UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16
UNDER THE SECURITIES EXCHANGE ACT OF 1934

For the month of November 2023

Commission File Number: 001-41431

Polestar Automotive Holding UK PLC

Assar Gabrielssons Väg 9
405 31 Göteborg, Sweden
(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F ☒ Form 40-F ☐

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): ☐

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): ☐

INFORMATION CONTAINED IN THIS REPORT ON FORM 6-K

Attached as exhibits to this Report on Form 6-K are: (i) Polestar's Management's Discussion and Analysis of Financial Conditions and Results of Operations for the Three and Nine Months Ended September 30, 2023 and 2022, which is attached as Exhibit 99.1; and (ii) Polestar's Unaudited Condensed Consolidated Financial Statements as of September 30, 2023 and for the Three and Nine Months Ended September 30, 2023 and 2022, which are attached as Exhibit 99.2.

The information contained in Exhibit 99.1 and Exhibit 99.2 shall be deemed to be incorporated by reference into Polestar's registration statement on Form S-8 (File No: 333-267146), registration statement on Form F-3 (File No. 333-266101) and registration statement on Form F-3 (File No. 333-274918) and to be a part thereof from the date on which this report is submitted, to the extent not superseded by documents or reports subsequently filed or furnished.

EXHIBIT INDEX

Exhibit No.	Description of Exhibit
99.1	Management's Discussion and Analysis of Financial Conditions and Results of Operations for the Three and Nine Months Ended September 30, 2023 and 2022.
99.2	Unaudited Condensed Consolidated Financial Statements as of September 30, 2023 and for the Three and Nine Months Ended September 30, 2023 and 2022.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

POLESTAR AUTOMOTIVE HOLDING UK PLC

Date: November 16, 2023

By:	/s/ Thomas Ingenlath
Name:	Thomas Ingenlath
Title:	Chief Executive Officer
By:	/s/ Johan Malmqvist
Name:	Johan Malmqvist
Title:	Chief Financial Officer

Exhibit 99.1

Management's Discussion and Analysis of Financial Conditions and Results of Operations

The following discussion includes information that is relevant to understanding Polestar's financial condition and results of operations and should be read together with the Unaudited Condensed Consolidated Financial Statements as of September 30, 2023, and for the three and nine months ended September 30, 2023, and 2022, included elsewhere in this report. Refer to the Form 20-F filed with the SEC on April 14, 2023, for information related to the year ended December 31, 2022. All amounts presented in this report are shown in thousands of U.S. dollars, except per share data and unless otherwise stated.

Key figures

	September 30, 2023	December 31, 2022
Statement of financial position		
Cash and cash equivalents	951,088	973,877
Total assets	4,386,464	3,942,451
Total equity	628,933	133,643
Total liabilities	$(5,015,397)	$(4,076,094)

	For the nine months ended September 30,		For the year ended December 31,
	2023	2022	2022
Statement of loss			
Revenue	1,844,447	1,476,746	2,461,896
Cost of sales	(1,823,234)	(1,419,271)	(2,342,453)
Gross profit	**$ 21,213**	**$ 57,475**	**$ 119,443**
Operating expenses	(756,167)	(1,139,056)	(1,405,723)
Operating loss	**$ (734,954)**	**$ (1,081,581)**	**$ (1,286,280)**
Finance income and expense, net	274,134	890,777	837,275
Income tax expense	(7,581)	(12,543)	(16,784)
Net loss	**$ (468,400)**	**$ (203,347)**	**$ (465,789)**
Statement of cash flows			
Cash used for operating activities	(1,334,817)	(1,023,425)	(1,083,423)
Cash used for investing activities	(189,414)	(652,778)	(715,973)
Cash provided by financing activities	1,545,349	1,965,753	2,083,029
Key metrics			
Class A shares outstanding at period end	467,945,498	467,144,972	467,677,673
Class B shares outstanding at period end	1,642,233,575	1,642,233,575	1,642,233,575
Share price at period end[1]	$ 2.64	$ 5.06	$ 5.31
Net loss per share (basic and diluted)	(0.22)	(0.10)	(0.23)
Equity ratio[2]	(14.34)%	(3.75)%	(3.39)%
Global volumes[3]	41,817	30,424	51,491
Volume of external vehicles without repurchase obligations	37,979	28,204	48,531
Volume of external vehicles with repurchase obligations	2,255	799	1,296
Volume of internal vehicles	1,583	1,421	1,664
Markets[4]	27	27	27
Locations[5]	157	128	158
Service points[6]	1,135	1,033	1,116

1 - Represents PSNY share price at period end while publicly traded.
2 - Calculated as total equity divided by total assets.

3 - Represents the sum of total volume of vehicles delivered for (a) external sales of new vehicles without repurchase obligations, (b) external sales of vehicles with repurchase obligations, and (c) internal use vehicles for demonstration and commercial purposes or to be used by Polestar employees (vehicles are owned by Polestar and included in inventory). A vehicle is deemed delivered and included in the volume figure for each category once invoiced and registered to the external or internal counterparty, irrespective of revenue recognition. Revenue is recognized in scenarios (a) and (b) in accordance with IFRS 15, *Revenue from Contracts with Customers*, and IFRS 16, *Leases*, respectively. Revenue is not recognized in scenario (c).
4 - Represents the markets in which Polestar operates.
5 - Represents Polestar Spaces, Polestar Destinations, and Polestar Test Drive Centers.
6 - Represents Volvo Cars service centers to provide access to customer service points worldwide in support of Polestar's international expansion.

Key factors affecting current and future performance

Polestar's continued growth depends on numerous factors and trends. While these factors and trends provide opportunities for Polestar, they also pose risks and challenges as discussed in Item 3.D *"Risk Factors"* in the Form 20-F filed with the SEC on April 14, 2023 and in the additional risk factors included below. Polestar's financial position and results of operations depend to a significant extent on the following key factors:

Partnerships with Volvo Cars and Geely

Polestar's relationship with Volvo Cars and Geely has provided it with a unique competitive advantage in its ability to rapidly scale and finance commercialization activities while maintaining an asset light balance sheet. This is achieved primarily through contract manufacturing, supply, and financing agreements with Volvo Cars and Geely. Polestar has utilized Volvo Cars' and Geely's established research and development capabilities to accelerate technological advancements in automotive technology. Additionally, selling and administrative expenses have been positively impacted due to service agreements with Volvo Cars that allow it to attain operational efficiencies in the areas of aftermarket services and maintenance and back-office functions such as information technology, legal, accounting, finance, and human resources.

Utilizing Volvo Cars' Taizhou facility in China has allowed Polestar to ramp production of its Polestar 2 with over 100,000 units produced by December 31, 2022, while simultaneously producing limited edition variants utilizing Polestar's former Chengdu facility. Going forward, Polestar 3 is planned to be produced both in China at Volvo Cars' Chengdu facility and in the United States at Volvo Cars' facility in Charleston, South Carolina. The Polestar 4 and Polestar 5 are expected to be manufactured at Geely's Hangzhou Bay and Chongqing (currently under construction) facilities in China, respectively. Polestar also anticipates further manufacturing at a facility in Busan, South Korea. Having access to the global manufacturing footprint of Volvo Cars and Geely has provided and will continue to provide Polestar with flexibility to adjust and optimize its manufacturing plans in response to factors such as particular market demand, relative production cost, changing shipping and logistic expenses and the availability of market-specific tax credit schemes. However, Polestar's contract manufacturing model does not come with operating leverage that may come with owning production facilities and requires it to accurately forecast the demand for its vehicles. If it fails to do so, it may have overcapacity, which may negatively impact its gross margins, or have inadequate capacity, which may result in delays in shipments or revenues.

During the nine months ended September 30, 2023, Polestar leveraged the 18-month $800,000 term loan credit facility with Volvo Cars that was entered into on November 3, 2022. Polestar drew down $150,000 of borrowings under the credit facility on February 23, 2023, March 29, 2023, April 27, 2023, May 9, 2023 and June 12, 2023. On July 7, 2023, the Group drew down the remaining $50,000 of borrowings under the credit facility.

On November 8, 2023, Polestar entered into an amendment to the credit facility with Volvo Cars, which provides for an additional $200,000 in loan capacity under the credit facility. The maturity date of the credit facility with Volvo Cars was also extended to June 30, 2027. On November 8, 2023, Polestar also entered into a new term loan facility with Geely Sweden Automotive AB, an affiliate of Geely, pursuant to which Geely agreed to provide a term loan credit facility of $250,000 on substantially the same terms as the credit facility with Volvo Cars, including a maturity date of June 30, 2027. Both loans have an optional equity conversion feature.

See "—Liquidity and Capital Resources" below for an additional discussion regarding banking relationships that have been assisted by letters of comfort from Volvo Cars and Geely.

Refer to *Note 11 - Related party transactions* in the Unaudited Condensed Consolidated Financial Statements included elsewhere in this report for more information.

Premium electric vehicle portfolio

Polestar is developing a premium all-electric vehicle portfolio to address the tastes and preferences of premium vehicle customers, one of the fastest growing segments of the global electric car market. The planned portfolio currently consists of the following models:

- Polestar 2 - a performance fastback;
- Polestar 3 - a performance sport utility vehicle;
- Polestar 4 - a performance sport utility coupe;
- Polestar 5 - a high performance 4-door grand tourer; and
- Polestar 6 - a high performance roadster.

The Polestar 2 has received numerous accolades and positive reviews since its launch in 2019. The limited-edition higher specification Polestar 2 variants, the BST 270 and BST 230, which sell at higher price points have also received favorable reviews from customers and the automotive community. Polestar plans to continue offering higher specification variants, sometimes in limited production runs, for its future models, which it expects will further establish its brand within the premium electric vehicle segment and allow for pricing variability within certain markets. As a premium electric vehicle company, Polestar does not intend to offer models priced below the Polestar 2. Customers' acceptance and purchase of Polestar's new models are critical components of Polestar's future growth and financial performance. Polestar's marketing efforts may not be successful, and newer vehicle models may not ultimately be adopted or utilized by the consumer, which would negatively impact sales volumes and product pricing.

Innovative automotive technologies and design

Polestar develops electric vehicles and technologies through cutting-edge design and sustainable choices. Polestar has a high-performance, innovation-driven research and development team with a safety heritage rooted in Volvo Cars and in-house competencies at its dedicated research and development facility in Coventry, UK. Internal development programs such as the Polestar 5 and PX2 electric powertrain have advanced Polestar's organic intellectual property. Further, Polestar continues to display ambition to create industry-leading technologies through partnerships with Volvo Cars, Geely, Nvidia, Luminar, Zenseact and Xingji Meizu Group, among others. This combination of research and development resources allows Polestar flexibility in determining which technologies to develop in-house versus which to outsource to partners. Polestar believes that continued investments such as these are critical to establishing market share, attracting new customers, and becoming a profitable global electric vehicle company. During the nine months ended September 30, 2023, Polestar invested $287,160 in new intellectual property. Refer to *Note 6 - Intangible assets and goodwill* in the Unaudited Condensed Consolidated Financial Statements included elsewhere in this report for more information.

Direct-to-consumer business model

Polestar operates a direct-to-consumer business model for sales of vehicles, which allows it to create a tailored experience for customers based on their individual preferences. Polestar cultivates this experience through Polestar Spaces where potential customers can experience Polestar vehicles, engage with Polestar specialists, and in certain cases, test drive Polestar vehicles. This serves as important brand awareness and as a sales driver for commercial expansion in key markets. Through these locations, Polestar is able to introduce customers to vehicles and enhance the Polestar experience, from brand introduction and education to vehicle delivery. Additionally, Polestar is able to run a lean sales model via the Polestar app and website, offer a wide service network for aftermarket services and maintenance, and offer competitive pricing and financing for customers. This business model approach has allowed Polestar to achieve rapid expansion in, and capitalization of, the luxury electric vehicle market in Europe with lower overall selling, general, and administrative expenses as compared to a traditional OEM dealer model.

Direct-to-business model

In the U.S. and Canada, Polestar operates a direct-to-business model through which vehicles are sold directly to a network of independent authorized dealers. In these markets, vehicles are displayed and subsequently sold to end retail consumers at Polestar Spaces, which are designed, built, and equipped by dealers in accordance with Polestar's standards. Dealers also diagnose and repair Polestar vehicles at associated service facilities. Vehicles are sold to dealers at wholesale prices and Polestar provides a suggested retail price.

Fleet sales

In addition to Polestar and its subsidiaries' direct-to-consumer and direct-to-business models, vehicles are also sold to various fleet customers (e.g., rental car companies and corporate fleet managers). As an incentive for high-volume purchases, sales to fleet customers often include certain upfront discounts and annual rebates based on the number of vehicles ordered during the year.

Importer markets

Polestar also sells vehicles to various importers in smaller markets around the globe where it does not have sales units (e.g., Hong Kong, New Zealand, Israel, UAE (United Arab Emirates), among others). Polestar's relationships with importers allow it to create a more diversified global footprint and tap potential opportunities which may lead to increased sales.

Earn-out rights and Class C Shares from the reverse recapitalization

On June 23, 2022, Polestar consummated a capital reorganization via the merger with Gores Guggenheim, Inc. ("GGI"), a special purpose acquisition company. Polestar subsequently began trading on the National Association of Securities Dealers Automated Quotations ("Nasdaq") on June 24, 2022, under the ticker symbol "PSNY". As part of the merger, Polestar exchanged rights and obligations to the public and private warrant instruments of GGI, resulting in the issuance of similar instruments in the form of Class C-1 Shares and Class C-2 Shares, respectively. Polestar also issued certain rights to earn-out shares to its existing owners. These instruments are accounted for as derivative liabilities under International Accounting Standards ("IAS") 32, *Financial Instruments: Presentation*, and International Financial Reporting Standards ("IFRS") 9, *Financial Instrument*s, which are carried at fair value with subsequent changes in fair value recognized in the Unaudited Condensed Consolidated Statement of Income (Loss) and Comprehensive Income (Loss) at each reporting date.

As of December 31, 2022 and September 30, 2023, the Class C Shares were valued at $28,000 and $10,000, respectively, resulting in an unrealized gain from the fair-value change of $18,000 during the nine months ended September 30, 2023. As of December 31, 2022 and September 30, 2023, the earn-out rights were valued at $598,570 and $210,018, respectively, resulting in an unrealized gain from the fair value change of $388,552 during the nine months ended September 30, 2023. The fair values of these derivative financial instruments are volatile and influenced by changes in Polestar's share price, resulting in impacts to Polestar's net income or loss that are not directly related to ongoing operations. Nevertheless, these derivative financial instruments have a notable impact on our overall financial performance each period. Refer to *Note 1 - Significant accounting policies and judgements* and *Note 8 - Reverse recapitalization* in the Unaudited Condensed Consolidated Financial Statements included elsewhere in this report for more information.

Impact of COVID-19, Russo-Ukrainian War, conflict in Israel and the Gaza Strip, and inflation

In certain instances, Polestar's suppliers and business partners have experienced delays or disruptions from COVID-19, resulting in negative impacts on Polestar. Further, while Polestar does not directly conduct any business with suppliers in Russia or Ukraine, there can be no assurance that all parts of the supply chain are devoid of any exposure to disruptions caused by the Russo-Ukrainian War. Israel is a Polestar market and Polestar has some suppliers with operations in Israel. The uncertain impacts on the global economic environment resulting from the most recent escalation in the conflict in Israel and the Gaza Strip may negatively impact Polestar's business. Refer to Item 3.D "*Risk Factors*" in the Form 20-F filed with the SEC on April 14, 2023 and below, for information on risks posed by COVID-19, the Russo-Ukrainian War and the conflict in Israel and the Gaza Strip.

Global economic conditions have caused rising inflationary pressures on prices of components, materials, labor, and equipment used in the production of Polestar vehicles. Particularly, increases in battery prices due to the increased prices of lithium, cobalt, and nickel have contributed to increased cost of goods sold. Additionally, the natural time lag created by the production, shipping, and selling of vehicles has also contributed to a delay in price increases experienced by Polestar. It is uncertain whether these inflationary pressures will persist in the future. Polestar remains vigilant and will continue to closely monitor the effects of COVID-19, the Russo- Ukrainian War, the conflict in Israel and the Gaza Strip, and inflation on its business.

Additional key factors impacting performance

Polestar's continued growth depends on numerous factors and trends, including continued sales of the Polestar 2 at anticipated volumes while production of the Polestar 3 and the Polestar 4 ramp-up. This includes the ramp-up of sales in the US market of these models, particularly the Polestar 3, which is, in part, dependent on the successful ramp-up of production at the facility in Charleston, South Carolina operated by Volvo Cars. Polestar's regional mix of sales, including higher sales in the US market, and its overall product mix, is important to maintain its gross margins. Ramping-up Polestar's production at other facilities is also an important factor in the success of Polestar's future vehicle production and delivery. In addition to increasing vehicle volume, Polestar is focused on developing additional revenue streams, such as IP licensing, aftermarket revenue, component sales, and/or used car sales. If Polestar's vehicle sales and additional revenue streams do not develop as anticipated, Polestar may not have the necessary cash flow to operate its business and repay outstanding indebtedness. Furthermore, Polestar's gross margins are dependent upon Polestar's current pricing structure, which is subject to a variety of factors, including certain average selling price assumptions. If Polestar has higher than expected discounting or advertising and promotion costs, its margins in the future may suffer.

Polestar's gross margins are also dependent upon its ability to manage costs, including costs associated with raw materials and key components of production, and to implement cost savings initiatives. Polestar's future financial performance also requires Polestar to accurately forecast demand for its vehicles. Inaccurate demand forecasts may lead to Polestar offering deeper discounts or experiencing greater than expected sales volumes of discounted vehicles. As a result of inaccurate forecasts, Polestar could also experience higher than expected production, operating expense, advertising, sales and promotion costs or may be unable to effectively charge such costs to customers in a targeted manner. This could result in vehicles being sold with fewer options and trim levels, higher than expected sales volumes of lower-priced variants, and/or failure of Polestar to meet its gross margin and profitability expectations.

A. Results of operations

Polestar conducts its business under one operating segment with commercial operations in North America, Europe, Asia, and various importer markets. Refer to *Note 1 - Significant accounting policies and judgements* in the Unaudited Condensed Consolidated Financial Statements included elsewhere in this report for more information on the basis of presentation. Refer to *Note 1 - Significant accounting policies and judgements* in the Consolidated Financial Statements for Polestar Automotive Holding UK PLC, as of December 31, 2022 and 2021, and for the three years ended December 31, 2022, that were included the Form 20-F filed with the SEC on April 14, 2023 for more information related to segment reporting.

Comparison of the three and nine months ended September 30, 2023, and 2022

The following table summarizes Polestar's historical Unaudited Condensed Consolidated Statement of Income (Loss) and Comprehensive Income (Loss) for the three and nine months ended September 30, 2023, and 2022:

	For the three months ended September 30,		Variance		For the nine months ended September 30,		Variance	
	2023	2022	$	%	2023	2022	$	%
Revenue	613,182	435,449	177,733	41	1,844,447	1,476,746	367,701	25
Cost of sales	(609,581)	(431,390)	(178,191)	41	(1,823,234)	(1,419,271)	(403,963)	28
Gross profit	**$ 3,601**	**$ 4,059**	**$ (458)**	**(11)**	**$ 21,213**	**$ 57,475**	**$ (36,262)**	**(63)**
Selling, general and administrative expense	(236,246)	(178,643)	(57,603)	32	(684,877)	(625,424)	(59,453)	10
Research and development expense	(54,865)	(24,598)	(30,267)	123	(136,176)	(123,353)	(12,823)	10
Other operating income (expense), net	26,305	2,781	23,524	846	64,886	(17,961)	82,847	(461)
Listing expense	—	—	—	N/A	—	(372,318)	372,318	N/A
Operating loss	**$(261,205)**	**$(196,401)**	**$ (64,804)**	**33**	**$ (734,954)**	**$(1,081,581)**	**$ 346,627**	**(32)**
Finance income	8,997	711	8,286	1,165	21,487	1,485	20,002	1,347
Finance expense	(63,389)	(60,539)	(2,850)	5	(153,904)	(111,966)	(41,938)	37
Fair value change - Earn-out rights	155,557	546,961	(391,404)	(72)	388,552	965,668	(577,116)	(60)
Fair value change - Class C Shares	7,250	14,059	(6,809)	(48)	18,000	35,590	(17,590)	(49)
Income (loss) before income taxes	**$(152,790)**	**$ 304,791**	**$(457,581)**	**(150)**	**$ (460,819)**	**$ (190,804)**	**$(270,015)**	**142**
Income tax expense	(2,579)	(5,404)	2,825	(52)	(7,581)	(12,543)	4,962	(40)
Net income (loss)	**$(155,369)**	**$ 299,387**	**$(454,756)**	**(152)**	**$ (468,400)**	**$ (203,347)**	**$(265,053)**	**130**

Revenues

Polestar's revenue increased by $177,733, or 41%, from $435,449 for the three months ended September 30, 2022 to $613,182 for the three months ended September 30, 2023. Revenue from related parties increased by $16,508, or 95%, from $17,457 for the three months ended September 30, 2022 to $33,965 for the three months ended September 30, 2023.

Polestar's revenue increased by $367,701, or 25%, from $1,476,746 for the nine months ended September 30, 2022 to $1,844,447 for the nine months ended September 30, 2023. Revenue from related parties increased by $5,708, or 6%, from $101,024 for the nine months ended September 30, 2022 to $106,732 for the nine months ended September 30, 2023.

The following table summarizes the components of revenue and related changes between interim periods:

	For the three months ended September 30,		Variance		For the nine months ended September 30,		Variance	
	2023	2022	$	%	2023	2022	$	%
Revenues								
Sales of vehicles	594,081	425,299	168,782	40	1,790,704	1,442,116	348,588	24
Sales of software and performance engineered kits	3,456	4,451	(995)	(22)	15,755	15,313	442	3
Sales of carbon credits	709	162	547	338	1,241	1,475	(234)	(16)
Vehicle leasing revenue	4,129	4,559	(430)	(9)	11,622	12,493	(871)	(7)
Other revenue	10,807	978	9,829	1005	25,125	5,349	19,776	370
Total	**$613,182**	**$435,449**	**$177,733**	**41**	**$1,844,447**	**$1,476,746**	**$367,701**	**25**

Sales of vehicles increased by $168,782, or 40%, from $425,299 for the three months ended September 30, 2022 to $594,081 for the three months ended September 30, 2023. The increase was driven primarily by price increases to Polestar 2 model year 2023 and model year 2024 vehicles and increased fleet volumes in certain established markets, such as the United Kingdom and Germany. Global volumes delivered increased by 4,733 units during the three months ended September 30, 2023 as compared to the three months ended September 30, 2022. These positive impacts on revenue were partially offset by unfavorable impacts from sales channel mix, powertrain mix, and higher discounts to incentivize sales and increased fleet revenue. Fleet sales represented 59% of vehicle revenues during the three months ended September 30, 2023 as compared to 30% during the three months ended September 30, 2022. Additionally, the lower priced long-range single motor powertrain of the Polestar 2 represented 46% of vehicle revenues during the three months ended September 30, 2023 as compared to 36% of vehicle revenues during the three months ended September 30, 2022.

Sales of vehicles increased by $348,588, or 24%, from $1,442,116 for the nine months ended September 30, 2022 to $1,790,704 for the nine months ended September 30, 2023. The increase was driven primarily by price increases to Polestar 2 model year 2023 and model year 2024 vehicles; increased fleet volumes in the United Kingdom and Germany; and volume development in new markets, Italy, Spain, and Portugal, as global volumes delivered increased by 11,393 units during the nine months ended September 30, 2023 as compared to the nine months ended September 30, 2022. These positive impacts on revenue were partially offset by the same unfavorable impacts affecting the three months ended September 30, 2023. Fleet sales represented 65% of vehicle revenues during the nine months ended September 30, 2023 as compared to 33% of vehicle revenues during the nine months ended September 30, 2022. Additionally, the long-range single motor powertrain of the Polestar 2 represented 46% of vehicle revenues during the nine months ended September 30, 2023 as compared to 30% of vehicle revenues during the nine months ended September 30, 2022.

Sales of software and performance engineered kits decreased by $995, or 22%, from $4,451 for the three months ended September 30, 2022, to $3,456 for the three months ended September 30, 2023. The decrease was due to a decline in Volvo Cars' sales of Polestar's software and performance engineered kits during the three months ended September 30, 2023 as compared to the three months ended September 30, 2022. Sales of software and performance engineered kits increased by $442, or 3%, from $15,313 for the nine months ended September 30, 2022, to $15,755 for the nine months ended September 30, 2023. The increase is primarily the result of performance software upgrades for the Polestar 2, which were introduced to customers in the United States and Canada in December 2022, and continued sales development of software upgrades for the Polestar 2 in European markets.

Sales of carbon credits increased by $547, from $162 for the three months ended September 30, 2022, to $709 for the three months ended September 30, 2023, but decreased by $234, or 16%, from $1,475 for the nine months ended September 30, 2022, to $1,241 for the nine months ended September 30, 2023. Overall, sales of carbon credits did not represent a notable portion of Polestar's business during the three and nine months ended September 30, 2023, and 2022.

Vehicle leasing revenue decreased by $430, or 9%, from $4,559 for the three months ended September 30, 2022, to $4,129 for the three months ended September 30, 2023 and decreased by $871, or 7%, from $12,493 for the nine months ended September 30, 2022, to $11,622 for the nine months ended September 30, 2023. Overall, vehicle leasing revenue remained relatively consistent during the three and nine months ended September 30, 2023, and 2022 as sales of vehicles with repurchase obligations continues to represent a small portion of overall sales volumes.

Other revenue increased by $9,829, or 1005%, from $978 for the three months ended September 30, 2022, to $10,807 for the three months ended September 30, 2023. The increase was primarily driven by a sale of intellectual property of $4,340 to a related party, as well as sales-based royalties received from Volvo Cars on sales of parts and accessories and sales of parts and accessories to dealers in the United States and Canada. Other revenue increased by $19,776, or 370%, from $5,349 for the nine months ended September 30, 2022 to $25,125 for the nine months ended September 30, 2023. The increase was similarly due to sales-based royalties and sale of intellectual property. In general, higher revenue on parts and accessories is correlated with higher sales volumes of the Polestar 2.

Cost of sales and gross profit

Cost of sales increased by $178,191, or 41%, from $431,390 for the three months ended September 30, 2022 to $609,581 for the three months ended September 30, 2023. Cost of sales increased by $403,963, or 28%, from $1,419,271 for the nine months ended September 30, 2022 to $1,823,234 for the nine months ended September 30, 2023. These increases were driven primarily by expanded production and commercialization of the Polestar 2 leading to higher contract manufacturing and warranty costs, unfavorable powertrain mix from the long-range single motor powertrain and inventory impairment. This was partially offset by positive impacts from foreign currency effects.

Gross profit decreased by $458, or 11%, from $4,059 for the three months ended September 30, 2022 to $3,601 for the three months ended September 30, 2023. The decrease was primarily driven by an irregular supplier charge related to semiconductors of $4,914, and inventory impairment of $27,620, offset primarily by $35,076 from positive foreign currency impacts on contract manufacturing costs.

Gross profit decreased by $36,262, or 63%, from $57,475 for the nine months ended September 30, 2022 to $21,213 for the nine months ended September 30, 2023. The decrease was primarily due to higher contract manufacturing, warranty, and freight costs of $57,198, irregular supplier charges related to batteries and semiconductors of $22,528, and inventory impairment of $39,415. These unfavorable impacts were offset primarily by $26,755 from price increases established in the second half of 2022, net of higher discounts during the nine months ended September 30, 2023, $43,389 from foreign currency transaction effects on contract manufacturing costs. Overall, the GBP, EUR, and USD have continued to strengthen against the SEK and CNY, resulting in positive impacts to cost of sales and gross profit.

Selling, general, and administrative expense

Selling, general, and administrative expense increased by $57,603, or 32%, from $178,643 for the three months ended September 30, 2022, to $236,246 for the three months ended September 30, 2023. The increase was primarily due to higher advertising, selling, and promotional activities of $46,411 related to media campaigns across European markets during the three months ended September 30, 2023. The Group also incurred higher administrative and selling personnel expenses of $6,583 during the three months ended September 30, 2023, primarily related to costs incurred to meet demands of the growing business.

Selling, general, and administrative expense increased by $59,453, or 10%, from $625,424 for the nine months ended September 30, 2022 to $684,877 for the nine months ended September 30, 2023. The increase was primarily due to higher advertising, selling, and promotional activities of $50,875 primarily related to media campaigns across European markets, Polestar promotional events in the United States and Asia, and marketing productions for the Polestar 3 and 4 during the nine months ended September 30, 2023.

Research and development expense

Research and development expense increased by $30,267, or 123%, from $24,598 for the three months ended September 30, 2022, to $54,865 for the three months ended September 30, 2023. Research and development expense increased by $12,823, or 10%, from $123,353 for the nine months ended September 30, 2022 to $136,176 for the nine months ended September 30, 2023. These increases are driven primarily by an increase in headcount costs for full-time employees combined with derecognition of previously capitalized costs related to a change in electrical architecture for Polestar 5 during the three months ended September 30, 2023. These increases are partially offset by lower amortization of intellectual property related to the Polestar 2 following a revision in the estimated useful life and recognition of sunk costs related to the P10 powertrain, which were incurred in March and June 2022.

Other operating income (expense), net

Other operating income (expense), net increased by $23,524, or 846%, from $2,781 for the three months ended September 30, 2022 to $26,305 for the three months ended September 30, 2023. Other operating income (expense), net increased by $82,847, or 461% from an expense of $17,961 for the nine months ended September 30, 2022, to an income of $64,886 for the nine months ended September 30, 2023. The changes for the three and nine months ended September 30, 2023 were primarily driven by positive foreign exchange effects on working capital and a recognition of a gain on the sale of the Chengdu manufacturing plant of $16,467 during the three months ended September 30, 2023.

Finance income

Finance income increased by $8,286 from $711 for the three months ended September 30, 2022 to $8,997 for the three months ended September 30, 2023. Finance income increased by $20,002, from $1,485 for the nine months ended September 30, 2022, to $21,487 for the nine months ended September 30, 2023. These increases are due to higher interest income on bank account balances and favorable foreign exchange effects during the three months ended September 30, 2023 and nine months ended September 30, 2023.

Finance expense

Finance expense increased by $2,850, or 5%, from $60,539 for the three months ended September 30, 2022, to $63,389 for the three months ended September 30, 2023. Overall, finance expense remained relatively consistent during the three months ended September 30, 2023 and 2022, as an increase in higher interest expenses of $48,876 was offset by positive foreign exchanges gains of $43,609.

Finance expense increased by $41,938, or 37%, from $111,966 for the nine months ended September 30, 2022, to $153,904 for the nine months ended September 30, 2023. The increase was primarily due to higher interest expenses of $85,408 on working capital loans, related party loans, and related party trade payables. The increase in interest expenses was partially offset by positive foreign exchanges gains of $39,842 on financial items consisting primarily of bank accounts, financial liabilities, and intercompany loans for the nine months ended September 30, 2023.

Fair value change - Earn-out rights

The earn-out rights were issued in connection with the capital reorganization that was consummated on June 23, 2022. The gain on the fair value change of the earn-out liability decreased by $391,404, or 72%, from $546,961 for the three months ended September 30, 2022 to $155,557 for the three months ended September 30, 2023. The gain on the fair value change of earn-out liability decreased by $577,116, or 60% from $965,668 for the nine months ended September 30, 2022, to $388,552 for the nine months ended September 30, 2023. These decreases were primarily attributable to smaller changes in Polestar’s share price during the three and nine months ended September 30, 2023 as compared to the three and nine months ended September 2022. The share price changed by $3.75 and $6.17 for the three months ended September 30, 2022, and June 23 to September 30, 2022, respectively, while only changing by $1.18 during the three months ended September 30, 2023 and $2.67 during the nine months ended September 30, 2023.

Fair value change - Class C Shares

As part of the capital reorganization via the merger with GGI on June 23, 2022, Polestar exchanged rights and obligations to the public and private warrant instruments of GGI. The gain on the fair value change of these warrants (i.e., Class C Shares) decreased by $6,809, or 48%, from $14,059 for the three months ended September 30, 2022 to $7,250 for the three months ended September 30, 2023. The gain on the fair value change decreased by $17,590, or 49%, from $35,590 for the nine months ended September 30, 2022 to $18,000 for the nine months ended September 30, 2023. These decreases are primarily attributable to a change in the price of the Class C-1 Shares and the estimated value of the Class C-2 Shares by $0.56 during the three months ended September 30, 2022, and change in the price of the Class C-1 Shares by $1.42 and the estimated value of the Class C-2 Shares by $1.43 between June 23, 2023 to September 30, 2023, while only changing by $0.29 during three months ended September 30, 2023 and $0.72 during the nine months ended September 30, 2023.

Polestar utilizes a binomial lattice model to calculate the value of the Class C-2 Shares which factors several inputs, including the changes in Polestar’s share price, the implied volatility of Class C-1 Shares, and risk-free rate. During the three months ended September 30, 2022 Polestar’s share price decreased by $3.75 from $8.81, the implied volatility increased by 58.5% from 29.5%, and the risk-free rate increased by 1.05% from 2.99% and between June 23 and September 30, 2022, Polestar’s share price decreased by $6.17 from $11.23, the implied volatility increased by 65.5% from 22.5%, and the risk-free rate increased by 0.92% from 3.12%. During the three months ended September 30, 2023, Polestar’s share price decreased by $1.18 from $3.82, the implied volatility increased by 4% from 94%, and the risk-free rate increased by 0.40%. During the nine months ended September 30, 2023, Polestar’s share price decreased by $2.67 from $5.31, the implied volatility increased by 9% from 89%, and the risk-free rate increased by 0.66% from 4.01%.

B. Liquidity and capital resources

Polestar continues to finance its operations primarily through the issuance of equity instruments and various credit facilities, including working capital facilities, term loans with related parties, sale-leaseback arrangements, and extended trade credit with related parties. The principal uses of liquidity and capital are funding operations, repayment of debt, market expansion, and investments in Polestar’s future vehicles and automotive technologies.

Polestar continues to generate negative operating and investing cash flows as a result of scaling up commercialization efforts globally and capital expenditures for the Polestar 2, Polestar 3, Polestar 4, and Polestar 5 and does not expect to achieve positive operating and investing cash flows until at least 2025. Managing the company’s liquidity profile and funding needs remains one of Management’s key priorities. Substantial doubt about Polestar’s ability to continue as a going concern persists as the timely realization of financing endeavors is necessary to cover forecasted operating and investing cash outflow. Refer to *Note 1 - Significant accounting policies and judgements* in the Unaudited Condensed Consolidated Financial Statements included elsewhere in this report for more information.

On November 8, 2023, Polestar entered into an amendment to the credit facility with Volvo Cars, which provides for an additional $200,000 in loan capacity under the credit facility. The credit facility with Volvo Cars was also extended to mature on June 30, 2027. On November 8, 2023, Polestar also entered into a new term loan facility with Geely Sweden Automotive Investment AB, an affiliate of Geely, pursuant to which Geely agreed to provide a term loan credit facility of $250,000 on substantially the same terms as the credit facility with Volvo Cars, including a maturity on June 30, 2027. Both loans have an optional equity conversion feature.

After giving effect to $450,000 of available borrowings under the amended credit facility with Volvo Cars and the new credit facility with Geely Sweden Automotive Investment AB, as well as existing financing and liquidity support from Volvo Cars and Geely, Polestar estimates that approximately $1,300,000 in incremental funding will be required to fund its current business plan through the end of fiscal year 2025.

As a result of these cash requirements, Polestar will need to obtain financing through a combination of equity or debt financings, or other means. With the increase in available borrowings under the credit facility with Volvo Cars and entry into the new credit facility with Geely Sweden Automotive Investment AB, Polestar is making progress towards addressing its cash needs. As it explores financing alternatives, Polestar expects the funding will include both additional debt and equity. To the extent Polestar raises additional capital through the sale of equity or convertible debt securities, the ownership interest of its shareholders may be diluted, and the terms of such securities may include liquidation or other preferences that adversely affect the rights of its existing shareholders. Debt financing, if available, may involve agreements that include covenants limiting or restricting Polestar's ability to take specific actions, such as incurring additional debt, making capital expenditures, or declaring dividends. Any financing arrangements may require the payment of higher interest or preferred dividends, which will impact cash retention. There can be no assurance Polestar will be able to obtain additional funds. If Polestar is unable to raise additional funds through equity or debt financings, or other means when needed, it may be required to delay, limit, reduce, or, in the worst case, discontinue the production and sale of its vehicles as well as research and development and commercialization efforts and may not be able to fund continuing operations, all of which could adversely impact Polestar's financial performance and position.

Management has continued to develop Polestar's short-term working capital financing relationships with European and Chinese banking partners, including upsizing current facilities where applicable, while also continuing to explore potential equity or debt financings.

Comparison of the nine months ended September 30, 2023 and 2022

As of September 30, 2023, Polestar had cash and cash equivalents of $951,088 as compared to $973,877 as of December 31, 2022. Cash and cash equivalents consist of cash in banks and deposits with an original term of three months or less. Polestar did not have any restricted cash as of September 30, 2023 and December 31, 2022. The following table summarizes Polestar's Unaudited Condensed Consolidated Statement of Cash Flows for the nine months ended September 30, 2023, and 2022:

	For the nine months ended September 30,		Variance
	2023	2022	$
Cash used for operating activities	(1,334,817)	(1,023,425)	(311,392)
Cash used for investing activities	(189,414)	(652,778)	463,364
Cash provided by financing activities	1,545,349	1,965,753	(420,404)

Cash used for operating activities

Cash used for operating activities increased by $311,392 from $1,023,425 for the nine months ended September 30, 2022 to $1,334,817 for the nine months ended September 30, 2023. The increase was primarily attributable to negative changes in working capital during the nine months ended September 30, 2023.

Cash used for inventories increased by $61,350 from $311,154 for the nine months ended September 30, 2022 to $372,504 for the nine months ended September 30, 2023. This change was primarily due to the build-up of Polestar 2 inventory in order to meet forecasted demand throughout the remainder of 2023.

Cash used for trade receivables, prepaid expenses, and other assets increased by $69,655 from $43,458 for the nine months ended September 30, 2022 to $113,113 for the nine months ended September 30, 2023. This increase is primarily due to lower collections of value-added tax receivables and accrued interest income in the amounts of $49,957 and $16,686, respectively, during the nine months ended September 30, 2023 as compared to the nine months ended September 30, 2022.

Cash used for trade payables, accrued expenses, and other liabilities increased by $245,394 from $60,645 for the nine months ended September 30, 2022 to $306,039 for the nine months ended September 30, 2023. This change was primarily due to higher settlements of trade payables and other current liabilities in the amount of $232,565 to Volvo Cars and Geely related to various services provided to Polestar during the nine months ended September 30, 2023 as compared to the nine months ended September 30, 2022.

Cash used for investing activities

Cash used for investing activities decreased by $463,364 from $652,778 for the nine months ended September 30, 2022 to $189,414 for the nine months ended September 30, 2023. The decrease was primarily driven by lower settlements of trade payables with Volvo Cars and Geely for intellectual property related to the Polestar 2, Polestar 3 and Polestar 4, and cash consideration received of $153,586 pertaining to the Group's sale of its Chengdu manufacturing plant during the nine months ended September 30, 2023.

Cash provided by financing activities

Cash provided by financing activities decreased by $420,404, from $1,965,753 for the nine months ended September 30, 2022 to $1,545,349 for the nine months ended September 30, 2023. The decrease was primarily due to increased reliance on short-term debt financing and higher repayments during the nine months ended September 30, 2023. During the nine months ended September 30, 2022, Polestar had a lower amount of short-term debt financing and repayments, but overall financing cash flows were buoyed by $1,417,973 from the reverse recapitalization via the merger with GGI.

Contractual obligations and commitments

Polestar is a party to contractual obligations to make payments to third parties and related parties in the form of short-term credit facilities, sale-leaseback arrangements, and various other leasing arrangements. Polestar also has certain capital commitments to purchase property, plant and equipment, and intellectual property. The following table summarizes Polestar's estimated future cash expenditures related to contractual obligations and commitments as of September 30, 2023:

		Payments due by period		
Contractual obligations and commitments	**Total**	**Less than 1 year**	**After 1 year**	**After 5 years**
Capital commitments	542,038	430,492	99,683	11,863
Credit facilities, including sale-leasebacks	1,966,870	1,966,870	—	—
Lease obligations	121,610	28,588	77,473	15,549
Total	**$2,630,518**	**$2,425,950**	**$177,156**	**$27,412**

Critical accounting estimates

Polestar did not have any new accounting estimates applied during the nine months ended September 30, 2023 that are critical to the portrayal of its financial condition and results of operations and that require significant, difficult, subjective, or complex judgements. See the Form 20-F filed with the SEC on April 14, 2023, for critical accounting estimates for the year ended December 31, 2022.

Internal control over financial reporting

In connection with the preparation of Polestar's unaudited financial statements for the quarter ended June 30, 2023, management identified an additional material weakness in Polestar's internal control over financial reporting related to its current versus non-current liability classification of its liability to repurchase vehicles under its sales of vehicles with repurchase obligation arrangements. See Form F-3 filed with the SEC on October 10, 2023 for more information.

C. Non-GAAP financial measures

Polestar uses both generally accepted accounting principles (i.e., IFRS known as "GAAP") and non-GAAP (i.e., non-IFRS) financial measures to evaluate operating performance, internal comparisons to historical performance, and other strategic and financial decision-making purposes. Polestar believes non-GAAP financial measures are helpful to investors as they provide a useful perspective on underlying business trends and assist in period-on-period comparisons. These measures also improve the ability of management and investors to assess and compare the financial performance and position of Polestar with those of other companies.

These non-GAAP measures are presented for supplemental information purposes only and should not be considered a substitute for financial information presented in accordance with GAAP. The measures are not presented under a comprehensive set of accounting rules and, therefore, should only be read in conjunction with financial information reported under GAAP when understanding Polestar's operating performance.

The measures may not be the same as similarly titled measures used by other companies due to possible differences in calculation methods and items or events being adjusted. A reconciliation between non-GAAP financial measures and the most comparable GAAP performance measures is provided below.

Non-GAAP financial measures include adjusted operating loss, adjusted EBITDA, adjusted net loss, and free cash flow.

Adjusted Operating Loss

Polestar defines adjusted operating loss as an Operating loss, adjusted to exclude listing expense. This measure is reviewed by management and provides a relevant measure for understanding the ongoing operating performance of the business prior to the impact of the non-recurring adjusting item.

Adjusted EBITDA

Adjusted EBITDA is calculated as Net income (loss), adjusted for listing expense, fair value change of earn-out rights, fair value change of the Class C Shares, interest income, interest expense, income tax expense, depreciation, and amortization. Adjusted EBITDA is defined as EBITDA, adjusted for certain income and expenses which are significant in nature and that management considers not reflective of ongoing operational activities. This measure is reviewed by management and is a relevant measure for understanding the underlying operating results and trends of the business prior to the impact of any adjusting items.

Adjusted Net Loss

Adjusted net loss is calculated as Net income (loss), adjusted to exclude listing expense, fair value change of earn-out rights, and fair value change of the Class C Shares. This measure represents net loss, adjusted for certain income and expenses which are significant in nature and that management considers not reflective of ongoing operational activities. This measure is reviewed by management and is a relevant measure for understanding the underlying performance of Polestar's core business operations.

Free Cash Flow

Free cash flow is calculated as cash used for operating activities, adjusted for cash flows used for tangible assets and intangible assets. This measure is reviewed by management and is a relevant measure for understanding cash sourced from operating activities that is available to repay debts, fund capital expenditures, and spend on other strategic initiatives.

Unaudited Reconciliation of GAAP and Non-GAAP Results

Adjusted Operating Loss

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Operating loss	**(261,205)**	**(196,401)**	**(734,954)**	**(1,081,581)**
Listing expense	—	—	—	372,318
Adjusted operating income (loss)	**$(261,205)**	**$(196,401)**	**$(734,954)**	**$ (709,263)**

Adjusted EBITDA

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Net loss	**(155,369)**	**299,387**	**(468,400)**	**(203,347)**
Listing expense	—	—	—	372,318
Fair value change - Earn-out rights	(155,557)	(546,961)	(388,552)	(965,668)
Fair value change - Class C Shares	(7,250)	(14,059)	(18,000)	(35,590)
Interest income	(8,997)	(711)	(21,487)	(1,485)
Interest expenses	59,011	11,824	130,736	46,205
Income tax expense	2,579	5,404	7,581	12,543
Depreciation and amortization	51,345	69,363	101,499	140,063
Adjusted EBITDA	**$(214,238)**	**$(175,753)**	**$(656,622)**	**$(634,961)**

Adjusted Net Loss

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Net loss	**(155,369)**	**299,387**	**(468,400)**	**(203,347)**
Listing expense	—	—	—	372,318
Fair value change - Earn-out rights	(155,557)	(546,961)	(388,552)	(965,668)
Fair value change - Class C Shares	(7,250)	(14,059)	(18,000)	(35,590)
Adjusted net income (loss)	**$(318,176)**	**$(261,633)**	**$(874,952)**	**$(832,287)**

Free Cash Flow

	For the nine months ended September 30,	
	2023	2022
Cash used for operating activities	(1,334,817)	(1,023,425)
Additions to property, plant and equipment	(51,699)	(7,452)
Additions to intangible assets	(293,048)	(642,846)
Free cash flow	**$(1,679,564)**	**$(1,673,723)**

D. Certain updated risk factors

The following risk factors should be read in conjunction with the risk factors included in Item 3.D *"Risk Factors"* in the Form 20-F filed with the SEC on April 14, 2023.

Polestar's future growth and financial performance depends on the production and sale of its current and new vehicle models on an anticipated timeline and within an anticipated cost and pricing structure.

Polestar's ability to meet its expectations of growth and financial performance depends on the production and sales of its current and new vehicle models on an anticipated timeline and within an anticipated cost and pricing structure. There are a number of risks inherent in the pursuit of such expectations, and—as discussed below—the occurrence of any combination of which could have a material, adverse effect on Polestar's business, results of operations and financial condition:

- risks relating to the production of Polestar's current and new vehicle models, including potential delays in the production of new vehicle models, Polestar's reliance on its strategic partners as contract manufacturers and for the provision and development of key components, technology and materials used in Polestar's vehicles, and the availability and pricing of raw materials and components necessary for the production of Polestar's vehicles;
- risks relating to the cost of production of Polestar's current and future vehicle models and other expenses of the business and Polestar's ability to manage such costs and expenses;
- Polestar's ability to accurately forecast demand for its current and future vehicle models, which may, among other things, negatively impact profit margins; and
- customer acceptance of Polestar's current and future vehicle models, which, in addition to directly impacting sales volumes, may impact pricing levels for Polestar's vehicles and, as a result, profit margins.

As discussed below, if any combination of these risks were to occur, it could have a material and adverse effect on Polestar's business, results of operations and financial condition.

Polestar (either directly or due to its third-party suppliers and partners) has experienced in the past, and may experience in the future, delays with regard to the development, design, manufacture and commercial release of its current and new models of vehicles. Production delays can be caused by a variety of factors, including increases in the cost of or a sustained interruption in the supply or shortage of materials. Any delays may have a materially negative impact on Polestar's results of operations and financial condition.

The new Polestar 3 vehicle model launched in late 2022 with production expected to begin in early 2024 and ramp-up during the same year. Production of the new Polestar 4 model has begun and is expected to ramp up into 2024. To the extent that production or production ramp-up of these new vehicle models or of the Polestar 2, which is currently in production, is delayed or reduced, including in the newest production facility in Charleston, South Carolina (which is owned and operated by Polestar's manufacturing partners) or other future production facilities, Polestar's revenues, cash flow and reputation would be adversely affected. Furthermore, Polestar relies on its strategic partners and suppliers for the provision and development of many of the key components, technology and materials used in its vehicles. To the extent Polestar's strategic partners or suppliers experience any delays or capacity constraints in providing Polestar with or developing necessary components, technology and materials, Polestar could experience delays in delivering on its timelines. Polestar may be able to establish alternate supply relationships and obtain or engineer replacement components for its vehicles, but it may be unable to do so quickly at prices or quality levels that are acceptable to it, or at all.

Customers' acceptance and purchase of Polestar's vehicles are critical components of its business. New Polestar models, including the recent Polestar 3 and Polestar 4 models, may not meet market expectations or be well-received by the market due to design, software or other characteristics, which could result in these vehicles penetrating the market at lower than expected rates and could ultimately lead to lower than expected sales volumes. Any negative third-party reviews of new Polestar models could have an adverse effect on consumer perception of these new models. In addition, if the average selling price for new models is below expectations, Polestar may be unable to meet its revenue, cash flow or gross margin expectations. As an SUV, the Polestar 3 is especially critical for the US market given its associated margin opportunity and the demand for SUVs in the US. Polestar has previously experienced lower than expected demand in the US and it could continue to do so. Additionally, Polestar's sales volumes in the US market could be negatively impacted by delays in the enactment of regulations that incentivize broader market shifts to electric vehicles.

Additionally, if Polestar fails to continue to sell the Polestar 2 at anticipated levels while sales of the Polestar 3 and Polestar 4 ramp-up, Polestar will be unable to meet its revenue and cash flow expectations. Any failure to meet revenue expectations from sales of the Polestar 2, Polestar 3 and Polestar 4 models or other new models could result in Polestar not meeting its gross margin and profitability expectations and could materially damage Polestar's business, prospects, results of operations and financial condition.

Polestar has previously experienced cost overruns and may experience cost overruns again in the future. Higher than expected cost of goods sold could occur from a variety of factors—including, but not limited to, unexpected increases in prices of raw materials; the pricing/availability of supplies and components (e.g. battery cells); higher than expected warranty claims; higher than expected equipment, freight and energy costs; reliance on third-party partner manufacturing and the imposition of new or increased customs duties, including those that could result from delays in production in the newest facilities that produce Polestar vehicles, located in Charleston, South Carolina and Busan, South Korea, which would require continued exports of vehicles from China. This may result in higher customs duties. Additionally, any increase in Polestar's or its manufacturing partners' labor costs as a result of union activity, pay increases to employees or otherwise, could result in increased overall costs to Polestar. Recent success achieved by auto workers unions using strikes may encourage additional labor organization and strikes across our industry, including at Polestar or its manufacturing partners, which could result in increased expenses and impact production. Polestar has also begun certain cost savings initiatives and it may be unable to achieve the planned cost efficiency savings. Any inability to mitigate cost overruns or to achieve anticipated cost savings would negatively impact Polestar's financial performance.

Polestar's future financial performance requires Polestar to accurately forecast demand for its vehicles. To the extent Polestar underestimates demand for its vehicles, Polestar's strategic partners and suppliers may have inadequate manufacturing capacity and/or inventory, resulting in the interruption of manufacturing of Polestar's products and possible delays in shipments and revenues. To the extent Polestar overestimates demand, Polestar may need to offer deeper discounts and experience greater than expected sales volumes of discounted vehicles. For example, Polestar's competitors have recently cut prices for their models in order to address supply relative to weakening demand for electric vehicles, and Polestar may be forced to do the same in order to remain competitive. If demand for electric vehicles continues to worsen, or remains weak for a sustained period of time, the electric vehicle industry, and Polestar's financial performance specifically, could be materially and adversely affected. Polestar may also experience higher than expected advertising, sales and promotion costs or may be unable to effectively charge such costs to its customers, which could have negative effects on Polestar's financial performance. An inaccurate forecast in demand for its products may also result in a negative shift in its product mix (e.g., vehicles sold with fewer options and trim levels, higher than expected sales volumes of lower-priced variants). Furthermore, Polestar may experience shifts in its sales channel mix, including, but not limited to, a higher number of lower-margin fleet sales than planned. It may also experience a shift in Polestar's regional sales mix, especially lower than expected sales in the United States, which Polestar is currently experiencing. It may also need to write-down the value of its inventory. If Polestar experiences fluctuations in the demand for its products that is not accurately forecasted, it may experience one or more of the impacts outlined above and its results of operations and financial condition may be negatively affected. Lower gross margin, in conjunction with higher than expected expenses (including, but not limited to, selling, general and administrative expenses and research and development expenses), among other factors, could ultimately lead to lower operating margin, cash flow and profitability as well.

Polestar's future growth and financial performance are dependent on it meeting its ability to generate positive cash flow from its operations and to raise the necessary capital to fund its business plan and service its debt obligations.

If Polestar is unable to raise additional funds through equity and debt financings, or other means when needed, it may be required to delay, limit, reduce, or, in the worst case, discontinue the production and sale of its vehicles as well as research and development and commercialization efforts and may not be able to fund continuing operations, all of which could adversely impact Polestar's business, results of operation and financial condition. Polestar has in the past and expects to continue to accumulate a cash flow deficit until at least 2025. After giving effect to the $200,000 increase in available borrowings under the credit facility with Volvo Cars and entry into the new $250,000 credit facility with Geely Sweden Automotive Investment AB and existing financing and liquidity support from Geely Holding and Volvo Cars, Polestar estimates that approximately $1,300,000 in incremental external funding will be required to fund its current business plan through the end of fiscal year 2025. As a result of these cash requirements, Polestar will need to obtain additional financing and intends to do so through a combination of equity and debt financings, or other means. To the extent Polestar raises additional capital through the sale of equity or convertible debt securities, the ownership interest of its shareholders may be diluted, and the terms of such securities may include liquidation or other preferences that adversely affect the rights of its existing shareholders. Debt financing, if available, may involve agreements that include covenants limiting or restricting Polestar's ability to take specific actions, such as incurring additional debt, making capital expenditures, or declaring dividends. Any financing arrangements may require the payment of higher interest or preferred dividends, which will impact cash retention. If Polestar is unable to raise additional funds through equity and debt financings, or other means when needed, it may be required to delay, limit, reduce, or, in the worst case, discontinue the production and sale of its vehicles, as well as related research and development and commercialization efforts, and may not be able to fund continuing operations, all of which could have a material adverse effect on Polestar's business, results of operations and financial condition. There can be no assurance that Polestar will be able to raise the additional funding it expects to need or on commercially attractive terms, or at all.

Polestar's future growth and financial performance envisions Polestar introducing and growing additional revenue streams, including those relating to used car sales, aftermarket sales/services, technology licensing and revenue from financing. For example, Polestar is cooperating with Volvo Cars to develop their service center network, including the introduction of digital service booking, fault tracing, diagnostics and software download (Over-the-Air and in workshop). If Polestar fails to realize revenue from these possible additions to its business or fails to realize such revenue at the expected levels, its cash flows and profitability may be negatively impacted.

Although it has taken initiatives to reduce its expenditures and optimize its supply chain and cost structure and increase its cash flow, these initiatives are dependent on certain assumptions, which are described in Polestar's other risk factors, including: *Polestar's future growth and financial performance depend on its ability to generate expected revenues from its current and new vehicle models on a specific timeline and within a specific cost and pricing structure*" and "*The success of Polestar's business and its future financial performance are dependent on a variety of factors, including the efficiency, cost-cutting and strategic initiatives Polestar is implementing. Cost-cutting and efficiency initiatives are complex and difficult, and additional steps may be necessary, possibly on short notice and at significant cost*." If Polestar fails to optimize its supply chain and cost structure, its cash flows and profitability may be negatively impacted.

If Polestar's product development or commercialization is delayed, its cash flow generation may also be delayed and its costs and expenses may be significantly higher than it currently expects. Because Polestar will incur the costs and expenses from these efforts before it receives any incremental revenues with respect thereto, Polestar expects its losses in future periods may be significant. There is no assurance that the business will generate positive cash flow in the future.

Polestar could also experience adverse effects from making incorrect assumptions about important cash flow items. Such adverse effects could include, but are not limited to, the following: (i) a need for additional working capital due to, among other reasons, higher than expected inventory days and a lack of availability of trade finance facilities; (ii) higher than expected capital expenditures related to new vehicle development; (iii) unexpected decreases in cash flow from financing activities, which could be the result of, among other factors, an inability to roll one or more of the working capital facilities with Chinese banking partners in 2024 or 2025; (iv) an inability to refinance its existing indebtedness; or (v) an inability to raise additional financing in 2024, which would ultimately result in continued use of the China-based working capital facilities for longer than expected and until they can be gradually refinanced, and such facilities may not be available on commercially reasonable terms, or at all.

The deficits that Polestar has incurred, and may continue to incur in the future, fluctuate significantly from period to period; thus, even if Polestar achieves positive cash flow from its operations, it may not be able to sustain or increase such positive cash flow on a quarterly or annual basis. If Polestar is unable to generate positive cash flow from operations and raise the necessary capital to fund its business plans and service its debt obligations, Polestar may not have sufficient resources to conduct its business as projected and may have to discontinue or delay the research and development, production and sale of its vehicles or reduce its operating expenses, each of which could result in a material, adverse effect on Polestar's business, results of operations and financial condition.

Additionally, Polestar's international operations require cash to be held in various subsidiaries to meet minimum equity requirements. Notably, in Sweden, the board of directors of Polestar Performance AB (PPAB), Polestar's main group operating company, is required to immediately prepare and cause the company's auditors to review a balance sheet for liquidation purposes if there are reasons to believe that the company's shareholders' equity is less than one-half of the registered share capital. PPAB's equity level is constantly monitored, and it periodically requires equity injections from Polestar Automotive Holding UK Plc. There is a risk that Polestar's asset light business model in combination with applicable minimum equity requirements requires more cash to be deployed than otherwise would be the case and that cash will be allocated in a manner that is not optimal for the business operations. Additionally, once cash has been contributed as equity, the cash is trapped insofar that is cannot be freely transferred back to the group company contributing the funds. If cash is trapped in parts of the Polestar group and cannot be used for the group's operations or be freely repatriated, or there is simply insufficient cash to meet the applicable minimum equity requirement, it may harm Polestar's operations and financial condition.

Polestar's reliance on strategic partners and on key suppliers for manufacturing its vehicles could result in excess capacity or insufficient capacity to meet demand for its vehicles or manufacturing delays.

Polestar depends on strategic partners and key suppliers for manufacturing its vehicles. Polestar employs an asset-light business model that utilizes contract manufacturing and supply arrangements primarily with Volvo Cars and Geely. Polestar believes this business model requires significantly less capital to produce vehicles and generate revenue compared to traditional manufacturers or other electric vehicle companies. However, if Polestar overestimates its requirements, its strategic partners or suppliers may have excess manufacturing capacity and/or inventory, which would indirectly increase Polestar's costs as Polestar may pay for production capacities that reserved but will not be able to use, negatively impacting its gross margins and potentially affecting when Polestar will become profitable. Underestimation of such requirements could have a similarly material, adverse effect. Polestar also depends on its strategic partners to ensure that new production facilities are operational in the expected timeframe and with the expected capacity. If Polestar underestimates its production requirements, its strategic partners and suppliers may have inadequate manufacturing capacity and/or inventory, which could interrupt manufacturing of its products and result in delays in shipments and revenues. In addition, lead times for materials and components that Polestar's suppliers order may vary significantly and could depend on factors such as the specific supplier, contract terms and demand for each component at a given time. If Polestar fails to order sufficient quantities of product components in a timely manner, the delivery of vehicles to its customers could be delayed. If Polestar's partners are unable to deliver necessary components of Polestar's products on schedule or at quality levels and volumes acceptable to Polestar, or if Volvo Cars and Geely experience manufacturing delays beyond Polestar's control, the production of Polestar's vehicles could be delayed. The underestimation of manufacturing requirements or failure to timely deliver vehicles would harm Polestar's brand, business, prospects, results of operations and financial condition.

The success of Polestar's business and its future financial performance are dependent on a variety of factors, including the efficiency, cost-cutting and strategic initiatives Polestar is implementing. Cost-cutting and efficiency initiatives are complex and difficult, and additional steps may be necessary, possibly on short notice and at significant cost.

Polestar is engaged in a variety of cost-cutting activities and strategic efficiency initiatives. Its objective is to reduce costs and improve operational efficiencies, realize productivity gains, distribution and logistical efficiencies and overhead reductions. In addition, Polestar expects to continue to restructure its operations as necessary to improve operational efficiency, including occasionally opening or closing offices, facilities or plants. The successful execution of cost-cutting initiatives will involve sourcing, logistics, technology and employment arrangements. Because these initiatives can be complex, there may be difficulties or delays in the implementation of any such initiatives and they may not be immediately effective, resulting in an adverse material impact on Polestar's financial performance. It will also involve working with suppliers and partners to identify and generate efficiency who may be unwilling or unable to implement any initiatives. Gaining additional efficiencies may be difficult and will likely become increasingly difficult over time as Polestar's asset-light business model limits opportunities to realize operational efficiencies. In addition, there is a risk that inflation and increased competition may reduce the efficiencies now available. Therefore, there can be no assurances that the efficiency and cost-cutting initiatives will be completed as planned or achieve the desired results. There may also be one-time and other costs and negative impacts relating to restructurings and anticipated cost savings, and Polestar's strategies may not be implemented or may fail to achieve desired results.

If Polestar is unable to generate anticipated cost savings, successfully implement its strategies or optimize its supply chain, it may not realize all anticipated operational and efficiency benefits and cost savings, which could adversely affect its business and long-term strategies. It could also require Polestar to use more of its cash and to seek new or additional financing sooner than expected or at an undesirable cost. These goals and strategies may not be implemented or may fail to achieve the desired results if we are unable to manage Polestar's costs effectively. Profitability and cash flow could also suffer, which could also adversely affect Polestar's business, financial condition and results of operations.

Polestar may be unable to adequately control or predict the substantial costs associated with its operations.

Polestar has incurred and expects to continue to incur significant costs and expenses in its operations and growth of its business, including those related to developing and manufacturing its vehicles, marketing and building its brand, raw material procurement costs and general and administrative costs. Polestar has made and expects to continue to make significant investments to design, research and develop, produce and market new vehicle models. Such investments can negatively affect Polestar's profitability. Additionally, the revenues from new models may not be sufficient to recoup the costs and investments associated with their development and may impact Polestar's ability to generate future cash flow.

If Polestar does not enter into longer-term supplier agreements with guaranteed pricing for its parts or components, it may be exposed to fluctuations in prices of components, materials, labor and equipment. Agreements for the purchase of battery cells and other components contain or are likely to contain pricing provisions that are subject to adjustment based on changes in market prices of key commodities. Substantial increases in the prices for raw materials including lithium, cobalt and nickel for batteries, components, labor and equipment, whether due to supply chain or logistics issues or due to inflation or other economic conditions, would increase Polestar's operating costs and could reduce its margins if it cannot recoup the increased costs. Any attempts to increase the announced or expected prices of Polestar's vehicles in response to increased costs could be viewed negatively by its customers or potential customers and could adversely affect Polestar's business, prospects, financial condition or results of operations. Additionally, Polestar has certain minimum purchasing commitments to its manufacturing partners and suppliers. If Polestar is unable to meet these commitments, then Polestar's manufacturing partners and suppliers may attempt to pass the costs associated with such commitments to Polestar.

In the event that these expenses are significantly higher than Polestar anticipates, Polestar could be required to seek additional financing earlier than it expects. If Polestar is unable to cost-efficiently develop, design, manufacture, market, sell, distribute and service its vehicles, its margins, profitability and prospects would be materially and adversely affected.

Polestar's success depends on the success of its current and future partnerships, which could be adversely affected by its lack of sole decision-making authority and the actions of its co-owners or partners.

Polestar recently entered into a joint venture agreement with the technology company Xingji Meizu Group ("Xingji Meizu"), a related party, and may enter into other joint ventures or other strategic partnerships in the future. The joint venture is expected to strengthen Polestar's position and offering in the Chinese electric vehicle market by bringing together Polestar's capabilities within design and performance with the software and consumer electronics hardware development expertise of Xingji Meizu. The joint venture intends to develop Xingji Meizu's existing technology platform, Flyme Auto, into an operating system for Polestar cars sold in China, including in-car apps, streaming services, and intelligent vehicle software as well as mobile and augmented reality devices and customer apps. Polestar owns 49% of the joint venture company equity, with the remaining 51% owned by Xingji Meizu. The success of Polestar's joint venture with Xingji Meizu, including its ability to meet sales expectations in China, is critical to Polestar's overall performance; if the joint venture does not perform as expected, Polestar's ability to ramp up its business and sales in China could be detrimentally affected. There is no assurance that this joint venture will be successful. Customers may not purchase vehicles from the joint venture, and the margins on the vehicles sold in China will be lower than that in other markets. Additionally, the technology intended to be developed by the joint venture may not be successful or may not ultimately be adopted or utilized by the end consumer. It may take longer to develop and may cost more to develop than anticipated.

Additionally, there is no assurance that the joint venture will be able to maintain, identify or secure suitable business relationships in the future or that these relationships will be successful.

In its joint venture with Xingji Meizu and other arrangements, Polestar shares ownership and management of a company with one or more parties who may not have the same goals and priorities as Polestar and may compete with Polestar outside the joint venture. Joint ventures are intended to be operated for the benefit of all co-owners, rather than for Polestar's exclusive benefit. If a co-owner changes, relationships deteriorate or strategic objectives diverge, Polestar's success in the joint venture may be materially adversely affected. Further, some of the benefits from a joint venture are shared among the co-owners, so Polestar may not receive all of the benefits of a successful joint venture.

In addition, because Polestar shares ownership and management with one or more parties, Polestar may have limited control over the actions of a joint venture, particularly when it owns a minority interest, as in the joint venture with Xingji Meizu. To the extent another party makes decisions that negatively impact the joint venture or internal control issues arise within the joint venture, Polestar may have to take responsive actions, or Polestar may be subject to penalties, fines, financial and legal liabilities or other punitive actions for these activities. The value of the joint venture may also be materially negatively impacted.

If Polestar's estimates or judgments relating to its critical accounting policies are based on assumptions that change or prove to be incorrect, Polestar's results of operations could fall below expectations of securities analysts and investors, resulting in a decline in the market price of its ordinary shares.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Polestar bases its estimates on historical experience and on various other assumptions that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets, liabilities, equity, revenue and expenses that are not readily apparent from other sources. Significant assumptions and estimates used in preparing Polestar's consolidated financial statements include those related to revenue recognition, inventory valuation, income taxes, impairment of long-lived assets, share-based compensation, operating leases and fair value of financial instruments requiring the use of level 2 or level 3 inputs. If these assumptions change or if actual circumstances differ from those in these assumptions, Polestar's results of operations may be adversely affected and may fall below the expectations of securities analysts and investors, resulting in a decline in the market price of Polestar's ordinary shares.

Polestar faces risks associated with international operations, including tariffs and unfavorable regulatory, political, tax and labor conditions, which could materially and adversely affect its business, prospects, results of operations and financial condition.

Polestar has operations and subsidiaries in Europe, North America and Asia that are subject to the legal, political, regulatory and social requirements and economic conditions in these jurisdictions. Additionally, as part of its growth strategy, Polestar intends to expand its sales, maintenance and repair services and manufacturing activities to new countries in the coming years. However, Polestar has limited experience in manufacturing, selling or servicing its vehicles, and such expansion would require it to make significant expenditures, including the hiring of local employees, in advance of generating any revenue.

Polestar is subject to a number of risks associated with international business activities that may increase its costs; impact its ability to sell, service and manufacture its vehicles; and require significant management attention.

These risks include:

- conforming Polestar's vehicles to various international regulatory requirements of jurisdictions where its vehicles are sold or homologated;
- establishing localized supply chains and managing international supply chain and logistics costs;
- difficulty in staffing and managing foreign operations;
- difficulties attracting customers in new jurisdictions;
- difficulties establishing international manufacturing operations, including difficulties establishing relationships with or establishing localized supplier bases and developing cost-effective and reliable supply chains for such manufacturing operations;
- taxes, regulations and permit requirements, including taxes imposed by one taxing jurisdiction that Polestar may not be able to offset against taxes imposed upon it by another relevant jurisdiction, and foreign tax and other laws limiting its ability to repatriate funds to another relevant jurisdiction;
- fluctuations in foreign currency exchange rates and interest rates, including risks related to any forward currency contracts, interest rate swaps or other hedging activities Polestar undertakes and changes in value of certain currencies relative to other currencies, including shifts in the Chinese Yuan, U.S. Dollar and Swedish Krona;
- United States, European Union and other and foreign government trade restrictions, tariffs and price or exchange controls;
- foreign labor laws, regulations and restrictions;
- changes in diplomatic and trade relationships, including political risk and customer perceptions based on such changes and risks;
- political instability, natural disasters, climate change, environmental conditions, pandemics, war or events of terrorism; and
- the strength of international economies.

For example, many of Polestar's vehicles are manufactured in China. The European Union has recently announced that they are investigating whether battery electric vehicle manufacturers in China receive or benefit from state subsidies in China. This investigation may result in higher import tariffs on Polestar's vehicles. Additionally, the newest Polestar manufacturing facilities in Charleston, South Carolina and Busan, South Korea (which are owned and operated by Polestar's manufacturing partners) as well as any potential future facilities, are anticipated to reduce the risk of higher import or custom duties in the US. If these manufacturing facilities do not ramp up as expected, Polestar will rely more heavily on imported inventory from China and its vehicles may be subject to higher tariffs.

In addition to the above risks, Polestar may be impacted by the upcoming enactment of Sweden's new foreign direct investment ("FDI") regime. The reintroduction of this FDI regime will go into effect on December 1, 2023 and includes, among other items, a mandatory filing obligation for investors of, and a required authorization for implementation of investments in, companies that are located in Sweden and that are engaged in certain sensitive industries, sectors, and activities. Due to the novelty of the regime and the evolving nature of FDI-related matters, Polestar cannot definitively state that it will not be directly or indirectly impacted by the new Swedish FDI regime. If Polestar is ultimately directly or indirectly impacted by Sweden's new FDI regime, it may negatively affect Polestar's ability to attract foreign investments and thus cause a materially negative impact on its business.

The ongoing conflicts between Russia and Ukraine and in Israel and the Gaza Strip have, and are likely to continue to, generate uncertain geopolitical conditions, including sanctions, economic boycotts, and divestment initiatives that could adversely affect Polestar's business prospects and results of operations.

Russia and Ukraine are not Polestar markets, and there are no plans to launch in either market in the near future. However, Israel is a Polestar market and Polestar has some suppliers with operations in Israel. The uncertain geopolitical conditions, sanctions, and other potential impacts on the global economic environment resulting from Russia's invasion of Ukraine and the recent escalation in the conflict between Hamas and Israel may weaken demand for Polestar's vehicles and impact its ability to access production components, which could make it difficult for Polestar to forecast its financial results and manage its inventory levels. Polestar has suppliers in Israel, including Mobileye and StoreDot. If the conditions in Israel interrupt Polestar's suppliers' operations or limit the ability for Polestar's suppliers to operate, Polestar's business can be harmed. Additionally, in the past, Israel and Israeli companies have been, and continue to be, subject to economic boycotts and divestment initiatives, which could negatively impact Polestar's business given Polestar's relationship with Mobileye and StoreDot. The uncertainty surrounding these conditions and the current, and potentially expanded, scope of international sanctions against Russia may cause unanticipated changes in customers' buying patterns or may adversely impact operations of Polestar's suppliers. Sanctions have also created supply constraints and driven inflation that has impacted, and may continue to impact, Polestar's operations and could create or exacerbate risks facing Polestar's business.

Polestar vehicles are manufactured at facilities owned and operated by Volvo Cars. While Polestar understands that Volvo Cars does not have any "Tier 1" suppliers from Russia, car production is a complex process, with thousands of components sourced from all over the world. There can be no assurance, therefore, that there will not be some components sourced from suppliers subject to sanctions against Russia nor that the resulting disruption to the supply chain will not have an adverse impact on Polestar's business and results of operations and financial condition.

In the event geopolitical tensions deteriorate further or fail to abate, additional governmental sanctions may be enacted that could adversely impact the global economy, banking and monetary systems, markets, and the operations of Polestar and its suppliers.

If Polestar fails to successfully address these risks, its business, prospects, results of operations and financial condition could be materially harmed.

E. Forward-looking statements

Certain statements in this management's discussion and analysis may be considered "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements generally relate to future events or the future financial or operating performance of Polestar including the number of vehicle deliveries and gross margin. For example, projections of revenue, volumes, margins, cash flow break-even and other financial or operating metrics and statements regarding expectations of future needs for funding and plans related thereto 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", "potential", "forecast", "plan", "seek", "future", "propose" or "continue", 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.

These forward-looking statements are based upon estimates and assumptions that, while considered reasonable by Polestar and its management, as the case may be, are inherently uncertain. Factors that may cause actual results to differ materially from current expectations include, but are not limited to: (1) Polestar's ability to maintain agreements or partnerships with its strategic partners, such as Volvo Cars, Geely or Xingji Meizu Group, and to develop new agreements or partnerships; (2) Polestar's ability to maintain relationships with its existing suppliers, source new suppliers for its critical components and enter into longer term supply contracts and complete building out its supply chain, while effectively managing the risks due to such relationships; (3) Polestar's reliance on its partnerships with vehicle charging networks to provide charging solutions for its vehicles and its reliance on strategic partners for servicing its vehicles and their integrated software; (4) Polestar's reliance on its partners, some of which may have limited experience with electric vehicles, to manufacture vehicles at a high volume or develop devices, products, apps or operating systems for Polestar, and to allocate sufficient production capacity or resources to Polestar in order for Polestar to be able to increase its vehicle production capacities and product offerings; (5) the ability of Polestar to grow and manage growth profitably including expectations of growth and financial performance by generating expected revenues at expected selling prices, maintain relationships with customers and retain its management and key employees; (6) Polestar's estimates of expenses, profitability, gross margin, cash flow, and cash reserves; (7) increases in costs, disruption of supply or shortage of materials, in particular for lithium-ion cells or semiconductors; (8) the possibility that Polestar may be adversely affected by other economic, business, and/or competitive factors; (9) the effects of competition and the high barriers to entry in the automotive industry, and the pace and depth of electric vehicle adoption generally on Polestar's future business; (10) changes in regulatory requirements, governmental incentives and fuel and energy prices; (11) the outcome of any legal proceedings that may be instituted against Polestar or others, adverse results from litigation, governmental investigations or audits, or tax-related proceedings or audits; (12) the ability to meet stock exchange listing standards; (13) changes in applicable laws or regulations or governmental incentive programs; (14) Polestar’s ability to establish its brand and capture additional market share, (15) the risks associated with negative press or reputational harm, including from lithium-ion battery cells catching fire or venting smoke; (65) delays in the design, development, manufacture, launch and financing of Polestar’s vehicles and other product offerings, and Polestar’s reliance on a limited number of vehicle models to generate revenues; (16) Polestar’s ability to continuously and rapidly innovate, develop and market new products; (17) risks related to future market adoption of Polestar’s offerings; (18) risks related to Polestar’s distribution model; (19) the impact of the global COVID-19 pandemic, inflation, interest rate changes, the ongoing conflict between Ukraine and Russia and in Israel and the Gaza Strip, supply chain disruptions, fuel and energy prices and logistical constraints on Polestar, Polestar’s projected results of operations, financial performance or other financial and operational metrics, or on any of the foregoing risks; (20) Polestar’s ability to forecast demand for its vehicles; (21) Polestar’s ability to raise additional funding; (22) Polestar’s ability to successfully execute cost-cutting activities and strategic efficiency initiatives; (and (23) other risks and uncertainties set forth in the sections entitled “Risk Factors” and “Cautionary Note Regarding Forward-Looking Statements” in Polestar’s Form 20-F, and other documents filed, or to be filed, with the SEC by Polestar. There may be additional risks that Polestar presently does not know or that Polestar currently believes are immaterial that could also cause actual results to differ from those contained in the forward-looking statements.

Nothing in this management’s discussion and analysis should be regarded as a representation by any person that the forward-looking statements set forth herein will be achieved or that any of the contemplated results of such forward-looking statements will be achieved. You should not place undue reliance on forward-looking statements, which speak only as of the date they are made. Polestar assumes no obligation to update these forward-looking statements, even if new information becomes available in the future, except as may be required by law.

The Polestar Group

Unaudited Condensed Consolidated Financial Statements as of September 30, 2023 and for the Three and Nine months ended September 30, 2023 and 2022

INDEX TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Polestar Automotive Holding UK PLC
Unaudited Condensed Consolidated Statement of Income (Loss) and Comprehensive Income (Loss)
(in thousands of U.S. dollars except per share data and unless otherwise stated)

Consolidated Statement of Income (Loss)	Note	For the three months ended September 30, 2023	For the three months ended September 30, 2022	For the nine months ended September 30, 2023	For the nine months ended September 30, 2022
Revenue	2	613,182	435,449	1,844,447	1,476,746
Cost of sales		(609,581)	(431,390)	(1,823,234)	(1,419,271)
Gross profit		**3,601**	**4,059**	**21,213**	**57,475**
Selling, general and administrative expense	3	(236,246)	(178,643)	(684,877)	(625,424)
Research and development expense	3	(54,865)	(24,598)	(136,176)	(123,353)
Other operating income (expense), net		26,305	2,781	64,886	(17,961)
Listing expense	8	—	—	—	(372,318)
Operating loss		**(261,205)**	**(196,401)**	**(734,954)**	**(1,081,581)**
Finance income		8,997	711	21,487	1,485
Finance expense		(63,389)	(60,539)	(153,904)	(111,966)
Fair value change - Earn-out rights	8	155,557	546,961	388,552	965,668
Fair value change - Class C Shares	8	7,250	14,059	18,000	35,590
Income (loss) before income taxes		**(152,790)**	**304,791**	**(460,819)**	**(190,804)**
Income tax expense		(2,579)	(5,404)	(7,581)	(12,543)
Net income (loss)		**(155,369)**	**299,387**	**(468,400)**	**(203,347)**
Net income (loss) per share (in U.S. dollars)	5				
Basic		(0.07)	0.14	(0.22)	(0.10)
Diluted		(0.07)	0.14	(0.22)	(0.10)
Consolidated Statement of Comprehensive Income (Loss)					
Net income (loss)		**(155,369)**	**299,387**	**(468,400)**	**(203,347)**
Other comprehensive income (loss):					
Items that may be subsequently reclassified to the Consolidated Statement of Income (loss):					
Exchange rate differences from translation of foreign operations		(3,797)	4,688	(30,532)	15,347
Total other comprehensive income (loss)		**(3,797)**	**4,688**	**(30,532)**	**15,347**
Total comprehensive income (loss)		**(159,166)**	**304,075**	**(498,932)**	**(188,000)**

The accompanying notes are an integral part of these Unaudited Condensed Consolidated Financial Statements.

Unaudited Condensed Consolidated Statement of Financial Position
(in thousands of U.S. dollars unless otherwise stated)

	Note	September 30, 2023	December 31, 2022
Assets			
Non-current assets			
Intangible assets and goodwill	6	1,529,706	1,396,477
Property, plant, and equipment		259,656	258,048
Vehicles under operating leases	4	93,945	92,198
Other non-current assets		4,008	5,306
Deferred tax asset		17,628	7,755
Other investments	7	2,225	2,333
Total non-current assets		**1,907,168**	**1,762,117**
Current assets			
Cash and cash equivalents		951,088	973,877
Trade receivables		140,382	246,107
Trade receivables - related parties	11	117,101	74,996
Accrued income - related parties	11	75,323	49,060
Inventories		1,005,607	658,559
Current tax assets		8,010	7,184
Assets held for sale	12	—	63,224
Other current assets		160,816	107,327
Other current assets - related parties		20,969	—
Total current assets		**2,479,296**	**2,180,334**
Total assets		**4,386,464**	**3,942,451**
Equity			
Share capital		(21,168)	(21,165)
Other contributed capital		(3,587,871)	(3,584,232)
Foreign currency translation reserve		42,796	12,265
Accumulated deficit		4,195,176	3,726,775
Total equity	9	**628,933**	**133,643**
Liabilities			
Non-current liabilities			
Non-current contract liabilities	2	(60,866)	(50,252)
Deferred tax liabilities		(461)	(476)
Other non-current provisions		(107,844)	(73,985)
Other non-current liabilities		(60,641)	(14,753)
Earn-out liability	7, 8	(210,019)	(598,570)
Other non-current interest-bearing liabilities	4	(74,529)	(85,556)
Total non-current liabilities		**(514,360)**	**(823,592)**
Current liabilities			
Trade payables		(96,079)	(98,458)
Trade payables - related parties	11	(632,354)	(957,497)
Accrued expenses - related parties	11	(323,462)	(164,902)
Advance payments from customers		(18,487)	(40,869)
Current provisions		(63,884)	(74,907)
Liabilities to credit institutions	10	(2,036,525)	(1,328,752)
Current tax liabilities		(14,370)	(10,617)
Interest-bearing current liabilities	4	(28,821)	(21,545)
Interest-bearing current liabilities - related parties	11	(829,658)	(16,690)
Current contract liabilities	2	(101,224)	(46,217)
Class C Shares liability	7, 8	(10,000)	(28,000)
Other current liabilities		(308,174)	(393,790)
Other current liabilities - related parties	11	(37,999)	(70,258)
Total current liabilities		**(4,501,037)**	**(3,252,502)**
Total liabilities		**(5,015,397)**	**(4,076,094)**
Total equity and liabilities		**(4,386,464)**	**(3,942,451)**

The accompanying notes are an integral part of these Unaudited Condensed Consolidated Financial Statements.

Polestar Automotive Holding UK PLC
Unaudited Condensed Consolidated Statement of Cash Flows
(in thousands of U.S. dollars unless otherwise stated)

	Note	For the nine months ended September 30, 2023	2022
Cash flows from operating activities			
Net loss		(468,400)	(203,347)
Adjustments to reconcile net loss to net cash flows:			
Depreciation and amortization expense		101,499	140,063
Warranties		56,805	—
Inventory impairment		39,415	—
Finance income		(21,487)	(1,485)
Finance expense		153,904	111,966
Fair value change - Earn-out rights	8	(388,552)	(965,668)
Fair value change - Class C Shares	8	(18,000)	(35,590)
Listing expense		—	372,318
Income tax expense		7,581	12,543
Other non-cash expense		16,646	12,497
Change in operating assets and liabilities:			
Inventories		(372,504)	(311,154)
Vehicles under operating leases		—	17,722
Contract liabilities	2	69,033	(16,390)
Trade receivables, prepaid expenses and other assets		(113,113)	(43,458)
Trade payables, accrued expenses and other liabilities		(306,039)	(60,645)
Interest received		21,487	1,485
Interest paid		(98,549)	(37,075)
Taxes paid		(14,543)	(17,207)
Cash used for operating activities		**(1,334,817)**	**(1,023,425)**
Cash flows from investing activities			
Additions to property, plant and equipment		(51,699)	(7,452)
Additions to intangible assets	6	(293,048)	(642,846)
Additions to other investments		—	(2,480)
Proceeds from the sale of property, plant and equipment		1,747	—
Proceeds from disposal of asset grouping classified as held for sale	12	153,586	—
Cash used for investing activities		**(189,414)**	**(652,778)**
Cash flows from financing activities			
Proceeds from short-term borrowings	10, 11	3,422,189	1,555,201
Principal repayments of short-term borrowings	10, 11	(1,857,680)	(957,186)
Principal repayments of lease liabilities	4	(19,160)	(11,332)
Proceeds from the issuance of share capital and other contributed capital		—	1,417,973
Transaction costs		—	(38,903)
Cash provided by financing activities		**1,545,349**	**1,965,753**
Effect of foreign exchange rate changes on cash and cash equivalents		(43,907)	(57,968)
Net increase in cash and cash equivalents		**(22,789)**	**231,582**
Cash and cash equivalents at beginning of period		**973,877**	**756,677**
Cash and cash equivalents at end of period		**951,088**	**988,259**

The accompanying notes are an integral part of these Unaudited Condensed Consolidated Financial Statements.

Polestar Automotive Holding UK PLC
Unaudited Condensed Consolidated Statement of Changes in Equity
(in thousands of U.S. dollars unless otherwise stated)

	Note	Share capital	Other contributed capital	Currency translation reserve	Accumulated deficit	Total
Balance as of January 1, 2022		(1,865,909)	(35,231)	16,784	1,761,860	(122,496)
Net loss		—	—	—	203,347	203,347
Other comprehensive income		—	—	(15,347)	—	(15,347)
Total comprehensive loss		**—**	**—**	**(15,347)**	**203,347**	**188,000**
Merger with Gores Guggenheim, Inc.	8					
Changes in the consolidated group		1,846,472	(1,846,472)	—	(1,512)	(1,512)
Issuance of Volvo Cars Preference Shares		(589)	(588,237)	—	—	(588,826)
Issuance to Convertible Note holders		(43)	43	—	—	—
Issuance to PIPE investors		(265)	(249,735)	—	—	(250,000)
Issuance to GGI shareholders		(822)	(521,285)	—	—	(522,107)
Listing expense		—	(372,318)	—	—	(372,318)
Transaction costs		—	38,903	—	—	38,903
Earn-out rights		—	—	—	1,500,638	1,500,638
Equity-settled share-based payment	3	—	(6,898)	—	—	(6,898)
Balance as of September 30, 2022		**(21,156)**	**(3,581,230)**	**1,437**	**3,464,333**	**(136,616)**
Balance as of January 1, 2023		(21,165)	(3,584,232)	12,265	3,726,775	133,643
Net loss		—	—	—	468,400	468,400
Other comprehensive loss		—	—	30,532	—	30,532
Total comprehensive loss		**—**	**—**	**30,532**	**468,400**	**498,932**
Equity-settled share-based payment	3	(3)	(3,639)	—	—	(3,642)
Balance as of September 30, 2023		**(21,168)**	**(3,587,871)**	**42,797**	**4,195,175**	**628,933**

The accompanying notes are an integral part of these Unaudited Condensed Consolidated Financial Statements.

Note 1 - Significant accounting policies and judgements

General information

Polestar Automotive Holding UK PLC (formerly known as Polestar Automotive Holding UK Limited) (the “Parent”), together with its subsidiaries, hereafter referred to as “Polestar,” “Polestar Group,” and the “Group,” is a limited company incorporated in the United Kingdom. Polestar Group operates principally in the automotive industry, engaging in research and development, manufacturing, branding and marketing, and the commercialization and selling of vehicles, technology solutions, and services related to battery electric vehicles. Polestar Group has a presence in 27 markets across Europe, North America, and Asia. Polestar Group has its management headquarters located at Assar Gabrielssons väg 9, 418 78 Göteborg, Sweden.

As of September 30, 2023, related parties own 88.3% of the Group. Of related party ownership, Snita Holding B.V. owns 48.3%, PSD Investment Limited owns 39.2%, and various other entities own 0.8% The remaining 11.7% of the Group is owned by external investors.

Basis of preparation

The Unaudited Condensed Consolidated Financial Statements in this interim report of Polestar Group are prepared in accordance with International Accounting Standards (“IAS”) 34, *Interim Financial Reporting* (“IAS 34”), as adopted by the International Accounting Standards Board (“IASB”). The Unaudited Condensed Consolidated Financial Statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below. For group financial reporting purposes, Polestar Group companies apply the same accounting principles, irrespective of national legislation, as defined in the Group accounting directives. Such accounting principals have been applied consistently for all periods, unless otherwise stated.

This interim report is prepared in the presentation currency, U.S. Dollar (“USD”). All amounts are stated in thousands of USD (“TUSD”), unless otherwise stated.

Periods discussed prior to June 23, 2022 represent the operations of Polestar Automotive Holding Limited and its consolidated subsidiaries.

Going concern

Polestar Group’s Unaudited Condensed Consolidated Financial Statements have been prepared on a basis that assumes Polestar Group will continue as a going concern and the ordinary course of business will continue in alignment with Management’s 2024-2028 business plan.

Management assessed Polestar Group’s ability to continue as a going concern and evaluated whether there are certain events or conditions, considered in the aggregate, that may cast substantial doubt about Polestar Group’s ability to continue as a going concern. All information available to Management pertaining to the twelve-month period after the issuance date of these Unaudited Condensed Consolidated Financial Statements was used in performing this assessment.

Historically, Polestar Group has financed its operations primarily through short-term working capital loan arrangements with credit institutions (i.e., 12 months or less), contributions from shareholders, credit facilities from related parties, and extended trade credit from related parties. Since inception, Polestar Group has generated recurring net losses and negative operating and investing cash flows. Net losses for the three months ended September 30, 2023 amounted to $155,369 and the net income for the three months ended September 30, 2022 amounted to $299,387. Net losses for the nine months ended September 30, 2023 and 2022 amounted to $468,400 and $203,347, respectively. Negative operating and investing cash flows for the nine months ended September 30, 2023 and 2022 amounted to $1,524,231 and $1,676,203, respectively. Management forecasts that Polestar Group will continue to generate negative operating and investing cash flows in the near future, until sustainable commercial operations are achieved. Securing financing to support operating and development activities represents an ongoing challenge for Polestar Group.

Management’s 2024-2028 business plan indicates that Polestar Group depends on additional financing that is expected to be funded via a combination of new short-term working capital loan arrangements, long-term loan arrangements, credit facilities from related parties, and executing capital market transactions through offerings of debt and/or equity. The timely realization of these financing endeavors is crucial for Polestar Group’s ability to continue as a going concern. If Polestar is unable to obtain financing from these sources or if such financing is not sufficient to cover forecasted operating and investing cash flow needs, Polestar Group will need to seek additional funding through other means (e.g., issuing new shares of equity or issuing bonds). Management has no certainty that Polestar Group will be successful in securing the funds necessary to continue operating and development activities as planned.

Based on these circumstances, Management has determined there is substantial doubt about Polestar Group’s ability to continue as a going concern. There are ongoing efforts in place to mitigate the uncertainty. The Unaudited Condensed Consolidated Financial Statements do not include any adjustments to factor for the going concern uncertainty.

Adoption of new and revised standards

In May 2023, the IASB issued amendments to IAS 12, *Income taxes: International Tax Reform – Pillar Two Model Rules*, to clarify the application of IAS 12, *Income Taxes*, to income taxes arising from tax law enacted or substantively enacted to implement the Organization for Economic Co-operation and Development (OECD)/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) Pillar Two model rules (Pillar Two income taxes). The amendments introduce: (i) a mandatory temporary exception to the accounting for deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules, which was effective immediately upon issuance of the amendment, and (ii) disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before the effective date of the Pillar Two model rules, which apply for annual reporting periods beginning on or after January 1, 2023, but not for any interim periods ending on or before December 31, 2023.

For a detailed assessment of the Group's adoption of other new and revised standards, refer to *Note 1 - Significant accounting policies and judgments* of the Consolidated Financial Statements for Polestar Automotive Holding Limited, as of December 31, 2022, and 2021, and for the three years ended December 31, 2022, that were included in the Form 20-F filed with the United States Securities and Exchange Commission ("SEC") on April 14, 2023. Management has concluded the adoption of new and revised accounting pronouncements has not or will not have a material impact on the Group's Unaudited Condensed Consolidated Financial Statements. The adoptions of accounting pronouncements issued, but not effective, for the nine months ended September 30, 2023, will not have a material impact on the Group's Unaudited Condensed Consolidated Financial Statements.

Presentation, basis of consolidation, segment reporting, and foreign currency

For a detailed description of the Group's presentation, basis of consolidation, segment reporting, and foreign currency, including currency risk, refer to *Note 1 - Significant accounting policies and judgements* and *Note 2 - Financial risk management* of the Consolidated Financial Statements for Polestar Automotive Holding UK PLC, as of December 31, 2022 and 2021, and for the three years ended December 31, 2022, that were included in the Form 20-F filed with the SEC on April 14, 2023. There are no changes for the periods presented in these Unaudited Condensed Consolidated Financial Statements.

The following tables show the breakdown of the Group's revenue from external customers and non-current assets by geographical location where the Polestar company recognizing the revenue is located:

	For the three months ended September 30,		For the nine months ended September 30,	
Revenue	**2023**	**2022**	**2023**	**2022**
United Kingdom	149,978	49,992	441,563	187,209
USA	89,463	103,020	321,200	317,251
Germany	83,817	52,182	201,216	154,391
Sweden	40,329	67,681	197,372	222,838
Australia	26,620	9,143	75,084	32,175
Canada	24,798	24,002	87,920	48,171
Norway	38,540	25,599	69,735	142,121
Netherlands	24,751	11,583	75,235	67,520
Belgium	25,736	8,825	73,521	51,533
Finland	10,750	4,408	35,033	23,467
Denmark	32,668	6,614	60,677	45,543
Italy	7,601	—	35,827	—
China	4,972	2,889	23,419	34,532
Other regions[1]	53,159	69,511	146,645	149,995
Total	**$613,182**	**$435,449**	**$1,844,447**	**$1,476,746**

1 - Other regions primarily consist of Austria, Ireland, Korea and Switzerland in September 2023 and 2022.

	As of September 30, 2023	As of December 31, 2022
Non-current assets[2]		
Sweden	1,277,073	1,151,920
China	480,800	474,301
Germany	76,754	36,747
United Kingdom	13,128	22,777
Switzerland	9,389	4,623
Other regions[3]	30,171	61,661
Total	**$ 1,887,315**	**$ 1,752,029**

2 - Non-current assets: excludes Deferred tax asset and Other investments.
3 - Other regions primarily consist of Switzerland, Belgium, Spain and Netherlands in 2023. Other regions primarily consist of Belgium, Switzerland and Australia in 2022.

Restatement of certain comparative period items

Net loss per share for the nine months ended September 30, 2022 has been restated to reflect the number of equivalent shares issued by the Parent to the Former Parent in connection with the merger with Gores Guggenheim, Inc. on June 23, 2022. The adjustment is based on the number of shares outstanding on the reporting date multiplied by the exchange ratio of 8.335.

In the Unaudited Condensed Consolidated Statement of Changes in Equity as of September 30, 2022, the lines previously presented as Merger with Gores Guggenheim Inc. and Changes in the consolidated group amounting to an equity impact of $195,286 have been adjusted to present each individual item related to the merger that impacted equity, resulting in an aggregate restated equity impact of $195,222.

Accounting policies

Polestar Group continues to apply the same accounting policies, methods, estimates and judgements as described in *Note 1 - Significant accounting policies and judgements* of the Consolidated Financial Statements for Polestar Automotive Holding UK PLC, as of December 31, 2022 and 2021, and for the three years ended December 31, 2022, that were included in the Form 20-F filed with the SEC on April 14, 2023. Additions to these accounting policies and methods due to new events that occurred during the nine months ended September 30, 2023 are described below.

Inventories

Inventories in Polestar Group includes new, used, and internal vehicles. Internal vehicles are those used by employees or the Group for demonstration, test drive, and various other operating purposes that will be sold as used vehicles. Most internal vehicles are utilized for a period of one year or less prior to sale. Inventories are measured at the lower of acquisition or manufacturing cost and net realizable value. Net realizable value is calculated as the selling price in the ordinary course of business less estimated costs of completion and selling costs. The acquisition or manufacturing costs of inventory includes costs incurred in acquiring the inventories and bringing them to their present location and condition, including, but not limited to, costs such as freight and customs duties. Costs for research and development, selling, administration and financial expenses are not included. For groups of similar products, a group valuation method is applied. The cost of inventories of similar assets is established using the first-in, first-out method (FIFO).

As of September 30, 2023, and 2022 write-downs of inventories to net realizable value amounted to $39,415 and $0 respectively. The write down was recognized as an expense and was included in Cost of sales or Selling expenses in the Consolidated Statement of Loss and Comprehensive Loss depending on the purpose of the vehicle.

Use of estimates and judgements

The preparation of these Unaudited Condensed Consolidated Financial Statements, in accordance with IAS 34, requires management to make judgements, estimates, and assumptions that affect the application of the Group’s accounting policies, the reported amount of assets, liabilities, revenues, expenses, and other related financial items. Management reviews its estimates and assumptions on a continuous basis; changes in accounting estimates are recognized in the period in which the estimates are revised, and prospectively thereafter. Actual results could differ materially from those estimates using different assumptions or under different conditions. The Group did not have any events requiring the application of new critical estimates and judgements during the nine months ended September 30, 2023.

Earnings per share

Basic earnings per share is calculated by dividing the net loss for the period by the weighted average number of Class A Shares and Class B Shares outstanding during the period. Diluted earnings per share is calculated by adjusting the net income for the period and the weighted average number of Class A Shares and Class B Shares outstanding for the effect of dilutive potential ordinary shares (“POSs”) outstanding during the period (i.e., Class A Shares and/or Class B Shares that the Group is obligated to issue, or might issue under certain circumstances, in accordance with various contractual arrangements). The Group’s POSs are classified based on the nature of their instrument or arrangement and then the earnings per incremental share (“EPIS”) is calculated for each class of POS to determine if they are dilutive or anti-dilutive. Anti-dilutive POSs are excluded from the calculation of dilutive earnings per share.

EPIS is calculated as (1) the consequential effect on profit or loss from the assumed conversion of the class of POS (i.e., the numerator adjustment) divided by (2) the weighted average number of outstanding POSs for the class (i.e., the denominator adjustment). The EPIS denominator adjustment depends on the class of POS. The Group’s classes of POSs and their related EPIS denominator adjustment methods are as follows:

POS Class	EPIS Denominator Adjustment Method
Unvested equity-settled RSUs	Treasury share[1]
Class C Shares	Treasury share
Earn-out rights and PSUs	The number of shares issuable if the reporting date were the end of the contingency period
Convertible Notes	The number of shares issued assuming conversion occurred at the beginning of the reporting period
Convertible Credit Facility with Volvo Cars	If the instrument is converted, the number of shares issued on the date of the conversion

1 - The treasury share method prescribed by IAS 33, *Earnings Per Share* ("IAS 33"), includes only the bonus element as the EPIS denominator adjustment. The bonus element is the difference between the number of ordinary shares that would be issued at the exercise of the options and the number of ordinary shares deemed to be repurchased at the average market price.

Fair value measurement

Valuation methodology for the fair value of the financial liability related to the Class C-2 Shares

The Class C-2 Shares represents a derivative financial instrument that is carried at fair value through profit and loss ("FVTPL") by reference to Level 2 measurement inputs because an observable price for the Class C-1 Shares, which are almost identical instruments, is available in the active market. Class C Shares are presented in current liabilities within the Unaudited Condensed Consolidated Statement of Financial Position as they can be exercised by the holder at any time. The related liability is measured at fair value, with any changes in fair value recognized in earnings. The fair value of the Class C-2 Shares is determined using a binomial lattice option pricing model in a risk-neutral framework whereby the future prices of the Class A Shares are calculated assuming a geometric Brownian motion ("GBM"). For each future price, the Class C-2 payoff amount is calculated based on the contractual terms of the Class C-2 Shares, including assumptions for optimal early exercise and redemption, and then discounted at the term-matched risk-free rate. The final fair value of the Class C-2 Shares is calculated as the probability-weighted present value over all modeled future payoff amounts. As of September 30, 2023, the fair value of the Class C-2 Shares was determined to equal $1,800 by leveraging the closing price of the Class C-1 Shares on the Nasdaq of $0.40 per share, an implied volatility of 96%, a risk-free rate of 4.67%, a dividend yield of 0%, and a 1,000 time-steps for the binomial lattice option pricing model. Refer to *Note 8 - Reverse recapitalization* for more detail on the Class C-2 Shares.

Valuation methodology for the fair value of the financial liability related to the Former Parent's contingent earn-out rights

The Former Parent's contingent earn-out right represents a derivative financial instrument that is carried at FVTPL by reference to Level 3 measurement inputs because a quoted or observable price for the instrument or an identical instrument is not available in active markets. The earn-out liability is presented in non-current liabilities within the Unaudited Condensed Consolidated Statement of Financial Position to align with the expected timing of the underlying earn-out payments. The fair value of the earn-out is determined using a Monte Carlo simulation that incorporates a term of 4.23 years, the five earn-out tranches, and the probability of the Class A Shares in ListCo reaching certain daily volume weighted average prices during the earn-out period resulting in the issuance of each tranche of Class A Shares and Class B Shares in ListCo to the Former Parent. As of September 30, 2023, the fair value of the earn-out was determined to equal $210,018 by leveraging an implied volatility of 80% and a risk-free rate of 4.62%. The implied volatility represents the most significant unobservable input utilized in this Level 3 valuation technique. The calculated fair value would increase (decrease) if the implied volatility were higher (lower). Refer to *Note 8 - Reverse recapitalization* for more detail on the Former Parent's earn-out rights.

Valuation methodology for the fair value of RSUs and PSUs granted to employees under the 2022 Omnibus Incentive Plan

The fair value of the RSUs granted April 3, 2023 was determined by reference to the Group's closing share price of $3.79 on the business day immediately preceding the grant date (i.e., $3.79 per RSU). The fair value of PSUs granted was determined by calculating the weighted-average fair value of the 368,732 units linked to market-based vesting conditions and the 1,106,195 units linked to non-market-based vesting conditions. The units linked to non-market-based vesting conditions were fair valued by reference to the Group's closing share price of $3.79 on the business day immediately preceding the grant date (i.e., $3.79 per unit). The units linked to market-based vesting conditions were fair valued using a Monte Carlo simulation in a risk-neutral option pricing framework whereby the future share prices of Polestar's Class A Shares and shares of the peer group over the performance period were calculated assuming a GBM. For each simulation path, the payoff amount of the awards was calculated as the simulated price of the Class A Shares multiplied by the simulated total shareholder return vesting (i.e., the number of awards simulated to vest based on the probability of achievement of certain performance conditions) and then discounted to the grant date at the term-matched risk-free rate. The fair value per unit of the units linked to market-based vesting conditions was determined to be $3.33 by leveraging an implied volatility of 75%, a peer group historical average volatility of 63.5%, a risk-free rate of 3.8%, a simulation term of 2.7 years, a dividend yield of 0%, and 100,000 simulation iterations. As such, the weighted-average fair value per PSU was calculated to be $3.68. Refer to *Note 3 - Share-based payment* for more detail on the 2022 Omnibus Incentive Plan.

Note 2 - Revenue

Polestar Group disaggregates revenue by major category based on the primary economic factors that may impact the nature, amount, timing, and uncertainty of revenue and cash flows from these customer contracts as seen in the table below:

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Sales of vehicles[1]	594,081	425,299	1,790,704	1,442,116
Sales of software and performance engineered kits	3,456	4,451	15,755	15,313
Sales of carbon credits	709	162	1,241	1,475
Vehicle leasing revenue	4,129	4,559	11,622	12,493
Other revenue	10,807	978	25,125	5,349
Total	**$613,182**	**$435,449**	**$1,844,447**	**$1,476,746**

1 - Revenue related to sales of vehicles are inclusive of extended and connected services recognized over time.

For the three and nine months ended September 30, 2023 and 2022, other revenue primarily consisted of license revenue generated from sales-based royalties received from Volvo Cars on sales of parts and accessories for Polestar vehicles, software performance upgrades and sale of technology to other related parties.

The Group's largest customer that is not a related party accounted for $44,379 (7%) and $315,625 (17%) of revenue, respectively, for the three and nine months ended September 30, 2023. For the three and nine months ended September 30, 2022, no sole customer, which is not a related party, exceeded 10% of total revenue. Refer to *Note 11 - Related party transactions* for further details on revenues from related parties.

Contract liabilities

	Sales generated obligation	Deferred revenue - extended service	Deferred revenue - connected service	Deferred revenue - operating leases & other	Total
Balance as of January 1, 2023	13,069	40,792	30,093	12,515	96,469
Provided for during the period	52,799	23,661	12,243	53,495	142,198
Settled during the period	(37,805)	—	—	—	(37,805)
Released during the period	—	(17,564)	(3,842)	(13,862)	(35,268)
Effect of foreign currency exchange rate differences	(490)	(942)	(1,670)	(402)	(3,504)
Balance as of September 30, 2023	**$ 27,573**	**$ 45,947**	**$ 36,824**	**$ 51,746**	**$162,090**
of which current	27,573	22,382	5,628	45,641	101,224
of which non-current	—	23,565	31,196	6,105	60,866

As of September 30, 2023, contract liabilities amounted to $162,090, of which $27,573 was related to variable consideration payable to fleet customers in the form of volume related bonuses and $134,517 was related to remaining performance obligations associated with sales of vehicles and vehicle leasing revenue.

Note 3 - Share-based payment

As noted in *Note 1 - Significant accounting policies and judgements*, Polestar granted shares to employees under the 2022 Omnibus Plan as part of the Group's employee compensation. Under the 2022 Omnibus Plan, there are three kinds of programs: At-listing Plan, Post-listing Plan, and the Free Share Plan, all of which are equity-settled. For more details on the terms of each program, refer to *Note 7 - Share-based payments* in the Consolidated Financial Statements for Polestar Automotive Holding UK PLC, as of December 31, 2022 and 2021, and for the three years ended December 31, 2022 that were included in the Form 20-F filed with the SEC on April 14, 2023. The following table illustrates share activity for the nine months ended September 30, 2023:

	Number of PSUs	Number of RSUs	Number of Free Shares	Total
Outstanding as of January 1, 2023	858,821	458,620	4,222	1,321,663
Granted	1,378,621	530,424	—	1,909,045
Vested	—	(169,853)	(4,222)	(174,075)
Forfeited	(133,020)	(43,927)	—	(176,947)
Outstanding as of September 30, 2023	**2,104,422**	**775,264**	**—**	**2,879,686**

The following table illustrates total share-based compensation expense for the three and nine months ended September 30, 2023 and 2022 by function:

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Selling, general and administrative expense	910	2,434	3,443	6,776
Research and development expense	74	122	199	122
Total	**$ 984**	**$ 2,556**	**$ 3,642**	**$ 6,898**

Marketing consulting services agreement

On March 24, 2022, Polestar granted an equity-settled share-based payment in exchange for marketing services through November 1, 2023. Per the terms of the agreement, 250,000 Class A Shares vested on August 31, 2022. The remaining 250,000 Class A Shares vest over eight equal quarterly installments, with a final vesting date of November 1, 2023. The grant date fair value of the marketing consulting agreement was $5,308 which was determined using the market value of the shares listed on the Nasdaq. Of the 500,000 Class A Shares granted, 375,000 Class A Shares with a fair value of $4,946 were vested as of December 31, 2022. During the three months ended September 30, 2023, 31,250 Class A Shares vested, and the Group incurred a share-based compensation expense of $60. During the nine months ended September 30, 2023 93,750 Class A Shares vested, and the Group incurred a share-based compensation expense of $350.

Note 4 - Leases

Polestar Group as Lessee

The following table depicts the changes in the Group’s right-of-use assets, which are included within Property, plant, and equipment:

	Buildings and land	Machinery and equipment	Total
Acquisition cost			
Balance as of January 1, 2023	89,609	45,416	135,025
Additions	25,899	89	25,988
Cancellations	(12,134)	—	(12,134)
Effect of foreign currency exchange rate differences	(2,468)	(2,509)	(4,977)
Balance as of September 30, 2023	**$100,906**	**$ 42,996**	**$143,902**
Accumulated depreciation			
Balance as of January 1, 2023	(18,934)	(20,768)	(39,702)
Depreciation expense	(13,202)	(3,731)	(16,933)
Effect of foreign currency exchange rate differences	1,215	1,175	2,390
Balance as of September 30, 2023	**$ (30,921)**	**$ (23,324)**	**$ (54,245)**
Carrying amount as of September 30, 2023	**$ 69,985**	**$ 19,672**	**$ 89,657**

Amounts related to leases recognized in the Unaudited Condensed Consolidated Statement of Income (Loss) and Comprehensive Income (Loss) were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Income from sub-leasing right-of-use assets	286	274	813	889
Expense relating to short-term leases	150	487	645	1,322
Expense relating to leases of low value assets	2	1,031	8	2,942
Interest expense on leases	1,163	698	3,329	2,398

The current and non-current portion of the Group's lease liabilities were as follows:

	As of September 30, 2023	As of December 31, 2022
Current lease liability	28,821	21,545
Non-current lease liability	74,529	85,556
Total	**$ 103,350**	**$ 107,101**

Expected future lease payments to be made to satisfy the Group's lease liabilities are as follows:

	As of September 30, 2023	As of December 31, 2022
Within 1 year	28,588	21,717
Between 1 and 2 years	30,159	24,484
Between 2 and 3 years	25,318	20,739
Between 3 and 4 years	14,047	17,924
Between 4 and 5 years	7,949	5,987
Later than 5 years	15,549	29,613
Total	**$ 121,610**	**$ 120,464**

For the nine months ended September 30, 2023 and 2022, total cash outflows for leases amounted to $20,214 and $11,332, respectively.

Polestar Group as Lessor

As a lessor, revenue recognized from operating leases was as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Vehicle leasing revenue	$ 3,869	$ 4,559	$11,361	$12,493

For the majority of the Group's operating lease contracts as a lessor, vehicles are paid for upfront by the customer at contract inception and repurchased by Polestar at the end of the lease term. The following table depicts the changes in the Group's vehicles under operating leases:

	Vehicles under operating leases
Acquisition cost	
Balance as of January 1, 2023	105,000
Reclassification from inventory	69,773
Reclassification to inventory	(66,286)
Effect of foreign currency exchange rate differences	(1,037)
Balance as of September 30, 2023	**$107,450**
Accumulated depreciation	
Balance as of January 1, 2023	(12,802)
Depreciation expense	(13,400)
Reclassification to inventory	12,616
Effect of foreign currency exchange rate differences	81
Balance as of September 30, 2023	**$ (13,505)**
Carrying amount as of September 30, 2023	**$ 93,945**

Note 5 - Net income (loss) per share

The following table presents the computation of basic and diluted net loss per share for the three and nine months ended September 30, 2023 and 2022:

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
	Class A and B Shares		Class A and B Shares	
Net income (loss) attributable to common shareholders	(155,369)	299,387	(468,400)	(203,347)
Weighted-average number of common shares outstanding:				
Basic	2,110,168,544	2,109,199,199	2,110,025,199	1,999,511,088
Diluted	2,110,168,544	2,109,587,244	2,110,025,199	1,999,511,088
Net income (loss) per share (in ones):				
Basic	$ (0.07)	$ 0.14	$ (0.22)	$ (0.10)
Diluted	$ (0.07)	$ 0.14	$ (0.22)	$ (0.10)

Loss per share for the nine months ended September 30, 2022 is retrospectively adjusted to reflect the number of equivalent shares issued by the Parent to the Former Parent, based on the number of shares outstanding on the reporting date multiplied by the exchange ratio of 8.335. For detail on the equity exchange ratio related to the merger with Gores Guggenheim, Inc. (“GGI”), refer to *Note 20 - Equity* in the Consolidated Financial Statements for Polestar Automotive Holding UK PLC, as of December 31, 2022, and for the three years ended December 31, 2022 that were included in the Form 20-F filed with the SEC on April 14, 2023. The following table presents shares that were not included in the calculation of diluted earnings per share as their effects would have been antidilutive for the three and nine months ended September 30, 2023 and 2022:

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Earn-out Shares	158,177,609	158,177,609	158,177,609	158,177,609
Class C-1 Shares	20,499,965	15,999,965	20,499,965	15,999,965
Class C-2 Shares	4,500,000	9,000,000	4,500,000	9,000,000
PSUs	2,104,422	858,821	2,104,422	858,821
RSUs	775,264	—	775,264	629,303
Free share plan	—	334,990	—	334,990
Marketing consulting services agreement	31,250	—	31,250	156,250
Total antidilutive shares	**186,088,510**	**184,371,385**	**186,088,510**	**185,156,938**

Note 6 - Intangible assets and goodwill

The following table depicts the split between Polestar Group's intangible assets, goodwill and trademarks:

	As of September 30, 2023	As of December 31, 2022
Intangible assets	1,483,206	1,347,709
Goodwill and trademarks	46,500	48,768
Total	**$ 1,529,706**	**$ 1,396,477**

Intangible assets were as follows:

	Internally developed IP	Software	Acquired IP	Total
Acquisition cost				
Balance as of January 1, 2023	217,600	1,114	1,569,395	1,788,109
Additions[1]	81,475	—	205,685	287,160
Derecognition due to program changes	(8,907)	—	—	(8,907)
Divestments and disposals	—	—	(12,347)	(12,347)
Effect of foreign currency exchange rate differences	(12,250)	(55)	(83,725)	(96,030)
Balance as of September 30, 2023	**$277,918**	**$ 1,059**	**$1,679,008**	**$1,957,985**
Accumulated amortization and impairment				
Balance as of January 1, 2023	(14,856)	(389)	(425,155)	(440,400)
Amortization expense	(609)	(102)	(69,658)	(70,369)
Divestments and disposals	—	—	12,297	12,297
Effect of foreign currency exchange rate differences	707	22	22,964	23,693
Balance as of September 30, 2023	**$ (14,758)**	**$ (469)**	**$ (459,552)**	**$ (474,779)**
Carrying amount as of September 30, 2023	**$263,160**	**$ 590**	**$1,219,456**	**$1,483,206**

1 – Of $287,160 in additions for the nine months ended September 30, 2023, $134,607 has been settled in cash. These $134,607 are included in the $293,047 cash used for investing activities related to additions to intangible assets, and the remaining $158,440 relates to increases in Trade payables - related parties from prior years which were settled in cash during the nine months ended September 30, 2023.

Additions to internally developed IP are primarily related to the Polestar 5 and various other internal programs, such as model year changes, for the nine months ended September 30, 2023. Additions of acquired IP during the nine months ended September 30, 2023 were primarily related to acquisition of the Polestar 2 and Polestar 3 IP from Volvo Cars. Polestar also acquired IP related to Polestar 4 from Geely. Refer to *Note 11 - Related party transactions* for further details.

Changes to the carrying amount of goodwill and trademarks during the period were as follows:

	Goodwill	Trademarks	Total
Balance as of January 1, 2023	46,460	2,308	48,768
Effect of foreign currency exchange rate differences	(2,160)	(107)	(2,267)
Balance as of September 30, 2023	**$44,300**	**$ 2,201**	**$46,501**

Note 7 - Financial instruments

The following table shows the carrying amounts of financial assets and liabilities measured at fair value through profit and loss on a recurring basis:

	September 30, 2023				December 31, 2022			
Assets measured at FVTPL	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Other investments	—	—	2,225	2,225	—	—	2,333	2,333
Total assets	**$ —**	**$ —**	**$ 2,225**	**$ 2,225**	**$ —**	**$ —**	**$ 2,333**	**$ 2,333**
Liabilities measured at FVTPL								
Earn-out rights	—	—	210,019	210,019	—	—	598,570	598,570
Class C-1 Shares	8,200	—	—	8,200	17,920	—	—	17,920
Class C-2 Shares	—	1,800	—	1,800	—	10,080	—	10,080
Total liabilities	**$8,200**	**$1,800**	**$210,019**	**$220,019**	**$17,920**	**$10,080**	**$598,570**	**$626,570**

Note 8 - Reverse recapitalization

Polestar underwent a reverse recapitalization through the merger with GGI and related arrangements on June 23, 2022. For more detail on the reverse recapitalization, including the net assets of GGI assumed by the Group and the Class C Shares and Earn-out rights issued in connection with the merger that are accounted for as derivative liabilities in accordance with IAS 32, *Financial Instruments: Presentation* (“IAS 32”), and IFRS 9, *Financial Instruments* (“IFRS 9”), refer to *Note 1 - Significant accounting policies and judgements* and *Note 16 - Reverse recapitalization* in the Consolidated Financial Statements for Polestar Automotive Holding UK PLC, as of December 31, 2022 and 2021, and for the years ended December 31, 2022, that were included in the Form 20-F filed with the SEC on April 14, 2023.

Class C Shares

The Class C-2 Shares are not publicly traded and require a valuation approach leveraging Level 2 inputs. Refer to *Note 1 - Significant accounting policies and judgements* for further details on the valuation methodology utilized to determine the fair value of the Class C-2 Shares. On March 22, 2023, 4,500,000 Class C-2 Shares with a fair value of $3,285 were converted to 4,500,000 Class C-1 Shares with the same fair value following the election by the respective holders of the Class C-2 Shares and approval from the Board of Directors.

	As of September 30, 2023		As of December 31, 2022	
	Liability Fair Value	**Number Outstanding**	**Liability Fair Value**	**Number Outstanding**
Class C-1 Shares	8,200	20,499,965	17,920	15,999,965
Class C-2 Shares	1,800	4,500,000	10,080	9,000,000
Total	**$ 10,000**	**24,999,965**	**$ 28,000**	**24,999,965**

	Class C-1 Shares
As of January 1, 2023	17,920
Class C-2 Shares converted to Class C-1 Shares	3,285
Changes in fair value measurement	(13,005)
As of September 30, 2023	**$ 8,200**

	Class C-2 Shares
As of January 1, 2023	10,080
Class C-2 Shares converted to Class C-1 Shares	(3,285)
Changes in fair value measurement	(4,995)
As of September 30, 2023	**$ 1,800**

The fair value change for the Class C Shares was as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Fair value change - Class C-1 Shares	5,945	8,960	9,720	22,720
Fair value change - Class C-2 Shares	1,305	5,099	8,280	12,870
Fair value change - Class C Shares	**$ 7,250**	**$ 14,059**	**$ 18,000**	**$ 35,590**

Earn-out rights

Refer to *Note 1 - Significant accounting policies and judgements* for further details on the valuation methodology utilized to determine the fair value of the earn-out.

	Earn-out rights
As of January 1, 2023	598,570
Changes in fair value measurement	(388,552)
As of September 30, 2023	**$ 210,018**

The fair value change for the Earn-out rights was as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Fair value change - Earn-out rights	$ 155,557	$ 546,961	$ 388,552	$ 965,668

Note 9 - Equity

Changes in the Group's equity during the nine months ended September 30, 2023 were as follows:

	Class A Shares	Class B Shares	Share capital	Other contributed capital
Balance as of January 1, 2023	467,677,673	1,642,233,575	(21,165)	(3,584,232)
Equity-settled share-based payment	267,825	—	(3)	(3,639)
Balance as of September 30, 2023	**467,945,498**	**1,642,233,575**	**$(21,168)**	**$(3,587,871)**

The following instruments of the Parent were issued and outstanding in the form of American depositary shares as of September 30, 2023:

- 467,945,498 Class A Shares with a par value of $0.01, of which 219,978,521 were owned by related parties;
- 1,642,233,575 Class B Shares with a par value of $0.01, of which all were owned by related parties;
- 20,499,965 Class C-1 Shares with a par value of $0.10;
- 4,500,000 Class C-2 Shares with a par value of $0.10; and
- 50,000 Redeemable Preferred Shares with a par value of GBP 1.00.

As of September 30, 2023, there were an additional 4,532,054,502 Class A Shares and 135,133,164 Class B Shares with par values of $0.01 authorized for issuance. No additional Class C Shares or Redeemable Preferred Shares were authorized for issuance. Holders of Class A Shares in Parent are entitled to one vote per share and holders of Class B Shares in Parent are entitled to ten votes per share. Holders of Class C Shares in Parent are entitled to one vote per share for certain matters but have no voting rights with respect to general matters voted on by holders of Class A Shares and Class B Shares in Parent. Additionally, holders of GBP Redeemable Preferred Shares in Parent have no voting rights. Any dividends or other distributions paid by Parent shall be issued to holders of outstanding Class A Shares and Class B Shares in Parent. Holders of Class C Shares and GBP Redeemable Preferred Shares in Parent are not entitled to participate in any dividends or other distributions. Refer to *Note 8 - Reverse recapitalization* for additional information on the Class C Shares which are accounted for as derivative financial liabilities in accordance with IAS 32 and IFRS 9.

Note 10 - Liabilities to credit institutions

The carrying amount of Polestar Group's liabilities to credit institutions as of September 30, 2023 and December 31, 2022 were as follows:

Liabilities to credit institutions	As of September 30, 2023	As of December 31, 2022
Working capital loans from banks	1,947,161	1,300,108
Floorplan facilities	69,655	16,925
Sale-leaseback facilities	19,709	11,719
Total	**$ 2,036,525**	**$ 1,328,752**

The Group had the following working capital loans outstanding as of September 30, 2023:

Currency	Term	Security	Interest	Nominal amount in respective currency (thousands)	Amount in USD (thousands)
USD	December 2022 - December 2023	Unsecured[1]	7.50% per annum, settled quarterly	200,000	200,000
EUR	February 2023 - February 2024	Secured[2]	3-month EURIBOR[3] plus 2.30% and an arrangement fee of 0.15%	420,900	445,334
USD	March 2023 - March 2024	Unsecured[1]	7.35% per annum, settled quarterly	100,000	100,000
CNY	March 2023 - March 2024	Unsecured[1]	12-month LPR[4] plus 0.05%, settled quarterly	260,000	35,625
CNY	April 2023 - April 2024	Unsecured[1]	12-month LPR[4] plus 0.05%, settled quarterly	11,430	1,566
CNY	May 2023 - May 2024	Unsecured[1]	12-month LPR[4] plus 0.45%, settled quarterly	231,000	31,651
CNY	June 2023 - June 2024	Unsecured[1]	12-month LPR[4] plus 1.30%, settled monthly	310,000	42,476
USD	August 2023 - August 2024	Unsecured[1]	3-month SOFR[5] plus 2.30%, settled quarterly	402,000	402,000
USD	August 2023 - August 2024	Secured[6]	12-month SOFR[4] plus 0.09%, settled quarterly	320,000	320,000
USD	August 2023 - August 2024	Unsecured[1]	12-month SOFR[4] plus 1.10%, settled quarterly	82,000	82,000
CNY	September 2023 - September 2024	Unsecured[1]	12-month LPR[4] plus 0.25%, settled quarterly	500,000	68,509
USD	September 2023 - September 2024	Unsecured[1]	12-month SOFR[4] plus 0.65%, settled quarterly	118,000	118,000
USD	September 2023 - September 2024	Secured[6]	12-month SOFR[4] plus 1.11%, settled semi-annual	100,000	100,000
Total					**$1,947,161**

1 - Letters of keep well from both Volvo Cars and Geely.

2 - New vehicle inventory purchased via this facility is pledged as security until repaid. This facility has a repayment period of 90 days and includes a covenant tied to the Group's financial performance.
3 - Euro Interbank Offered Rate ("EURIBOR").
4 - People's Bank of China ("PBOC") Loan Prime Rate ("LPR").
5 - Secured Overnight Financing Rate ("SOFR").
6 - Secured by Geely, including letters of keep well from both Volvo Cars and Geely.

Floorplan facilities

In the ordinary course of business, Polestar, on a market-by-market basis, enters into multiple low-value credit facilities with various financial service providers to fund operations related to vehicle sales. These facilities provide access to credit with the option to renew as mutually determined by Polestar Group and the financial service provider. The facilities are partially secured by the underlying assets on a market-by-market basis. As of September 30, 2023 and December 31, 2022, the aggregate amounts outstanding under these arrangements were $99,313 and $33,615, respectively.

The Group maintains one such facility with the related party Volvo Cars that is presented separately in Interest-bearing current liabilities - related parties within the Unaudited Condensed Consolidated Statement of Financial Position. Of the amounts above, the aggregate amounts outstanding as of September 30, 2023 and December 31, 2022 due to related parties were $29,658 and $16,690, respectively. Refer to *Note 11 - Related party transactions* for further details.

Sale-leaseback facilities

Polestar has also entered into contracts to sell vehicles and then lease such vehicles back for a period of up to twelve months. At the end of the leaseback period, Polestar is obligated to repurchase the vehicles. Accordingly, the consideration received for these transactions was recorded as a financing transaction. As of September 30, 2023 and December 31, 2022, the aggregate amount outstanding under these arrangements was $19,709 and $11,719, respectively.

Since the contracts identified above are short term with a duration of twelve months or less, the carrying amount of the contracts is deemed to be a reasonable approximation of their fair value. The Group's risk management policies related to debt instruments are further detailed in *Note 2 - Financial risk management* of the Consolidated Financial Statements, as of December 31, 2022 and 2021, and for the three years ended December 31, 2022 that were included in the Form 20-F filed with the SEC on April 14, 2023. There are no changes in terms of risk management policies for the periods presented in these Unaudited Condensed Consolidated Financial Statements.

Note 11 - Related party transactions

For a detailed description of the Group's related parties and related party transactions, refer to *Note 25 - Related party transactions* of the Consolidated Financial Statements, as of December 31, 2022 and 2021, and for the three years ended December 31, 2022, that were included in the Form 20-F filed with the SEC on April 14, 2023. There are no changes to the Group's related parties for the periods presented in these Unaudited Condensed Consolidated Financial Statements. Related party activity during the nine months ended September 30, 2023 and 2022 and balances as of September 30, 2023 and December 31, 2022 are presented below.

Financing

In May 2021, the Group entered into a working capital credit facility with Volvo Cars allowing for draws on credit that must be repaid within 12 months of draw down. As of September 30, 2023, $29,658 under this facility remained outstanding, which is included in Interest-bearing current liabilities - related parties on the Unaudited Condensed Consolidated Statement of Financial Position. Refer to *Note 10 - Liabilities to credit institutions* for further details.

Convertible Credit Facility with Volvo Cars

On November 3, 2022 the Group entered into a credit facility agreement with Volvo Cars for $800,000, terminating in May 2024. The credit facility can be drawn upon once a month and is utilizable for general corporate purposes. Interest will be calculated at the floating six-month SOFR rate plus 4.9% per annum. Prior to May 2024, if the Group announces an offering of shares with a proposed capital raise of at least $350,000 and no fewer than five institutional investors participate in the offering, Volvo Cars has the right to convert the principal amount of any outstanding loans into the same class of shares and at the same price per share as received by the participating institutional investors. Under IAS 32 and IFRS 9, Volvo Cars' conversion right meets the definition of an embedded derivative financial liability that is required to be bifurcated from the host debt instrument and accounted for separately because it could result in the issuance of a variable number of Class A Shares in the Parent at a price that was not fixed at the inception of the agreement. Additionally, the economics of Volvo Cars' conversion right are not clearly and closely related to that of the host debt instrument because the principal value of Volvo Cars' conversion right depends on whether or not the Group conducts a qualified equity offering to investors at a market discount. As such, the financial liability related to Volvo Cars' conversion right is carried at fair value with subsequent changes in fair value recognized in the Consolidated Statement of Loss and Comprehensive Loss at each reporting date. As of September 30, 2023, the Group had principal draws of $800,000 outstanding under the facility and the fair value of the financial liability related to Volvo Cars' conversion right was $0.

Sale of goods, services and other

The total revenue recognized for each related party was as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Volvo Cars	19,185	10,365	68,953	54,817
Volvofinans Bank AB	10,440	7,092	32,194	46,207
Geely	4,340	—	5,585	—
Total	**$ 33,965**	**$ 17,457**	**$ 106,732**	**$ 101,024**

For the three months ended September 30, 2023 and 2022, revenue from related parties was $33,965 (5.54%) and $17,457 (4.01%) of total revenue, respectively. For the nine months ended September 30, 2023 and 2022, revenue from related parties was $106,732 (5.79%) and $101,024 (6.84%) of total revenue, respectively.

Purchases of goods, services and other

The total purchases of goods, services and other for each related party were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Volvo Cars	671,431	732,708	1,913,268	1,485,201
Volvofinans Bank AB	73	109	385	443
Geely	69,371	86,620	161,107	193,482
Total	**$740,875**	**$819,437**	**$2,074,760**	**$1,679,126**

Cost of R&D and intellectual property

Polestar Group entered into agreements with Volvo Cars and Geely regarding the development of technology leveraged in the development of the Polestar 2, Polestar 3, and Polestar 4. In 2020, the Group entered into similar agreements with Volvo Cars to acquire technology leveraged in the development of the Polestar 1, Polestar 2, and Polestar 3. The Group is in control of the developed product either through a license or through ownership of the IP and the recognized asset reflects the relevant proportion of Polestar Group's interest. The recognized asset associated with these agreements as of September 30, 2023 was $1,219,456, of which acquisitions attributable to 2023 were $205,685. As of December 31, 2022, the recognized asset associated with these agreements was $1,144,240, of which acquisitions attributable to 2022 were $218,031.

Amounts due to related parties

Amounts due to related parties were as follows:

Trade payables - related parties, accrued expenses, other current liabilities and interest-bearing current liabilities to related parties	As of September 30, 2023	As of December 31, 2022
Volvo Cars	1,671,036	1,136,746
Geely	152,077	71,212
Volvofinans Bank AB	360	1,389
Total	**$ 1,823,473**	**$ 1,209,347**

In addition to current liabilities to related parties, Polestar had non-current liabilities to related parties amounting to $34,351 as of September 30, 2023 and $27,123 as of December 31, 2022 included in Other non-current interest-bearing liabilities and non-current liabilities.

The Group’s interest expense from related party liabilities was as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Interest expense - related parties	$28,456	$3,994	$ 54,404	$ 28,269

Amounts due from related parties

Amounts due from related parties were as follows:

Trade receivables - related parties, accrued income - related parties and other current assets - related parties	As of September 30, 2023	As of December 31, 2022
Volvo Cars	203,878	120,302
Geely	1,043	3,751
Volvofinans Bank AB	8,472	3
Total	**$ 213,393**	**$ 124,056**

Asset Disposals

In December 2022, Polestar committed to a plan to sell, to Geely, its Chengdu manufacturing plant held by Polestar New Energy Vehicle Co. LTD. (“PSNEV”). Prior to sale, there was a change in the grouping of assets classified as held for sale to include additional assets and immaterial liabilities.

The inclusion of these additional assets and immaterial liabilities continues to reflect a group of assets and do not meet the definition of a business as defined by IFRS 3, *Business Combinations*. The sale of PSNEV represented a common control transaction because (1) PSNEV did not meet the definition of a business at the time of the transaction, (2) the ultimate control of PSNEV was the same before and after the transaction, and (3) control of PSNEV was not transitory (i.e., organized to effect a ‘grooming’ transaction.) The resulting gain on the sale was $16,467, Refer to *Footnote 12 - Assets held for sale* for additional details.

Note 12 - Assets held for sale

In December 2022, the Group committed to a plan to sell, to Geely, its Chengdu manufacturing plant held by the Group subsidiary, PSNEV, that was previously used to manufacture the Polestar 1 and special edition Polestar 2 BST 270. Accordingly, the Chengdu plant and certain related assets were presented as a disposal group held for sale. The assets related to the Chengdu Plant which were classified as held for sale amounted to $53,094. In July 2023, there was a change in the asset grouping classified as held for sale to include an immaterial amount of other current assets and liabilities along with $85,542 of accounts receivable. The accounts receivable was an intercompany receivable, held by PSNEV, which was not settled prior to the sale of the asset group. Geely agreed to purchase the intercompany receivable as part of the sale, resulting in a change in the asset grouping.

On August 1, 2023, the Group completed the sale of the asset group to Geely. Upon disposal of the asset group, cumulative foreign exchange losses of $6,636 were reclassified from equity to profit or loss as part of the gain on disposal. The derecognition of the asset group previously classified as held for sale, including the modification to include accounts receivable, resulted in a total gain of $16,467. The gain is reflected within Other income on the Unaudited Condensed Consolidated Statement of Loss and Comprehensive Loss. Refer to *Note 11 - Related party transactions* for additional details.

Note 13 - Commitments and contingencies

Commitments

As of September 30, 2023, commitments to acquire PPE and intangible assets were $136,043 and $112,607, respectively. As of December 31, 2022, commitments to acquire PPE and intangible assets were $179,690 and $216,572, respectively. Commitments for launch costs related to Polestar 4, as of September 30, 2023 amounted to $2,101. These commitments are contractual obligations to invest in PPE, intangible assets and launch costs for the production of upcoming vehicle models Polestar 3 and Polestar 4.

For the production of Polestar 4, the group has entered into license agreements where the fees are contingent upon future sales of the Polestar 4. The minimum committed amount is $93,814 as of September 30, 2023. For the production of Polestar 3, contract manufacturing agreement are yet to be signed that define the upcoming investment commitments in Volvo Cars Charleston plant and Geely’s Chengdu plant respectively.

Contingencies

In the normal course of business, the Group is subject to contingencies related to legal proceedings and claims and assessments that cover a wide range of matters. Liabilities for such contingencies are recorded to the extent that it is probable the liability is incurred, and the amount is reasonably estimable. Associated legal costs related to such contingencies are expensed as incurred.

Note 14 - Subsequent events

Management has evaluated events subsequent to September 30, 2023 and through November 9, 2023, the date these Unaudited Condensed Consolidated Financial Statements were authorized for issuance by the Board of Directors. The following events which occurred subsequent to September 30, 2023 merited disclosure in these Unaudited Condensed Consolidated Financial Statements. Management determined that no adjustments were required to the figures presented as a result of these events.

On October 16, 2023, the Group entered into an unsecured 12-month working capital loan for $27,156 with a bank in China. This loan carries interest at the 12-month Loan Prime Rate plus 0.15%. This loan benefits from letters of comfort from Volvo Cars and Geely.

On October 24, 2023, the Group entered into an agreement with South Korean battery manufacturer, SK On Co., Ltd., for the supply of battery cell modules for Polestar 5. Under this agreement, Polestar is committed to purchase certain volumes of battery cell modules each year between 2024 and 2033. In the event that Polestar's actual volumes purchased each year are 85% or lower than the agreed upon volumes, SK On Co., Ltd. has the right to claim reimbursement from Polestar related to the lost capacity. Polestar is also committed to certain pre-production costs related to battery module design, development, and tooling.

On November 8, 2023, Polestar amended the terms of its convertible credit facility with Volvo Cars to increase the credit capacity by $200,000 and extend the maturity date to June 30, 2027. Polestar also entered into a convertible credit facility with Geely allowing for multiple drawings for up to an aggregated principal amount of $250,000. Under this agreement, Geely maintains an equity conversion option that is contingent upon a future equity raise by Polestar.

On November 9, 2023, the Group entered into a framework agreement with Renault Korea Motors Co., Ltd. ("RKM") and Geely Auto Group Co., Ltd., a related party, for the contract manufacturing of the Polestar 4 at RKM´s manufacturing plant in Busan, South Korea. Under the agreement, Polestar is committed to make investments in vendor tooling, plant-specific tooling, and design and development for manufacturing engineering at the plant. Polestar is also committed to purchase certain volumes of Polestar 4 vehicles between 2025 and 2029. In the event that Polestar´s actual volumes purchased during the production period are lower than the agreed volumes, RKM has the right to claim compensation from Polestar related to the lost capacity.