certain vehicles to increase quality and performance, improve manufacturing efficiencies, and optimize the development of new models. Such measures have mainly resulted in the temporary suspension of commercial production and the projected delivery of the LionA.
- As of August 4, 2022, Lion had approximately 1,300 employees, of which over 300 were in its Engineering and R&D departments.

"We are pleased with our Q2 performance, as in spite of ongoing supply-chain challenges, for the third quarter in a

row, we delivered a record number of vehicles in the history of Lion," commented Marc Bedard, CEO – Founder of Lion. "As we are nearing the start of operations at our U.S. manufacturing facility and our battery plant, we also decided to adjust the cadence of our capital spend. This will enable us to accelerate return on investment and optimally manage our capital resources", concluded Marc Bedard.

² See "Non-IFRS Measures and Other Performance Metrics" section of this press release. The Company's vehicle and charging stations order book, expressed as a number of units or the amount of sales expected to be recognized in the future (at the applicable time of delivery) in respect of such number of units, is determined by management based on purchase orders that have been signed, orders that have been formally confirmed by clients or products in respect of which formal joint applications for governmental subsidies or economic incentives have been made by the applicable clients and the Company. The vehicles included in the vehicle order book as of August 4, 2022 provided for a delivery period ranging from a few months to the end of the year ending December 31, 2025. Substantially all deliveries are subject to the granting of subsidies and incentives with processing times that are subject to important variations, and there has been in the past and the Company expects there will continue to be variances between the expected delivery periods of orders and the actual delivery times, and certain delays could be significant. Such variances or delays could result in the loss of a subsidy or incentive and/or in the cancellation of certain orders, in whole or in part. The Company's presentation of the order book should not be construed as a representation by the Company that the vehicles and charging stations included in its order book will translate into actual sales.

SELECT EXPLANATIONS ON RESULTS OF OPERATIONS FOR THE SECOND QUARTER OF FISCAL YEAR 2022

Revenue

For the three months ended June 30, 2022, revenue amounted to \$29.5 million, an increase of \$12.8 million compared to \$16.7 million for the three months ended June 30, 2021. The increase in revenue was primarily due to an increase in vehicle sales volume of 44 units, from 61 units (48 school buses and 13 trucks; 41 vehicles in Canada and 20 vehicles in the U.S.) for the three months ended June 30, 2021, to 105 units (90 school buses and 15 trucks; 91 vehicles in Canada and 14 vehicles in the U.S.) for the three months ended June 30, 2022. Revenues for the three months ended June 30, 2022 were impacted by continuing global supply chain challenges, which required the Company to delay the final assembly of certain vehicles and resulted in increased inventory levels.

For the six months ended June 30, 2022, revenue amounted to \$52.2 million, an increase of \$29.3 million compared to \$22.9 million for the six months ended June 30, 2021. The increase in revenue was primarily due to an increase in vehicle sales volume of 104 units, from 85 units (66 school buses and 19 trucks; 63 vehicles in Canada and 22 vehicles in the U.S.) for the six months ended June 30, 2021, to 189 units (162 school buses and 27 trucks; 171 vehicles in Canada and 18 vehicles in the U.S.) for the six months ended June 30, 2022. Revenues for the six months ended June 30, 2022 were impacted by continuing global supply chain challenges, which required the Company to delay the final assembly of certain vehicles and resulted in increased inventory levels.



Cost of Sales

For the three months ended June 30, 2022, cost of sales amounted to \$33.0 million, representing an increase of \$17.2 million, compared to the three months ended June 30, 2021. For the six months ended June 30, 2022, cost of sales amounted to \$56.5 million, representing an increase of \$32.7 million, compared to the six months ended June 30, 2021. The increase for both periods was primarily due to increased sales volumes and higher production levels, increased fixed manufacturing and inventory management system costs related to the ramp-up of production capacity for future quarters, and the impact of continuing global supply chain challenges.

Gross Loss (Profit)

For the three months ended June 30, 2022, gross profit decreased by \$4.4 million to negative \$3.5 million, compared to positive \$0.9 million for the three months ended June 30, 2021. For the six months ended June 30, 2022, gross loss decreased by \$3.5 million to negative \$4.4 million, compared to negative \$0.9 million for the six months ended June 30, 2021. The decrease in gross profit for both periods included the positive gross profit impact of increased sales volumes, mainly offset by the impact of increased fixed manufacturing and inventory management system costs related to the ramp-up of production capacity for future quarters, and the impact of continuing global supply chain challenges.

Administrative Expenses

For the three months ended June 30, 2022, administrative expenses decreased by \$38.3 million from \$50.0 million for the three months ended June 30, 2021, to \$11.7 million. Administrative expenses for the three months ended June 30, 2022 included \$2.6 million of non-cash share-based compensation, compared to \$44.8 million for three months ended June 30, 2021. Excluding the impact of non-cash share-based compensation, administrative expenses increased from \$5.2 million for the three months ended June 30, 2021 to \$9.1 million for the three months ended June 30, 2022.

For the six months ended June 30, 2022, administrative expenses decreased by \$33.6 million from \$56.3 million for the six months ended June 30, 2021, to \$22.7 million. Administrative expenses for the six months ended June 30, 2022 included \$5.3 million of non-cash share-based compensation, compared to \$47.8 million for six months ended June 30, 2021. Excluding the impact of non-cash share-based compensation, administrative expenses increased from \$8.5 million for the six months ended June 30, 2021 to \$17.4 million for the six months ended June 30, 2022. The increase was mainly due to an increase in expenses as a result of Lion becoming a public company in May 2021, an increase in expenses resulting from the expansion of Lion's head office capabilities in anticipation of an expected increase in business activities, as well as professional fees related to supply chain and strategic project optimization initiatives.

Selling Expenses

For the three months ended June 30, 2022, selling expenses decreased by \$6.6 million, from \$13.3 million for the three months ended June 30, 2021, to \$6.7 million. Selling expenses for the three months ended June 30, 2022 included \$0.8 million of non-cash share-based compensation, compared to \$10.0 million for three months ended June 30, 2021. Excluding the impact of non-cash share-based compensation, selling expenses increased from \$3.3 million for the three months ended June 30, 2021 to \$5.9 million for the three months ended June 30, 2022. The increase was primarily due to Lion expanding its sales force in anticipation of the ramp-up of production capacity, and an increase in expenses as a result of the opening and operations of new Experience Centers.

For the six months ended June 30, 2022, selling expenses decreased by \$5.6 million, from \$17.7 million for the six months ended June 30, 2021, to \$12.1 million. Selling expenses for the six months ended June 30, 2022 included \$1.8 million of non-cash share-based compensation, compared to \$12.2 million for six months ended June 30, 2021. Excluding the impact of non-cash share-based compensation, selling expenses increased from \$5.5 million for the six months ended June 30, 2021 to \$10.3 million for the six months ended June 30, 2022. The increase was primarily due to Lion expanding its sales force in anticipation of the ramp-up of production capacity, and an increase in expenses as a result of the opening and operations of new Experience Centers.

Transaction costs

Transaction costs of \$13.7 million for the three and six months ended June 30, 2021 were related to the completion of the Company's business combination and plan of reorganization on May 6, 2021 pursuant to which Lion became a public company (the "Business Combination") and were mainly composed of legal, banking, and other professional fees.

Finance Costs (Income)

For the three months ended June 30, 2022, finance costs (income) decreased by \$3.8 million, from a cost of \$3.0 million for the three months ended June 30, 2021, to income of \$0.8 million. The decrease was driven primarily by lower interest expense on long-term debt, the non-recurrence of interest expense on convertible debt instruments and accretion expense on retractable common shares which were repaid on May 6, 2021, and the gain on derecognition of a financial liability related to previously acquired dealership rights, partially offset by an increase in interest costs related to lease liabilities. The gain on derecognition of the financial liability occurred as a result of the agreement with a private company relating to the previous acquisition of dealership rights in certain territories in the United States maturing on May 7, 2022.

For the six months ended June 30, 2022, finance costs decreased by \$6.6 million, from \$6.9 million for the six

months ended June 30, 2021, to \$0.3 million. The decrease was driven primarily by lower interest expense on long-term debt, the non-recurrence of interest expense on convertible debt instruments and accretion expense on retractable common shares which were repaid on May 6, 2021, and the gain on derecognition of a financial liability related to previously acquired dealership rights, partially offset by an increase in interest costs related to lease liabilities. The gain on derecognition of the financial liability occurred as a result of the agreement with a private company relating to the previous acquisition of dealership rights in certain territories in the United States maturing on May 7, 2022

Foreign Exchange Loss (Gain)

Foreign exchange gains and losses relate primarily to the revaluation of net monetary assets denominated in foreign currencies to the functional currencies of the related Lion entities. Foreign exchange gain for the three months ended June 30, 2022, was \$1.6 million compared to a loss of \$0.1 million for the three months ended June 30, 2021, largely as a result of a weakening of the Canadian dollar relative to the US dollar during the three months ended June 30, 2022, as compared to the three months ended June 30, 2021.

Foreign exchange gain for the six months ended June 30, 2022, was \$0.7 million compared to a gain of \$0.1 million for the six months ended June 30, 2021, largely as a result of a weakening of the Canadian dollar relative to the US dollar during the three months ended June 30, 2022, as compared to the three months ended June 30, 2021.

Change in fair value of share warrant obligations

Share warrant obligations relate to the warrants issued to a specified customer in July 2020 and the public and private warrants issued as part of the closing of the Business Combination on May 6, 2021. Change in fair value of share warrant obligations resulted in a gain of \$56.9 million for the three months ended June 30, 2022, compared to a charge of \$99.3 million for the three months ended June 30, 2021, and resulted in a gain of \$78.4 million for the six months ended June 30, 2022, compared to a charge of \$99.2 million for the six months ended June 30, 2021. The gains for the three and six months ended June 30, 2022 result mainly from the decrease in the market price of Lion equity as compared to the previous valuations.

Net Earnings (Loss)

For the three months ended June 30, 2022, net earnings were \$37.5 million, as compared to a net loss of \$178.5 million for the three months ended June 30, 2021. The increase in net earnings (loss) for the three months ended June 30, 2022 compared to the three months ended June 30, 2021 was largely due to the gain related to the fair value of share warrant obligations, lower non-cash share-based compensation, and the non-recurrence of transaction costs incurred during the three months ended June 30, 2021, and lower finance costs, partially offset by the gross loss and higher administrative and selling expenses (excluding share-based compensation).

For the six months ended June 30, 2022, net earnings were \$39.6 million, as compared to a net loss of \$194.6 million for the six months ended June 30, 2021. The increase in net earnings (loss) for the three months ended June 30, 2022 compared to the six months ended June 30, 2021 was largely due to the gain related to the fair value of share warrant obligations, lower non-cash share-based compensation, the non-recurrence of transaction costs incurred during the six months ended June 30, 2021, and lower finance costs, partially offset by the gross loss and higher administrative and selling expenses (excluding share-based compensation).

BOARD OF DIRECTORS

Ms. Latasha Akoma and Mr. Dane L. Parker, Operating Partner at GenNx360 Capital Partner, and Retired Chief Sustainability Officer and Vice President, Sustainable Workplaces at General Motors, respectively, have been appointed to the Board of Directors of Lion as independent Directors.

Latasha Akoma

Ms. Akoma, who is responsible for driving strong performance, operational efficiencies, and profitability across the GenNx portfolio companies, brings over 26 years of managerial experience in all aspects of manufacturing, operations, and business strategies.

Prior to joining GenNx360 Capital Partner, she held several executive leadership positions at Harley-Davidson Motor Company, a company she joined in 2009 as the Director of Operations, with responsibility for vehicle assembly and materials management. Prior to that, Ms. Akoma was a Senior Manager of Paint Operations at Chrysler (formerly DaimlerChrysler) where she held a variety of increasing senior leadership positions in operations and general management.

Dane L. Parker

As General Motors' first Chief Sustainability Officer, Mr. Parker was a leading force behind the company's plan to become carbon neutral by 2040 and aspiration to have zero-emissions from all new light-duty vehicles by 2035. Mr. Parker also held global responsibilities for facility design, engineering, construction, operations, energy procurement and efficiency, real estate, environmental compliance, as well as workplace strategy.

Prior to General Motor, Mr. Parker was Vice President, Global Environment, Health and Safety, Facilities and Real Estate for Dell, Inc. He also spent more than 13 years at Intel Corporation in the Technology and Manufacturing organization in a variety of operational roles, including as Director of Global Environment, Health and Safety.

CONFERENCE CALL

A conference call and webcast will be held on August 5, 2022, at 8:30 a.m. (Eastern Time) to discuss the results.

To participate in the conference call, dial (226) 828-7575 or (833) 950-0062 (toll free) using the Access Code 842480. An investor presentation and a live webcast of the conference call will also be available at www.thelionelectric.com under the "Events and Presentations" page of the "Investors" section. An archive of the event will be available for a period of time shortly after the conference call.

FINANCIAL REPORT

This release should be read together with our 2022 second quarter financial report, including the unaudited condensed interim consolidated financial statements of the Company as at and for the quarter ended June 30, 2022 and related management's discussion and analysis ("MD&A"), which will be filed by the Company with applicable Canadian securities regulatory authorities and with the U.S. Securities and Exchange Commission and which will be available on our website at www.thelionelectric.com.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at June 30, 2022 and December 31, 2021

(Unaudited)

	June 30, 2022	December 31, 2021
	\$	\$
ASSETS		
Current		
Cash	83,003,512	241,702,030
Accounts receivable	33,074,111	37,899,085
Inventories	151,710,910	115,978,979
Prepaid expenses and other current assets	5,737,143	4,647,163
Current assets	<u>273,525,676</u>	<u>400,227,257</u>
Non-current		
Other non-current assets	821,548	793,298
Property, plant and equipment	109,844,834	32,668,158
Right-of-use assets	57,282,564	60,902,362
Intangible assets	117,283,055	81,899,830
Contract asset	13,885,602	14,113,415
Non-current assets	<u>299,117,603</u>	<u>190,377,063</u>
Total assets	<u><u>572,643,279</u></u>	<u><u>590,604,320</u></u>
LIABILITIES		
Current		
Trade and other payables	61,004,762	40,409,565
Current portion of long-term debt and other debts	10,431,833	13,015,584
Current portion of lease liabilities	5,158,751	4,691,344
Current liabilities	<u>76,595,346</u>	<u>58,116,493</u>
Non-current		
Long-term debt and other debts	<u>3,739,753</u>	62,086

Lease liabilities	54,396,223	57,517,973
Share warrant obligations	27,281,847	106,225,934
Non-current liabilities	85,417,823	163,805,993
Total liabilities	162,013,169	221,922,486
SHAREHOLDERS' EQUITY		
Share capital	418,712,958	418,709,160
Contributed surplus	129,795,436	122,637,796
Deficit	(130,142,467)	(169,755,726)
Cumulative translation adjustment	(7,735,817)	(2,909,396)
Total shareholders' equity	410,630,110	368,681,834
Total shareholders' equity and liabilities	572,643,279	590,604,320

CONSOLIDATED STATEMENTS OF EARNINGS (LOSS) AND COMPREHENSIVE EARNINGS (LOSS)

For the three and six months ended June 30, 2022 and 2021

(Unaudited)

	Three months ended		Six months ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
	\$	\$	\$	\$
Revenue	29,521,016	16,688,939	52,167,809	22,914,417
Cost of sales	32,972,183	15,789,144	56,530,748	23,821,445
Gross profit (loss)	(3,451,167)	899,795	(4,362,939)	(907,028)
Administrative expenses	11,702,795	50,002,162	22,680,204	56,272,131
Selling expenses	6,722,480	13,338,268	12,097,982	17,721,847
Transaction costs	—	13,654,851	—	13,654,851
Operating loss	(21,876,442)	(76,095,486)	(39,141,125)	(88,555,857)
Finance costs (income)	(831,959)	3,001,634	346,449	6,909,024
Foreign exchange (gain) loss	(1,620,682)	102,562	(710,040)	(76,091)
Change in fair value of share warrant obligations	(56,934,623)	99,290,459	(78,390,793)	99,215,214
Net earnings (loss)	37,510,822	(178,490,141)	39,613,259	(194,604,004)
Other comprehensive earnings (loss)				
Item that will be subsequently reclassified to net earnings (loss)				
Foreign currency translation adjustment	(8,075,506)	(1,717,926)	(4,826,421)	(3,020,393)
Comprehensive Earnings (Loss)	29,435,316	(180,208,067)	34,786,838	(197,624,397)
Earnings (Loss) per share				
Basic earnings (loss) per share	0.20	(1.13)	0.21	(1.45)
Diluted earnings (loss) per share	0.19	(1.13)	0.20	(1.45)

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three and six months ended June 30, 2022 and 2021

(Unaudited)

	Three months ended		Six months ended	
	Jun 30, 2022	Jun 30, 2021	Jun 30, 2022	Jun 30, 2021
	\$	\$	\$	\$
OPERATING ACTIVITIES				
Net earnings (loss)	37,510,822	(178,490,141)	39,613,259	(194,604,004)
Non-cash items:				
Depreciation and amortization	2,739,172	1,548,572	4,722,426	2,532,382
Share-based compensation	3,363,082	54,799,496	7,157,640	60,004,848
Accretion expense on common shares, retractable	—	415,850	—	2,031,863
Accretion and revaluation expense on balance of purchase price payable related to the acquisition of the dealership rights	26,514	133,724	82,850	286,844
Accretion expense on convertible debt instruments	—	1,705,883	—	2,503,097
Gain on derecognition of the balance of purchase price payable related to the acquisition of the dealership rights	(2,130,583)	—	(2,130,583)	—
Change in fair value of share warrant obligations	(56,934,623)	99,290,459	(78,390,793)	99,215,214
Unrealized foreign exchange gain	(62,362)	(398,443)	(270,106)	(434,369)
Net change in non-cash working capital items	(2,568,999)	(19,658,089)	(23,314,671)	(22,252,943)
Cash flows used in operating activities	<u>(18,056,977)</u>	<u>(40,652,689)</u>	<u>(52,529,978)</u>	<u>(50,717,068)</u>
INVESTING ACTIVITIES				
Acquisition of property, plant and equipment	(32,239,014)	(3,284,824)	(68,033,364)	(4,396,723)
Acquisition of intangible assets	(23,907,201)	(10,716,772)	(38,689,711)	(17,166,957)
Government assistance related to intangible assets	—	1,321,125	—	1,777,315
Cash flows used in investing activities	<u>(56,146,215)</u>	<u>(12,680,471)</u>	<u>(106,723,075)</u>	<u>(19,786,365)</u>
FINANCING ACTIVITIES				
Net change in credit facilities	—	(21,239,925)	—	(16,262,610)
Repayment of loans on research and development tax credits and subsidies receivable	—	—	—	(2,745,712)
Increase in long-term debt	3,703,805	—	3,703,805	15,775,473
Repayment of long-term debt and other debts	(69,330)	(41,035,572)	(373,108)	(41,405,598)
Repayment of convertible debt instruments	—	(23,903,068)	—	(23,903,068)
Payment of lease liabilities	(1,120,721)	(582,250)	(2,337,538)	(1,029,975)
Proceeds from issuance of shares through private placement, net of issuance costs	—	196,255,491	—	196,255,491
Proceeds from the issuance of shares through exercise of stock options and warrants	3,798	54,394	3,798	54,394
Proceeds from issuance of shares through business combination transaction	—	308,232,870	—	308,232,870
Cash flows from financing activities	<u>2,517,552</u>	<u>417,781,940</u>	<u>996,957</u>	<u>434,971,265</u>
Effect of exchange rate changes on cash held in foreign currency	<u>(770,489)</u>	<u>(10,501)</u>	<u>(442,423)</u>	<u>(72,547)</u>
Net (decrease) increase in cash	<u>(72,456,128)</u>	<u>364,438,279</u>	<u>(158,698,518)</u>	<u>364,395,285</u>
Cash (bank overdraft), beginning of period	<u>155,459,640</u>	<u>(134,070)</u>	<u>241,702,030</u>	<u>(91,076)</u>
Cash, end of period	<u>83,003,512</u>	<u>364,304,209</u>	<u>83,003,512</u>	<u>364,304,209</u>
Other information on cash flows related to operating activities:				
Interest paid	504,134	2,950,374	854,120	4,000,843
Interest paid under lease liabilities	767,975	107,732	1,540,062	189,605

NON-IFRS MEASURES AND OTHER PERFORMANCE METRICS

This press release makes reference to Adjusted EBITDA, which is a non-IFRS financial measure, as well as other performance metrics, including the Company's order book, which are defined below. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore

unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of the Company's results of operations from management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of the Company's financial information reported under IFRS. Lion compensates for these limitations by relying primarily on Lion's IFRS results and using Adjusted EBITDA and order book on a supplemental basis. Readers should not rely on any single financial measure to evaluate Lion's business.

Adjusted EBITDA

"Adjusted EBITDA" is defined as net earnings (loss) before finance costs, income tax expense or benefit, and depreciation and amortization, adjusted for share-based compensation, changes in fair value of share warrant obligations, foreign exchange (gain) loss and transaction and other non-recurring expenses. Adjusted EBITDA is intended as a supplemental measure of performance that is neither required by, nor presented in accordance with, IFRS. Lion believes that the use of Adjusted EBITDA provides an additional tool for investors to use in evaluating ongoing operating results and trends and in comparing Lion's financial measures with those of comparable companies, which may present similar non-IFRS financial measures to investors. However, readers should be aware that when evaluating Adjusted EBITDA, Lion may incur future expenses similar to those excluded when calculating Adjusted EBITDA. In addition, Lion's presentation of these measures should not be construed as an inference that Lion's future results will be unaffected by unusual or non-recurring items. Lion's computation of Adjusted EBITDA may not be comparable to other similarly entitled measures computed by other companies, because all companies may not calculate Adjusted EBITDA in the same fashion. Readers should review the reconciliation of net earnings (loss), the most directly comparable IFRS financial measure, to Adjusted EBITDA presented by the Company under section 13.0 of the Company's MD&A for the three and six months ended June 30, 2022 entitled "Results of Operations - Reconciliation of Adjusted EBITDA."

Order Book

This press release also makes reference to the Company's "order book" with respect to vehicles (trucks and buses) as well as charging stations. The Company's vehicle and charging stations order book, expressed as a number of units or the amount of sales expected to be recognized in the future (at the applicable time of delivery) in respect of such number of units, is determined by management based on purchase orders that have been signed, orders that have been formally confirmed by clients or products in respect of which formal joint applications for governmental subsidies or economic incentives have been made by the applicable clients and the Company. The vehicles included in the vehicle order book as of August 4, 2022 provided for a delivery period ranging from a few months to the end of the year ending December 31, 2025. Substantially all deliveries are subject to the granting of subsidies and incentives with processing times that are subject to important variations, and there has been in the past and the

Company expects there will continue to be variances between the expected delivery periods of orders and the actual delivery times, and certain delays could be significant. Such variances or delays could result in the loss of a subsidy or incentive and/or in the cancellation of certain orders, in whole or in part.

The Company's presentation of the order book should not be construed as a representation by the Company that the vehicles and charging stations included in its order book will translate into actual sales. See the section below for a full description of the methodology used by the Company in connection with the order book and certain important risks and uncertainties relating to such methodology and the presentation of the order book.

Order Book Methodology

General Principle

The Company's vehicle and charging stations order book, expressed as a number of units or the amount of sales expected to be recognized in the future (at the applicable time of delivery) in respect of such number of units, is determined by management based on purchase orders that have been signed, orders that have been formally confirmed by clients or products in respect of which formal joint applications for governmental subsidies or economic incentives have been made by the applicable clients and the Company. The vehicles included in the vehicle order book as of August 4, 2022 provided for a delivery period ranging from a few months to the end of the year ending December 31, 2025.

Substantially all deliveries are subject to the granting of subsidies and incentives with processing times that are subject to important variations, and there has been in the past and the Company expects there will continue to be variances between the expected delivery periods of orders and the actual delivery times, and certain delays could be significant. Such variances or delays could result in the loss of a subsidy or incentive and/or in the cancellation of certain orders, in whole or in part.

The Company's presentation of the order book should not be construed as a representation by the Company that the vehicles and charging stations included in its order book will translate into actual sales.

Delivery Periods

The Company's order book refers to products that have not yet been delivered but which are reasonably expected by management to be delivered within a time period that can be reasonably estimated and includes, in the case of charging stations, services that have not been completed but which are reasonably expected by management to be completed in connection with the delivery of the product.

Purchase orders and applications generally provide for a time period during which the client expects delivery of the vehicles. Such period can vary from a specific date, a number or range of months after the issuance of the order or application, or a calendar year. The vehicles included in the vehicle order book as of August 4, 2022 provided for a delivery period, subject to the satisfaction of the conditions set forth in each order (which, in substantially all cases as further discussed herein, relate to the approval of governmental subsidies and grants), ranging from a few months to the end of the year ending December 31, 2025. Delivery periods are disclosed from time to time by the Company when available in respect of material orders. Delivery periods should not be construed as a representation or a guarantee by the Company that the actual delivery time will take place as scheduled. Given the nature of the business and the products of the Company, the implied lead time for the production and delivery of a vehicle (which may be impacted, among other things, by supply chain challenges or changes in specifications), the nature of certain customers of the Company (in many cases, fleet owners operating capital intensive operations which require financing and ongoing scheduling flexibility), and the fact that, as further described herein, substantially all deliveries are subject to the granting of subsidies and incentives with processing times that are subject to important variations, there has been in the past and the Company expects there will continue to be variances between the expected delivery periods of orders and the actual delivery times, and certain delays could be significant. Such variances or delays could result in the loss of a subsidy or incentive and/or in the cancellation of certain orders, in whole or in part.

Pricing

When the Company's order book is expressed as an amount of sales, such amount has been determined by management based on the current specifications or requirements of the applicable order, assumes no changes to such specifications or requirements and, in cases where the pricing of a product or service may vary in the future, represents management's reasonable estimate of the prospective pricing as of the time such estimate is reported. A small number of vehicles included in the order book have a pricing that remains subject to confirmation based on specifications and other options to be agreed upon in the future between the applicable client and the Company. For purposes of the determination of the order book and the value allocated to such orders, management has estimated the pricing based on its current price lists and certain other assumptions relating to specifications and requirements deemed reasonable in the circumstances.

Performance Metric

The order book is intended as a supplemental measure of performance that is neither required by, nor presented in accordance with, IFRS, and is neither disclosed in nor derived from the financial statements of the Company. The Company believes that the disclosure of its order book provides an additional tool for investors to use in evaluating the Company's performance, market penetration for its products, and the cadence of capital expenditures and

tooling.

The Company's computation of its order book may not be comparable to other similarly entitled measures computed by other companies, because all companies may not calculate their order book, order backlog, or order intake in the same fashion. In addition, as explained above, the Company's presentation of the order book is calculated based on the orders and the applications made as of the time that the information is presented, and it is not based on the Company's assessment of future events and should not be construed as a representation by the Company that the vehicles and charging stations included in its order book will translate into actual sales.

Ongoing Evaluation; Risk Factors

A portion of the vehicles or charging stations included in the Company's order book may be cancellable in certain circumstances (whether by reason of a delivery delay, unavailability of a subsidy or incentive or otherwise) within a certain period. Management reviews the composition of the order book every time it is reported in order to determine whether any orders should be removed from the order book. For purposes of such exercise, management identifies orders that have been or are reasonably likely to be cancelled and examines, among other things, whether conditions attaching to the order are reasonably likely to result in a cancellation of the order in future periods as well as any other available information deemed relevant, including ongoing dialogue with clients. Such exercise may result from time to time in orders that have previously been included in the order book being removed even if they have not been formally canceled by the client.

The Company cannot guarantee that its order book will be realized in full, in a timely manner, or at all, or that, even if realized, revenues generated will result in profits or cash generation as expected, and any shortfall may be significant. The Company's conversion of its order into actual sales is dependent on various factors, including those described below and in section 23.0 entitled "Risk Factors" of the Company's MD&A for the years ended December 31, 2021, 2020 and 2019 and in Item 3.D entitled "Risk Factors" of the Company's annual report on Form 20-F for the fiscal year ended December 31, 2021. For instance, a customer may default on an order, may become subject to bankruptcy or insolvency or cease its business operations. In addition, substantially all of the orders included in the order book are subject to conditions relating to the granting of governmental subsidies and incentives or the timing of deliveries and, in a limited number of cases, the availability of certain specifications and options or the renewal of certain routes by governmental or school authorities. As a result, the Company's ability to convert its order book into actual sales is highly dependent on the granting and timing of governmental subsidies and incentives, most notably subsidies and incentives under the Quebec government's 2030 Plan for a Green Economy, under the Federal's Infrastructure Canada's Zero-Emission Transit Fund (ZETF), and under California's Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project (HVIP). The termination, modification, delay or suspension of any such governmental subsidies and incentives could result in delayed deliveries or the cancellation of all or any

portion of such orders, which, in turn, could have a material and adverse effect on the Company's business, results of operations or financial condition.

The Company's conversion of its order book into actual sales is also dependent on its ability to economically and timely manufacture its vehicles, at scale. The Company delivered 196 vehicles during the year ended December 31, 2021, and 189 vehicles during the six months ended June 30, 2022. As of August 4, 2022, the Company's vehicle order book stood at 2,357 vehicles. The execution of the Company's growth strategy and the conversion of its order book will therefore require significant ramp-up in its production. While the Company's Saint-Jerome facility currently has an annual production capacity of 2,500 vehicles at full scale and it is in the process of establishing its operations at the Joliet Facility and the Lion Campus, the Company has limited experience to date in high volume manufacturing of its vehicles. In addition, as of August 4, 2022, 418 units included in the order book, representing a combined total order value of approximately \$165 million, related to products which had been developed and were being sold, but that were not currently in commercial production. Any failure by the Company to successfully develop and scale its manufacturing processes within projected costs and timelines could have a material adverse effect on its business, results of operations or financial condition. As a result, the Company's realization of its order book could be affected by variables beyond its control and may not be entirely realized. See section 3.0 of this MD&A entitled "Caution Regarding Forward-Looking Statements". See section 3.0 of the Company's MD&A for the three months ended June 30, 2022 entitled "Caution Regarding Forward-Looking Statements".

RECONCILIATION OF ADJUSTED EBITDA

The following table reconciles net earnings (loss) to Adjusted EBITDA for the three and six months ended June 30, 2022 and 2021:

	Unaudited Three Months Ended June 30, 2022		Unaudited Six Months Ended June 30, 2021		Unaudited Six Months Ended June 30, 2022		Unaudited Six Months Ended June 30, 2021	
			(in thousands)					
Revenue	\$	29,521	\$	16,689	\$	52,168	\$	22,914
Net earnings (loss)	\$	37,511	\$	(178,490)	\$	39,613	\$	(194,604)
Finance costs (income)	\$	(832)	\$	3,002	\$	346	\$	6,909
Depreciation and amortization	\$	2,739	\$	1,264	\$	4,722	\$	2,248
Share-based compensation(1)	\$	3,363	\$	54,799	\$	7,158	\$	60,005
Change in fair value of share warrant obligations(2)	\$	(56,935)	\$	99,290	\$	(78,391)	\$	99,215
Foreign exchange (gain) loss(3)	\$	(1,621)	\$	103	\$	(710)	\$	(76)
Transaction and other non-recurring expenses(4)	\$	1,363	\$	14,506	\$	1,532	\$	14,916
Adjusted EBITDA	\$	(14,411)	\$	(5,526)	\$	(25,729)	\$	(11,387)

(1) Represents non-cash expenses recognized in connection with the issuance and revaluation to fair value of stock options issued to participants under Lion's stock option plan as described in note 10 to the unaudited condensed interim consolidated financial statements as at and for the three and six months ended June 30, 2022 and 2021.

(2) Represents non-cash change in the fair value of the share warrant obligations as described in note 9 to the unaudited condensed interim consolidated financial statements as at and for the three and three and six months ended June 30, 2022 and 2021.

(3) Represents non-cash (gains) losses relating to foreign exchange translation.

(4) For the three and six months ended June 30, 2022, represents professional fees related to supply chain and project optimization initiatives and other non-recurring professional fees. For the three and six months ended June 30, 2021, represents transaction costs related to the Business Combination which was completed on May 6, 2021, professional fees related to financing transactions, and other non-recurring professional fees.

ABOUT LION ELECTRIC

Lion Electric is an innovative manufacturer of zero-emission vehicles. The company creates, designs and manufactures all-electric class 5 to class 8 commercial urban trucks and all-electric buses and minibuses for the school, paratransit and mass transit segments. Lion is a North American leader in electric transportation and designs, builds and assembles many of its vehicles' components, including chassis, battery packs, truck cabins and bus bodies.

Always actively seeking new and reliable technologies, Lion vehicles have unique features that are specifically adapted to its users and their everyday needs. Lion believes that transitioning to all-electric vehicles will lead to major improvements in our society, environment and overall quality of life. Lion shares are traded on the New York Stock Exchange and the Toronto Stock Exchange under the symbol LEV.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This press release contains "forward-looking information" and "forward-looking statements" and within the meaning of the United States Private Securities Litigation Reform Act of 1995 (collectively, "forward-looking statements") within the meaning of applicable securities laws. Any statements contained in this press release that are not statements of historical fact, including statements about Lion's beliefs and expectations, are forward-looking statements and should be evaluated as such.

Forward-looking statements may be identified by the use of words such as "believe," "may," "will," "continue," "anticipate," "intend," "expect," "should," "would," "could," "plan," "project," "potential," "seem," "seek," "future," "target" or other similar expressions and any other statements that predict or indicate future events or trends or that are not statements of historical matters, although not all forward-looking statements contain such identifying words. These forward-looking statements include statements regarding the Company's order book and the Company's ability to convert it into actual sales, the Company's long-term strategy and future growth, the Company's battery plant and innovation center project in Quebec and its U.S. manufacturing facility, and the

expected launch of new models of electric vehicles. Such forward-looking statements are based on a number of estimates and assumptions that Lion believes are reasonable when made, including that Lion will be able to retain and hire key personnel and maintain relationships with customers, suppliers and other business partners, that Lion will continue to operate its business in the normal course, that Lion will be able to implement its growth strategy, that Lion will be able to successfully and timely complete the construction of its U.S. manufacturing facility and its Quebec battery plant and innovation center, that Lion will not suffer any supply chain challenges or any material disruption in the supply of raw materials on competitive terms, that Lion will be able to maintain its competitive position, that Lion will continue to improve its operational, financial and other internal controls and systems to manage its growth and size, that its results of operations and financial condition will not be adversely affected, that Lion will be able to benefit, either directly or indirectly (including through its clients), from government subsidies and economic incentives in the future and that Lion will be able to secure additional funding through equity or debt financing on terms acceptable to Lion when required in the future. Such estimates and assumptions are made by Lion in light of the experience of management and their perception of historical trends, current conditions and expected future developments, as well as other factors believed to be appropriate and reasonable in the circumstances. However, there can be no assurance that such estimates and assumptions will prove to be correct.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Lion believes that these risks and uncertainties include, but are not limited to, the following: any adverse changes in U.S. or Canadian general economic, business, market, financial, political or legal conditions, including as consequences of the global COVID-19 pandemic and the emergence of COVID-19 variants; any adverse effects of the Russia-Ukraine war, which continues to affect economic and global financial markets and exacerbate ongoing economic challenges; any inability to successfully and economically manufacture and distribute its vehicles at scale and meet its customers' business needs; any inability to ramp-up the production of Lion's products and meet project construction and other project timelines; any unfavorable fluctuations and volatility in the price and availability of raw materials included in components used to manufacture Lion's products; any inability to reduce total cost of ownership of electric vehicles sold by Lion over time; the reliance on key management and any inability to attract and/or retain key personnel; any inability to execute the Company's growth strategy; the reliance on key suppliers and any inability to maintain an uninterrupted supply of raw materials; labor shortages (including as a result of employee turnover, departures, and demands for higher wages) which may force the Company to operate at reduced capacity, to lower its production and delivery rates or lower its growth plans, and could pose additional challenges related to employee compensation; any inability by Lion to meet the expectations of its customers in terms of products, specifications, and services; any inability to maintain the Company's competitive position; any inability to reduce its costs of supply over time; any inability to maintain and enhance the Company's reputation and brand; any significant product repair and/or replacement due to product warranty claims or product recalls; any failure of information technology systems or any cybersecurity and data privacy breaches or incidents; any event or circumstance resulting in the

Company's inability to convert its order book into actual sales, including the reduction, elimination or discriminatory application of government subsidies and economic incentives; any inability to secure adequate insurance coverage or a potential increase in insurance costs; natural disasters, epidemic or pandemic outbreaks, boycotts and geo-political events such as civil unrest and acts of terrorism, the current military conflict between Russia and Ukraine or similar disruptions; and the outcome of any legal proceedings that may be instituted against the Company from time to time.

These and other risks and uncertainties related to the businesses of Lion are described in greater detail in section 23.0 entitled "Risk Factors" of the Company's annual MD&A for the fiscal year 2021. Many of these risks are beyond Lion's management's ability to control or predict. All forward-looking statements included in this press release are expressly qualified in their entirety by the cautionary statements contained herein and the risk factors included in the Company's annual MD&A for the fiscal year 2021 and in other documents filed with the applicable Canadian regulatory securities authorities and the Securities and Exchange Commission.

Because of these risks, uncertainties and assumptions, readers should not place undue reliance on these forward-looking statements. Furthermore, forward-looking statements speak only as of the date they are made. Except as required under applicable securities laws, Lion undertakes no obligation, and expressly disclaims any duty, to update, revise or review any forward-looking information, whether as a result of new information, future events or otherwise.

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