

Polestar

Q123 results webcast transcript

Thank you Operator. Hello everyone, my name is Bojana Flint, from Polestar Investor Relations. Thank you for joining our Q1 2023 results call.

Before handing over to Thomas Ingenlath, our CEO, and Johan Malmqvist, our CFO, for their opening remarks, followed by analyst and shareholder questions, I will handle some housekeeping points.

I would like to remind participants that many of our comments today will be considered forward-looking statements under US federal securities laws; and are subject to numerous risks and uncertainties that may cause Polestar's actual results to differ materially from what has been communicated. These forward-looking statements include, but are not limited to, statements regarding: the future financial performance of the Company, production and delivery volumes, financial and operating results outlook and guidance, macroeconomic and industry trends, Company initiatives and other future events. Forward-looking statements made today are effective only as of today, and Polestar undertakes no obligation to update any of its forward-looking statements. For a discussion of some of the factors that could cause our actual results to differ, please review the Risk Factors section of our annual report on Form 20-F filed with the SEC.

In addition, management will make references to non-GAAP financial measures during this call. A discussion of why we use non-GAAP financial measures and information regarding reconciliation of our non-GAAP financial measures with our most directly comparable GAAP measures is in the investor update presentation issued earlier today. With that, I'd like to turn the call over to Thomas, please go ahead.

Thank you Bojana.

The first quarter was a good example of the team's hard work and commitment. We have achieved record first quarter deliveries of 12,076 cars, up 26% year on year and enter the second quarter of this year with good commercial momentum.

I would like to spend a few moments reflecting on what has enabled this – the main things that set Polestar apart as a brand. As the first quarter shows, we are in the middle of a period of strong growth, creating a footprint across 27 markets that allows us to adapt our commercial operations to match supply and demand across the world. This is complemented by our stable production base, with over 130,000 cars manufactured to date.

We also have a well-balanced mix between retail and fleet customers. Our global partnership with Hertz, to supply 65,000 cars is working well and with a significant numbers out there, this provides a fantastic opportunity for potential customers to experience our cars.

Reflecting how we are maturing as business, we are starting to see our first repeat customers. This is a significant step for a young brand like us, as it reduces our reliance on only winning new customers. It also provides the foundation for our Pre-Owned business, creating another entry point for new customers.

Recently we introduced significant upgrades to Polestar 2 and I'm happy to say that it remains one of the top selling BEVs in many markets across both Europe, North America and Asia. The recently launched BST 230 special edition also pushes the boundaries of performance and has been very well-received.

Polestar 3, our design-led electric performance SUV, had its debut in North America recently, where it generated very strong interest.

We successfully unveiled Polestar 4, the latest example of our design and performance capability a few weeks ago. We launched it in China and expect to start production in the fourth quarter, but we also received major interest around the world, and we plan to start deliveries in other markets from mid 2024.

In addition to design and innovation, sustainability is what the Polestar brand represents. It is our focus across all parts of the business, and we reduced our relative CO2 emissions per car sold by 8% in 2023, decoupling our emissions from sales growth.

This is the foundation that we will continue to build Polestar's premium, luxury brand on. We are totally committed to this ambition and as such, believe that price stability is important to our customers.

As you might have seen, Volvo Cars announced earlier today that they need additional time to complete the software development for the new all-electric platform, which is also the basis for our Polestar 3. This means that start of production in Chengdu, China, is now expected in early 2024.

Importantly, the start of manufacturing of Polestar 3 in Charleston, USA is still on-track for mid 2024 and the adjustment to Polestar 3 does not impact Polestar 4, as they are based on different platforms. We also acknowledge the tougher economic outlook for the automotive industry.

Due to both of these reasons, we have adjusted our 2023 global volume expectation to range of 60,000-70,000 vehicles, representing an annual growth rate of 16% to 36%, following record deliveries of 51,491 cars last year.

We have actively managed our cost base since mid 2022. But, we need to do more. That's why we are intensifying our efforts, including putting in place a group-wide hiring freeze and reducing our headcount by 10%. We are doing this in a structured way across all our markets, while safeguarding our programmes. These necessary actions will benefit our cost base this year and more so in 2024.

Now, I would like to ask Johan to comment on our financials.

Thank you, Thomas.

Hello everyone and thank you for joining us today. It's great to see many of you again on the call and on the webcast.

During the first quarter of 2023 we have delivered 12,076 cars globally, up 26% year on year reflecting strong volume development in key markets such as the US, Canada and UK.

We have entered the second quarter with a well-established global presence in 27 markets on four continents, and with over 140 sales Locations and nearly 1,120 service points.

Before moving onto quarterly financial highlights and to echo Thomas' points, I want to emphasise that we, the management, are extremely focused on positioning Polestar prudently in order to tackle the near-term challenges, arising from later than anticipated Polestar 3 start of production and a tougher economic outlook faced by the automotive industry.

We will deploy marketing and sales support activities in order to continue to build as well as protect our brand value, and to maintain our growth momentum. This will be compensated with intensified cost management efforts we are announcing today.

As a reminder and you have heard us say this before, we recognise the challenging macro environment we have and continue to operate in and we started to take actions more than six months ago. We were pleased to see that those initiatives started to come through in the numbers, especially in our operating expenses.

However, this is not enough and hence we are taking further steps to strengthen Polestar in the near-term and reduce the cost base by taking out around 800 roles that were planned to be added this year – taking us back to the 2022 base of around 3,000 employees. We are undertaking a wide range of additional actions, while at the same time safeguarding the development of Polestar 5 and Polestar 6.

Moving to the financial highlights for the first quarter of 2023.

Revenue increased 21%, from \$452mn to \$546mn – driven by higher Polestar 2 sales across major geographic markets and price increases on Model Year 23. Despite the price increases, revenue per vehicle decreased slightly primarily due to a negative translation currency effect as well as a negative channel and mix effect.

Gross profit increased from negative \$7mn to positive \$18mn, and a gross margin of 3.4%, reflecting the model year 2023 price increases established in the second half of 2022, alongside a positive foreign currency transaction effect. This was partially offset by higher freight and input costs.

Selling, general, and administrative expenses were down 11% at \$189mn, due to active cost management. Research and Development expenses were up 11% or \$4mn, with continued product development for future vehicles and technologies. Operating loss decreased by nearly \$60mn or 23%, predominantly driven by the higher gross profit and active cost management.

Moving on to cash flow. Cash used for operating activities for the first quarter of 2023 was \$283mn, mainly driven by operating loss, higher levels of inventory and trade payables payments. Cash used for investing activities was \$131mn, primarily as a result of Polestar 3 and Polestar 4 intellectual property investments. Cash provided by financing activities was \$323mn, reflecting short-term borrowings of \$637mn, of which \$300mn was drawn down from the Volvo Cars shareholder loan facility, partially offset by principal repayments of \$311mn.

At the end of the first quarter of 2023, cash and cash equivalents stood at \$884mn. With continued support from our two major shareholders, we are closely monitoring the market and exploring potential equity and debt offerings to fund operations and business growth.

Thank you again for joining, and over to operator for the live Q&A by the analysts, and then we will answer top questions from shareholders.

Questions and answers

(Operator Instructions) We will now take the first question. It's from the line of Steven Fox from Fox Advisors. Please go ahead.

Steven Fox – Fox Advisors

Hi, good morning. Thanks for taking my question. First of all, I was wondering if you could dissect the change in your vehicle forecast for the year a little bit further. I'm trying to understand how much you would relate to the macro? And then further, can you talk about pricing strategies for the rest of the year given what's going on in the market in general and your prior strategies? And then I have a follow-up.

Johan Malmqvist

As we mentioned in the introduction, the lower volumes compared to the previous guidance is a reflection of the combination of both the later than originally anticipated deliveries of the Polestar 3 and the tougher market conditions. Now we haven't disclosed the breakdown. What we can say is that given the tougher economic climate, it's difficult for us to compensate for the absence of Polestar 3 volumes with incremental Polestar 2 volumes. That coupled with higher market uncertainties, what's led us to call down the volumes and provide a range.

Steven Fox

And then in terms of pricing?

Thomas Ingenlath

We have in the course of the next weeks, the model year 24 starting of Polestar 2. And as we explained before, the upgrade of tech, the significant feature increase and the better performance of this car in terms of range. We combine that with increase of price with the Polestar 2 of this model year. This is again supported with our statement that, of course, we see as well that our customers expect,

on one hand, stability in our pricing. And for that reason, we will proceed persist. Obviously, that again, linking this to our volume corridor, I mean one of the reasons why we are prudent and giving this corridor because we indeed intend not to push cars into the market for any price just to achieve a volume that we once announced, but indeed give us the opportunity to maintain the right balance between the volume that we achieve and what we achieve in terms of margins and price stability with our products.

Steven Fox

Great. That's really helpful. And then I was just curious, like when we think about the 27 countries you're in, there seems a lot that you can control in terms of branding and sales efficiencies. What is sort of the difference between a region where you're operating well versus when that's new and how you bring that up? What's the potential in terms of just improving sales through better sales metrics in some of the lower-performing regions to date?

Thomas Ingenlath

Well, if you have a closer look at the regional breakdown of our sales, I think it's a pretty good example of what advantage it is to have this, I call it, now widespread of 27 markets because indeed, it's one thing that a new established market, of course, needs some time to develop its full potential. The other effect is that, of course, there are regional facilities happening in quarters like incentive cuts in the country, which, of course, naturally have a damping there in the interest of the customer for a moment. But if you have a broad base, you can indeed compensate. And for that reason, for example, of course, in the Scandinavian and the Nordic countries with quite a lot of them having incentive going away in this quarter, compensating that with exceptional good sales in the U.K., for example, of course, that is indeed a very good effect of being that widespread.

Steven Fox

Great. That's all very helpful color. I appreciate it. Thank you.

Operator

Thank you. We will now take the next question. It's from the line of Winnie Dong from Deutsche Bank. Please go ahead.

Winnie Dong – Deutsche Bank AG

Thanks so much for taking my question. I appreciate that you're now breaking down the reasons for the reduced guidance between the push out of Polestar 3 and then the macro challenges. But maybe can you talk about the order trends that you've been uploading. Any sort of specific trends by region or weakness by region, that will be appreciated. That's my first question.

Thomas Ingenlath

Yes, we left 22 obviously with a still very strong order book. And we indeed still have a solid order book that we're working down. Let's face it, bring cars to customers in order for them not waiting too long for them. And obviously, the model year 24 will be an additional push for the Polestar 2 sales and the campaign waiting to roll out now when the cars in production. For that reason, we have a good conviction in the potential to achieve our sales with the Polestar 2. Having said that, again, obviously, the macroeconomics and our ambition to maintain the pricing and the premium position of this car and not enter into the price war, of course, for that reason, we have this prudent outlook.

I mentioned a bit about differences in regions in the beginning. Obviously, there are effects in the beginning of this year and all the countries where you see people that knowing the incentives in the beginning would not be in place anymore, obviously, push the sales in December 2022, which of course, helped us in 2022 December a lot. But for that reason, of course, the first quarter was weaker there and for normalization. We expect this to normalize in the Nordic countries. We have as well started, of course, much more explaining and pushing the fact that the purchase of a Polestar 2 in 2023

in the U.S. via a lease program qualifies for incentives and for that reason, we see as well the pickup of interest and order for the Polestar 2 in the U.S. again after, obviously, the slowdown that we had in the end of 2022 when the car for, I call it now a short moment, didn't qualify for the incentives. So that's another effect, which of course, makes us positive about the outlook for the Polestar 2 orders.

Winnie Dong

That's all very helpful. My thought is on the cost management side, the global freeze and in the 10% headcount reduction that you just announced today. Can you maybe elaborate more on timing? And then what parts of the business are managing that? And then maybe any more quantifiable annualized scenario as a result of reduction. Thank you.

Johan Malmqvist

Yes. Thanks, Dong. So as we've communicated, we're implementing a 10% headcount reduction, and that's off an existing base of around 3,300 employees. So this would then put us at 3,000 employees, which is the same level we ended last year and that we would then intend to keep through this year. So we're working through the specifics of the head count reduction as it relates to the 300. You can expect to see those cost savings start coming through the SG&A during the second half of this year and then with the full run rate effect next year. If you take into account the reduction of the additional 500 planned head count for the year, then, of course, those costs are even higher.

Winnie Dong

Any sort of quantifiable sort of savings run rate that we can think about?

Johan Malmqvist

We're still working through the specifics of that, Winnie. But of course, you can use the 300 approx. against, those 300 reductions in headcount versus the actual numbers. I should also mention that we are also working on additional initiatives to drive out costs and to conserve cash in the company, such as trimming the development costs of certain car programs, efficiency gains with our commercial operations, where for example, we've seen improvements in the quality levels of the Polestar 2, leading to lower warranty repairs and a little bit what we touched upon before in regards to our 27 markets, simply improving the efficiencies there and how we operate in now that we're becoming more established. So those are examples of additional actions across the company that we're taking.

Winnie Dong

Got it. That's very helpful. Thank you so much.

Operator

Thank you. We will now take the next question. It's from the line of Tobias Beith from Redburn. Please go ahead.

Tobias Beith - Redburn (Europe) Limited

Hi, good afternoon. Thanks for taking my questions. I was just wondering if we could return back to order intake. And if I have looked at your balance sheet, advanced payments from customers declined sequentially again this time from \$41 million now to \$33 million, suggesting that gross new orders in the period may have been less than 12,000 units, which, I guess, if I annualize is 12,000 units less than the bottom end of your guided corridor. Are you able to comment on how orders have trended year-to-date and perhaps maybe what you're doing to stimulate new orders through the year? I have 2 follow-ups, if that's okay.

Thomas Ingenlath

Well, isn't that an indication just simply that we as well just simply are able to deliver faster to our customers? I mean the order book has always 2 sides to it. A strong order book. Yes, as nice as it is. It means as well that customers, of course, especially in the last year, had to wait quite long for the

delivery. This normalizing is as well what you read in these numbers that this indeed is shrinking which for the customer might be a very good effect. So for that reason, don't interpret this number now over into interest going down. That's where, again, order intake is something that is across the regions varying. And generally, in the first quarter in the automotive industry is generally, of course, as well less intense than you would have it in the second half of the year. And that trend this year, we exactly see again happening that, of course, the fatigueless in January, February is something that is with spring picking up and yes, this effect we will see in 2023 again.

Johan Malmqvist

And Tobias, just on your phasing there don't forget, as we communicated before, we do expect volumes to be weighted more towards the second half. And that's the case even with the absence of the Polestar 3 and part of that reason is also then on the back of the Polestar model year 24, which we then anticipate will drive a higher growth.

Tobias Beith

Okay. Cool. Thank you. And my second question relates to the Polestar 4. And the indicative price that you announced at the Shanghai Auto Show of \$60,000 given prior comparisons to the Porsche Macan was a little lower than I had anticipated. Do you still think that the comparison between Polestar and Porsche makes sense? Or do you think investors should now think of Polestar is attempting to disrupt BMW or Mercedes Benz.

Thomas Ingenlath

Well, you are referring with the \$60,000 and thinking is a bit low. I mean, you look at a company that with our direct sales business model has a very, very clear pricing here where you don't go into our shop and leave it with a good deal. I mean that kind of having a list price that doesn't materialize - it's not that much comparable. So I think you have to put that a little bit into the equation as well if you compare this. The \$60,000, again, it's the car that probably does not have the performance back and certain addition on it. So you easily can spec up this car.

Having said that, if you look at the comparison, it's very helpful for us to give that guidance for people to understand that the Polestar 4 does not directly compete with a Tesla Model Y, which where you would immediately say, oh, but isn't that car a little bit too expensive to compete with it. It is indeed much, much closer in its price range to a Porsche Macan than it is to Tesla Model Y. And I think it is very important for us to give that guidance where to put this car into position. I mean we are our own brand. We are not out there to build a Porsche Macan copy. We are putting our product there, which is in a way something new. And again, that's where it is helpful for us to give a little bit of that positioning in order for people not mistaking it as a Tesla model Y competitor.

Tobias Beith

Okay. And just a quick point of clarification. Is the \$60,000 price point, your top end variance. So I guess, the equivalent of the dual motor large pack Polestar 2, and future variants may be cheaper? Or should we think of it the Polestar 4 is having more expensive variance being announced in the future?

Thomas Ingenlath

In the presentation at Auto Shanghai, we actually were quite, I call it now explicit about the price range that the Polestar 4 will cover very early in this time already. And indeed, there was a price range for the Polestar 4 which was between \$60,000 and \$80,000. And I think that is -- that's where you pick the \$60,000 now very exclusively. I mean this is a singular price point. So when you see that we actually -- let me try to remember it was, I think, RMB 350,000 to RMB 540,000. You have to translate that into dollars and then you get the price range, which obviously is much broader than just the \$60,000 that you mentioned.

Tobias Beith

Okay. I'll look at the presentation. I must have missed that. Thank you for the answer, I'll pass the line. Thanks.

Operator

Thank you. We will now take the next question. It's from the line of Dan Levy from Barclays. Please go ahead.

Dan Levy – Barclays Capital Inc.

Hi, good afternoon to you. Thanks for taking my question. Wanted to go back to just the pace of quarterly volume? And maybe you could give us a sense, in the first quarter, if the 12,000 units of deliveries, was that a function of demand? Or was that just a function of the output, I think, from the facility? And with the guidance that you're providing, the step-up in volume, is that just more so a function of output increasing? Or was that just a function of sort of seasonality, more demand coming online?

Thomas Ingenlath

I think it is a mix of both because indeed in the very beginning of this year, we were indeed as well lacking the stock, having sold lots of cars in the last quarter of 2022. So a certain degree of not being able to deliver more cars versus well because we didn't have that many cars in stock there. This is, of course, normalizing and not the case anymore, because finally enough in this call for the first time, we have not talked about supply chain issues, which I think is amazing. Because indeed, the supply chain issues indeed are not a topic that much this year. So yes, this obviously will for the rest of the year, not be the issue. Seasonality, indeed, you mentioned it that again is an effect on industry you would always in quarter one and probably in quarter two, still have less automotive business happening than in the past and in quarter three and four. So indeed, that will be exactly the same in 2023 again.

Johan Malmqvist

Yes, I can only echo what Thomas said a little bit of a tight supply going into this year. So a combination of the 2 then. But on a go-forward basis, the production is we don't expect to be an impediment -- it's going to be the more demand driven. And as I said, with volumes increasing and weighted towards the second half, again, also as we start then delivers of the model year 24.

Dan Levy

Got it. Okay. So you're past the supply constraints, and it's more a function of demand.

Second, I wanted to ask about -- just go back to the pricing strategy, and I appreciate your comments about focusing on -- your customers are looking for price stability, but maybe you can talk to how you think the macro plays into your pricing strategy, if at all?

Thomas Ingenlath

Well, the market definitely plays in that, for example, the model mix, of course, customers are more price sensitive and would probably think twice if they add another package to it. So generally, the average of what price we sell the Polestar 2. Yes, that of course has an influence that people are in the environment more careful in spending money. Of course, we have an influence from that side.

Johan Malmqvist

And you saw an element of that then in the average selling price for Q1 actually, that even though on the one hand, it reflected the benefits of the prior price increases. Actually, it was overshadowed by a negative translation effect, but there also was a small element of negative variant mix effect to Thomas' point. So I think that's one example of the macro conditions.

Dan Levy

Great. If I could just squeeze one more in, please. I know you mentioned that Polestar 4 is on a different platform than Polestar 3. And so that's why it's not going to be delayed. But maybe you could just remind us of maybe what pieces of software are shared or aren't shared between the 2 and just the confidence that you have that Polestar 4 is still going to be on track for SOP before the end of the year.

Thomas Ingenlath

Yes, the customer-facing side of, I call it now the entertainment software is indeed shared because the Android-based Google system is part of both cars of Polestar 3 and Polestar 4 for the customer, that's indeed is one experience. And I would not nail it down now only to the electric platform generally because basically, it's 2 different entities working on it. One contract engineered with one theme, one contract engineered by another team, of course, secures as well, that the timing between the 2 cars is pretty much independent. And we do not have a knock-on effect of Polestar 3 SOP onto the SOP that we would have with the Polestar 4. So it's not just due to having a different electronic architecture.

Dan Levy

Okay. Thank you.

Operator

Thank you. We will now take the next question. It's from the line of Andres Sheppard from Cantor Fitzgerald. Please go ahead.

Andres Sheppard - Cantor Fitzgerald

Hi, good morning or good afternoon. Thanks for taking my question. Congratulations on the quarter. A lot of our questions have been asked. Maybe I'm wondering, can you give us an update on how the plans regarding the manufacturing in South Carolina is progressing? Is that still on track? Or are there any updates there? Thank you.

Thomas Ingenlath

The update is that there is on track. The timing for the production in South Carolina to start producing Polestar 3 and again, not only for the U.S., but as well for export has been in the middle of 2024 and it stays for that timing. So indeed, we will start producing the Polestar 3 in the U.S. in the middle of 2024.

Andres Sheppard

Got it. Okay. That's very helpful, Thomas. And then maybe as a follow-up, is it possible to quantify a little bit further the relationship with Hertz in terms of how deliveries are going? Or kind of what's to be expected for either later this year or next year? Just trying to get a sense of how we should be thinking about it. Thank you.

Johan Malmqvist

Now in regards to Hertz, still according to plan with the 65,000 cars gradually then being delivered over this 5-year period. There was an initial tranche that was delivered in 2022, which then continues to build during 2023 before landing at a more level run rate as from next year and for the remaining volumes. So it's going to be a gradual build-up before we get to more of a kind of a stabilized run rate of the 65,000.

Operator

Thank you. (Operator Instructions) And we will now take the next question. It's from the line of Alex Potter from Piper Sandler. Please go ahead.

Alex Potter - Piper Sandler & Co.

Excellent. So I just have one question. It goes back to this topic of software. I think it's an important one. It seems that a lot of people in the industry are struggling with it. So basically, I suppose the main question is, can you summarize Polestar's philosophy with regard to software development?

And then maybe more broadly, your partners, philosophies, Volvo, Geely's philosophies with regard to software development. And do you think that any fundamental changes need to be made by the

industry or by your company more specifically with regard to software in order to prevent delays to vehicle launches or other production disruption in the future. Thanks very much.

Thomas Ingenlath

Yes, right. I have to go back here a little bit to how the product portfolio and what we call the asset-light model of Polestar, actually, what it's based on. And almost from day 1 with Polestar, we had to explain our key thing is not to have that one thing where we build on and what we invest into, and this is the base of everything. It's the opposite. We have the access to different technology in the group and dependent on the type of car, the price point of the car, the technology that is needed for that. We pick and choose that technology.

And for that reason, yes, there are different technology base for our cars, which we then -- for the customer experience, of course, turns to become Polestar. That's why I said the interface for the entertainment, how you actually drive our car, what are the functions that is, of course, what is unified. But the technology might differ underneath.

And there are projects like the Polestar 3, which obviously is very much at the pinnacle of innovative, great technology coming to the market with an electronic architecture, which indeed will in the near future enable a LiDAR supported, unsupervised highway piloting. I mean, this is obviously part of this architecture. And I would say, yes, should I call it not understandable reasons, but of course, the complexity and the innovativeness of that platform is of course, something that has to be handled. This is of course, the case now with Polestar 3. Good that we indeed have, at the other hand, at the same time, the living proof of that spreading onto different technology bases actually has the advantage that you, in a way, de-risk as well the company, because indeed, there is no knock-on effect on the Polestar 4. It is in a way that independent development that there is no knock-on effect.

That's where we are, on the other hand, see an incredible learning curve when you ask now what are the learnings and the consequences. I mean, obviously, this big technology shift that is happening right now generally in the automotive world going into electronic architectures in the car, which of course are very different to what the industry used to do in the past.

Yes, there are some painful learning steps to be taken now, but I'm very sure that this will pay off in the future. We have already today in the Polestar 2 great benefits of new technology with over-the-air updateability which we perform in this car. And again, that was painful in the very first moment. The first half year definitely was a high learning curve required. But look at it today, I mean, we almost without big hiccup rollout, and over the air updates with Polestar 2 are not a topic anymore, it's just happening. So I think, indeed, what we see now with Polestar 3 happening. Yes, that's of course an initial hiccup, but I think the technology that we reach with it and the learning that we do with it, will generally be a very good foundation for a much smoother future in that.

Alexander Potter

Okay. Very good. Thanks a lot. I appreciate it.

Operator

Thank you. There are no further questions on the telephone at this time. I would like to hand back over to the speakers for shareholder questions.

Thomas Ingenlath

Yes, right. We have shareholder questions. And Bojana was bringing the top 3 voted questions together here, and I have them in front of me, and I would like to go through them.

And we have **question number one**, why has Poster not invested in brand wins in the U.S. market? The brand is still not being considered as an alternative in numerous car comparisons and the technically exceeds many of its small popular competitors?

This statement of course is provoking me here a little bit with has not invested in brand awareness, which I cannot confirm. We have invested heavily over the last years into the brand awareness of Polestar. And I have the need now here to fundamentally actually almost state the opposite, because just looking very fact based on what brand awareness Polestar achieves, and now specifically in the U.S.. And in a study that's researchers aided brand awareness, we have improved a year ago when we had the big Super Bowl push and made that jump to a 10% brand awareness at that point in time. And when you see now a year later, without a spectacular thing like Super Bowl, but constant and permanent work with our marketing, with our communications, we have stepped up from this 10% to a 13% aided brand awareness. And now to put that into perspective, this 13%, if you compare that to one of the competitors is very often mentioned then as kind of that much better than Polestar. Actually, Lucid was 14.6%, is very, very close to this 13%. So the perception that we are limping behind in brand awareness in the U.S. is actually much less difference than the felt lack of brand awareness of Polestar.

Now I don't want to make that now like, oh, this is not a topic for us. Of course, we want to improve. And of course, we want to improve brand awareness, especially in the U.S. And for that reason, there are just now in this quarter, quarter two, a \$20 million marketing campaign in the second quarter in the U.S. market active. And we have with the Polestar 3 TVC, a very successful high engagement rate where spending actually much less than others, achieving much more of action and response on that television of Polestar 3.

So I think it's a combination, on one hand, of course, spending money and doing something, but doing it in a very efficient way and having lots of bang for the buck. And that means really high amount of customer activation and generating traffic on our .com with these actions. So that's where I think the U.S. market, of course, it will take as well time, it will take as well more cars, the Polestar 3 and 4 coming to the market, of course, this is as well very much needed. And on the other hand, the Polestar Spaces with a significant amount being out there and covering coming over this tipping point where you just simply feel the presence of the brand, still building that up. But I want to say again, we are not at all in that bad position as it's sometimes displayed. And to remind you as well, selling cars, I mean, actually selling the Polestar 2 as an electric car, it's on fifth place in the sales statistics. Just to remind you of the selling success of the car in that respect, being in front of Mercedes EQS, Nissan Leaf, the Taycan and of course selling many more Polestar 2s.

Second question picks up the similar topic, but it's a bit broader. How does Polestar plan to dramatically increase market awareness, as of now nobody now has heard of Polestar?

Again, I would love to put that in perspective. I presume this comes from the U.S. question, I think we have to balance as well a little bit. Yes, this, I call it now slightly limping behind the U.S. market and brand awareness. If you put that into the global perspective, us being in 27 markets out there and in many, the overwhelming majority of these markets having a much bigger distance to our peers there who took grants that we are compared to in terms of brand awareness. I think that is as well very important to understand.

Now let's take, I call it now a neutral market, Germany, 25% brand awareness of Polestar in Germany versus a 5% brand awareness of Nio or BYD was 4.5%. Now we have one measurement in Holland in Netherlands, 41% brand awareness of Polestar, 3.8% of Lucid. I mean that, to show what difference is in markets where we are very, very well established and strong. And then compared to that, our difference in the U.S. is not that big as it is in other countries where we are really exceeding very much the brand awareness of our peers.

So for that reason, I think that young and still small brand Polestar has actually quite a good starting point in order to, of course, still accelerate and build brand awareness in those markets. And again, all that has been achieved with this one Polestar 2, thinking that we will be in 2024 in these markets with 3 products. Of course, it's as well a complete different base.

Question number 3, we actually covered already with one of the questions before about the South Carolina plant and when it will start producing and again confirming that mid 2024 is the timing for South Carolina production.

Right. Yes, closing remarks and from my side here. In 2024, we will have that portfolio of 3 cars. And it will include 2 electric SUVs, which obviously is very important because that's a fast-growing segment in the EV space.

Polestar 3, the display cars will in the retail occasions arrive by the end of this summer. And we will do a very, very nice ramp-up of our marketing and customer engagement activities, because of course we want to build that strong order book for Polestar 3 this year.

The launch of Polestar 4 created a lot of headlines last month, and the bold and really great design of the car, I think, made really nice resonance with the media and the customers. And it's start of production, we confirm again here is quarter four of 2023. And the start of production for the rest of the world is early in 2024.

Then the Polestar 2, we will continue to build on the success of the car by starting the customer deliveries for its model year 24, which is of course a very important model year upgrade with substantial tech upgrades. And this model year 24 Polestar 2 introducing as well the new front design that has a SmartZone signature that you all know from Polestar 3.

So I remain -- we remain confident that all of this will help us to deliver on the growth ambitions and of course, as well to the path to profitability of Polestar.

Thanks for joining this call.