



Shareholder Letter

June 30, 2026

Dear Shareholders

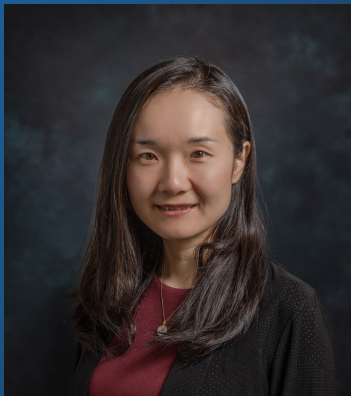


Photo credit: Nasdaq, Inc. / Vanja Savic

We recently marked a defining moment for Factorial Energy. With our listing on the Nasdaq, we opened a new chapter in our mission to build the world's most powerful and reliable batteries at scale, and we welcomed shareholders to what we believe is an incredible inflection point, both for this Company and for the global energy storage industry. Over the past decade, Factorial has built a battery technology platform advanced in partnership with national security investors, global automakers, and aerospace platform integrators, with a growing footprint across markets where energy performance is a strategic necessity.

We enter the public markets with a clear commercialization roadmap, a capital-light business model, and a track record that few companies at our stage can match.

My letter to you introduces Factorial Energy for new and prospective investors who have taken an interest in the Company since our Nasdaq listing, recaps the milestones that brought us here, and shares our vision for what's to come.



"Energy is the defining constraint of the next era for humanity - for aerospace, for mobility, for the AI-driven economy. Whoever solves it first shapes what comes next. Factorial has built that solution. A commercially ready solid-state battery platform that works within the world's existing manufacturing infrastructure, not against it. Ready to scale from where the industry already stands."

Siyu Huang
Co-Founder & CEO

Who We Are

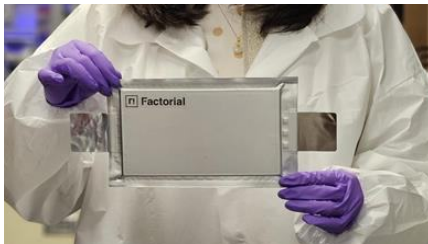
Factorial is a U.S.-headquartered developer of solid-state battery technology, founded with the conviction that lithium-ion batteries, the technology that has powered the last thirty years of electrification, are approaching their practical limits on energy density, safety, and cost. We set out to build something fundamentally better: A battery platform that delivers meaningfully more energy in the same space and weight, enabling longer range, greater endurance, and lighter system designs for the applications that need it most.

We have built two proprietary platforms to go after this opportunity, together protected by more than 150 patents and patent applications.

FEST® 100 Ah Battery Cell



Solstice™ 40 Ah Battery Cell



- FEST® is our high power platform, designed for drones, high-performance data centers, and applications where power delivery and energy density are critical. What makes FEST® particularly compelling is its compatibility with up to 80% of existing lithium-ion manufacturing equipment, meaning our partners can adopt and scale the technology without rebuilding their infrastructure from the ground up.
- Solstice™ is designed for a distinct class of applications, including robotics, space systems, that require high thermal stability and, in some cases, the ability to operate in vacuum environments. These are applications where conventional lithium-ion batteries begin to fall short. Solstice™ is designed to meet them.

Why Now

We are building this company at a moment of extraordinary demand for advanced energy storage. Global battery demand surpassed one terawatt-hour for the first time in 2024, and independent forecasts from the International Energy Agency (IEA) and McKinsey & Company project that demand will grow roughly fivefold, to five terawatt-hours, by 2030. That growth is being driven simultaneously by the continued electrification of transportation, by the emergence of high-performance applications in space, defense, robotics, and by the transformational energy demands of AI infrastructure. Conventional lithium-ion technology was not designed to meet all of these needs at once. We believe the next chapter of aerospace, mobility, and the AI-driven economy may belong to whoever solves energy storage first.

At Factorial, we built an answer with a solid-state battery already proven on the road and engineered to scale across multiple end markets without reinventing how batteries are made.

Our technology multiplies addressable markets



Defense & Aviation

Unmanned aerial & sub-sea
drones ground vehicles



AI Computing & Robotics

Factory automation, robotics
& consumer



Space & Aircraft

Aviation, space, & high-
endurance intelligence
systems



Energy Storage

Data centers, off-grid energy
storage & critical
infrastructure

Proof Points **Over Promise**

We have always believed that the most credible way to build this company is to let our results speak for themselves. The path here reflects years of disciplined technology development, OEM engagement, and supply chain investment, underpinned by a track record of industry firsts. The following milestones represent years of execution.

Technology Leadership

In 2023, our FEST® platform became the first 100+ amp-hour, automotive-sized solid-state battery cell to achieve UN 38.3 safety certification, validating the technology at the magnitude required for real vehicles, as opposed to purely prototypes. We were also among the first to test a solid-state cell in a production vehicle on public roads, a milestone few, if any, of our public peers have matched.

Alongside this, our Solstice™ platform is engineered with 100% dry cathode which reduces cost of manufacturing, and all solid electrolyte, which enables high temperature stability and adaptability to a vacuum environment. Together, both platforms operate reliably across a far wider temperature range than conventional lithium-ion, a capability that is foundational to automotive performance and to the demands of drones, robotics, and other high-specification applications operating in extreme conditions.

Commercial Readiness

In September 2025, a lightly modified Mercedes-Benz EQS equipped with Factorial's solid-state cells completed a 1,205-kilometer drive from Stuttgart, Germany to Malmö, Sweden on a single charge, finishing with 137 km of range still remaining. The result stands as one of the longest single-charge electric vehicle drives ever recorded. Additionally, Stellantis has integrated and began road testing our cells into a development vehicle on its STLA Large platform, the first vehicle in a demo fleet, demonstrating that our technology performs across different vehicle architectures.

Beyond the road, Factorial's energy density and power output advantages extend to other high-performance applications. We believe our cells have the potential to double the range of high-performance drones at equivalent payload, with relevance extending to defense, robotics, and energy storage applications as well.

Strategic Partnerships

IQT, the venture arm of the U.S. national security community, made a strategic investment in Factorial alongside POSCO Future M and Philenergy earlier this year. Based on the performance of our batteries, we have established aerospace platform integration partnerships with KULR Technology Group (NYSE American: KULR) in the United States, Tulip Tech in the Netherlands, and JRES in South Korea to serve drone customers across three continents.

Our commercial partnerships include four of the world's leading automotive manufacturers, Mercedes-Benz, Stellantis, Hyundai, and Kia, whose combined platforms represented approximately 26% of U.S. and European electric vehicle sales in 2024, equivalent to roughly 4.4 million vehicles. We have also signed a supply agreement with Karma Automotive, marking the first solid-state battery production program for passenger vehicles in the United States.

Capital-Light Manufacturing Strategy

Because our FEST® manufacturing process reuses the substantial majority of conventional lithium-ion production equipment, we have been able to pursue a capital-light path to scale – one that depends on smart use of existing infrastructure rather than the multi billion-dollar, multiyear gigafactory buildouts that have defined this industry. Our pilot production line has demonstrated a yield of more than 85%, exceeding the 70-80% yield range typical of state-of-the-art lithium-ion battery pilot lines. We view this as a meaningful operational milestone and a competitive proof point on the path to full commercialization. The step change required to take yield from a pilot line to commercial readiness is one of the most underappreciated challenges in this industry that directly translates into cost and capacity, and one we have approached deliberately.

How We Create Value



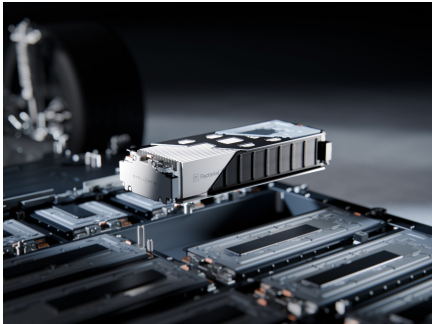
We built Factorial to be capital-efficient by design. Rather than constructing our own large battery factories, we generate value through a combination of technology licensing, engineering and development services, and material supply to manufacturing partners, while reserving direct manufacturing for our own facilities and select high-specification customers. For our automotive partners, this typically means a joint manufacturing model: we license our intellectual property, supply key materials such as electrolytes, and provide engineering support, while our partners contribute existing or newly built production capacity. We believe this approach allows us to grow more quickly and with significantly less capital risk than pursuing a fully vertically integrated model.

Our completed business combination implied an equity value of approximately \$1.3 billion. Existing Factorial shareholders rolled 100% of their equity into the combined company, a reflection of our team's confidence in the path ahead. We are now operating as a public company, continuing to execute against the commercial roadmap we have built with our partners since our founding.

What to Watch For

As we look ahead, our priorities remain consistent with the principles that have guided us from the beginning. We will continue to pursue global battery leadership, deepening the technological advantages of both our FEST® and Solstice™ platforms. We will further strengthen the strategic industries we serve, space, physical AI, mobility and energy storage through partnership rather than competition with the existing supply chain. We will continue to move from validation to commercial deployment, building on the proof points we have already delivered. And we expect to continue to expand our manufacturing capabilities with a prudent focus on returns.

In aerospace and physical AI, IQT's investment is an endorsement we take seriously. The performance features of our technology, such as high energy density, wide-temperature operation, and high-power



output, maps directly onto the most pressing capability gaps in drone and UAV programs. As drone flights become longer-range and more autonomous, the endurance and weight limitations of conventional lithium-ion batteries have become increasingly critical across commercial and industrial applications. Our global network of drone integrator partnerships provides a distributed commercialization infrastructure that we believe positions Factorial to capture meaningful share of this rapidly growing market.



In mobility, Mercedes-Benz' real-world road testing in a lightly modified test vehicle powered by Factorial battery cells achieved over 1,200 km of range on a single charge, while Stellantis-lab testing verified 77 Ah cells demonstrating high energy density, fast-charging, and robust use for energy and power performance across temperature extremes.

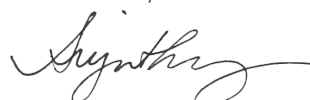
Across all of these areas, our capital-light partnership model means that expansion does not require proportional capital investment. It requires the right partners, a resilient supply chain, and a technology that performs. We believe we have all three.

Closing Thoughts

Humanity has entered into a new era, one that requires more powerful and reliable batteries to power high-performance systems around the world. As energy is becoming one of the defining constraints of this era, it is creating opportunities to shape the future of aerospace, defense, mobility and computing alike. Factorial was built to seize the opportunity. With proven solid-state battery technology, validated partnerships, and a capital-light path to scale, we believe we are well positioned to lead as that future takes shape. We are proud to bring that combination to the public markets, and we look forward to building on it with you.

We are grateful for the confidence of shareholders, and we look forward to continuing to earn it.

Sincerely,

 CEO & Co-Founder

Forward-Looking Statements

Certain statements in this communication may be considered “forward-looking statements.” Forward-looking statements herein generally relate to future events or the future financial or operating performance of Factorial Energy Inc. For example, expectations regarding industry trends, future financial performance, prospects, the timing of financial disclosures, manufacturing capabilities and operations, business plans, and other projections concerning key performance metrics or milestones are forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as “may,” “should,” “expect,” “intend,” “will,” “estimate,” “anticipate,” “believe,” “predict,” “project,” “target,” “plan,” “potentially,” or the negatives of these terms or variations of them or similar terminology. Such forward-looking statements are subject to risks, uncertainties, and other factors which could cause actual results to differ materially from those expressed or implied by such forward-looking statements. While Factorial may elect to update such forward-looking statements in the future, it disclaims any obligation to do so.

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