Polestar

Annual report

2022

POLESTAR AUTOMOTIVE HOLDING UK PLC

Annual Report and Financial Statements
for the year ended 31 December 2022

Company number: 13624182

Contents:

Strategic Report

Chairman's Statement

I am pleased to be introducing Polestar's 2022 Annual Report, our first report as a company listed on the Nasdaq Stock Exchange in New York.

Our first year as a listed company

2022 has been a year of important milestones in the development of Polestar and its ambition to contribute to an electric, climate-neutral future. We performed strongly, delivering almost 51,500 cars and growing revenues by over 80%. This achievement is even more significant in the context of the geopolitical situation around the world, rising energy costs, continued pandemic restrictions and supply chain disturbances affecting so many industries.

Polestar continues to differentiate itself as a progressive, pure electric brand with core pillars of design, innovation and sustainability. We are harnessing industry leading partnerships as we execute on our strategy of building one of the industry's most pre-eminent EV brands.

We are expanding our vehicle portfolio and market presence, to grow our company, as the market is accelerating toward electrification and sustainable mobility.

Our sustainability agenda

Sustainability is integral to everything we do.

We aim to be climate neutral across our own operations by 2040 and to halve emissions per sold car by 2030. In 2022, for the second consecutive year, we made progress towards those goals, and we have now achieved a 20% reduction per car compared to 2020. We also remain focused on the Polestar 0 Project, our vision to create a truly climate neutral car by 2030, without relying on offsets. We have over 20 major partners spanning the entire automotive supply chain who have joined us in this project innovating ways to eliminate CO2e emissions.

I invite shareholders to read more about our sustainability agenda focused on climate neutrality, transparency, circularity and inclusion in our 2022 Sustainability Report.

Thank You

On 24 June 2022, Polestar started trading on Nasdaq New York under the ticker PSNY. I want to thank all involved for their tremendous efforts and dedication helping us to take this important step despite volatile and uncertain market conditions.

Our people are fundamental to the success of Polestar and to achieve our ambitious plans. We rely on the loyalty and dedication of more than 2,700 individuals spread around the globe in 21 countries. Every one of them deserves a huge thank you for what we have achieved in 2022.

I also want to thank our shareholders for their confidence, support and investment in Polestar.

I am honoured to be the Chairman of Polestar as we move into this new chapter of our corporate strategy. I was part of Polestar's inception as a design-led, pure progressive performance brand, and the only European EV start-up. We have an experienced Board and a highly capable and dedicated Management team running the business. Together we are committed to achieve Polestar's ambitious goals.

To conclude, I am delighted with the progress we made in 2022, and even more excited for 2023 and the years to come. I see Polestar growing significantly as we broaden our product portfolio and expand our market presence. I also see a strengthened Polestar brand fulfilling customer's expectations of attractive design, smart innovations and real sustainability.

Håkan Samuelsson, Chairman

Chief Executive Officer's Statement

Each year since we launched the brand in 2017 has been a huge leap forward for our company. We may have grown out of our start-up phase, but we have not lost our speed, agility and tenacity. Polestar is typified by constant movement and forward momentum, fuelled by our dedicated employees around the world and focused on our mission of designing exceptional cars that will help accelerate the shift to sustainable mobility. Perhaps it's our racing heritage, but what is certain is that our relentless focus on driving incremental improvements and executing at speed has resulted in another incredible year for Polestar.

2022 Milestones

Today we are one of only two pure-play EV companies that has undertaken the hard work necessary to establish a global footprint that spans four continents. We invested in international expansion from day one and in 2022 we grew by 8 to a total of 27 active markets as we moved into the United Arab Emirates, Kuwait, Ireland, Hong Kong, Spain, Portugal, Israel, and Italy. The solid foundation that this reach represents were important factors in helping us to surpass our target for 2022 of delivering 50,000 cars, despite supply chain disruptions and a challenging macroeconomic environment. Global volumes increased by more than 80% and in the fourth quarter alone we delivered over 21,000 cars, which is a significant achievement for a young company and demonstrates our ability to deliver at scale. In November we produced the 100,000th Polestar 2, going from 0-100,000 in just two-and-a-half years.

On 24 June 2022, we reached a major milestone as we listed on the Nasdaq in New York under the ticker PSNY. This listing contributed funds and a global platform to help us deliver on our ambitious plans and to further establish Polestar as a standalone brand.
In November, we secured a $1.6 billion financing and liquidity support from our major shareholders Volvo Cars and PSD Investments.

2022 was the world premiere of Polestar 3 in Copenhagen. On October 12th, 900 guests gathered at a former locomotive workshop in the Danish capital to launch the SUV for the electric age. Polestar 3 is a car that has been designed as a Polestar from start to finish. It defines the essence of our brand, in terms of design, luxury, and ambition.

In November, we secured a $1.6 billion financing and liquidity support from our major shareholders Volvo Cars and PSD Investments.

Our core pillars - Design, Innovation, Sustainability

We expect to launch three additional models by 2026: Polestar 4 – an electric performance SUV coupe, which was launched at the Shanghai Auto Show in April 2023, Polestar 5 – a luxury electric 4 door GT, expected to launch in 2024, and Polestar 6, electric roadster in 2026. Polestar 5 and Polestar 6 are being developed in our R&D centre at the MIRA Technology Park in Coventry, UK and will introduce a new in-house aluminium chassis and powertrain. The UK is an important global hub for our business. Today it is home to our largest R&D facility with over 450 engineers leading inhouse developed programmes, overall vehicle development and release, in-car software development, testing and integration and advanced engineering and research for Polestar 0 Project.

In addition to developing our own technology, Polestar continues to deepen its relationships with best-in-class technology providers. Polestar 2 was the first car on the market with an Android Automotive OS infotainment system, developed with Google. With Polestar 3, we work with NVIDIA to serve as an AI brain in the car, while further collaborations with industry-leading safety technology partners like Zenseact, Luminar and Smart Eye, provide Polestar 3 with cutting-edge ADAS (Advanced Driver Assistance System) technology that integrates seamlessly thanks to the centralised computing power.

Sustainability is one of our three core pillars and at the heart of our mission, but we also know we can't do it on our own. We now have over 20 global, leading industry players who have joined us in the Polestar 0 project, our aim to create a truly climate neutral car by 2030.

Knowing that collective action is the way forward, we teamed up with American EV-manufacturer, Rivian, and initiated the "Pathway report". The report was carried out by Kearney, using existing, open-source data to model the current trajectory for emissions stemming from the car industry. The report concludes that the automotive industry is set to overshoot the IPCC's 1.5-degree limit by at least 75% by 2050 and will alarmingly have spent its full, global carbon budget already by 2035 without urgent action. What stands clear is that electrification alone is not enough and that also pure EV-makers like Polestar have a lot of work ahead: collective action to reduce greenhouse gas emissions in the supply chain and increase renewable energy in the grids is needed in addition to faster EV adoption.

Polestar, in the coming months will meaningfully transform – from a one model company, to having a line-up of three cars in our portfolio. Free from legacy constraints, and with scalable asset-light model, we will capture more of the market growth opportunities while always keeping true to our core pillars of design, innovation and sustainability.

Thomas Ingenlath, CEO

Market Overview and Strategy

About Polestar

Polestar is determined to improve society by accelerating the shift to sustainable mobility.

Polestar is a pure play, premium electric performance car brand headquartered in Sweden, designing products engineered to excite consumers and drive change. Polestar believes that it defines market-leading standards in design, innovation and sustainability. Polestar was established as a premium electric car brand by Volvo Cars and Geely in 2017. Polestar benefits from the technological, engineering and manufacturing capabilities of these established global car manufacturers. Polestar has an asset-light, highly scalable business model with immediate operating leverage.

Polestar 1, an electric performance hybrid GT, was launched to establish Polestar in the premium luxury electric vehicle market in 2017. With a carbon fibre body, Polestar 1 has a combined 609 horsepower (hp) and 1,000 Newton-meter (Nm) of torque. Production of the Polestar 1 ceased at the end of 2021, making Polestar a dedicated electric vehicle manufacturer. Polestar 2, an electric performance fastback and Polestar's first fully electric, high-volume car was launched in 2019. Polestar 2 has three variants with a combination of long- and standard range batteries as large as 82 kWh, and dual- and single-motor powertrains with up to 310 kW / 421 hp and 740 Nm of torque. Polestar 3, an electric performance SUV, was launched in 2022. Polestar 3 has two dual-motor 111 kWh battery variants with powertrains up to 380 kW / 517 hp and 910 Nm of torque.

Polestar’s cars have received major acclaim, winning multiple globally recognised awards across design, innovation and sustainability. Highlights for Polestar 1 include Insider car of the year and GQ’s Best Hybrid Sports Car awards. Polestar 2 alone has won over 50 awards, including various Car of the Year awards, the Golden Steering Wheel, Red Dot’s Best of the Best Product Design and a 2021 Innovation by Design award from Fast Company. And the SUV for the electric age, Polestar 3, has already been acclaimed Car WOW’s Car of the Year and ESUV of the Year for 2023. Polestar has also received a total of five awards from the German Design Council, including the German Design Awards for the Polestar 5 concept car and the ABC award for the Polestar 6 electric roadster concept. Furthermore, the Polestar 6 has been voted the Concept Car of the Year in Car Design Review.

As of December 31, 2022, Polestar’s cars are on the road in 27 markets across Europe, North America and Asia Pacific. Polestar intends to grow rapidly in its existing and new markets, which include 8 new countries in 2022. Polestar also plans to introduce three new electric vehicles by 2026. Following the launch of the Polestar 3, an electric performance SUV, on October 12, 2022 and the recently launched Polestar 4, a sporty SUV coupe debuted at the Shanghai Auto Show in April 2023, Polestar expects to launch Polestar 5, a luxury 4 door GT, in 2024 and Polestar 6, an electric performance roadster, in 2026. With growth in existing and new markets and broader vehicle portfolio, Polestar expects to compete in segments constituting approximately 80% of the global premium luxury vehicle market by volume of units sold by 2025. Polestar believes the premium luxury vehicle segment is one of the fastest growing vehicle segments, and expects the electric-only vehicle portion of this segment to grow at a faster rate than the overall segment.

Polestar has set itself the ambitious goal to create a truly climate neutral production car by the end of 2030, which it refers to as the Polestar 0 project. The development of a truly climate neutral production car by the end of 2030 is a significant milestone on the path to Polestar’s goal of becoming a climate neutral company by the end of 2040.

Polestar’s ability to leverage the manufacturing footprint of both Volvo Cars and Geely provides it with access to a substantial combined installed production capacity and gives Polestar’s highly scalable business model immediate operating leverage. Polestar also plans on expanding its production capacity in Europe by leveraging plants that are owned and operated by Volvo Cars.

Polestar’s sales channels include both direct-to-business and direct-to-consumer models. In direct-to-business, vehicles are sold to dealerships and various fleet customers, such as rental car companies and corporate fleet managers. In direct-to-consumer, Polestar uses a digital first approach that enables its customers to browse Polestar’s products, configure their preferred vehicle and place their order on-line. Alternatively, Polestar Spaces are where customers can see, feel and test drive Polestar's vehicles prior to making an on-line purchase. Polestar believes this combination of digital and physical retail presence delivers a seamless experience for its customers. Polestar’s customer experience is further enhanced by its comprehensive service network that leverages the existing Volvo Cars service centre network. As of December 31, 2022, there were 158 Polestar Spaces. In addition, Polestar leverages the Volvo Cars service centre network to provide access to 1,116 customer service points worldwide (as of December 31, 2022) in support of its international operations.

Polestar’s research and development expertise is a core competence and Polestar believes it is a significant competitive advantage. With over 650 personnel located in Coventry, United Kingdom and Gothenburg, Sweden, the European research and development team focuses on areas such as bonded aluminium architectures, high-performance electric motor and bi-directional compatible battery packs, in-car software development and advanced engineering and research. A further 30 employees in Shanghai, China are dedicated to the development of specific features for the Chinese market. The Polestar research and development team also benefits, through a variety of agreements, from having access to the substantial engineering and design teams of Volvo Cars and Geely. The strong expertise and ambition to develop and produce sustainable technology solutions and materials is also a key asset of Polestar's research and development. All in all, Polestar's ability to create cars with a strong Polestar product design is also widely recognized as a key differentiator.

Polestar has drawn extensively on the industrial heritage, knowledge and market infrastructure of Volvo Cars. This combination of deep automotive expertise, paired with cutting-edge technologies and an agile, entrepreneurial culture, underpins Polestar's differentiation, potential for growth and success.

Management Key Performance Indicators (KPIs)

The directors consider that the Company has the following financial and non-financial KPIs as a measure of its performance and position. All amounts are stated in thousands of USD ("TUSD"), unless otherwise stated.

Financial KPIs

	December 31, 2022	December 31, 2021
Statement of financial position		
Cash and cash equivalents	973,877	756,677
Total assets	3,942,451	3,309,693
Total equity	133,643	(122,496)
Total liabilities	(4,076,094)	(3,187,197)

	For the year ended December 31,		
	2022	2021	2020
Statement of loss			
Revenue	2,461,896	1,337,181	610,245
Cost of sales	(2,342,453)	(1,336,321)	(553,724)
Gross profit	**119,443**	**860**	**56,521**
Operating expenses	(1,405,723)	(995,699)	(497,009)
Operating loss	**(1,286,280)**	**(994,839)**	**(440,488)**
Finance income and expense, net	837,275	(12,279)	(30,835)
Income tax expense	(16,784)	(336)	(13,535)
Net loss	**(465,789)**	**(1,007,454)**	**(484,858)**
Statement of cash flows	**2022**	**2021**	**2020**
Cash used for operating activities	(1,083,423)	(312,156)	(57,050)
Cash used for investing activities	(715,973)	(129,672)	(243,707)
Cash provided by financing activities	2,083,029	909,572	359,643

Non-financial KPIs

Key metrics	2022	2021	2020
Class A shares outstanding at period end	467,677,673	197,026,729	214,371,808
Class B shares outstanding at period end	1,642,233,575	35,377,866	—
Share price at period end[1]	5.31	N/A	N/A
Net loss per share (basic and diluted)	(0.23)	(0.53)	(0.29)
Equity ratio[2]	(3.39)%	3.71%	(22.79)%
Global volumes[3]	51,491	28,677	10,046
Volume of external vehicles without repurchase obligations	48,531	23,760	9,241
Volume of external vehicles with repurchase obligations	1,296	2,836	13
Volume of internal vehicles	1,664	2,081	792
Markets[4]	27	19	10
Locations[5]	158	103	40
Service points[6]	1,116	811	444

1 - Represents PSNY share price at period end while publicly traded. The share price at December 31, 2020 and 2021 is not disclosed as Polestar was not publicly traded.

2 - Calculated as total equity divided by total assets.

3 - Represents the sum of (a) total volumes of new vehicles delivered, including external sales with recognition of revenue at the time of delivery, external sales with repurchase commitments and internal sales of vehicles transferred for demonstration and commercial purposes (vehicles are owned by Polestar and included in inventory in the latter two scenarios), (b) vehicles invoiced to and registered with external customers, and (c) vehicles transferred to Polestar employees at the time of registration.

4 - Represents the markets in which Polestar operates.

5 - Represents Polestar Spaces, Polestar Destinations, and Polestar Test Drive Centres.

6 - Represents Volvo Cars service centres to provide access to customer service points worldwide in support of Polestar's international expansion.

Strategy

The global car industry is undergoing a fundamental transformation and Polestar believes it is optimally positioned at the forefront of this change. The premium luxury electric vehicle segment is one of the fastest growing in the global car market. This growth is driven by increasing consumer awareness of environmental impact, technological improvement and shifting consumer preference. Increasingly stringent environmental regulation and expanded charging infrastructure will also drive adoption of electric vehicles. Polestar expects significant growth in the premium luxury electric vehicle segment. In order to capitalise on these trends, Polestar intends to implement the following strategy.

Expand international sales, support and manufacturing presence. With global sales from day one, Polestar intends to grow rapidly in its existing and new markets, which include eight new countries in 2022. Polestar plans to continue building its presence in fast-growing markets in the Asia Pacific as well as the Middle East. Polestar's digital first, direct to consumer approach enables its customers to browse Polestar's products, configure their preferred vehicle and place their order online. Customers who wish to get to know the physical product or go for a test drive can visit one of the Polestar Spaces. As of December 31, 2022, there were 158 Polestar Spaces.

Polestar leverages the Volvo Cars service centre network to provide access to 1,116 customer service points worldwide (as of December 31, 2022) in support of its international operations.

Polestar's vehicles are currently manufactured at a plant in Luqiao, China that is owned and operated by Volvo Cars. The plant, referred to by Volvo Cars as the "Taizhou" plant, was acquired by Volvo Cars from Geely in December 2021. Prior to that time, the plant had been owned by Geely and operated by Volvo Cars. Polestar intends to expand its manufacturing presence to facilities in the United States and Europe, in each case operated by Volvo Cars. Commencing with the Polestar 3, Polestar intends to produce vehicles both in China at Volvo Cars' Chengdu facility and in the United States at Volvo Cars' facility in Charleston, South Carolina.

Polestar continues to develop its vehicles portfolio and currently intends to launch three additional vehicles by 2026. Following the launch of the Polestar 3, an electric performance SUV, on October 12, 2022 and the recently launched Polestar 4, a sporty SUV coupe debuted at the Shanghai Auto Show in April 2023, Polestar expects to launch Polestar 5, a luxury 4 door GT, in 2024 and Polestar 6, an electric performance roadster, in 2026. Polestar believes the premium luxury vehicle segment is one of the fastest growing vehicle segments, and Polestar expects the electric-only vehicle portion of this segment to grow at a faster rate than the overall segment.

Polestar continues to develop sustainable electric vehicle technologies as well as separately monetising Polestar's investment in research and development. Polestar intends to continue to develop technologies to mitigate its environmental impact from vehicle concept through to materials and production techniques. The Polestar 0 project, which aims to develop a truly climate neutral production car by the end of 2030, will be a significant focus of Polestar's research and development activities, including through the development of new interior materials and structural components designed to further reduce Polestar's environmental impact.

Polestar will continue to focus on working with its partners to develop advanced technology, including bonded aluminium chassis architectures and their manufacture and the complimentary development of a high-performance electric motor. Polestar will also continue its efforts on battery management and its bi-directional battery pack (400V and 800V) systems and onboard bi-directional 22 kW Charger. Polestar also intends to take the opportunity to monetise these new technologies through sales and licensing arrangements with other market participants.

Operating environment

Polestar faces competition from both traditional automotive manufacturers and an increasing number of newer companies focused on electric and other alternative fuel vehicles. Polestar expects this competition to increase, particularly as the transportation sector continues to shift towards low-emission, zero-emission or carbon neutral solutions. In addition, numerous manufacturers offer hybrid vehicles, including plug-in versions, with which Polestar's vehicles also compete.

Polestar believes that the primary competitive strengths include, but are not limited to, its focus on design and sustainability, its innovative proprietary technology and its digital first, direct to consumer approach. Polestar also has a start-up culture and a scalable asset-light business model that it believes generates significant competitive advantage. However, many of its current and potential competitors may have substantially greater financial, technical, manufacturing, marketing and other resources than Polestar or may have greater name recognition and longer operating histories than Polestar does. Polestar believes it can differentiate itself from its competitors due to its focus on design, technology and sustainability its global presence and ability to leverage an established production ecosystem due to its relationships with its founding partners.

On a global basis, Polestar's principal EV competitor is Tesla. Lucid, a US vertically-integrated technology and automotive company headquartered in California, is a potential competitor. Porsche is one of Polestar's core competitor brands from a driving experience and performance perspective. Other competition within the electric vehicle segment of the market, includes other pure play electric vehicle producers, such as Nio, Xpeng, Rivian and Fisker.

Polestar operates in one of the fastest-growing market segments of the industry. Polestar expects significant growth in the premium luxury electric vehicle segment and believes its ability to leverage a global manufacturing footprint and expanding market coverage coupled with a scalable and asset light business model means it is well positioned to capitalise on this growing market.

Stakeholder Engagement

Polestar places stakeholder considerations and sustainable business practices at the heart of its purpose: to improve the society we live in by accelerating the change to sustainable mobility.

The Non-Executive Directors of the Board were formally appointed in June 2022. The Board as a whole delegates certain engagement responsibilities to dedicated Board Committees, the Management Team, including the Group Chief Executive Officer, and relevant Management Team members. These individuals provide the Board with updates on stakeholder developments and interests and this feedback helps inform the Board as it takes principal decisions, including the development of strategy. The Board recognises that proactive and two-way dialogue with stakeholders is a critical part of the Company's long-term success. Thus, the Board will continue to take stakeholder interests and concerns into account as part of its decision-making process. The Board acknowledges that decisions must be made based on its conclusion of the best outcome for Company's stakeholders, and that different stakeholders may have competing priorities.

Section 172 statement

Section 172 of the Companies Act 2006 (the "Act") requires the Directors to act in good faith and in a way that is most likely to promote the success of the Company for the benefit of its members.

In accordance with section 414CZA of the Act, the Directors provide the following statement that describes how they have had regard to the matters set out in section 172(1)(a) to (f) of the Act during the period when performing their duty under section 172.

Customers

Customer engagement is led by the Head of Customer Experience who focuses on inspiring a customer-centric mindset and drives impact by unifying Polestar's teams, business and partners around customers. By understanding and acting on customers' needs Polestar creates innovative products, uncompromised in technology and design, and shapes customer experiences that guide the industry forward, The Head of Customer Experience along with the CEO are responsible for providing updates to the Board on customer insights and the Customer Experience strategy.

The mechanisms for engaging with customers include among others direct sales, including feedback from the Space Operators network, customer surveys and feedback, owners community and customer support channels. The Group's aim is to offer a seamless customer experience from the first interaction to ongoing customer relationship management.

All employees, including Management, are encouraged to contribute to Polestar's ambitious customer experience vision as customer experience is part of the Company's KPIs for the annual bonus scheme. In 2022, the outcome of the customer experience metrics as measured against the target was 140%, demonstrating the dedication of the Company and its employees to customers.

Employees

The Head of Human Resources ("Head of HR") has primary responsibility for ensuring that workforce-related issues are brought to the attention of the Management Team and the Board. The Head of HR is responsible for the Company's culture and values framework as well as the diversity, equity and inclusion strategy, with oversight from the Compensation Committee.

The Company regularly engages with the workforce through several channels, including through the onboarding process, internal communication channels including an active intranet and regular global townhall meetings, ongoing performance and development reviews, leadership training, health and wellbeing activities. Employees were further aligned with the success of the Company following its listing through the launch of share-based incentives programmes.

Society and the Environment

The Board recognises the impact our Group has on the communities, societies and the (global) environment in which we operate. The Board has oversight of sustainability programmes and broader engagement activities lead by the Group Head of Sustainability, including the ongoing work within Polestar's strategic initiatives on climate, circularity, transparency and inclusion. Given the heavy use of resources required for EV manufacturing, the Company pays a lot of attention to environmental and social risks associated with mining, the recyclability of vehicles and their parts, and constantly seeks to improve the environmental impact of the manufacturing process (from a waste, and carbon emission perspective).

The Board recognises the opportunity and role that Polestar's electric vehicles have in getting closer to global climate-neutral mobility targets, including the IPCC 1.5 degree and UN Race to Net Zero targets. Polestar's electric vehicles do not produce any carbon emissions during use, however the Board understands that climate neutrality requires the elimination of greenhouse gas emissions from all phases of the car's life cycle, as well as charging by renewable energy. The Board also recognised other environmental impacts that Polestar vehicles have,

The Board receives regular updates and oversees the Company's progress on climate neutrality targets, including:

1. to create a truly climate-neutral car by 2030;
2. to halve our carbon intensity per sold car by 2030;
3. to become a climate neutral company by 2040.

Management also provides the Board with news of external developments and trends, as well as applicable policy developments covering sustainability issues. In addition, the Sustainability function is responsible for engaging with policy makers and non-profit organisations working on environmental and social matters.

Details of the Company's climate and sustainability strategy and impact can be found on pages 22-27.

Regulators

The Group monitors policy and regulatory developments across the regions and markets in which it operates. Our operations are affected by complex and changing requirements in the countries where we operate, covering a wide range of topics from manufacturing, safety, data privacy, environmental requirements, taxes. The Legal, Quality & Logistics and Sustainability functions are primarily responsible for overseeing these developments and report regularly to Senior Management.

In 2023, the Board will receive relevant and material developments that present both risks and opportunities for our industry, our Group and our customers. We participate in a number of trade bodies including AVERE (the European Association for Electromobility), and the Responsible Business Alliance, to monitor and engage with stakeholders in the regulatory and policy arenas. Key topics of interest and concern during 2022 included:

- policies relating to energy transition and ban of internal combustion engine vehicles by 2030;
- methodology on climate-impact related reports such as lifecycle assessments;
- corporate governance standards and risk assessments;
- engagement with the SEC in the lead up to the Company's listing on the Nasdaq Stock Exchange;

Investors

The Investor Relations function facilitates communication with existing and prospective equity Shareholders. The Audit Committee and the Board receive regular updates, including feedback from investors, research analysts and brokers. The feedback covers the equity markets take on Company's performance and shareholder sentiment on Company's strategic priorities including progress against ESG matters.

During 2022 – before and after the listing, the Investor Relations team conducted regular meetings with global investors and analysts. Key topics discussed included:

- listing on the Nasdaq Stock Exchange via SPAC, shareholding breakdown and free-float;
- business performance and business model, growth strategy and investment plans;
- use of listing proceeds and future funding needs and plans; and
- Brand positioning and industry trends, especially the potential impacts of energy transition.

Suppliers

The Board recognises the value in maintaining strong relationships with all our suppliers and vendors and their importance in sustainable business performance. The Group as a whole is dedicated to operating with a high standard of ethical conduct and professional integrity, and our suppliers are required to share our commitment, including through our Code of Conduct for Business Partners.

The Board is responsible for the oversight of the implementation of policies based on ethical and legal standards, which it requires the business to adhere to when engaging suppliers. As we continue to progress in our size and stage of development, we intend to continue to implement procedures to ensure that our suppliers also commit to these standards, including in relation to antibribery and corruption, anti-money laundering, human rights and modern slavery and various other matters.

The Group engages regularly with its key business partners, including third party manufacturers and suppliers, to ensure that they all have appropriate standards and policies in place, are financially robust and capable of delivering their services.

Diversity and inclusion

It is Polestar's desire and commitment to provide a sustainable working environment with fair terms of employment to all Employees. Polestar follows the international Human Rights standards, including the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, and the United Nations Global Compact.

All Employees have equal continuing employment, training and career development opportunities based on competence, experience and performance, regardless of gender, ethnicity, religion, age, disability, sexual orientation, nationality, political opinion, union affiliation, social background and/or other characteristics protected by applicable law. As part of Polestar's commitment of having a diverse and inclusive workplace, discrimination, harassment and bullying, including threats and physical abuse, are forbidden. These principles are also core to the hiring process and non-bias training is delivered to hiring manager to foster the best outcome.

A breakdown of the Group's employment statistics as of 31 December 2022 is as follows:

As at 2022-12-31	**Male**	**Female**	**Prefer not to say, or not disclosed**	**Total**
Executive Director	1	0	0	1
Senior Managers	8	6	0	14
All Other Employees of the Group	1,547	712	605	2,864
Non-executive directors	6	2	0	8
Total directors and Employees	**1,562**	**720**	**605**	**2,887**

Financial Overview

Comparison of the years ended December 31, 2022, 2021 and 2020

The following table summarises Polestar's historical Consolidated Statement of Loss for the years ended December 31, 2022, and 2021. All amounts are stated in thousands of USD ("TUSD"), unless otherwise stated.

	For the year ended December 31,			2022 vs 2021 Variance		2021 vs 2020 Variance	
	2022	2021	2020	$	%	$	%
Revenue	2,461,896	1,337,181	610,245	1,124,715	84	726,936	119
Cost of sales	(2,342,453)	(1,336,321)	(553,724)	(1,006,132)	75	(782,597)	141
Gross profit	**119,443**	**860**	**56,521**	**118,583**	**13,789**	**(55,661)**	**(98)**
Selling, general and administrative expense	(864,598)	(714,724)	(314,926)	(149,874)	21	(399,798)	127
Research and development expense	(167,242)	(232,922)	(183,849)	65,680	(28)	(49,073)	27
Other operating income and expenses,	(1,565)	(48,053)	1,766	46,488	(97)	(49,819)	(2821)
Listing expense	(372,318)	—	—	(372,318)	n/a	—	n/a
Operating loss	**(1,286,280)**	**(994,839)**	**(440,488)**	**(291,441)**	**29**	**(554,351)**	**126**
Finance income	8,552	32,970	3,199	(24,418)	(74)	29,771	931
Finance expense	(108,435)	(45,249)	(34,034)	(63,186)	140	(11,215)	33
Fair value change - Earn-out rights	902,068	—	—	902,068	n/a	—	n/a
Fair value change - Class C Shares	35,090	—	—	35,090	n/a	—	n/a
Loss before income taxes	**(449,005)**	**(1,007,118)**	**(471,323)**	**558,113**	**(55)**	**(535,795)**	**114**
Income tax expense	(16,784)	(336)	(13,535)	(16,448)	4,895	13,199	(98)
Net loss	**(465,789)**	**(1,007,454)**	**(484,858)**	**541,665**	**(54)**	**(522,596)**	**108**

Revenues

Polestar's revenue increased by $1,124,715, or 84%, from $1,337,181 for the year ended December 31, 2021 to $2,461,896 for the year ended December 31, 2022. Revenue from related parties increased by $10,602, or 8%, from $128,980 for the year ended December 31, 2021 to $139,582 for the year ended December 31, 2022.

Polestar's revenue increased by $726,936, or 119%, from $610,245 for the year ended December 31, 2020 to $1,337,181 for the year ended December 31, 2021. Revenue from related parties decreased by $18,475, or 13%, from $147,455 for the year ended December 31, 2020 to $128,980 for the year ended December 31, 2021.

The following table summarises changes in the components of revenue and related changes between annual periods:

	For the year ended December 31,			2022 vs 2021 Variance		2021 vs 2020 Variance	
	2022	2021	2020	$	%	$	%
	US'Thousand	US'Thousand	US'Thousand	US'Thousand		US'Thousand	
Revenues							
Sales of vehicles	2,404,246	1,290,031	542,783	1,114,215	86	747,248	138
Sales of software and performance engineered kits	21,308	25,881	35,434	(4,573)	(18)	(9,553)	(27)
Sales of carbon credits	10,984	6,299	27,141	4,685	74	(20,842)	(77)
Vehicle leasing revenue	16,719	6,217	—	10,502	169	6,217	100
Other revenue	8,639	8,753	4,887	(114)	(1)	3,866	79
Total	**2,461,896**	**1,337,181**	**610,245**	**1,124,715**	**84**	**726,936**	**119**

Sales of vehicles increased by $1,114,215, or 86%, from $1,290,031 for the year ended December 31, 2021 to $2,404,246 for the year ended December 31, 2022. The increase was driven by greater volumes of Polestar 2 sales across major geographic markets such as the United States, the United Kingdom, Germany, Sweden, and South Korea. Revenue per vehicle decreased year-over-year primarily due to model mix and market mix. During the year ended December 31, 2021, the majority of vehicles sold were long-range dual motor variants of the Polestar 2 while the lower priced long-range single motor and standard range motor variants represented a greater share of revenue for the year ended December 31, 2022. This was partially offset by price increases implemented during the summer that were reflected in selling prices during the latter part of the year. Sales of vehicles increased by $747,248, or 138%, from $542,783 for the year ended December 31, 2020 to $1,290,031 for the year ended December 31, 2021. This increase is primarily due to a full year of commercial sales in 2021, compared to slightly more than three months in 2020 (as commercialisation of the Polestar 2 didn't commence until the third quarter of 2020), as well as Polestar's further expansion into new markets in 2021.

Sales of software and performance engineered kits decreased by $4,573, or 18%, from $25,881 for the year ended December 31, 2021 to $21,308 for the year ended December 31, 2022. The decrease is a result of Polestar's shifting focus to its own vehicles and a decrease in Volvo Cars' sales of Polestar's performance engineered kits. Sales of software and performance engineered kits decreased by $9,553, or 27%, from $35,434 for the year ended December 31, 2020 to $25,881 for the year ended December 31, 2021. This decrease is a result of Polestar moving towards a focus on vehicle sales and Volvo Cars offering Polestar's performance engineered kits at a reduced price.

Sales of carbon credits increased by $4,685, or 74%, from $6,299 for the year ended December 31, 2021 to $10,984 for the year ended December 31, 2022. This increase is due to Polestar entering into a new agreement to sell their excess carbon credits to a third party during the year ended December 31, 2022. Sales of carbon credits decreased by $20,842, or 77%, from $27,141 for the year ended for the year ended December 31, 2020 to $6,299 for the year ended December 31, 2021 This decrease is due to prevailing market conditions and lower demand for carbon credits from Volvo Cars and third party OEMs.

Vehicle leasing revenue increased by $10,502, or 169%, from $6,217 for the year ended December 31, 2021 to $16,719 for the year ended December 31, 2022. Polestar began selling vehicles with repurchase obligations during the first half of 2021 and continued to increase the number of vehicles sold with repurchase obligations in the subsequent periods. This resulted in the increase to vehicle leasing revenue during the year ended December 31, 2022. Vehicle leasing revenue increased by $6,217, or 100%, from nil for the year ended December 31, 2020 to $6,217 for the year ended December 31, 2021. The increase was the result of Polestar entering into operating leases for the first time in 2021.

Other revenue decreased by $114, or 1%, from $8,753 for the year ended December 31, 2021 to $8,639 for the year ended December 31, 2022. Other revenue increased by $3,866, or 79%, from $4,887 for the year ended December 31, 2020 to $8,753 for the year ended December 31, 2021. This increase was primarily the result of sales-based royalties received from Volvo Cars on sales of parts and accessories for Polestar vehicles which Volvo Cars began selling to Polestar customers during 2021.

Cost of sales and gross profit

Cost of sales increased by $1,006,132, or 75%, from $1,336,321 for the year ended December 31, 2021 to $2,342,453 for the year ended December 31, 2022. This was primarily due to higher vehicle sales volumes during the year ended

December 31, 2022, resulting in increased warranty as well as freight and distribution expenses of $33,986 and $69,938, respectively. Additionally, material costs increased by $947,279 due to the higher sales volumes, combined with rising raw material costs commencing in the end of 2022. These higher material costs, combined with a deteriorating SEK/CNY foreign exchange rate discussed in the gross profit explanation below, have further contributed to the increase. The activity above was partially offset by decreased manufacturing related costs of $48,092 primarily due to the conclusion of tooling and machinery depreciation related to Polestar 1 in December 2021.

Cost of sales increased by $782,597, or 141%, from $553,724 for the year ended December 31, 2020 to $1,336,321 for the year ended December 31, 2021. This increase was primarily driven by expanded production and commercialization of Polestar 2 vehicles and a deterioration of the SEK/CNY exchange rate throughout 2021. Specifically, sales volume growth in the United States resulted in higher customs import duties and Polestar's SEK/CNY transaction exchange losses on contract manufacturing invoices paid to Geely contributed to higher overall costs of sales.

Gross profit increased by $118,583, or 13,789%, from $860 for the year ended December 31, 2021 to $119,443 for the year ended December 31, 2022. This increase was primarily due to expanded production and commercialisation of Polestar 2 vehicles, causing a higher fixed cost absorption when compared to previous periods. This was combined with positive impacts from the decreased fixed manufacturing costs caused by the conclusion of Polestar 1 related depreciation and amortisation in December 2021. The increase in Gross profit for the year ended December 31, 2022 is partially offset by continued deterioration of the SEK/CNY foreign exchange rate. The SEK/CNY foreign exchange rate weakened by approximately 5.7% during the year ended December 31, 2022 from 0.70 on January 1, 2022 to 0.66 by December 31, 2022. During the comparative period, the SEK/CNY foreign exchange rate weakened by approximately 11.4% from 0.79 on January 1, 2021 to 0.70 by December 31, 2021. In total, the SEK/CNY foreign exchange rate has weakened by approximately 16% since January 1, 2021. This trend impacts Polestar's gross profit as a transaction effect of contract manufacturing in China when Polestar's purchasing entity is denominated in a functional currency that is weaker than CNY.

Gross profit decreased by $55,661, or 98%, from $56,521 for the year ended December 31, 2020 to $860 for the year ended December 31, 2021. This decrease was primarily due to a negative gross profit impact of $20,842 related to reduced sales of carbon credits, a negative gross profit impact of $9,553 related to reduced sales of software and performance engineered kits and a negative gross profit impact of $4,887 related to reduced sales of research and development services to related parties.

Selling, general and administrative expenses

Selling, general and administrative expenses increased by $149,874, or 21%, from $714,724 for the year ended December 31, 2021 to $864,598 for the year ended December 31, 2022. This increase was primarily due to higher administration costs of $135,171 related to higher wages and salaries associated with scaling headcount across Polestar global operations to meet demands of the growing business. Selling, general and administrative expenses increased by $399,798, or 127%, from $314,926 for the year ended December 31, 2020 to $714,724 for the year ended December 31, 2021. The increase was primarily due to increased investments in advertising, marketing, and promotional activities as part of Polestar's commercial expansion across geographic markets such as the United States and China, increased professional service fees related to accounting, finance, and information technology, and higher wages and salaries associated with scaling headcount of Polestar's sales and administrative personnel to meet the demands of the growing business.

Research and development expenses

Research and development expenses decreased by $65,680, or 28%, from $232,922 for the year ended December 31, 2021 to $167,242 for the year ended December 31, 2022. This decrease was primarily due to a decrease in amortisation of product development costs of $118,659 mainly related to the conclusion of Polestar 1 amortisation in December 2021. This activity was partially offset by increased R&D personnel costs of $55,267 due to continuing product development for future vehicles and technologies. Research and development expenses increased by $49,073, or 27%, from $183,849 for the year ended December 31, 2020 to $232,922 for the year ended December 31, 2021. This increase was primarily due to increased product development costs related to future vehicles and electronic vehicles technologies and a full year of amortisation of capitalized research and development expenses in 2021 related to Polestar 2, as compared to ten months of amortisation in 2020.

Other operating income (expenses), net

Other operating income (expenses), net increased by $46,488 from an expense of $48,053 for the year ended December 31, 2021 to an expense of $1,565 for the year ended December 31, 2022. This increase was primarily driven by lower negative foreign exchange effects on working capital, comprised of unrealized gains of $29,506 and realized gains of $16,198. Other operating income (expenses), net decreased by $49,819 from $1,766 for the year ended December 31, 2020 to $48,053 for the year ended December 31, 2021. This decrease was primarily due to an increase in unrealized foreign exchange losses on conversions from the SEK and the Chinese Yuan ("*CNY*") related to Polestar's contract manufacturing agreements in China.

Finance income
Finance income decreased by $24,418, or 74%, from $32,970 for the year ended December 31, 2021 to $8,552 for the year ended December 31, 2022. This decrease was primarily the result of a negative net foreign exchange effect related to financial items for the year ended December 31, 2022. Finance income increased by $29,771, or 931%, from $3,199 for the year ended December 31, 2020 to $32,970 for the year ended December 31, 2021. This increase was primarily driven by net foreign exchange gains on financial activities.

Finance expenses
Finance expenses increased by $63,186, or 140%, from $45,249 for the year ended December 31, 2021 to $108,435 for the year ended December 31, 2022. This increase was primarily the result of interest expense associated with financing arrangements, overdue trade payables to Volvo Cars, and net foreign exchange losses on financial activities. Finance expenses increased by $11,215, or 33%, from $34,034 for the year ended December 31, 2020 to $45,249 for the year ended December 31, 2021. This increase was primarily driven by interest expense on past due payables to Geely and Volvo Cars and interest expense on related party loans with Volvo Cars.

Fair value change - Earn out rights
The earn-out rights were issued in connection with the capital reorganisation that was consummated on June 23, 2022. As such, there is no comparison figure for 2021. The gain on the fair value change of the earn out liability for the year ended December 31, 2022 was $902,068. These gains are primarily attributable to a decrease in Polestar's share price from $11.23 on June 23, 2022 (i.e., closing of the merger with GGI and issuance of the earn-out rights) to $5.31 on December 31, 2022 and increased market volatility. Leveraging on a benchmark of peers, the implied asset volatility used in the Monte Carlo simulation increased from 60% as of June 23, 2022 to 75% as of December 31, 2022.

Fair value change - Class C Shares
As part of the capital reorganisation 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 (Class C Shares in Polestar) for the year ended December 31, 2022 was $35,090. These gains are primarily attributable to a decrease in the price of the Class C-1 Shares from $2.52 on June 23, 2022 (i.e., closing of the merger with GGI and exchange of the warrants) to $1.12 on December 31, 2022 and a decrease in the estimated value of the Class C-2 Shares from $2.53 to $1.12 over the same period. Polestar utilises 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 from $11.23 to $5.31, implied volatility of publicly traded Class C-1 Shares from 22.5% to 89%, and risk-free rate from 3.12% to 4.01% over the same period.

Income tax expense
Income tax expense increased by $16,448, or 4,895%, from $336 for the year ended December 31, 2021 to $16,784 for the year ended December 31, 2022. This increase was primarily driven by $13,941 in increased income tax expenses due to higher earnings in jurisdictions in which we have taxable income, an increase of $1,307 in income tax expenses related to recognition and derecognition of deferred tax assets on other temporary differences and an increase in foreign taxes of $1,200. Income tax expense decreased by $13,199, or 98%, from $13,535 for the year ended December 31, 2020 to $336 for the year ended December 31, 2021. This decrease was primarily driven by a decrease in deferred taxes on temporary differences, coupled with lower withholding taxes. This was offset by higher income tax expenses generated from the higher earnings at legal entity level for the year ended December 31, 2021.

Cash and cash equivalents
As of December 31, 2022, and 2021, Polestar had cash and cash equivalents of $973,877 and $756,677, respectively. Cash and cash equivalents consist of cash in banks with an original term of three months or less. Polestar did not have any restricted cash as of December 31, 2022, and 2021.

Cash flow

	For the year ended December 31,	
	2022	**2021**
	US'Thousand	*US'Thousand*
Cash used for operating activities	(1,083,423)	(312,156)
Cash used for investing activities	(715,973)	(129,672)
Cash provided by financing activities	2,083,029	909,572

Cash used for operating activities
Cash used for operating activities increased by $771,267, from $312,156 for the year ended December 31, 2021 to $1,083,423 for the year ended December 31, 2022. The change is primarily attributable to net loss adjusted for non-cash expenses as well as negative changes in working capital during the year ended December 31, 2022. Negative changes in working capital which led to operating cash outflows in 2022 are largely attributable to increased trade receivables, increased inventories, and higher interest payments related to liabilities to credit institutions and overdue trade payables with Volvo Cars.

Cash provided by changes in trade receivables, prepaid expenses, and other assets decreased by $268,692, from a cash inflow of $48,574 for the year ended December 31, 2021, to a cash outflow of $220,118 for the year ended December 31, 2022. The change from a cash inflow to a cash outflow is primarily due to an increase of $88,354 in third party trade receivables resulting from higher sales volumes, product mix and market mix, as well as an increase of related party trade receivables and accrued income from Volvo Cars of $104,845.

In 2022, change in inventory was a negative $226,638, as an effect of build-up in inventory following a general ramp up in business and a readiness to deliver on orders in 2023.

Cash provided by changes in interest paid increased by $55,566 from $12,564 for the year ended December 31, 2021, to $68,130 for the year ended December 31, 2022. The change is primarily due to $25,449 and $36,480 in interest paid to credit institutions related to working capital loans and Volvo Cars on past due payables, respectively.

Compared to 2021 cash-flow from changes in trade payables, accrued expenses, and other liabilities decreased by $466,875 from $519,676 for the year ended December 31, 2021 to $52,801 for the year ended December 31, 2022, primarily due to higher repayments of trade payables with Volvo Cars during the year ended December 31, 2022.

Cash used for investing activities
Cash used for investing activities increased by $586,301, from $129,672 for the year ended December 31, 2021 to $715,973 for the year ended December 31, 2022. The change was primarily the result of significantly more cash settlements with Volvo Cars and Geely for prior period investments in intellectual property related to the Polestar 2, Polestar 3 and Polestar 4. Polestar also made an investment of $2,500 in the fast-charging battery technology innovator, StoreDot, during the year ended December 31, 2022.

Cash provided by financing activities
Cash provided by financing activities increased by $1,173,457, from $909,572 for the year ended December 31, 2021 to $2,083,029 for the year ended December 31, 2022.

The change was primarily the result of (1) the merger with GGI that occurred on June 23, 2022 resulting in total cash received in the transaction of $1,417,973 and (2) increased liquidity provided by eight short-term working capital facilities secured by Polestar during the year ended December 31, 2022.

The merger with GGI and related arrangements provided Polestar with gross cash proceeds of $1,417,973, of which $588,826 was provided by Volvo Cars, $250,000 was provided by PIPE investors, and $638,197 was provided by transfer from GGI to the group at close, less transaction costs of $59,050.

Polestar's borrowings provided $2,149,799 in gross cash proceeds during the period, of which $1,018,517 was sourced from seven short-term working capital facilities with Chinese banking partners, $966,903 was sourced from a green trade revolving credit facility with a syndicate of European banks, and $160,976 was sourced from multiple low-value floorplan and sale-leaseback facilities, including a small credit facility with Volvo Cars. These gross cash proceeds were partially offset by principal repayments of $1,426,935 during the period, of which $600,722 was used to settle three short-term working capital facilities with Chinese banking partners, $669,582 was used to settle amounts due on the green trade revolving credit facility, and $152,559 was used to settle amounts due on the low-value floorplan and sale-leaseback facilities, including the credit facility with Volvo Cars.

Alternative Performance Measures
Polestar uses both generally accepted accounting principles ("*GAAP*," i.e., IFRS) and non-GAAP (i.e., non-IFRS) financial measures to evaluate operating performance, for internal comparisons to historical performance, and for other strategic and financial decision-making purposes. Polestar believes non-GAAP financial measures are helpful to investors as they provide 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. All amounts are stated in thousands of USD ("TUSD"), unless otherwise stated.

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 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 loss, adjusted for listing expense, fair value change of earn-out rights, fair value change of 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 loss, adjusted to exclude listing expense, fair value change of earn-out rights, and fair value change of 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 year ended December 31,		
	2022	**2021**	**2020**
Operating loss	(1,286,280)	(994,839)	(440,488)
Listing expense	372,318	—	—
Adjusted operating loss	**(913,962)**	**(994,839)**	**(440,488)**

Adjusted EBITDA

	For the year ended December 31,		
	2022	**2021**	**2020**
Net loss	(465,789)	(1,007,454)	(484,858)
Listing expense	372,318	—	—
Fair value change - Earn-out rights	(902,068)	—	—
Fair value change - Class C Shares	(35,090)	—	—
Interest income	(7,658)	(1,396)	(3,199)
Interest expenses	77,510	44,859	26,501
Income tax expense	16,784	336	13,535
Depreciation and amortization	158,392	239,163	216,076
Adjusted EBITDA	**(785,601)**	**(724,492)**	**(231,945)**

Adjusted Net Loss

	For the year ended December 31,		
	2022	**2021**	**2020**
Net loss	(465,789)	(1,007,454)	(484,858)
Listing expense	372,318	—	—
Fair value change - Earn-out rights	(902,068)	—	—
Fair value change - Class C Shares	(35,090)	—	—
Adjusted net loss	**(1,030,629)**	**(1,007,454)**	**(484,858)**

Free Cash Flow

	For the year ended December 31,		
	2022	**2021**	**2020**
Net cash used for operating activities	(1,083,423)	(312,156)	(57,050)
Additions to property, plant and equipment	(32,269)	(24,701)	(49,599)
Additions to intangible assets	(681,204)	(104,971)	(194,108)
Free cash flow	**(1,796,896)**	**(441,828)**	**(300,757)**

2023 Outlook

As announced with our first quarter 2023 results on May 11, 2023, due to a revised start of production for Polestar 3 alongside a tougher economic environment, we have changed our 2023 annual volume target to a range of 60,000-70,000 vehicles, representing an annual growth of 16%-36%. For the full year 2023 we expect gross margin of around 4%, reflecting the absence of Polestar 3 and sales support activities. Lastly, with support from major shareholders and a $884mn cash balance as at end March 2023, we continue to explore potential equity or debt offerings to fund operations and business growth.

Management of Risks

Overview
Risk management is an ongoing process. The risk universe at Polestar evolves constantly, along with the environment in which we operate. To pursue our strategic objectives and help us achieve a balance between risks and opportunities, we have established a risk management framework that enables us to continuously identify, address, monitor, and report effectively the risks we face.

Risk management framework
We established our risk management framework on the broadly accepted system of three lines of defence. Within the system, the first line manages owns the risk, the second line defines a management framework and the third provides independent confirmation of the effectiveness of the risk management process. In 2022, Polestar established an internal audit function which has been co-sourced between in-house internal auditors and resources from a leading consultancy firm.

Polestar’s Board is ultimately responsible for managing risks. This includes identifying and monitoring the principal risks that might prevent Polestar from achieving its strategic objectives. The Audit Committee acts on behalf of the Board and is responsible for providing oversight over the design of the risk management framework. In addition, we have established a Risk Committee comprised of members of the second and third lines of defence and selected members of the Management Team (first line of defence). The committee is responsible for more hands-on, systematic risk management activities, including evaluating risk assessment outputs and monitoring risk exposure. This is done through an enterprise-wide risk management process (called Enterprise Risk Management, ERM), identifying risks, assigning risk ownership and monitoring of activities to mitigate the identified risks.

Emerging risks
Included in the ERM process is the identification and assessment of emerging risks. This is performed through both bottom-up and top-down discussions, held across the business with the aim of identifying new risks and changes in existing risks. The worsening global economic climate represents the most recent emerging risk of geopolitical, macroeconomic and legal uncertainty facing Polestar.

Principal risks
The principal risks are the Polestar-wide key risks that pose the highest threat to reaching our strategic objectives. The principal risks are proposed by the Risk Committee, with the Board, through the Audit Committee, ultimately responsible for approving them. The ERM process is as follows:

1. Identify Polestars key principal risks and assign risk owners.
2. Identify the current status and ongoing mitigation measures.
3. Evaluate the identified risks – estimating their impacts and probability of happening giving a risk score.
4. Determine the current trends for each risk.

The Risk Committee, and then the Board, through the Audit Committee, discuss and review the principal risks twice a year.

Principal risks register
The list below provides a high-level summary of our identified principal risks, exposure trends and mitigation measures in order of importance.

Principal risks	Trends	Mitigating activities
Strategic partners dependency Polestar’s business is dependent on a few key strategic relationships, which could adversely affect our results if these partners fail to deliver. Relationships with key partners are multidimensional as Polestar has several relationships with the parties at the same time.	➡	• Daily collaboration on operational level. • Weekly bilateral management meetings between Polestar and the respective parties. • Close monitoring of activities performed by the parties and processes set. • Escalation paths in case of disagreements set.

Global economic downturn Our operations and results are dependent on the conditions in the world markets. During 2022 most world economies deteriorated, with Polestar, a premium electric vehicle company, exposed to increased costs and lower volumes, which adversely affects Polestars current and prospective business and financial condition.	⬆	• Close monitoring of the situation and planning for different scenarios with lower demand and higher costs. • Working closely with our strategic parties. • Launching new models to attract a wider customer cohort. • Ensuring ongoing commitment and deliveries towards sustainability targets.
Technology security and resilience Polestar's business relies on technology and data confidentiality, integrity, and availability. As with other businesses, we are subject to the risk of external security and privacy breaches, such as cyber-attacks. If we cannot adequately protect our information systems, including the data we collect on customers, it could result in a liability and damage to our reputation.	➡	• Ensure the privacy and/or security perspective in the Development Lifecycle. • Ensure development of Disaster Recovery Plans (including business needs for back-ups, up-time etc.) • Ensure identified actions to strengthen the cyber security area are implemented. • Ensure a solid crisis management plan and framework as well as incident response process. • Ensure definition of, and thereafter training of the organization, information classification of documents and other information.
Liquidity & funding Polestar is a young company in a rapid expansion phase needing upfront investment for market expansion, car programs and brand build, as well as additional capital for business operations. Insufficient capital would adversely affect Polestar's current and future financial condition. Refer to section "Going Concern" for further information.	➡	• Ensuring short term loan facilities, both on our own and, when possible, together with key strategic partners. • Secured shareholder financing and liquidity support package of $1.6bn in November 2022. • Ongoing engagement with a number of leading investment banks to actively explore equity and debt capital market transaction opportunities. • Ensuring a robust cash flow process for planning and monitoring purposes. • Proactive and transparent investor engagement.
Litigation and regulation Polestar is subject to evolving laws and regulations that could impose substantial costs, legal prohibitions or unfavourable changes upon its operations or products. Any failure to comply with these laws and regulations, including as they evolve, could result in litigation and substantially harm its business and results of operations.	➡	• Established network of external legal advisors as well as build out of in-house expertise. • Board members and management training and awareness activities. • Continuous monitoring of the changing regulatory landscape.
Foreign exchange Polestar is exposed to currency transaction risk arising from future commercial transactions and settlement of recognized assets and liabilities denominated in a currency that is not the functional currency of the relevant Group entity.	⬆	• Continually assessing the exposure to exchange rate risks. • Utilizing natural hedging, which consists of the currency exposures of the business operations of different entities partially offsetting each other at the Group level.

⬆ Increased during 2022

➡ Stayed the same during 2022

Sustainability Reporting and Non-financial Information Statement

Polestar's sustainability strategy comprises the four focus areas Climate neutrality, Circularity, Transparency and Inclusion. Each focus area has several material topics and a set of strategic initiatives, that are set to advance our business' sustainability over the coming years. In the sustainability report, we describe our main targets, actions and achievements on our road to truly sustainable mobility.

Climate Neutrality

Polestar's material topics	Strategic initiatives
Eco-economic decoupling	Climate-neutral platform
Emissions	Climate-neutral materials
Energy	Energy optimization
Energy consumption of Polestar's vehicles	Climate-neutral manufacturing
Charging infrastructure	Renewable energy in the supply chain
Political influence on green mobility solutions	Climate-neutral company

Circularity

Polestar's material topics	Strategic initiatives
Increased recycled/renewable material	Circular battery design collaborations for recycling and/or second life of batteries
Material circularity scoring	Material circularity scoring
Zero waste manufacturing	Collaboration for post-consumer recycled rare earth elements
Reduce material palette	
Design for (closed loop) recyclability	
Monitoring raw material consumption	
Monitoring biodiversity impact	
Chemical management	

Transparency

Polestar's material topics	Strategic initiatives
Transparency of minerals and materials	Materials traceability
Support for consumers in making sustainable choices	Supply chain transparency
Connectivity and customer privacy	Product sustainability declaration
	Sustainability reporting

Inclusion

Polestar's material topics	Strategic initiatives
Anti-corruption	Ethical business practices
Compliance and whistleblowing	Human rights in the supply chain
Human rights in the supply chain	Inclusive workplace
Employee health and safety	Inclusive customer experience
Competence development	
Diversity & inclusion	
Labor conditions	
Passenger safety	

2022 Climate Footprint

This report has been prepared in accordance with the document "Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance" as well as the "the Greenhouse gas protocol: A corporate accounting and reporting standard". For detailed information about the methodology used, see pages 53-56 in Polestar Sustainability Report 2022.

Below are the emissions from operations that Polestar is responsible for including the combustion of fuel and the operation of any facility; together with the annual emissions from the purchase of electricity, heat, steam or cooling by the company for its own use. (Also referred to as Global GHG Protocol Scope 1 and Scope 2 emissions).

We do also report on Scope 3 emissions, why they are also stated below.

Globally, our Scope 1 (direct emissions from owned or controlled sources) and Scope 2 (purchase of electricity, heat, steam, or cooling) greenhouse gas emissions, come from the electricity and fuel for company-owned cars, the natural gas used for heating in the Chengdu plant, and the purchased electricity for running the machinery, cooling and lighting at the plant.

Our Scope 1 and Scope 2, emissions, represents 0.03 percent of our total greenhouse gas emissions. The main contributors to our GHG-emissions are the purchased goods for producing our cars (scope 3), followed by the use of our cars by the customers (scope 3). Together they make up 88 percent (2021: 83) of our total greenhouse gas emissions.

In the UK, we do not have any scope 1 emissions. Scope 2 emissions in the UK originate from the use of electricity in company owned cars.

In 2022, absolute GHG-emissions across our value chain increased by 67 percent to 1,875,862 tonnes CO2 e (see table below). The emissions intensity was 37.1 (2021: 40.2) tonnes CO2 e per sold car, which is a decrease of 8 percent compared to 2021. The reason for this is for example that the use-phase emissions per car have gone down, mainly because we are selling cars in markets with a fairly good grid mix. The sustainability upgrades of Polestar 2 also contribute to the decrease, as well as the fact that the plant in Taizhou uses only renewable electricity.

The table below shows emissions from the Polestar group's all operations, globally.

Emission source (tonnes CO2e)	***2022***	***2021***	***2020***	***Change 2020-2022***	***Change 2020-2021***
Estimated greenhouse gas emission from own activities including combustion of fuel and the operation of any facility. (Scope 1)	470	733	897	-48%	-36%
Estimated greenhouse gas emission from the purchase of electricity, heat, steam or cooling for own use. (Scope 2)	7,570	8,734	1,031	634%	-13%
Total GHG emissions Scope 1 and 2	**8,040**	**9,466.9**	**1,928**	**317%**	**-15%**
Indirect GHG emissions (Scope 3)	1,867,822	1,116,961	422,777	342%	67%
Total GHG emissions in Scope 1, 2 and 3	**1,875,862**	**1,126,428**	**424,705**	**342%**	**67%**
Total emissions per sold car (tonnes CO2e/car)	***37.1***	**40.2**	**42.8**	**-13%**	**-8%**

The table below shows our total greenhouse gas emissions divided by source.

Emissions source, tonnes CO_2e	2022	Share of total emissions 2022, %	2021	2020	Change% 2021- 2022
Overhead	5,302	0.3	2,718	937	95
Manufacturing	9,068	0.5	16,762	16,518	-46
Transportation and logistics	119,536	6.4	84,398	45,931	42
Of which inbound	28,799	1.5	21,793	27,000	32
Of which outbound	90,738	4.8	62,605	18,931	45
Purchased goods	1,222,573	65	715,109	277,090	71
Of which direct materials	1,162,909	62	658,144	239,182	77
Of which indirect materials	59,663	3.2	56,965	37,908	5
Sales	10,891	0.6	10,306	1,266	6
Use of sold products	483,071	26	282,725	77,950	71
Of which EMEA	212,246	11	125,175	N/A	70
Of which China	23,254	1.2	59,830	N/A	-61
Of which APAC	91,168	4.9	1,914	N/A	4,663
Of which Americas	156,403	8.3	95,806	N/A	63
End-of-life treatment of sold products	25,421	1.4	14,410	5013	76
Total GHG emissions in Scope 1, 2 and 3	**1,875,862**	**100**	**1,126,428**	**424,705**	**67**

The scope 1 and 2 emissions in the UK makes up 18 % of our total scope 1 and 2 emissions. We do not have any scope 1 emissions in the UK, since we do not have any manufacturing there, and the company owned cars are electric vehicles.

The table below shows emissions from the Polestar group's operations in UK.

Emission source (tonnes CO2e)	***2022***
Estimated greenhouse gas emission from own activities including combustion of fuel and the operation of any facility. (Scope 1)	0
Estimated greenhouse gas emission from the purchase of electricity, heat, steam or cooling for own use. (Scope 2)	1,437
Total GHG emissions (Scope 1 and 2)	**8,040**
Indirect GHG emissions (Scope 3)	50,320
Total GHG emissions in Scope 1, 2 and 3	**51,757**

2022 Energy use
In 2022, electricity consumption in our own operations fell by 20 percent to 79,994,088 MJ (2021: 100,122,556), mainly because electricity and natural gas used in the Chengdu plant decreased due to the phasing out of Polestar 1 production and subsequent closing of the plant.

The table below shows energy use from the Polestar group's own operations, globally.

*Energy consumption within the organisation [kWh]**	*2020*	*2021*	*2022*	*Change 2021-2022*
Electricity	**8,576,834**	**27,811,821**	**22,220,580**	**-20%**
Natural gas	3,918,227	2,980,000	1,860,000	-38%
Petrol	65,356	64,578	9,337	-86%
Total non-renewable fuels	**3,983,584**	**3,044,578**	**1,869,337**	**-39%**
Ethanol (admixture in petrol)	2,230	2,204	319	-86%
Total renewable fuels	**2,230**	**2,204**	**319**	**-86%**
Total energy consumption	**12,562,648**	**30,858,603**	**24,090,235**	**-22%**

*Energy at the Chengdu plant and in company owned cars.

We also report electricity and natural gas consumption at the Volvo Cars-owned Taizhou plant, where Polestar 2 is manufactured, and the electricity consumption in Polestar's leased offices and Locations. We include our share of the energy use from Taizhou which is based on Polestar 2's share of the plant's production. 100 percent of the electricity used at the plant is renewable through Renewable Energy Certificates and on-site solar panels. Electricity consumption at Taizhou increased by 26 percent in 2022, while the use of natural gas rose by 16 percent. The reason for higher energy use is an increase in production volumes.

The table below shows energy use in the Taizhou plant (owned by Volvo cars), leased offices and leased locations, globally.

Energy consumption outside the organisation [kWh]	*2020*	*2021*	*2022*	*Change 2021-2022*
Electricity, operations	20,507,602	37,638,029	49,618,341	32%
District heating, operations	785,694	1,587,090	1,546,298	-3%
Natural gas, operations	14,795,001	22,305,850	23,490,860	5%
Total energy consumption	**36,088,296**	**61,530,969**	**74,655,499**	**-21%**

In the UK we have energy use related to company owned cars, offices and retail.

The table below shows enery use from Polestar UK.

*Energy consumption within the organisation, UK [kWh]**	*2022*
Offices	
Electricity use in offices	99,771
Retail and Marketing	
Electricity use in UK spaces	54,426
Electricity use in company owned cars	1,135,680
Total energy consumption	**1,289,878**

*The table includes the annual quantity of energy consumed from activities for which Polestar is responsible, including:
(i) the combustion of fuel; and
(ii) the operation of any facility; and
(b) the annual quantity of energy consumed resulting from the purchase of electricity, heat, steam or cooling by the company for its own use.

Methodology
The emissions and energy data noted above has been collated, calculated and presented using the methodology set out in The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition), March 2004, including separate guidance on Scope 2 and Scope 3 emissions.

Energy efficiency actions taken
Polestar is annually reporting GHG emissions according to greenhouse gas protocol on a group level, including sub entities in different markets, such as Polestar UK. For more comprehensive data on climate impact from the whole Polestar business as well as our major project to minimize GHG emissions, please see Polestar Sustainability Report 2022.

Detailed information in Polestar Sustainability Report
For a detailed presentation of Polestar's sustainability strategy, management, initiatives and performance on environmental, social and governance matters, go to Polestar Sustainability Report 2022.

Polestar publishes a sustainability report annually, and the report covering the fiscal year 2022 was published on April 3, 2023. The report has been prepared in accordance with the GRI Standards 2021, the European Union's Non-Financial Reporting Directive (as implemented by the Swedish Annual Accounts Act's requirements on the statutory sustainability report) and details Polestar's disclosures in line with the Task Force on Climate-related Financial Disclosures (TCFD). The report also references a selection of disclosures from the Sustainability Accounting Standards Board's (SASB) sector guidelines for the automobile industry.

Polestar's sustainability report includes all operations of Polestar Automotive Holding UK PLC and its subsidiaries. The previous report was published on May 17, 2022, and is available at: https://reports.polestar.com/

Non-financial information statement

The table below constitutes Polestar's Non-financial reporting statement, produced in compliance with the non-financial reporting requirements set out in Sections 414CA and 414CB of the Companies Act 2006. Information relating to each section of the non-financial reporting requirements have been incorporated via cross reference in Polestar Sustainability Report 2022.

Reporting requirement	Policies and standards	Polestar's material topics	Sustainability report 2022
Environmental matters	Sustainability Policy Code of Conduct	Climate neutrality Eco-economic decupling Political influence on green mobility Circularity Increase recycled/ renewable material Material circularity scoring Zero waste manufacturing Reduce material palette Design for (closed loop) recyclability Monitoring raw material consumption Monitoring biodiversity impacts Chemical management	Page 7-23
Employees	People Policy Anti-Corruption Policy Anti-Corruption Directive Code of Conduct Speak Up Policy Conflict of Interest Policy Work Environment Directive Diversity and Inclusion Directive Discrimination, Harassment and Bullying directive Responsible Employer Directive	Anti-corruption Compliance and whistleblowing Employee health and safety Competence development Diversity & inclusion Labour conditions	Page 29-40

Social matters	Code of Conduct Code of Conduct for Business Partners Anti-Corruption Policy Anti-Corruption Directive Speak Up Policy People Policy Data Protection Policy Data Protection Directive Customer Privacy Policy	Transparency Transparency of minerals and materials Support for consumers in making sustainable choices Connectivity and customer privacy	Page 24-28
Human rights	Code of Conduct Code of Conduct for Business Partners Anti-Corruption Policy Speak Up Policy People Policy	Anti-corruption Human rights in the supply chain Labour conditions Passenger safety	Page 29-40

The Strategic Report comprising pages 3 to 27 was approved by the Board and signed on its behalf by:

Håkan Samuelsson
Chair
6 June 2023

Governance Report

The Company's shares have been listed on NASDAQ, represented as ADRs, since 24 June 2022. The Board is accountable to the Company's shareholders for good governance and this statement describes principles of corporate governance that have been applied by the Company.

The Directors believe that good corporate governance, involving risk appraisal and management, prudent decision-making, open communication and business efficiency, is important for the long-term benefit of the stakeholders in the Group. Embedded within the culture of the company is a foundation of active and responsible ownership along with a clear and concise structure that helps the directors and management to effectively pursue the goals and objectives of the Company.

Chairman's Introduction to Corporate Governance

Dear Shareholder,

I am pleased to present our Governance Report for 2022.

I am proud of the Company's accomplishments during 2022 both in preparation and during the Company's listing on the Nasdaq Stock Exchange, and in the second half of the year, and the Board's performance since it was formed at listing.

As Chair, I ensure that the Board leads by example to demonstrate and promote a transparent, accountable and dynamic decision-making process. The Board, with support from Management, oversee a robust and effective corporate governance framework that promotes our purpose and values and supports the delivery of our strategy for the long-term success of the Company.

Our Board operates effectively, with an appropriate balance of skills, experience, independence and knowledge. Each member also brings their own personal attributes and perspectives and gives sufficient time to carry out their duties and responsibilities, giving robust challenge and oversight to Management.

Since our listing in June 2022, the Board has supported Management to adapt to being a listed company, advising on cultural and behavioural shifts necessary in the new environment. I am encouraged by the Board and Management's achievements in this area and recognise the opportunity for continuous enhancements as the Company grows in scale and maturity.

This Corporate Governance Report presents the corporate governance framework established by the Board, and its Committees, to ensure long-term, sustainable growth and value for stakeholders.

Håkan Samuelsson
Chair
6 June 2023

Board of Directors

Håkan Samuelsson
Chair

Appointed: 23 June 2022
Nationality: Swedish
Age: 72
Other Committees: Nominating and Governance Committee **(Chairperson)**

Skills and Experience:
Håkan Samuelsson is Chair of the Polestar board. Håkan joined Volvo Car Group in 2010, became President and CEO in 2012, and served in these roles until 2022.

Håkan is largely credited for the transformation of the Volvo Car Group over the last decade. He has presided over the repositioning of the brand, periods of significant growth and further overseen a successful IPO, through the listing of the group on the Stockholm NASDAQ.

A career which commenced with commercial vehicle manufacturer Scania, where Mr Samuelsson served internationally, culminated in 2000 when he joined MAN Nutzfahrzeuge.
He was subsequently appointed CEO of MAN Group, where his oversight saw the development of an organisation with increased efficiency and a more focused product portfolio.

Håkan also serves on the boards of both Ideella föreningen Teknikarbetsgivarna i Sverige and Ideella föreningen Teknikföretagen i Sverige.

Håkan holds a Master of Science in Mechanical Engineering from KTH Royal Institute of Technology, Sweden.

Thomas Ingenlath
CEO
Appointed: 13 April 2022
Nationality: German
Age: 59

Skills and Experience:
Thomas Ingenlath is the CEO of Polestar. An internationally recognised vehicle designer, he has held leadership positions within both Volvo Car Group and Volkswagen Group.

Thomas was appointed as Chief Executive Officer of Polestar in 2017. He has led the Polestar brand from its inception, overseeing the brand's growth as it has become operational, with vehicles now on the road across three continents.

Thomas cultivated 20 years' experience working in top design positions at Audi, Volkswagen and Škoda prior to joining the team at Volvo. These roles culminated in his appointment as Director for Design at the Volkswagen Design Centre in Potsdam, where he was designing for all brands of the Volkswagen Group.

Thomas holds a Diploma in Transportation Design from Fachhochschule für Gestaltung in Pforzheim and a Master of Art, Vehicle Design from the Royal College of Art in London.

Carla De Geyseleer
Independent Non-Executive Director

Appointed: 23 June 2022
Nationality: Belgian
Age: 54
Other Committees: Audit Committee **(Chairperson)**

Skills and Experience:
Carla De Geyseleer is an experienced international leader and CFO, with more than 20 years' experience across leading global corporations in multitude of different industries. She currently serves as the CFO of Schindler Holding Ltd.

Today, Carla is also an advisor and board member, appointed as Non-Executive Director and Chair of the Audit Committee of Hilti AG, as well a member of the Advisory Board of the University of Geneva.

Carla was formerly CFO of the Volvo Cars Group, and previously acted as CFO of Société Génerale de Surveillance (“SGS”) in Geneva. Prior to that, she was CFO of Vodafone Libertel B.V., and of the logistics company DHL Express Benelux, both located in the Netherlands.

Carla De Geyseleer holds a degree in Economic and Financial Sciences from Economische School Sint Aloysius and an Executive MBA from IMD, the Institute for Management Development in Lausanne, Switzerland.

Karen Francis
Independent Non-Executive Director

Appointed: 23 June 2022
Nationality: American
Age: 60
Other Committees: Compensation Committee **(Chair)**, Nominating and Governance Committee **(member)**

Skills and Experience:
Karen Francis has extensive operational and leadership experience as a CEO, director, strategic advisor, and investor, with a deep knowledge of corporate governance and a strong track record of successfully building businesses across multiple industries.

Karen’s career experience spans from industries such as fast-moving consumer goods, to management consulting, technology, and a tenure in the automotive industry. This tenure culminated in her appointment as General Manager of the Oldsmobile division of General Motors, and subsequently as Vice President of Ford Motor Company, where she led the corporate venture capital group.

Today Karen is Chair of both Vontier, a global industrial technology company focused on mobility and transportation businesses, and CelLink, engineers of high-conductance, large area circuits for the clean power revolution. She has a strong interest in the mobility and transportation technology ecosystem, as an independent director for a number of private-equity and venture-capital funded companies in Silicon Valley.

She is a founding member of Women Corporate Directors and Women’s Director Salon of Silicon Valley and is a frequent speaker on the topic of corporate governance for Stanford’s Rock Center for Corporate Governance, NACD, KPMG, PWC, and Deloitte and on the future of the automotive and technology industries for CES, Deloitte Smart Cities, and Automotive News among others.

Karen holds an MBA from Harvard Business School and a BA in Economics from Dartmouth College.

Donghui (Daniel) Li
Non-Executive Director

Appointed: 23 June 2022
Nationality: Chinese
Age: 52
Other Committees: Compensation Committee **(member)**, Nominating and Governance Committee **(member)**

Skills and Experience:
Daniel Li has cultivated his expertise through holding key accounting, financing and corporate management positions in China and currently leads Zhejiang Geely Holding Group Co. Ltd., the global mobility technology group, as the CEO.

Previously, Daniel has served as CFO and General Manager for various companies, including Guanxi Liugong Machinery Co. Ltd, China Academy of Post and Telecommunication, Cummins Inc. and BMW Brilliance Automotive Ltd.

Daniel Li currently serves on several boards, most notably acting as Chair of the Board of Lotus Group International Limited. He is also a board member of Volvo Cars Corporation, Saxo Bank A/S, Proton Holdings Berhad, Lynk & Co Investment Co., Ltd., and an Independent Board member of YTO Express (International) Holdings Ltd.

Daniel holds a Bachelor of Philosophy from the Renmin University of China, a Master of Management Engineering from the Beijing Institute of Machinery Industry, China and Master of Business Administration from the Kelly School of Business at Indiana University, United States.

David Richter
Independent Non-Executive Director

Appointed: 23 June 2022
Nationality: American
Age: 55
Other Committees: Audit Committee **(member)**

Skills and Experience:
David Richter combines his extensive experience in high-growth technology companies, with his demonstrated leadership capabilities across areas such as business development, corporate development, legal, finance and product teams.

David is currently Vice President, Business and Corporate Development at DoorDash, a brand which seeks to become the premier local commerce logistics platform. He has also worked in micro-mobility, serving as the Chief Business Officer for Lime, where he was also interim CFO.

David Richter was previously Uber's Vice President, Global Head of Business and Corporate Development and led their business development, corporate development and experiential marketing teams.

David holds a J.D. from Yale Law School and a B.A. from Cornell University.

Zhe (David) Wei
Independent Non-Executive Director

Appointed: 23 June 2022
Nationality: Chinese
Age: 52
Other Committees: Audit Committee **(member)**

Skills and Experience:
David Wei is an entrepreneurial leader with over 20 years of management experience across investment and operations in China.

In 2011, David founded Vision Knight Capital with assets under management (AUM) of over 16 billion RMB, and both USD and RMB funds. Recent investments include Smoore, Pop Mart, Anker and Guoquan.

Prior to founding Vision Knight Capital, David was the CEO of Alibaba.com. Alibaba is a global leading E-commerce company, and David successfully led the listing of Alibaba Limited on the Hong Kong stock exchange in 2007. Preceding his role at Alibaba.com, David held the role of CFO, and then CEO, of B&Q China, a leading home improvement retailer in Europe and Asia. Under David's leadership and oversight, B&Q China became China's largest home improvement retailer.

David holds a Bachelor‘s degree in International Business Management from Shanghai International Studies University and is a graduate of the corporate finance program at the London Business School.

James (Jim) Rowan
Non-Executive Director

Appointed: 23 June 2022
Nationality: British
Age: 57
Other Committees: Compensation Committee **(member)**, Nominating and Governance Committee **(member)**

Skills and Experience:
Jim Rowan has served and led some of the largest electronic manufacturing and consumer technology brands in the world and has recently transferred this expertise to the automotive industry.

Jim Rowan is the CEO of Volvo Car Group, one of the co-founders of Polestar and also a majority shareholder. He joined the automotive brand in 2022 from Ember Technologies, a world leader in precise temperature control, where Jim acted as CEO of Ember Consumer & President of Ember Healthcare, while also serving on the Group's board.

Jim was previously CEO of consumer technology company Dyson, which he led through significant technological, commercial and market growth, and prior to that Jim was the COO of Blackberry for five years.

Jim studied Mechanical & Production Engineering and Electrical & Electronic Engineering at Glasgow Caledonian University and Glasgow School of Technology and holds an MSc in Business with Supply Chain Management and Logistics from Northumbria University.

Dr. Karl-Thomas Neumann
Independent Non-Executive Director

Appointed: 23 June 2022
Nationality: German
Age: 62
Other Committees: Compensation Committee **(member)**

Skills and Experience:
Dr. Karl-Thomas Neumann is well regarded for his achievements as an automotive industry executive, CEO and Chair, leading brands as significant as Opel and Continental AG.

Karl Thomas built his career spanning both automotive supplier and OEM brands, both in Europe and in China. He has served as Chair of the Board and President of Opel. Further, he also acted as General Motors Executive Vice President & President Europe, as well as serving as a member of the GM Executive Committee. Prior to this, Karl Thomas was with Volkswagen AG, where he was CEO and Vice President of Volkswagen Group China in Beijing.

Today Dr. Neumann is founder of KTN, an organisation created to support the transformation towards E-Mobility. He consults and actively invests in companies that are looking to help shape an electric future, while also sitting on the boards of various organisations. Notably, he is Chair of Autobrains Technologies, a provider of solutions for the next generation of vehicles and mobility.

Dr. Karl-Thomas Neumann holds a doctorate in electrical engineering from the University of Dortmund.

Board Composition

The Board is collectively responsible for providing clear leadership and ensuring that the key goals and objectives of the company are at the heart of any decision making. The following individuals were directors of the Company and served during the period:

Name	Position	Date Appointed	Resignation
Håkan Samuelsson	Chair	23 June 2022	N/A
Thomas Ingenlath	Chief Executive Officer	13 April 2022	N/A
Carla De Geyseleer	Independent Non-executive Director	23 June 2022	N/A
Karen C. Francis	Independent Non-executive Director	23 June 2022	N/A
Daniel Li	Non-executive Director	23 June 2022	N/A
Karl-Thomas Neumann	Independent Non-executive Director	23 June 2022	N/A
David Richter	Non-executive Director	23 June 2022	N/A
James Rowan	Non-executive Director	23 June 2022	N/A
Zhe Wei	Non-executive Director	23 June 2022	N/A
Jan Mikael Alkmark	Executive Director	15 September 2021	23 June 2022

Meeting Attendance

The following table sets out the number of meetings of the Board, excluding ad hoc meetings, and its committees from the 24 June 2022 to 31 December 2022 and the attendance of the members at those meetings (attended/eligible to attend):

Director	Board	Nominating and Governance Committee	Audit Committee	Compensation Committee
Håkan Samuelsson	6/6	3/3	n/a	4/4
Thomas Ingenlath	6/6	n/a	n/a	
Carla De Geyseleer	5/6	n/a	6/6	N/A
Karen C. Francis	6/6	3/3	n/a	3/4
Daniel Li	6/6	3/3	n/a	4/4
Karl-Thomas Neumann	6/6	n/a	n/a	N/A
David Richter	6/6	n/a	6/6	N/A
Jim Rowan	6/6	3/3	n/a	N/A
David Wei	5/6	n/a	6/6	4/4

About the Board

The Board's committees each have a written charter, a form of which is available free of charge on Polestar's website at Corporate governance | Polestar.

The Board is collectively responsible for worldwide management of company business, acting within an effective control framework, with all directors providing an element of constructive challenge and helping to develop and communicate Polestar's strategic aims.

The Board is comprised of the Chief Executive Officer, the Chair and 7 Non-Executive Directors.

Karen Francis, Carla De Geyseleer, Karl-Thomas Neumann, David Richter and David Wei qualify as independent, as defined under the listing rules of Nasdaq. All directors are given regular access to the Company's operations and personnel as and when required. Their biographies on pages 29-32 illustrate their relevant corporate and industry experience to bring judgement on issues of strategy, performance, resources and standards of conduct which are vital to the success of the company.

The Board considers the overall strategic direction, development and control of Polestar and reviews trading performance, investment opportunities and other matters of significance to the Group. Various decisions require Board approval, including but not limited to the approval of the annual budget, larger capital expenditure proposals, acquisitions and disposals. The board receives an agenda ahead of each meeting as well as pre-read material for each agenda item, although further subjects may be added for discussion as the need arises.

The Board is scheduled to meet normally no less than six times per year to enable the Board to discharge its duties effectively and to consider those matters which specifically require Board review and decision. In addition, meetings are also convened on an ad hoc basis when there is urgent or undelegated business which cannot wait until the next scheduled meeting.

Nominating and Governance Committee Report

The Nominating and Governance Committee is responsible for overseeing the director nomination process and the Company's overall corporate governance strategy. The Nominating and Governance Committee is to be comprised of at least three or more members of the board. The current composition is displayed in the following table.

Committee	Role
Håkan Samuelsson	Chairperson
Karen Francis	Member
Daniel Li	Member
Jim Rowan	Member

As the Company is a "controlled company", defined in the rules of Nasdaq, the Nominating and Governance Committee is not required to be comprised solely of independent directors. Furthermore, as the company is a Foreign Private Issuer (FPI), there is no requirement for independence on the Nominating and Governance Committee as the independence requirements of Rule 10C-1 do not apply.

A full breakdown of the duties of the Nominating and Governance Committee can be found on the Polestar website: Nominating and Governance Committee Charter (polestar.com)

Audit Committee Report

The Audit Committee is set out to oversee the accounting and financial reporting process, internal controls, operation procedure and enterprise risk management framework. The Audit Committee is comprised of at least three board members, with at least one member fulfilling the need for recent and relevant financial experience. The current composition is

Committee	Role
Carla De Geyseleer	Chairperson
David Richter	Member
David Wei	Member

As set out in Rule 10A-3 of the Securities Exchange Act of 1934 and the rules of NASDAQ, each member of the Audit Committee is independent. It is noted that no member of the Audit Committee can have participated in the preparation of the Company's or any of its subsidiaries' financial statements at any time during the past three years.

An invitation is also extended to the auditors to attend meetings of the Audit Committee in order to discuss issues relating to the audit and financial control of the Group. The auditors also have direct access, should they so require, to the Audit Committee. The Audit Committee has responsibility within the terms of reference for, among other things, the planning and review of the Group's annual and interim financial statements, the supervision of its auditors in the review of such financial statements and the review and monitoring of their independence. The Audit Committee focuses particularly on the Group's compliance with legal requirements and accounting standards, and on ensuring that effective systems for internal financial control are maintained.

A full breakdown of the duties of the Audit Committee can be found on the Polestar website: Audit Committee charter (polestar.com)

Compensation Committee Report

The Compensation Committee is set out to oversee executive compensation, incentives, equity and employee benefit plans, as well as the management succession planning. The Compensation Committee is to be comprised of at least two or members of the Board. The current composition is displayed in the following table.

Committee	Role
Karen Francis	Chairperson
Karl-Thomas Neumann	Member
Daniel Li	Member
Jim Rowan	Member

As the Company is a “controlled company”, defined in the rules of Nasdaq, the Compensation Committee is not required to be comprised solely of independent directors. Furthermore, as the company is a Foreign Private Issuer (FPI), there is no requirement for independence on the Nominating and Governance Committee as the independence requirements of Rule 10C-1 do not apply.

A full breakdown of the duties of the Compensation Committee can be found on the Polestar website: [Compensation Committee Charter (polestar.com)]

The Governance Report comprising pages 28 to 35 was approved by the Board and signed on its behalf by:

Håkan Samuelsson
Chair
6 June 2023

Directors' Remuneration Report

This report has been prepared in accordance with the provisions of the UK Companies Act 2006 and Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended in 2013).

Statement by the Chair of the Compensation Committee

As the Chair of the Compensation Committee, I am pleased to present, on behalf of the board of directors of Polestar, the Directors' remuneration report for the year ended 31 December 2022. This is the Company's first such report following a successful listing on NASDAQ on 24 June 2022.

This report is divided into three sections:

- This letter from me as Chair of the Compensation Committee (thereafter in this section "the Committee")
- A summary of our Remuneration Policy (thereafter in this section "the Policy")
- Our Annual Report on Compensation detailing the outcomes from 2022 and how we intend to apply the policy in the next financial year

The Remuneration policy and its implementation are subject to a shareholder vote at the Annual General Meeting 2023.

Introduction

As we move into 2023 and beyond, the Committee's role will be to ensure that senior executives and other key employees at Polestar are appropriately compensated and incentivised to deliver growth to shareholders in a long-term and sustainable manner. The Committee will seek to accomplish this by implementing compensation programmes that are grounded in market practice, effective at driving proper executive behaviours, clearly link pay with performance and are cost-efficient overall to shareholders. The Committee also considers non-executive directors within the Policy and considers that the current compensation provides an appropriate level of remuneration for their scope.

The Compensation Committee is comprised of Karen Francis (Chair), Daniel Li, Jim Rowan and Carl-Thomas Neumann. Monika Franke, Polestar's Head of HR, acts as Secretary to the Committee.

The Committee's duties, which are specified in our Compensation Committee Charter, include, but are not limited to: assist the Board with oversight of executive compensation, incentives/equity plans and employee benefit plans.

The Compensation Committee shall have the following authority and responsibilities:

- Chief Executive Officer compensation
- Other Officer compensation
- Management succession planning
- Key employee/management incentive- and equity plans
- Employee Benefit Plans
- Peer group setting
- Employment / severance agreements
- Stock ownership guidelines
- Risk Management relating to incentive compensation
- Human Capital Management
- Director compensation
- Compensation Committee performance evaluation
- Compensation Committee charter review

Advisors

The Committee has appointed Mercer Limited to provide independent advice on executive compensation matters. Mercer is a signatory to the Code of Conduct for Compensation in the UK. The fees paid to Mercer in relation to advice provided to the Committee for FY2022 were $35,000.

The Committee evaluates the support provided by Mercer Limited annually and is comfortable that it does not have any connections with Polestar that may impair its independence.

Key developments during the year

As highlighted earlier, The Group has performed well in 2022 against a uncertain macro-economic background. Many industries have been affected by the uncertainty surrounding geopolitical concerns in Europe, rising energy and fuel costs, and supply chain issues which cannot be understated. I am pleased to see that the business performed in line with historical trends and the market guidance. We delivered revenue growth of 84% and a net revenue of USD 2.5 billion. We left 2022 having exceeded the 50,000 vehicle delivery target. This performance also continues to provide a solid base for further growth. Polestar is a strong business, supported by its strong track record of achieving profitability and growth. Our business will continue to gain momentum as we start producing Polestar 3 and Polestar 4.

During the period from 1 July 2017 (start of the CEO's employment), until the listing date on 24 June 2022, Polestar's CEO compensation package had an increase of 10% across base salary, short-term incentive ("STI") and long-term incentive ("LTI"). Post listing a review of the CEO's pay package was conducted by the Compensation Committee based on benchmark data provided by Mercer which highlighted a misalignment with regards to both peer group comparison (on base salary, total cash and LTI) and the board's assessment of CEO performance. In response to this, the change to the pay package consisted in 1) an increase of base salary to be more market aligned, 2) an increase of bonus opportunity to more strongly link the CEO pay with the company's performance and 3) the replacement of a cash based LTI program with the introduction of a share based LTI program to promote the long-term success of the company and align interests between the CEO and shareholders.

Prior to listing, the group's parent company was a private limited company incorporated in Hong Kong. The Chair and Non-Executive Director's (NED) fees were changed when the new board was introduced at listing. The proposal for Chair and NED members was based on Mercer benchmark data. Board members in U.S listed companies have significant responsibilities and public accountability which was one of the rationales to adjust the fees. The change proposal by Mercer included an introduction of four categories of fees; 1.) Chairman board fee (cash), 2.) Basic board fee (cash), 3.) Committee Chairman fee (cash) and 4.) Committee member (cash). The total annual fees were adjusted to align with market practise for Sweden, UK and US.

Role	Basic Board Fee (cash)[1]	Committee Chairman (cash)	Committee member (cash)
Chairman	$350,000	-	-
Board member	$200,000	-	-
Audit Committee	-	$20,000	$10,000
Compensation committee	-	$20,000	$10,000
Nominating and Governance Committee	-	$20,000	$10,000

For the last four years (2019, 2020, 2021 and 2022), the CEO's annual bonus pay outcomes has been directly linked to the fulfilment level of Polestar's Global All Employee Annual Bonus KPIs. The CEO shares the same annual bonus KPIs as the Global All Employee Annual Bonus Program.

Year	Global Bonus fulfilment (of target)
2019	100%
2020	73%
2021	130%
2022	106%

The CEO also participates in a three-year cash based Long Term Incentive Program. The Long-Term Variable Incentive Program is a long-term cash incentive program for certain management personnel who joined Polestar from Volvo Cars during a start-up period. The incentive was awarded in 2019, before the listing of Polestar. Awards under the Long-Term Variable Pay Program are paid based on achievement of performance conditions and the market value of Volvo Car Group at the end of a three-year performance period. The Performance period in the 2019 Program was 1 Jan 2019 to 31 Dec

[1] Pursuant to letter agreements, 50% of the net annual fee (but not including any additional annual fee described above) for each non-employee director is used to purchase the maximum number of Class A ADSs as may be purchased in the market at the prevailing price.

2021. The Target opportunity was 30% of the annual base salary and the max opportunity was 60% of the annual base salary.

In 2022, the CEO cash based Long Term Incentive Program was replaced with a share based LTI Program.

Having carefully considered the formulaic outcomes, the Compensation Committee has not applied any discretionary adjustments. It will continue to review incentive outcomes and may adjust outcomes down or up (subject to policy limits) based on overall company performance. Any such adjustments will be disclosed and explained in the Remuneration Report for the relevant year.

Stakeholder engagement

The Compensation Committee includes major shareholder representatives and consultation or advice from them is captured in committee meetings. Upon request from the Committee, the Secretary of Compensation Committee has taken on the task to probe some Committee proposals with major shareholders as part of the decision process. These tasks included examining Executive management pay structure, employee share purchase plans and executive management succession planning.

The Committee is regularly updated on pay and benefits arrangement for staff across the Group and takes into account wider workforce compensation as part of its review of Executive compensation.

Karen C. Francis

Karen Francis
Chair of the Compensation Committee
6 June 2023

Chief Executive Compensation at a glance

Chief Executive Compensation at a glance	
Component	**From 1 August 2022**
Fixed Pay	
Annual Base Salary	10,200,000 SEK
Benefits	Company Car, private medical cover and schooling benefit
Pension	Pension contributions according to the ITP 2 plan + 30% above 30 Swedish Income Base Amount
Annual Bonus	
Polestar Annual Bonus Program 2022	Target 70% of Annual Base Salary
	Max 140% of Annual Base Salary
	(From 2023 Annual bonus program, the target is 75% of Annual Base Salary)
	Measures:
	Operational Growth 20%, Financial Growth 20%, Customer Satisfaction 20%, Market Expansion 20%, Retail Expansion 20%
Long Term Incentive	
At Listing Share Program	100% of base salary as of 1st of January 2022. *100% Restricted Share Units* granted and vesting during a 24-month period after the listing
Post Listing Share program	75% of base salary as of 1st of January 2022. 2,5-year program, 100% *Performance Share Units*. Performance period 1st July 2022 – 31st of December 2024.
LTI performance measures (Post Listing program 2022-2024)	Polestar value creation (TSR) versus peer group 25%, Cash flow 25%, CO_2 reduction 20%, Operational milestones 30%.

Remuneration Policy

This policy sets out a summary of Polestar policy on remuneration for executive directors, non-executive directors and other employees. The Remuneration policy and its implementation are subject to a shareholder vote at the Annual General Meeting 2023. All amounts are stated in thousands of USD ("TUSD"), unless otherwise stated.

The Policy is designed to attract, retain and motivate our leaders and employees within a framework designed to promote the long-term success of Polestar and aligned with our shareholders' interests.

Director compensation is recommended by the Compensation Committee of Board of Directors ("the Compensation Committee") and approved by the Board of Directors. We use a combination of base salary, benefits, short term incentives and equity based long term incentives to attract and retain qualified Directors.

The Compensation Committee's annual compensation review includes a periodic analysis of data, comparing the Company's director compensation levels against the relevant external market including peer groups of relevant companies. In conducting such review, the Compensation Committee may utilise publicly available market data, compensation survey data, and advice provided by compensation consultants. The Compensation Committee then reaches a recommendation regarding our director compensation program and the compensation paid to our directors. The compensation recommendation is subsequently provided to the full Board for review and final approval.

In connection with the listing of Polestar in June 2022, Mercer, the Compensation Committee's independent compensation consultant, provided the Committee with a benchmark study, as well as advice and recommendations on the composition of suitable peer groups and competitive data used for benchmarking our director compensation program. The Compensation Committee used the information provided by Mercer, as well as other benchmarks, to reach an independent recommendation regarding the compensation paid to our directors. This recommendation was provided to the full Board for review and final approval.

The Policy was adopted by the board on 29 March 2023 and will be subject to a shareholder vote at the 2023 Annual General Meeting ("AGM").

The total compensation structure for the CEO and the other Executives has primarily been set based on a Swedish market context. However, the variable pay elements have been set closer to European levels due to investor perspective of performance pay, being listed in the US and retention purpose.

Remuneration Policy tables

Element of compensation	Purpose and link to strategy
Base salary	Provides market competitive fixed compensation, set at a level sufficient to attract and retain executives who are capable of delivering the Company's strategic objectives and driving the company's success. Base Salaries reflects the responsibilities of the role, the experience of the individual and the performance over time.
Benefits and pension	Provides market competitive, yet cost-effective employment benefits to assist with recruitment and retention.
Annual bonus	To incentivise and reward delivery of the Company's strategy and short-term corporate objectives on an annual basis.
Long-term incentive plan	To align the long-term interests of the Shareholders with the Executive directors and selected management positions.
Share ownership guidelines	Encourages non-executive directors to build up a meaningful shareholding to further align their interests with those of shareholders
Non-executive director fees	Provides market competitive director fees, set at a level sufficient to attract non-executives that are capable of driving the company's success

Element of compensation	Purpose and link to operation
Base salary	Normally reviewed annually taking into account individual responsibilities, experience, performance, inflation, market levels and the treatment of the wider workforce. Salary increases are normally effective from 1st of April each year. Salaries are periodically benchmarked against the relevant external market.
Benefits and pension	For Executive Directors this currently includes private medical insurance, company car and, for the CEO, a schooling allowance. Executive Directors are also eligible to join the pension plans defined in the collective agreement Teknikavtalet, either ITP 1 or ITP 2 as is typical in Sweden.
Annual bonus	Annual bonus performance targets are set at the start of the financial year by the Board and the performance against these objectives is assessed by the Committee after the end of the relevant financial year, The Committee retains discretion to amend objectives during the year if it considers that objectives are no longer appropriate. Different performance measures and weighting may be used each year, as agreed with the committee, to take into account changes in the business strategy. Bonuses are normally paid in cash after the award has been approved by the Board, normally in April each year.
Long-term incentive plan	Conditional awards are normally granted under the 2022 Omnibus incentive plan. Such awards may include a mix of share options, restricted share units, performance share units and other forms of awards available under the 2022 Omnibus incentive plan. Awards vest in accordance with the vesting schedule set for the relevant award in its equity agreement. The Long-term incentives are administered by the committee and the committee maintains discretion over the types and terms of equity awards granted under the plan. Such share-based incentives are not subject to any holding period post vesting. Any share-based entitlements granted to an Executive Director under the Company’s share plans will be treated in accordance with the relevant plan rules or any applicable agreement. At present, it is the Committee´s intention to make future awards to the CEO in the form of performance share units.
Share ownership guidelines	Non-executive Directors are requested to invest 50% of their net annual ordinary board fee in Polestar shares and to keep the shares as long as they hold their position in the Polestar board.
Non-executive director fees	Fees to non-executive directors are paid in cash. Non-executive directors receive a base fee plus additional fees for committee chairmanship and membership.

Element of compensation	Maximum opportunity
Base salary	There is no prescribed maximum annual salary or salary increase. Any increase will take into account prevailing market and economic conditions and the approach to employee pay throughout the organisation. Base salary increases are awarded at the discretion of the Committee; however, salary increases will normally be no greater than the general increase awarded to the wider workforce, in percentage of salary terms. However, a higher increase may be made where an individual had been appointed to a new role at below-market salary while gaining experience. Subsequent demonstration of strong performance may result in a salary increase which is higher than that awarded to the wider workforce.
Benefits and pension	There is no formal maximum level of benefits provided to an Executive Director, as the value of insured benefits is typically based upon the cost from third-party providers, which will vary from year to year. Pension premiums are normally set as a percentage of the base salary. The Pension premiums for Executive Directors (percentage) are aligned with the wider workforce.
Annual bonus	The maximum annual bonus payable to the CEO is 140% of the annual base salary, with not more than 70% of base salary paid for target performance
Long-term incentive plan	The maximum awards in the share based long-term incentives are twice the target level. As the share based long-term incentives are based on Performance Share units it requires the KPI:s to be fulfilled to reach the target level. In order for the maximum vesting level to be reached, the KPI:s must have reached the stretch maximum level. The Target level for the CEO in the LTI program can't exceed 100% of the annual base salary
Non-executive director fees	There is no prescribed maximum annual salary level or salary increase. Any increase will take into account prevailing market and economic conditions and the approach to employee pay throughout the organisation

Element of compensation	Performance Metrics
Base salary	The overall performance of the Company, the Individuals performance and the market movement is the key determinant for base salary increases.
Benefits and pension	Not applicable
Annual bonus	Bonus measures are reviewed annually, and the committee has the discretion to vary the mix and the weighting of measures or to introduce new measures, based on the strategic focus of the company at that time. They payment of any bonus is at the absolute discretion of the board which has the discretion to override formulaic outcomes of the bonus if appropriate to do so, having regard to matters including but not limited to factors such as the underlying financial and operational performance of the Company and individual performance.
Long-term incentive plan	The Committee retains discretion over the extent to which vesting of equity awards is subject to performance (rather than time) based conditions, the applicable, measures, their weightings and the period over which performance is tested. The Committee will select the most appropriate form of EIP awards each year. Vesting of equity incentives is generally subject to continued employment and may be on a time-phased basis or subject to performance conditions aligned with the company strategic plan, as determined at the discretion of the Committee. Vesting of equity awards may be accelerated in part or in full in connection with certain corporate events such as a change in control.
Share ownership guidelines	Not applicable
Non-executive directors fee	Not applicable

Performance measures and targets

Annual Polestar Bonus program (STI)

The key performance indicators (KPIs) help Polestar as an organisation to align with the business goals and advance our mission to accelerate electric mobility. The KPIs are operational targets set by the management team and approved by the board and closely tied to our strategic priorities. The KPIs vary from year to year but usually include one volume and one financial KPI followed by varying operational KPIs.

Share Based Long term incentive program (LTI)

To promote the long-term success of Polestar and meet the expectations of the market, a three-year long term incentive programme has been introduced with pay-out in Polestar shares. The purpose of the LTI programme is to attract, retain, reward and motivate executives, senior managers and selected top-performing employees. The ambition is to start a new 3-year program every year, with the metrics set by the board of directors before each launch.

Recovery provisions and Committee Discretion

All Share awards will be subject to any Company claw-back policy, including any claw-back policy adopted to comply with applicable law in the relevant jurisdictions in which Participants receive Awards (including the Dodd-Frank Wall Street Reform and Consumer Protection Act and any rules or regulations promulgated thereunder) as set forth in such claw-back policy or the applicable Award agreement.

Service agreements and Letters of Appointment

The table below presents the appointment letter dates, initial term and notice period for the non-executive directors.

Name	Appointment letter	Initial term	Notice period for resignation
Håkan Samuelsson	23 June 2022	2 years	1 month
Carla De Geyseleer	23 June 2022	2 years	1 month
Karen C. Francis	23 June 2022	3 years	1 month

Daniel Li	23 June 2022	1 year	1 month
Karl-Thomas Neumann	23 June 2022	2 years	1 month
David Richter	23 June 2022	1 year	1 month
James Rowan	23 June 2022	3 years	1 month
David Wei	23 June 2022	3 years	1 month

Remuneration Policy on recruitment

Where it is necessary to appoint or replace an Executive Director, the Committee's approach when considering the overall compensation arrangement in the recruitment or promotion of a new Executive Director is to take account of the calibre, expertise and responsibilities of the individual, their compensation in their prior role and the prevailing market rate for similar roles. Remuneration will be in line with our compensation Policy and the Committee will not pay more than is necessary for a successful recruitment. It is recognised that in order to attract and recruit talented individuals the Policy needs to allow sufficient flexibility with respect to remuneration on recruitment.

Remuneration Policy on termination

The Committee will exercise its discretion when determining amounts that should be paid to leavers, taking into account the facts and circumstances of each case. Generally, in the event of termination, the Executive Directors' service contracts provide for payment of basic salary and benefits over the notice period. The Company may elect to make a payment in lieu of notice equivalent in value to basic salary and benefits for any unexpired portion of the notice period. For voluntary termination, salary and benefits are payable for the notice period; no bonus (neither pro-rated nor full year bonus) becomes payable in the event of a voluntary termination and unvested equity awards lapse in full unless determined otherwise by the Compensation Committee.

Remuneration Policy for other employees

The Committee is made aware of employment conditions in the wider Group. The same broad principles apply to the Policy both for the Executive Directors and the wider employee population. However, the compensation for the Executive Directors has a stronger emphasis on variable pay than for other employees.

In particular, the following approach is used for the wider employee population in the Group:

• Salaries, incentives, benefits and pensions are compared to appropriate market rates and set at approximately midmarket level with allowance for role, responsibilities and experience.

• When setting salary levels for the Executive Director, the Committee considers the salary increases provided to other employees.

• An annual bonus plan is available to all employees at a consistent percentage of base salary for all wider staff levels. The bonus is based 100% on company performance, and the performance measures are the same for the CEO as for other employees. Payments under the bonus plan are entirely discretionary.

Statement of consideration of employment conditions elsewhere in the company

The Committee has responsibility for reviewing compensation and related policies applicable to the wider workforce. To support this, the Committee is periodically briefed on the structure and quantum of the all-employee compensation being informed about the context, challenges and opportunities related to wider workforce remuneration topics.

Statement of consideration of shareholder views

The Board is committed to dialogue with shareholders. The Committee will consider shareholder feedback received following the AGM, as well as any additional feedback and guidance received from time to time. This feedback will be considered by the Committee as it develops the Company's compensation framework and practices going forward

UK Corporate governance code considerations

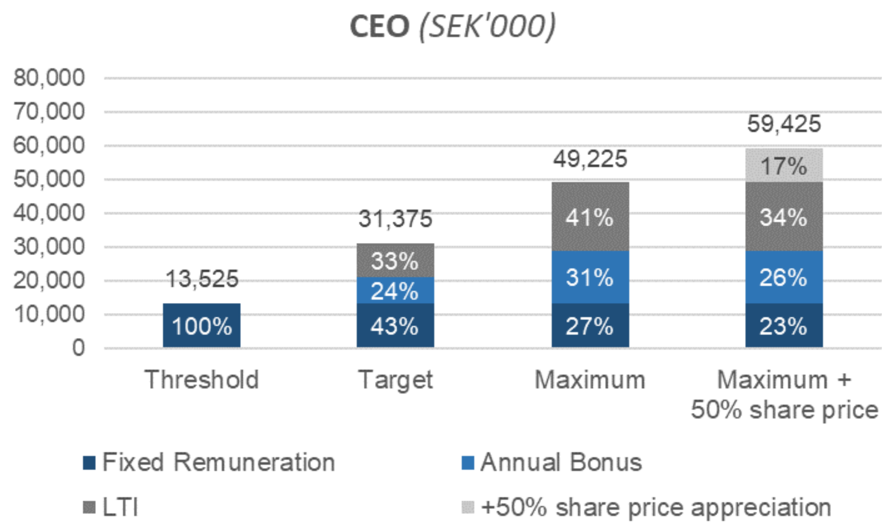
The Committee has considered the factors set out in provision 40 of the Corporate Governance Code. In our view, the Compensation Policy addresses those factors as set out below:

Criteria	Approach
Clarity - Compensation arrangements should be transparent and promote effective engagement with shareholders and the workforce.	Our compensation policy and implementation are and will continue to be, comprehensively disclosed within the Annual Report. As part of the decision processes for any material changes to the current arrangements, the committee will engage with the major stakeholders
Simplicity - Compensation structures should avoid complexity and their rationale and operation should be easy to understand.	Our pay structure consists of fixed and variable remuneration, with the performance conditions for the variable proportion clearly outlined to participants. The post listing PSUs align the interests of shareholders with those of plan participants, whilst avoiding unnecessary complexity
Risk – Compensation arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.	Our compensation policy allows the use of discretion to override formulaic outcomes of the variable pay if appropriate to do so. All Share awards are subject to the Company's clawback policy
Alignment to culture – Incentive schemes should drive behaviours consistent with Company purpose, values and strategy.	Across the company we recognise good performance and behaviour to support our ambitious long-term plans. This culture is extended to executive pay arrangements.
Predictability – The range of possible values of rewards to individual Directors and any other limits or discretions should be identified and explained at the time of approving the policy.	Our remuneration report clearly presents the maximum award level for variable pay components. Scenario charts are also included to give sight of potential outcomes under varying performance levels.
Proportionality – The link between individual awards, the delivery of strategy and the long-term performance of the Company should be clear. Outcomes should not reward poor performance.	In order to link individual awards with the delivery of strategy, we have adopted a strong "pay-for-performance" culture

Illustration of the application of the Remuneration Policy

The graph below indicates the level of compensation receivable by the CEO in accordance with the policy in the first year in which the policy applies, 2023. The Bar chart contains separate bars representing: (a) "threshold"; (b) at "target"; (c) at "maximum"; and (d) "maximum + 50% share price".

Basis of calculation:
The 'Threshold' scenario shows fixed remuneration only based on base salary as at 1 January 2023, value of benefits received in the year ended 31 December 2022, and the pension benefits to be accrued over the year ending 31 December 2023.The 'Target' scenario shows fixed remuneration as above, plus a target pay-out of 50% of the maximum annual bonus and a target pay-out of the long-term incentive awards at 50% of the maximum award. The 'Maximum' scenario reflects fixed remuneration, plus the maximum pay-out of annual and long-term incentives. The 'Maximum plus share price growth' scenario reflects the 'Maximum' scenario above with an additional 50% increase in the value of long-term incentives based on an assumed share price appreciation over the performance period.



Annual Report on the Compensation

The Annual Report on Compensation sets out how we implemented our compensation in 2022 and how we intend to apply the Policy for the financial year ending 31 December 2023. It is divided into three sections:

Section 1: Single Figure Tables
Section 2: Further information on compensation for the year ended 31 December 2022
Section 3: Implementation of the compensation Policy in the year ended 31 December 2023

During the period no discretion was exercised during the awards, no payment was made to past Directors and no agreements between company directors and employees for payments regarding loss of office was made.

Section 1: Single-Figure table

The table below illustrates the compensation that was paid to the CEO, Thomas Ingenlath, during the period from listing 24 June 2022 to 31 December 2022. There were no other Executive Directors on the Board.

Director	Fee/Basic Salary[1]	Benefits (Car, Health insurance, Schooling)	Pension [3] (ITP, VMP)	Bonus[2] (STI 2022)	LTI[4]	Total fixed compensation	Total variable compensation	Total compensation
Thomas Ingenlath	4,708,000	149,348	1,419,430	7,568,400	2,437,305	6,276,778	10,005,705	16,282,483

All amounts in SEK.

1. Basic salary refers to the base salary paid in the period from 24th June to 31st December.
2. "Bonus" refers to the Polestar annual bonus program 2022, for the full year 2022, paid out in April 2023. Note that this figure has not been pro-rated.
3. "Pension" refers to the company pensions contributions according to the ITP2 plan and VMP Plan paid in the period from 24th June to 31st December.
4. "LTI" refers to the vested part (33%) of the "At listing share based program" and the 2020 cash based LTVP program paid out in April 2023.

Annual bonus

All employees of Polestar, including each of the Company's executive officers, participate in the Polestar Bonus Program, a short-term cash incentive program, of which key performance indicators ("KPIs") and the pay-out are approved by the Board annually. Under the Polestar Bonus Program, employees are eligible to receive an annual cash bonus based on global and market specific Polestar KPIs. At the end of the applicable performance period, the Board determines the achievement of the relevant performance metrics.

For fiscal year 2022, the Polestar Global Bonus Program was based on the following five KPIs: (i) operational growth and retail deliveries volume; (ii) financial growth; (iii) customer experience; (iv) market expansion and (v) retail expansion. After the conclusion of the fiscal year 2022 performance period on December 31, 2022, the Board determined that the KPIs were achieved at 106% of target levels, resulting in a pay-out equal to 106% of target bonus levels.

		Performance targets					
Metric	**Weighting**	**Threshold**	**On target**	**Maximum**	**Actual**	**% Vesting**	**% Of max bonus opportunity**
Operational Growth (Sales volume)	20%	75%	100%	200%	77.5%	77.5%	38.6%
Financial Growth (EBIT)	20%	75%	100%	200%	86.5%	86.5%	43.3%
Customer Experience	20%	75%	100%	200%	140%	140%	70%
Market Expansion	20%	75%	100%	200%	100%	100%	50%
Retail Expansion	20%	75%	100%	200%	100%	100%	50%
		Total				**106%**	**53%**

Total Bonus outcomes for FY2022

	Financial measures (% of bonus achieved, max 100%)	Non-financial measures (% of bonus achieved, max 100%)	Total vesting percentage (%, max 100%)	Vesting amount as % of full year salary	Bonus amount (SEK)
Thomas Ingenlath	40.95%	56.66%	53%	106%	7,568,400

Long-term incentives

Cash based Long Term Variable Pay

The Long-Term Variable Pay Program is a long-term cash incentive program for certain management personnel who joined Polestar from Volvo Cars during a start-up period, including Mr. Ingenlath. The incentive was awarded in 2019, before the listing. This incentive program mirrors the Volvo Cars Long Term Variable Pay Program and is administered by Volvo Cars. Awards under the Long-Term Variable Pay Program are paid based on achievement of performance conditions and the market value of Volvo Car Group at the end of a three-year performance period. In the 2019 program, the performance conditions under the Long-Term Variable Pay Program were based on (i) value creation, as measured by an independent third-party valuation, and (ii) Volvo Cars Group performance, measured based on average three-year Operating Margin and average three-year Revenue Growth. The target level in the 2019 Long Term Variable pay program was 30% of the annual base salary as of January 2019, and the max opportunity was 60%. The outcome of the 2019 program was 122% of the target level.

2022 was the last year including Polestar employees in the Long-Term Variable Pay Program, as Polestar put in place its own Long Term incentive plan (Share based).

Share based Long Term Incentive

On 23 June 2022, the Company adopted the Polestar Automotive Holding UK PLC 2022 Omnibus Incentive Plan ("the Omnibus Plan"), pursuant to which employees of the Company and the Company's affiliates performing services for the Company, including the Company's executive officers, are eligible to receive awards. The Equity Plan provides for the grant of stock options (in the form of either non-qualified stock options ("NSOs") or incentive stock options ("ISOs")), stock appreciation rights ("SARs"), restricted stock, RSUs, performance awards, other stock-based awards, cash awards and substitute awards intended to align the interests of participants with those of the Company's shareholders.

At Listing Program

The At-Listing Share Incentive Program is a one-off incentive programme and was introduced in connection with the listing of Polestar in June 2022. The aim of the programme is to motivate and incentivise the delivery of sustained performance over the long-term, focusing on enterprise value creation, sustainability, and retention. The programme also aims to reward those employees who had a major contribution in making Polestar a listed company.

Participants in the program have received and will receive Restricted Share Units (RSUs*) throughout a 2-year period after the listing.

Post Listing Program

The Post Listing share incentive programme was introduced after the listing of Polestar. The aim of the programme is to motivate and incentivise the delivery of sustained performance over the long-term, focusing on enterprise value creation, sustainability, and retention. The purpose of the programme is also to attract, retain, reward and motivate executive directors, senior management and selected top-performing employees.

The ambition is to start a new 3-year program every year, with the metrics set by the board of directors before each launch. Participants will be granted Performance Share Units (PSUs) and/or Restricted Share Units (RSUs).

Pension

The ITP Pension Plan is an occupational pension plan for private sector salaried employees and is based on a collective bargaining agreement between the Confederation of Swedish Enterprise and the Council for Negotiation and Cooperation. The ITP Pension Plan is divided into two parts: ITP 1 (applicable to employees born 1979 and later), which is a defined contribution plan and ITP 2 (applicable to employees born before 1979), which is primarily a defined benefit plan. Furthermore, it is also possible for employees born in 1978 or earlier that are earning at least 10 Swedish income base amounts to agree with the employer to instead apply the ITP 1 pension plan.

Mr. Ingenlath is covered by the defined benefit pension plan (ITP 2) as per the Swedish collectively agreed "Avtal om ITP och TGL" and the Volvo Management Pension (VMP), a supplementary pension plan.

The defined benefit pension plan (i.e., the ITP 2 pension plan) through the Swedish ITP collective bargaining agreement is a final salary-based plan and is funded through regular insurance payments. This plan is secured with the mutual insurance company Alecta, and the portion secured through such insurance refers to a defined benefit plan that comprises several employers and is reported according to a pronouncement by the Swedish Financial Reporting Board, UFR 10.

The pension contributions paid to the CEO is according to the ITP 2 plan, and above the cap at 30 income base amounts the pension contributions are 30% of the annual base salary.

Summary Table CEO compensation in USD

All compensation paid to the CEO is paid in SEK, but as the reporting currency is US dollars, we have included a summary table of the CEO compensation in USD to simplify the reading. The exchange rate between SEK and USD used to do the conversion is 0,0950.

Element	Amount	Comment
Basic Salary	$447,260	Base salary paid in the period 24th June 2022 to 31 Dec 2022
Benefits	$14,188	Benefits paid in the period 24th June to 31 Dec 2022
Pension	$134,846	Pension contributions paid in the period 24th June to 31 Dec 2022
Bonus	$718,998	Bonus refers to the Polestar annual bonus program 2022, for the full year 2022, paid out in April 2023. Note that this figure has not been pro-rated.
LTI	$231,544	LTI refers to the vested part (33%) of the “At listing share based program” and the 2020 cash based LTVP program paid out in April 2023.
Total compensation	$1,546,836	Sum of all compensation listed above

Board Compensation

Non-executive directors receive fees reflecting the time commitment, demands and responsibilities of the role. Fees paid to the non-executive directors and Board chairman for 2022, representing the time-period from listing date to 31st December, are detailed in the table below.

Director	Board fee	Committee fee	Car benefit	Total fee
Håkan Samuelsson	$175,000	$20,000	Yes	$195,000
Carla De Geyseleer	$100,000	$10,000	Yes	$110,000
Karen C. Francis	$100,000	$10,000	Yes	$110,000
Daniel Li	$100,000	$10,000	Yes	$110,000
Karl-Thomas Neumann	$100,000	$0	Yes	$100,000
David Richter	$100,000	$5,000	Yes	$105,000
Jim Rowan	$100,000	$10,000	Yes	$110,000
David Wei	$100,000	$5,000	Yes	$105,000

Section 2: Further information on compensation for the year ended 31 December 2022

Scheme interests awarded during the financial year (CEO):

	At Listing Program	Post Listing Program
Type of Award	RSUs	PSUs
Basis for Award	100% of annual base salary	75% of annual base salary
Face Value of Award	$521,708	$391,281
Vesting at min performance	N/A	0%
Performance period	N/A	1st July 2022 to 31st Dec 2024
Performance Measures	N/A	• **Value Creation**, the target is positive relative market value development compared to a peer group of 6 other EV companies. Measured by Relative Total Shareholder Return (rTSR). This measure captures share price change (of a single share) and dividend reinvestment. • **Cash Flow,** Unleveraged free cash flow forecast accumulated 2022-2024, • **Sustainability** (CO_2 reduction) Polestar's total yearly greenhouse gas emissions divided by number of sold cars for the same year. The greenhouse gas emissions are calculated every year according to greenhouse gas protocol reporting standard. Polestar includes Scope 1, 2 and 3 emissions. The results and methodology are reported in the annual sustainability report. • **Operational Milestones,** Fulfilment of 8 Operational milestones driving; Growth and Stand-alone capabilities
Share price at grant	$6.72	$6.72

Directors' interests

Executive Director share ownership guidelines

The non-executive directors are not permitted to participate in any of the company's incentive programs. All non-executive directors are required to invest 50% of their net ordinary board fee in Polestar shares. The table below illustrates the shareholding of the CEO and the non-executive directors as of 31st of December 2022.

The Directors' interests in the share capital of the Company per 31 December 2022 were as follows:

	Outstanding scheme interests as of 31 December 2022				Beneficially owned shares	Total of all scheme interests and shareholding as of 31st December 2022
Director	**Unvested scheme interests subject to performance conditions**	**Unvested scheme interests not subject to performance conditions**	**Vested but unexercised scheme interests**	**Total shares subject to outstanding scheme interests**	**As of 31 December 2022,**	
Thomas Ingenlath	58,226	77,625	0	135,851	335,620	445,851
Håkan Samuelsson	0	0	0	0	781,600	781,600
Carla De Geyseleer	0	0	0	0	196,750	196,750
Karen C. Francis	0	0	0	0	25,275	25,275
Daniel Li	0	0	0	0	7,000	7,000
Karl-T. Neumann	0	0	0	0	5,250	5,250
David Richter	0	0	0	0	135,655	135,655
Jim Rowan	0	0	0	0	13,600	13,600
David Wei	0	0	0	0	5,900	5,900

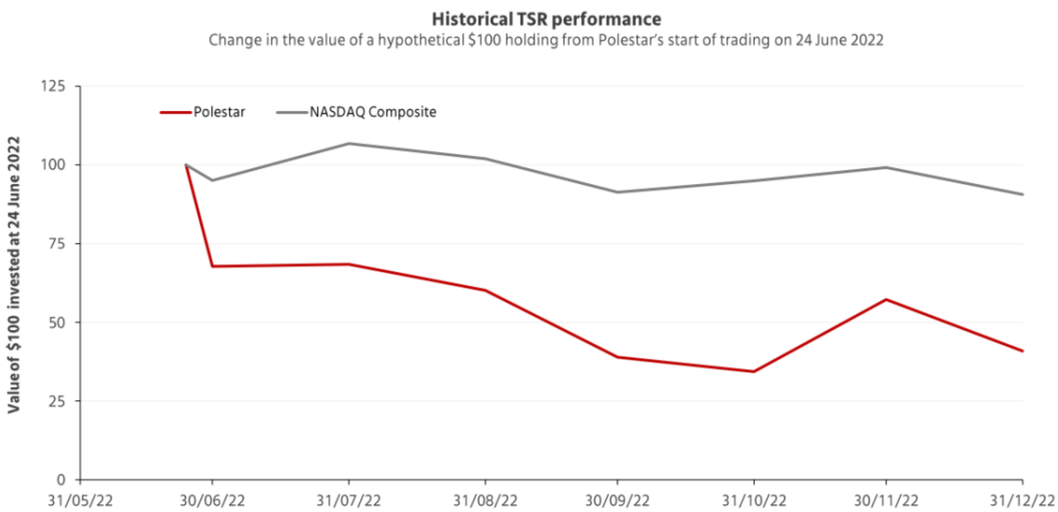
Between 1 January 2023 and 12 May 2023, the Executive and Non-Executive Directors' beneficial interests in the table above remained unchanged.

Executive Director share plan interest movements during the year

	Grant date	Vesting, exercise or release date	Number of Options / awards held as of 31 December 2021	Awarded	Exercised	Lapsed	Number of Options / awards held as of 31 December 2022	Grant award price (USD)	Face value of awards (USD)
CEO									
At Listing Program	9 Sept 2022	3 Oct 2022	0	77,635	25,620	0	52,015	6.72	$521,708
Post Listing Program	9 Sept 2022	2025	0	58,526	0	0	58,526	6.72	$391,281

Comparison to Company Performance

The graph below illustrates the total shareholder return for the Company for the period from its listing to year end, relative to NASDAQ composite index.



	24/06/22	30/06/22	31/07/22	31/08/22	30/09/22	31/10/22	30/11/22	31/12/22
Polestar	100.00	67.77	68.38	60.15	38.92	34.31	57.23	40.85
NASDAQ Composite	100.00	95.02	106.79	101.95	91.30	94.90	99.18	90.59

Historical compensation of the Chief Executive Officer

The table below sets out the total compensation delivered to the CEO since the Company's listing valued using the methodology applied to the single total figure of remuneration. The Compensation Committee does not believe that the remuneration paid in earlier years as a private company bears any comparative value to that paid in its time as a public company and, therefore, the Remuneration Committee has chosen to disclose remuneration only since IPO:

Year	Total Single Figure	Annual bonus payment level achieved (% of max opportunity)	LTI vesting (% of max opportunity)[2]
2022[1]	16,282,483 SEK	53%	100%

1. The figures above reflect the time period 24th June to 31st December 2022, including the STI and LTI for the full year 2022
2. LTI vesting figure relates to the At listing plan where 33% of the total award vested on the 3rd of October 2022.

Change in Compensation of Directors Compared to Employees

As Polestar were listed during 2022 it is not relevant to present changes in the compensation from 2021 to 2022. This section will be included next year.

Relative Importance of Spend on Pay

As Polestar was listed during 2022 it is not relevant analyse the spend of pay to other disbursements. This section will be included next year.

Payments to past Directors/Payments for loss of office

There were no payments to past Directors, or payments for loss of office to past Directors during FY2022.

Pay in the wider context

Polestar aims to offer Compensation and Benefits that ensure that we attract, motivate, and retain the employees needed for the successful execution of the Company's strategies. We want to build a sustaining and winning culture where we recognise good performance and behaviour supporting our ambitious long-term plans.

Compensation, rewards, and recognition in Polestar must be based on transparent and non-discriminatory grounds. Discriminatory differentials based on race, religion, gender, national origin, age, sexual orientation, disability, or any other unjust cause should never occur.

Compensation shall also ensure that Polestar maximises its opportunity to reach set performance goals, in a short- as well as long-term perspective, and at the same time be affordable in relation to Polestars financial status.

Polestar wants to offer flexible compensation & benefits solutions to meet the needs of our diverse workforce. Depending on the age and life situation there will be different needs and we want to try to meet these needs as far as possible by offering a flexible compensation & benefits offering.

CEO-to-Employee Pay Ratio

The CEO-to-employee pay ratio is an important metric that reflects the level of compensation variability within a company. In Polestar Automotive UK, the CEO to employee pay ratio was 11:1 in 2022. This ratio indicates that for every dollar earned by the CEO, 0.09 dollar was earned by the average employee. This ratio may vary from year to year due to variations in the performance-based pay earned by the CEO as well as other factors.

We believe that a fair and equitable pay structure is crucial for promoting employee satisfaction and motivation. In light of this, Polestar Automotive has implemented a number of measures to ensure that our pay practices are transparent and aligned with our values. These measures include regularly reviewing and adjusting our pay scales to ensure that they remain competitive, providing regular training and development opportunities to employees, and offering a range of benefits and perks to help attract and retain top talent.

Looking ahead, we remain committed to maintaining a fair and equitable pay structure that takes into account the contributions of all employees and supports our overall business goals. We will continue to review our compensation practices on an ongoing basis and make any necessary adjustments to ensure that our pay ratios remain aligned with our values and objectives.

According to UK legislation we are encouraged to present the CEO pay ratio compared to UK employees. We have used option A to conduct the CEO pay ratio benchmark. The benchmark is based on the actual CEO pay for 2022 and the actual 25th percentile, Median and 75th percentile compensation for our UK employees. The benchmark includes a base salary benchmark and a total compensation benchmark.

CEO pay compared to all UK employees:

CEO pay ratio	25th percentile ratio	50th percentile ratio	75th percentile ratio
2022 Base pay	13:1	11:1	9:1
2022 Total pay ratio	27:1	22:1	18:1

CEO Base pay and Total pay (base salary, STI, cash LTI and pension contributions) compared to all UK employees:

Pay data 2022	Base salary (£000)	Total Pay (£000)
CEO Compensation	590	1,311
UK colleague 25th percentile	44	49
UK colleague 50th percentile	55	61
UK colleague 75th percentile	65	72

CEO Base pay and Total pay for full year 2022 compared to all UK employees, data as of 31st December 2022. The exchange rate used to convert SEK to GBP is 0.0791.

Gender Pay Gap reporting

The gender pay gap is a significant issue that affects women in the workforce globally. At Polestar, we are committed to promoting equal pay for equal work and reducing the gender pay gap within our organisation. Our compensation should not be affected by gender, race, religion, national origin, age, sexual orientation, disability, or any other unjust cause.

In 2022, our analysis of the gender pay gap showed that it exists a difference in median earnings between male and female employees. This difference is primarily due to a higher representation of men in senior leadership positions and in certain specialist roles with higher pay scales. The gender pay analysis was also made on a "similar job basis" and this analysis shows a lower pay gap.

In response to this issue, Polestar has taken a number of steps to address the gender pay gap and promote equal pay for equal work. These steps include regularly conducting pay equity analysis, offering leadership development opportunities to women and underrepresented groups, and implementing programs aimed at increasing the representation of women in senior leadership positions.

We recognise that closing the gender pay gap is an ongoing effort that requires sustained attention and action. Moving forward, we will continue to monitor and address the gender pay gap through regular pay equity analysis and ongoing initiatives aimed at promoting diversity, equity, and inclusion in the workplace. We believe that a diverse and inclusive workplace, where all employees are valued and fairly compensated, is key to the success and growth of Polestar.

A gender pay analysis was made in our two biggest countries, Sweden and UK, in 2022.

Table showing Gender pay gap:

Country	Women's salary in relation to men's salary	% of Women employees	% of Men employees	Number of employees
Sweden	87%	36%	62%	1,150
UK	83%	18%	82%	522

Section 3 – Implementation of Compensation Policy in FY2023

The table below illustrates the changes planned for 2023

Component	From 1st January 2023
Fixed Pay	
Annual Base Salary	No changes planned to the CEO base pay in 2023
Benefits	No changes planned to the CEO benefits in 2023
Pension	No changes planned to the CEO pension benefit in 2023
Annual Bonus	
Opportunity	The CEO STI Target is 75% of the annual base salary in 2023. The max opportunity is 150% of annual base salary
Measures	• Operational Growth 30% • Financial Growth 30% • Customer Satisfaction 25% • Quality 15% Due to the potential impact on our commercial interests, annual bonus targets are considered commercially sensitive and therefore will be disclosed in the 2023 Compensation Report following the completion of the financial year.

Long Term Incentive	
Polestar LTI program	The CEO LTI Target level is 100% of annual base salary as of 1st of January 2023, max level is 200% of annual base salary.
Measures and targets	Polestar value creation versus peer group 25% Cash flow 25% CO_2 reduction 20% Operational milestones 30%

2023 Chairman and Non-Executive Director Fees

Role	Fee from IPO (6 months) (USD)	2023 Fee (USD)
Chairman	175,000	350,000 (0% increase)
Non-Executive Director	100,000	200,000 (0% increase)
Additional fee for Audit Committee Chair	10,000	20,000 (0% increase)
Additional fee for Compensation Committee Chair	10,000	20,000 (0% increase)
Additional fee for Audit committee Member	5,000	10,000 (0% increase)
Additional fee for Compensation committee Member	5,000	10,000 (0% increase)

The Compensation Report comprising pages 36 to 54 was approved by the Board and signed on its behalf by:

Karen C. Francis

Karen Francis
Chair of the Compensation Committee
6 June 2023

Directors' Report

The Directors of Polestar Automotive Holdings UK Plc (registered in England and Wales: 13624184) (the "Company") are pleased to present the annual report and accounts, together with the audited financial statements of the Company, for the period ended 31 December 2022. All amounts are stated in thousands of USD ("TUSD"), unless otherwise stated. Refer to Stakeholder Engagement on pages 10-12 for information relating to engagement with suppliers, customers, and others.

Diversity of the Board

Polestar is dedicated to annual reviewing the composition of the Board with specific attention to characteristics such as independence, knowledge, skills, experience and overall championing diversity on the Boards. As a global company, internationalism is mirrored in the workforce and Polestar strives to ensure that the Company is a warm and hospitable please to work for all while continuing to improve sex, racial and cultural diversity at all levels of the organisation.

Directors' and Officers' Liability

A policy of insurance against Directors' and Officers' liabilities is maintained by the Company.

Directors Indemnities

The Company has entered into Deeds of Indemnity with to each of its directors in respect of all losses arising out of or in connection with the execution of their powers, duties and responsibilities as Director to the extent permitted by the Companies Act 2006 and the Company's Articles of Association.

Principal activities of the Company

Details of current and future trading as well as the principal risks and uncertainties are included in the Strategic Report on page 3.

Business Review and Key Performance Indicators

The review of the business, future trading and key performance indicators are covered in the Strategic and Financial Reports.

Financial Risk Management

Details of financial risk management are provided in Note 2 to the consolidated accounts.

Results

The results for the year are shown in the financial statements. Commentary on the results, future developments and post balance sheet events can be found in the Strategic Report and the Chair's Statement.

Dividend Policy

The Company intends to pay dividends on the Ordinary A Shares at such times, if any, and in such amounts, if any, as the Board determines appropriate in its absolute discretion. The Company will only pay dividends to the extent that to do so is in accordance with all applicable laws.

The Directors do not recommend the payment of a dividend for the years ended 31 December 2020, 2021 and 2022 due to the early stage of development of the Company.

Political Donations

During the year ended 31 December 2020, 2021 and 2022, the Group made no political donations nor other political expenditures.

Share Capital

Details of the issued share capital, together with the details of shares issued during the year, are set out in note 20 of the financial statement.

Substantial Shareholders

As at the date of this report, Company had received notification from the following financial institutions of their and their clients' interest in the following disclosable holdings, which represent 3 per cent. or more of the voting rights of the issued share capital of the Company:

Name of Beneficial Owner	Number of Shares	Approximate Percentage of Outstanding Shares
Executive Officers and Directors:		
Thomas Ingenlath	335,620(1)	*
Johan Malmqvist	17,468(2)	—
Dennis Nobelius	12,521(3)	—
Håkan Samuelsson	781,000	*
Carla De Geyseleer	196,750	*
Karen C. Francis	25,275(4)	*
Donghui (Daniel) Li	7,000	—
Dr. Karl-Thomas Neumann	5,250	—
David Richter	135,655	*
James Rowan	13,600	—
Zhe (David) Wei	5,900	—
All directors and executive officers as a group (eleven individuals)	1,536,039	*
Five Percent or More Holders:		
Li Shufu(5)	1,863,591,270	88.2 %

* Less than one percent.

(1) Number of shares owned by Mr. Ingenlath. Additionally, Mr. Ingenlath has been granted 77,635 Restricted Stock Units as part of the Polestar At Listing share program, whereof 25,620 have vested (and are accounted for in the above table). Mr. Ingenlath has also been granted 58,226 Performance Stock Units as part of the Polestar Post Listing share program, which have not yet vested.

(2) Number of shares owned by Mr. Malmqvist. Additionally, Mr. Malmqvist has been granted 52,933 Restricted Stock Units as part of the Polestar At Listing share program, whereof 17,468 have vested (and are accounted for in the above table). Mr. Malmqvist has also been granted 42,346 Performance Stock Units as part of the Polestar Post Listing share program, which have not yet vested.

(3) Number of shares owned by Mr. Nobelius. Additionally, Mr. Nobelius has been granted 37,943 Restricted Stock Units as part of the Polestar At Listing share program, whereof 12,521 have vested (and are accounted for in the above table). Mr. Nobelius has also been granted 28,457 Performance Stock Units as part of the Polestar Post Listing share program, which have not yet vested.

(4) Represents Class A ADSs that Ms. Francis has purchased in connection with the March Sponsor Investment.

(5) Includes 828,013,737 Class B ADSs for which PSD Investment Limited is the record holder. It also includes 204,572,624 Class A ADSs and 814,219,838 Class B ADSs for which Snita is the record holder, 4,678,552 Class A ADSs for which Northpole GLY 1 LP is the record holder, 12,106,514 Class A ADSs for which GLY New Mobility 1. LP is the record holder, 3 Class A ADSs for which Saxo Capital Markets Pte. Ltd ("*Saxo SG*") is the record holder and 2 Class A ADSs for which Saxo Capital Markets HK Limited ("*Saxo HK*") is the record holder. Li Shufu controls PSD Investment Limited and directly or indirectly owns approximately 91.9% of equity interests in Geely, which owns approximately 82.0% of equity interests in Volvo Cars and approximately 86.0% of GLy Capital Management Partners (Cayman) Limited. GLy Capital Management Partners (Cayman) Limited controls Northpole GLY GPI, GLY New Mobility GP1 and Northpole GLY GP1, the general partners of Northpole GLY 1 LP, GLY New Mobility 1. LP and Northpole GLY 2 LP, respectively. Saxo SG and Saxo HK are owned and controlled by Geely. Consequently, since voting and dispositive decisions with respect to such securities are ultimately made by Li Shufu, he is deemed to have beneficial ownership over 1,863,591,270 Class A ADSs, assuming the conversion of all Class B ADSs into Class A ADSs. Li Shufu disclaims beneficial ownership of these securities except to the extent of any pecuniary interest therein. The business address of Li Shufu and Former Parent is 13/F, Gloucester Tower, The Landmark, 15 Queen's Road Central, Central, Hong Kong and the business address of Snita is Stationswerg 2, 4153 RD Beesd, Netherlands.

Relationship agreements with major shareholders

The Company (and its predecessor Polestar Automotive Holding Limited, "Former Parent") is party to an Acknowledgment Agreement to the Shareholder Agreement ("Shareholder Acknowledgement Agreement") which includes, amongst other, its major shareholders Snita Holding BV and PSD Investment Limited. The Shareholder Acknowledgement Agreement provide that (i) the initial Board was to include nine directors, a majority of whom would be independent directors, (ii) for a period of three years following 23 June 2022, Former Parent and the Former Parent's shareholders will not vote in favour of the removal any independent directors of the Company unless at least two independent directors vote in favour of such removal, (iii) for a period of three years following 23 June 2022, Former Parent and the Former Parent's shareholders will not require the Company to convene a general meeting for the purpose of removing an independent director and (iv) for three years following the 23 June 2022, Former Parent and the Former Parent's shareholders will not to vote in favour of any amendment to the Company's Articles relating to the composition of the Board or the appointment or removal of

Company directors. Gores Guggenheim Sponsor LLC sponsor has third party beneficiary rights to enforce the aforementioned undertakings.

Going Concern

Polestar's business is capital-intensive, and Polestar expects that the costs and expenses associated with its planned operations will continue to increase in the near term. 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 cash flow from operations for several years. Managing the company's liquidity profile and funding needs remains one of Management's key priorities. Polestar has contractual payment obligations to third parties in the form of credit facilities, sale leaseback arrangements, and various other leasing arrangements. If Polestar's cash resources are insufficient to finance its future cash requirements, Polestar will need to raise additional funds through equity or debt financings.

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. If Polestar is unable to raise additional funds through equity, debt financings, or other means when needed, it may be required to delay, limit, reduce, or, in the worst case, to terminate research and development and commercialization efforts and may not be able to fund continuing operations.

Polestar's ability to obtain such financing could be adversely affected by a number of factors, including general conditions in the global economy and in the global financial markets, including recent volatility and disruptions in the capital and credit markets.

Polestar Group's 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 2023-2027 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 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, 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 years ended December 31, 2022, 2021 and 2020, amounted to $465,789, $1,007,454, and $484,858, respectively. Negative operating and investing cash flows for the years ended December 31, 2022, 2021 and 2020, amounted to $1,799,396, $441,828, and $300,757, 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 2023-2027 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, shareholder loans with 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 a material uncertainty about Polestar Group's ability to continue as a going concern. There are ongoing efforts in place to mitigate the uncertainty. The Consolidated Financial Statements do not include any adjustments to factor for the going concern uncertainty.

Legal Proceedings

Details of any relevant legal proceedings are provided in Note 27 to the consolidated accounts.

Change of Control

Working capital loans and facility agreements
The Group has a number of working capital loans and trade and inventory finance facilities provided by various banks. In addition, the Company has entered into a facility agreement with SNITA Holding B.V. These facilities generally include provisions which may require any outstanding borrowings to be repaid or the alteration or termination of the facility upon the occurrence of a change of control of the Company.

Conflicts of Interest

The Nominating and Governance Committee is responsible to review and approve any requests from directors to stand for election in any outside board of directors and review's the directors' independence as part of its work. Directors are also to disclose any potential conflict affecting them to Board.

Jim Rowan who is the current CEO of Volvo Cars, Daniel Li who is the current CEO of Geely and serves on the board of Volvo Cars, and Håkan Samuelsson who served as CEO of Volvo Cars until March 2022 are excluded from voting on decisions which involve the Company's relationship to Volvo Cars or Geely, or other companies under common control.

Articles of Association

The Company's Articles of Association may only be amended by special resolution at a general meeting of shareholders.

Auditor Remuneration

	For the year ended December 31,	
	2022	**2021**
Fees payable to the company's auditor and its associates for the audit of the parent company and consolidated financial statements	11,159	491
Total audit fees	**11,159**	**491**
Audit related assurance services	412	—
Other assurance services	—	—
Total audit-related assurance services	**412**	**—**
Total audit and audit-related assurance services	**11,571**	**491**
Tax services	—	—
Other non-audit services	—	2,306
Total non-audit services	**—**	**2,306**
Total audit, audit-related, and non-audit fees	**11,571**	**2,797**

Independent Auditor and Disclosure of Information to the independent auditor

Deloitte LLP have indicated a willingness to continue as auditors, a resolution for reappointment will be presented to the members at the forthcoming Annual General Meeting.

To the directors' knowledge, the Company's auditors have been fair and independent, and each company has taken reasonable steps to establish such. Each director confirms that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware and each director has taken all the steps that he or she ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The Directors' Report comprising pages 55 to 58 was approved by the Board and signed on its behalf by:

Håkan Samuelsson
Chair
6 June 2023

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and Financial Statements, in accordance with the applicable law and regulations.

The Companies Act 2006 requires Directors to prepare financial statements for each financial year (s394). The Directors have elected to prepare the financial statements in accordance with UK-adopted international accounting standards and applicable law.

Company law outlines that the Directors are obliged to only approve the financial statements if they are satisfied that they provide a true and fair reflection of the state of affairs of the company, and of their profit or loss for that period. In the preparation of each financial statement, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and,
- prepare the financial on the 'Going Concern' basis, unless it is inappropriate to presume that the company will continue in business.

They have a general responsibility to take steps to safeguard the assets of the company, and to prevent and detect fraud and other irregularities.

The Directors are also responsible for maintaining adequate accounting records (s 386(1)), which are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company, to enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

This annual report and financial statements, together with the Notice of Annual General Meeting, may be viewed on the Company's website. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of the financial statements may differ from the legislation in other jurisdictions in which the Company operates, including the U.K., U.S., Sweden and China.

Directors have had regard to the matters set out in section 172(1) of the Companies Act 2006 when performing their duty to act in the way most likely to promote the success of the Company for the benefit of its members as a whole.

The Statement of Directors' Responsibilities comprising page 59 was approved by the Board and signed on its behalf by:

Thomas Ingenlath
Chief Executive Officer
6 June 2023

Håkan Samuelsson
Chair
6 June 2023

Financial Statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF POLESTAR AUTOMOTIVE HOLDINGS UK PLC

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of Polestar Automotive Holdings UK plc (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2022 and of the group's loss for the year then ended;

- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);

- the parent company financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and

- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of loss and comprehensive loss;
- the parent statement of income and comprehensive income;
- the consolidated and parent company statement of financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated and parent company statement of cash flows; and
- the related notes 1 to 28 of the consolidated financial statements and notes 1 to 13 of the parent company financial statements.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law, United Kingdom adopted international accounting standards and IFRSs as issued by the IASB. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006.

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Material uncertainty related to going concern

We draw attention to note 1 in the financial statements, which indicates that the Group is expected to continue generating net losses and negative cash flows as the business continues to focus on the launch of new vehicle models. Due to the expected level of future expenses and capital investment forecasted, the Group are dependent on raising additional financing. The availability of this additional financing is uncertain.

As stated in note 1, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the group's and parent company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- holding ongoing discussions with the Directors and management to evaluate the going concern assumption;
- obtaining and challenging management's going concern assessment and cash flow projections used therein including an assessment of historical forecasting accuracy and performing sensitivity analysis on the impact of volume shortfalls;
- evaluating the financing facilities including nature of the facilities, repayment terms and covenants;
- considering arrangements to provide or maintain financial support from related and third parties; and
- evaluating the reasonableness of disclosures included in the financial statements.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

4. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Going Concern *(see material uncertainty related to going concern section above)* • Revenue Recognition • Valuation of Inventory
Materiality	The materiality that we used for the group financial statements was $18.7m which was determined on the basis of 0.8% of forecast revenue.
Scoping	We focused our Group audit response primarily on the audit work at 4 components. These components represent the accounting locations for multiple

	subsidiaries and account for 90% of the Group's revenue and 95% of the Group's total assets.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

5.1. Revenue Recognition

Key audit matter description	The Group's revenue primarily consists of revenue from the sales of vehicles, which are sold to individuals, fleet customers, financial service providers, dealers and importers based on contractual agreements. The Group recognises revenue at the point in time when the customer obtains control of the vehicle, and thus has the ability to direct the use of, and obtain the benefits from, the vehicle. As disclosed in note 4, during the year ended 31 December 2022, the Group recognized $2,404 million of revenue related to sales of vehicles (2021: $1,290 million). Revenue recognition accounting policy is outlined in note 1 and is identified as a critical judgement, as disclosed in note 3. We identified revenue recognition related to the sales of vehicles as a key audit matter because of the nature of the various agreements and the complexity of certain terms in these contracts that may affect the timing or measurement of revenue recognition. This required both extensive audit effort due to the variation and complexity in terms in some of the contracts and a high degree of auditor judgment in determining the audit procedures as well as the nature and extent of audit evidence required to determine that revenue recognition was appropriate.
How the scope of our audit responded to the key audit matter	Our audit procedures related to revenue recognised for the sale of vehicles included, but were not limited to: • we obtained an understanding of management's process for identifying and reviewing contracts with all types of customers and determining the revenue recognition treatment in accordance with IFRS 15, *Revenue from Contracts with Customers;* • for a sample of agreements with customers, we obtained the contract and assessed the contract for those terms that could impact the appropriateness of revenue recognition. For those contracts identified with complex terms we evaluated whether the Group appropriately accounted for those contracts in accordance with IFRS 15; • we performed detailed transaction testing for a sample of revenue from the sale of vehicles, by obtaining and inspecting sales orders or contracts with the customer and other related source documents, including delivery documents, invoices and cash receipts, as applicable, to determine that control had transferred to the customer; • for a sample of revenue transactions from the sale of vehicles for certain customers, we confirmed directly with the customers the contract terms and conditions;

	• we considered audit evidence obtained throughout our audit as to whether there is any wider information relevant to the point in time at which the Group recognises revenue; and • we addressed this matter by performing procedures to evaluate audit evidence and the nature and extent of audit procedures performed in connection with forming our overall opinion on the consolidated financial statements.
Key observations	Based on the audit work performed, we identified a number of control deficiencies over the revenue recognition process. The Group designed and implemented several controls during the year and has completed most of the activities in 2022; however, due to the complexity and evolving nature of the Group's management review controls over revenue, we are not able yet to conclude that these controls have been designed effectively and fully implemented to remediate the deficiencies identified. As part of addressing the risk of completeness of bill-and-hold arrangements, we also identified deficiencies in the inventory count controls relating to the review of roll forward / roll back for counts not performed at the year end, the assessment of locations not counted and the thresholds for evaluating differences.

5.2. Inventory

Key audit matter description	The Group had inventories of $659 million at 31 December 2022 (2021: $546 million). Inventories includes new, used, and internal vehicles that are held in geographically disparate locations. Management employs a range of procedures, including physical counts to record and verify the existence, completeness, and condition of inventories. Inventories are valued at the lower of cost or net realisable value. We identified the existence, completeness, and valuation of inventories as a critical audit matter because of the extent of effort in performing procedures and evaluating audit evidence due to the geographical dispersion of the Group's inventories.
How the scope of our audit responded to the key audit matter	Our audit procedures related to inventory existence, completeness and valuation included, but were not limited to: • For a selection of inventory locations: o we observed management's inventory count procedures close to the year-end date and performed independent sample counts and tested the Group's roll-forward or roll-back of balances, between the time of the inventory count and 31 December 2022, or o we obtained confirmations to test the inventory held at third-party locations. • For a sample of inventory, we obtained third-party invoices and other relevant documents to recalculate the vehicle cost; • We developed an independent expectation of the net realisable value of inventory using historic inventory activity and selling price and compared our independent expectation to the amount recorded; and • We performed procedures to evaluate the sufficiency and appropriateness of audit evidence and the nature and extent of audit procedures performed in connection with forming our overall opinion on the consolidated financial statements.

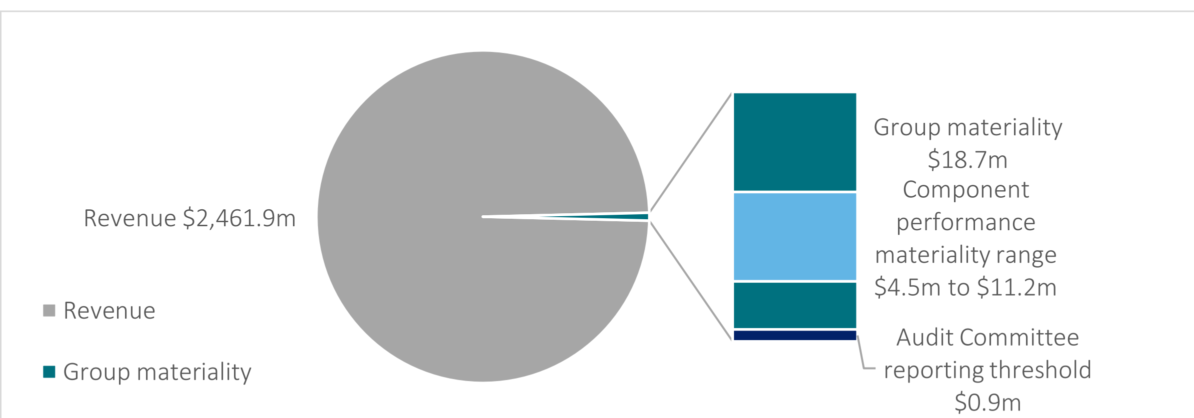
Key observations	Based on the audit work performed, we identified a number of control deficiencies over the inventory process. • Inventory Count: As reported in further detail under the revenue key audit matter, the Group's design of its control over inventory count did not contemplate certain aspects to fully address the existence and completeness of inventory. • Inventory Valuation: Deficiencies were identified related to lack of capitalisation of indirect expenses for manufacturing (depreciation and amortisation related to tooling) and incorrect valuation of internal cars, as the Company over depreciated internal cars.

6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.
Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	\$18.7m	\$18.0m
Basis for determining materiality	0.8% of forecast revenue	0.7% of net assets
Rationale for the benchmark applied	In our professional judgement, we believe that revenue is the most appropriate benchmark to determine materiality as it is deemed of the most important to the users of the financial statements and reflects the growing phase of the Group.	A net assets benchmark was considered appropriate in determining materiality given that the parent company's primary function is to hold the investments in the Company's subsidiaries.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
Performance materiality	70% of group materiality	70% of parent company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: • This is the first reporting period and audit of the group after demerger; • Our risk assessment, including our assessment of the Group's overall control environment and that we considered it appropriate to not rely on controls over the business processes; and • Our past experience of the combined group audit, which has indicated a higher number of misstatements identified in prior periods.	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of $0.9 million, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

Note 1 in the financial statements sets out the basis of preparation of the Group's financial statements following the merger with Gores Guggenheim and the resulting structure of the Group. Our group audit was scoped by obtaining an understanding of the Group and its environment, including group-wide controls, and assessing risks of material misstatement at the Group level. We have also considered the quantum of the financial statement balances and contribution to the Group. In performing our assessment, we have considered the geographical spread of the Group and any risks presented within each region.

We identified components based on accounting locations, with the accounting and reporting for legal entities being centralised across 5 different accounting locations. We identified four of these locations to be significant components of the Group. These locations were the HQ/Sweden cluster, North America, China and Spain.

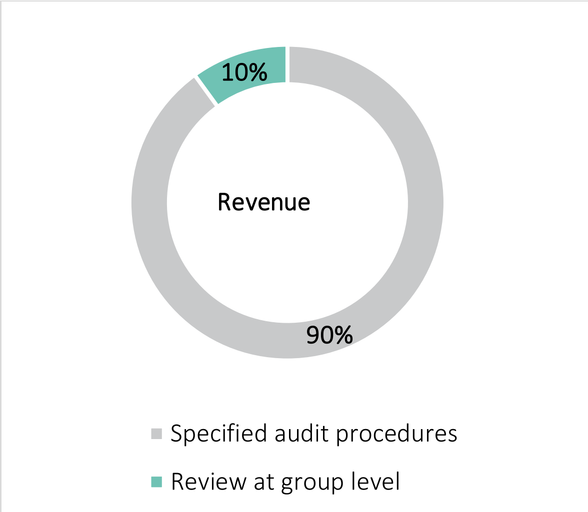
We determined that the four locations were significant components to the Group either due to contribution to the total performance and position of the Group as well as considering the relevant risk in the region that the component operates in.

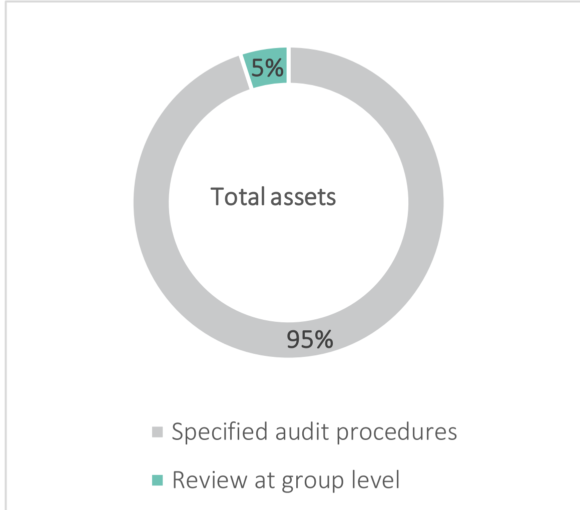
Based on this assessment, audit procedures were performed on four components which covered 90% of revenue and 95% of total assets in the Group.

Our audit work at the components was executed at levels of performance materiality applicable to each individual entity which were lower than Group materiality and ranged from $4.5 million to $11.2 million.

At the Group level, we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

All audit work for the purpose of expressing an opinion on the Group's financial statements is performed by Deloitte member firms





7.2. Our consideration of the control environment

The Group uses a number of different IT systems across key business processes and we worked with our IT specialists in obtaining an understanding of the general IT controls for the relevant systems. Following this, we focused our testing on five core financial, inventory management and sales systems that underpin the operations of the business.

Our approach was principally designed to inform our risk assessment and, as such, we obtained an understanding of relevant IT controls and tested the general IT controls across the in-scope systems.

In addition to the control observations identified in sections 5.1 and 5.2, further deficiencies were also identified with the Group's controls. These were:

1) Internal control over financial reporting: the Group does not have a sufficient number of qualified personnel connecting operations and finance and the accounting function does not have fully formalised accounting processes or a sufficient number of personnel with technical accounting to perform reviews of financial reporting matters and other key controls, including performing timely reviews of work performed by external advisors. This caused a failure to design and maintain an effective control environment with the appropriate associated control activities; and
2) Intangible assets: the Group lacks of appropriate processes and controls to properly recognise intangible assets at period end in accordance with service agreements for upcoming car models.

We identified a number of control deficiencies across the business, for which there insufficient compensating controls to address the risk arising from IT or the risks of material misstatement. As such, we have adopted a fully substantive audit approach.

7.3. Our consideration of climate-related risks

In planning our audit, we have considered the potential impact of climate change on the Group's business and its financial statements.

As noted on page 11 the Group has assessed the risk and opportunities relevant to climate change and whilst the Group has not identified a separate principal risk in relation to the potential risk of climate change, it is incorporated into several existing principal risks.

We have obtained management's climate-related risk assessment and held discussions with those charged with governance to understand the process of identifying climate-related risks, the determination of mitigating actions and the impact on the Group's financial statements. Whilst the directors have acknowledged the risks posed by climate change, they have assessed that climate change does not represent a key source of estimation uncertainty in the financial statements as at 31 December 2022.

We performed our own qualitative risk assessment of the potential impact of climate change on the Group's account balances and classes of transactions and did not identify any additional risks of material misstatement. Our procedures included reading disclosures included in the Strategic Report to consider whether they are materially consistent with the financial statements and our knowledge obtained in the audit.

7.4. Working with other auditors

The audit work on all components was performed by Deloitte member firms. The component work was performed under the direction and supervision of the Group audit team.

The extent of our involvement which commenced from the planning phase included:

- setting the scope of the work to be performed with component auditors and assessment of their independence;
- designing the audit procedures for all significant risks to be addressed by the component auditors and issuing Group audit instructions and expectations of the Group audit team;
- holding discussions with all component auditors at the planning stage of the audit to highlight key aspects of the audit instructions and expectations of the Group audit team;
- holding regular discussions with all component auditors through the audit process; and
- reviewing the component auditor engagement files, which was performed by senior members of the Group engagement team.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit, the directors and the audit committee about their own identification and assessment of the risks of irregularities, including those that are specific to the group's sector;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team including significant component audit teams and relevant internal specialists, including tax, valuations, IT and forensic regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. Forensic specialists were involved in the audit as part of the risk assessment and fraud brainstorming procedures.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in revenue recognition for transactions containing non-standard or other complex terms affecting revenue recognition.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included the US Foreign Corrupt Practices Act, the UK Bribery Act and various vehicle legislation.

11.2. Audit response to risks identified

As a result of performing the above, we identified revenue recognition as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and in-house and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance and reviewing internal audit reports; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

13.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14. Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

22AFA05F393B47A...

Peter Gallimore, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, UK
6 June 2023

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

Consolidated Statement of Loss		**For the year ended December 31,**		
	Note	**2022**	**2021**	**2020**
Revenue	4	2,461,896	1,337,181	610,245
Cost of sales	5	(2,342,453)	(1,336,321)	(553,724)
Gross profit		**119,443**	**860**	**56,521**
Selling, general and administrative expense	5	(864,598)	(714,724)	(314,926)
Research and development expense	5	(167,242)	(232,922)	(183,849)
Other operating income and expense	8	(1,565)	(48,053)	1,766
Listing expense	16	(372,318)	—	—
Operating loss		**(1,286,280)**	**(994,839)**	**(440,488)**
Finance income	9	8,552	32,970	3,199
Finance expense	9	(108,435)	(45,249)	(34,034)
Fair value change - Earn-out rights	16	902,068	—	—
Fair value change - Class C Shares	16	35,090	—	—
Loss before income taxes		**(449,005)**	**(1,007,118)**	**(471,323)**
Income tax expense	11	(16,784)	(336)	(13,535)
Net loss		**(465,789)**	**(1,007,454)**	**(484,858)**
Net loss per share (in U.S. dollars)	12			
Basic and diluted		(0.23)	(0.53)	(0.29)

Consolidated Statement of Comprehensive Loss			
Net loss	**(465,789)**	**(1,007,454)**	**(484,858)**
Other comprehensive income (loss):			
Items that may be subsequently reclassified to the Consolidated Statement of Loss:			
Exchange rate differences from translation of foreign operations	4,519	(33,149)	30,266
Total other comprehensive income (loss)	**4,519**	**(33,149)**	**30,266**
Total comprehensive loss	**(461,270)**	**(1,040,603)**	**(454,592)**

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

	Note	As of the year ended December 31, 2022	2021
Assets			
Non-current assets			
Intangible assets and goodwill	13	1,396,477	1,368,356
Property, plant and equipment	10, 14	258,048	208,193
Vehicles under operating leases	10	92,198	120,626
Other non-current assets	15	5,306	1,682
Deferred tax asset	11	7,755	3,850
Other investments	15	2,333	—
Total non-current assets		**1,762,117**	**1,702,707**
Current assets			
Cash and cash equivalents	15	973,877	756,677
Marketable securities	15	—	1,258
Trade receivables	17	246,107	157,753
Trade receivables - related parties	17, 25	74,996	14,688
Accrued income - related parties	25	49,060	5,103
Inventories	18	658,559	545,743
Current tax assets		7,184	5,562
Assets held for sale	26	63,224	—
Other current assets	19	107,327	120,202
Total current assets		**2,180,334**	**1,606,986**
Total assets		**3,942,451**	**3,309,693**
Equity			
Share capital		(21,165)	(1,865,909)
Other contributed capital		(3,584,232)	(35,231)
Foreign currency translation reserve		12,265	16,784
Accumulated deficit		3,726,775	1,761,860
Total equity	20	**133,643**	**(122,496)**
Liabilities			
Non-current liabilities			
Non-current contract liabilities	4	(50,252)	(28,922)
Deferred tax liabilities	11	(476)	(509)
Other non-current provisions	21	(73,985)	(38,711)
Other non-current liabilities	15	(14,753)	(11,764)
Earn-out liability	16	(598,570)	—
Other non-current interest-bearing liabilities	10, 15	(85,556)	(66,575)
Total non-current liabilities		**(823,592)**	**(146,481)**

Current liabilities			
Trade payables	15	(98,458)	(114,296)
Trade payables - related parties	15, 25	(957,497)	(1,427,678)
Accrued expenses - related parties	25	(164,902)	(315,756)
Advance payments from customers	15	(40,869)	(36,415)
Current provisions	21	(74,907)	(44,042)
Liabilities to credit institutions	23	(1,328,752)	(642,338)
Current tax liabilities		(10,617)	(13,089)
Interest-bearing current liabilities	10, 15	(21,545)	(10,283)
Interest-bearing current liabilities - related parties	25	(16,690)	(13,789)
Current contract liabilities	4	(46,217)	(58,368)
Class C Shares liability	16	(28,000)	—
Other current liabilities	22	(393,790)	(364,662)
Other current liabilities - related parties	25	(70,258)	—
Total current liabilities		**(3,252,502)**	**(3,040,716)**
Total liabilities		**(4,076,094)**	**(3,187,197)**
Total equity and liabilities		**(3,942,451)**	**(3,309,693)**

Approved by the Board of Directors on 6 June 2023 and signed on its behalf by:

Håkan Samuelsson
Chair
6 June 2023

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

		For the year ended December 31,		
	Note	**2022**	**2021**	**2020**
Cash flows from operating activities				
Net loss		(465,789)	(1,007,454)	(484,858)
Adjustments to reconcile net loss to net cash flows:				
Depreciation and amortization		158,392	239,164	216,077
Warranties		84,992	63,114	58,651
Inventory impairment		27,877	31,984	35,984
Finance income		(8,552)	(32,969)	(3,199)
Finance expense		108,435	45,249	34,034
Fair value change - Earn-out rights		(902,068)	—	—
Fair value change - Class C Shares		(35,090)	—	—
Listing expense		372,318	—	—
Income tax expense		16,784	336	13,535
Losses on disposals of assets		—	—	16
Other non-cash expense and income		18,997	11,560	14,048
Change in operating assets and liabilities:				
Inventories		(226,638)	(290,442)	(428,067)
Contract liabilities		13,373	70,220	17,071
Trade receivables, prepaid expenses and other assets		(220,118)	48,574	(268,004)
Trade payables, accrued expenses and other liabilities		52,801	519,676	764,661
Interest received		8,552	1,396	3,199
Interest paid		(68,130)	(12,564)	(30,198)
Taxes paid		(19,559)	—	—
Cash used for operating activities		**(1,083,423)**	**(312,156)**	**(57,050)**
Cash flows from investing activities				
Additions to property, plant and equipment	14, 24	(32,269)	(24,701)	(49,599)
Additions to intangible assets	13, 24	(681,204)	(104,971)	(194,108)
Additions to other investments		(2,500)	—	—
Cash used for investing activities		**(715,973)**	**(129,672)**	**(243,707)**

Cash flows from financing activities			
Change in restricted deposits	—	48,830	134,681
Proceeds from short-term borrowings	2,149,799	698,882	569,087
Principal repayments of short-term borrowings	(1,426,935)	(411,950)	(780,167)
Principal repayments of lease liabilities	(18,905)	(8,578)	(2,298)
Proceeds from the issuance of share capital and other contributed capital	1,417,973	582,388	438,340
Transaction costs	(38,903)	—	—
Cash provided by financing activities	**2,083,029**	**909,572**	**359,643**
Effect of foreign exchange rate changes on cash and cash equivalents	(66,433)	(27,491)	21,340
Net increase (decrease) in cash and cash equivalents	**217,200**	**440,253**	**80,226**
Cash and cash equivalents at the beginning of the period	**756,677**	**316,424**	**236,198**
Cash and cash equivalents at the end of the period	**973,877**	**756,677**	**316,424**

Polestar Automotive Holding UK PLC
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, 2020	20	—	879,232	(13,901)	(274,169)	591,162
Net loss		—	—	—	(484,858)	(484,858)
Other comprehensive income		—	—	30,266	—	30,266
Total comprehensive loss		**—**	**—**	**30,266**	**(484,858)**	**(454,592)**
Changes in the consolidated group	3	880,412	(879,232)	—	4,621	5,801
Issuance of new shares		438,340		—	—	438,340
Balance as of December 31, 2020		**1,318,752**	**—**	**16,365**	**(754,406)**	**580,711**
Net loss		—	—	—	(1,007,454)	(1,007,454)
Other comprehensive loss		—	—	(33,149)	—	(33,149)
Total comprehensive loss		**—**	**—**	**(33,149)**	**(1,007,454)**	**(1,040,603)**
Issuance of Convertible Notes		—	35,231	—	—	35,231
Issuance of new shares		547,157	—	—	—	547,157
Balance as of December 31, 2021		**1,865,909**	**35,231**	**(16,784)**	**(1,761,860)**	**122,496**
Net loss		—	—	—	(465,789)	(465,789)
Other comprehensive income		—	—	4,519	—	4,519
Total comprehensive loss		**—**	**—**	**4,519**	**(465,789)**	**(461,270)**
Merger with Gores Guggenheim Inc.	16					—
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	7	9	9,900	—	—	9,909
Balance as of December 31, 2022		**21,165**	**3,584,232**	**(12,265)**	**(3,726,775)**	**(133,643)**

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, 405 31 Göteborg, Sweden.

Merger with Gores Guggenheim, Inc.

Gores Guggenheim, Inc. (“GGI”) was a special purpose acquisition company (“SPAC”) formed for the purpose of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or a similar business combination. GGI was incorporated in Delaware on December 21, 2021 and completed its initial public offering (“IPO”) on March 25, 2021.

On September 27, 2021, GGI entered into a Business Combination Agreement (“BCA”) with Polestar Automotive Holding Limited, a Hong Kong incorporated company (“Former Parent”), Polestar Automotive (Singapore) Pte. Ltd., a private company limited by shares in Singapore (“Polestar Singapore”), Polestar Holding AB, a private limited liability company incorporated under the laws of Sweden (“Polestar Sweden”), Polestar Automotive Holding UK Limited, a limited company incorporated under the laws of England and Wales and a direct wholly owned subsidiary of the Former Parent, and PAH UK Merger Sub Inc., a Delaware corporate and a direct wholly owned subsidiary of the Parent (“US Merger Sub”).

On June 23, 2022 (“Closing”), the Former Parent consummated a reverse recapitalization pursuant to the terms and conditions of the BCA. At the Closing, Polestar Holding AB and its subsidiaries became wholly owned subsidiaries of Parent. US Merger Sub merged with GGI, pursuant to which the separate corporate existence of US Merger Sub ceased and GGI became a wholly owned subsidiary of the Parent. Simultaneously, the following events occurred:

- the Convertible Notes of the Former Parent outstanding immediately prior to the Closing were automatically converted into 4,306,466 Class A Shares in the Parent in the form of American depositary shares;
- the Former Parent was separated from Polestar Group and issued 294,877,349 Class A Shares in the Parent in the form of American depositary shares, 1,642,233,575 Class B Shares in the Parent in the form of American depositary shares, and the right to receive an earn out of a variable number of additional Class A Shares and Class B Shares, depending on the daily volume weighted average price of Class A Shares in the future;
- all GGI units outstanding immediately prior to the Closing held by GGI Stockholders were automatically separated and the holder was deemed to hold one share of GGI Class A Common Stock and one-fifth of a GGI Public Warrant;
- all GGI Class A Common Stock issued and outstanding, other than those held in treasury, were exchanged for 63,734,797 Class A Shares in the Parent in the form of American depositary shares;
- all GGI Class F Common Stock issued and outstanding, other than those held in treasury, were exchanged for 18,459,165 Class A Shares in the Parent in the form of American depositary shares;
- all GGI Common Stock held in treasury were cancelled and extinguished without consideration;
- all GGI Public Warrants issued and outstanding immediately prior to the Closing were exchanged for 15,999,965 Class C-1 Shares in the Parent in the form of American depositary shares with effectively the same terms as the GGI Public Warrants and are exercisable for Class A Shares in the Parent;
- all GGI Private Warrants issued and outstanding immediately prior to the Closing were exchanged for 9,000,000 Class C-2 Shares in the Parent in the form of American depositary shares with effectively the same terms as the GGI Private Warrants and are exercisable for Class A Shares in the Parent;
- pursuant to the PIPE Subscription Agreements, third-party investors purchased 25,423,445 Class A Shares in Parent in the form of American depositary shares and Volvo Cars purchased 1,117,390 Class A Shares in Parent in the form of American depositary shares, for a total of 26,540,835 Class A Shares in Parent in the form of American depositary shares for an aggregate total of $250,000; and
- pursuant to the Volvo Cars Preference Subscription Agreement, Volvo Cars purchased 58,882,610 Preference Shares in the Parent for an aggregate total of $588,826 which automatically converted to Class A Shares in the Parent in the form of American depositary shares thereafter.

The merger with GGI, including all related arrangements, raised net cash proceeds of $1,417,973. Gross proceeds of $638,197 was assumed from GGI, $250,000 was sourced from the PIPE Subscription Agreements, and $588,826 was sourced from the Volvo Cars Preference Subscription Agreement. Polestar incurred total transaction costs of $97,953 in connection with the merger, of which $59,050 had been recognized by GGI and deducted from the gross proceeds raised. The merger was accounted for as a reverse recapitalization, in accordance with the relevant International Financial Reporting Standards ("IFRS"). Refer to Note 16 - Reverse recapitalization for additional information on the reverse recapitalization.

Immediately following the closing of the transaction, Parent changed its name to Polestar Automotive Holding UK PLC and began trading on the National Association of Securities Dealers Automated Quotations ("Nasdaq") under the ticker symbol PSNY. Net loss per share has been recast to retroactively reflect the shares issued by the parent to the former parent for December 31, 2021 and December 31, 2020. Refer to Note 12 - Net loss per share and Note 20 - Equity for additional information.

As of December 31, 2022, the Former Parent owns 89.2% of the Group. The remaining 10.8% is owned by external investors.

Basis of preparation

The Consolidated Financial Statements in this annual report of Polestar Group are prepared in accordance with the IFRS issued by the International Accounting Standards Board ("IASB"). The 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 annual 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 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 2023-2027 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 material uncertainty 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 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, 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 years ended December 31, 2022, 2021 and 2020, amounted to $465,789, $1,007,454, and $484,858, respectively. Negative operating and investing cash flows for the years ended December 31, 2022, 2021 and 2020, amounted to $1,799,396, $441,828, and $300,757, 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 2023-2027 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, shareholder loans with 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 material uncertainty about Polestar Group's ability to continue as a going concern. There are ongoing efforts in place to mitigate the uncertainty. The Consolidated Financial Statements do not include any adjustments to factor for the going concern uncertainty.

Adoption of new and revised standards

Effects of new and amended IFRS

Management has concluded the adoption of any of the below accounting pronouncements has not or will not have a material impact on the Group's financial statements.

In May 2020, the IASB issued amendments to IAS 16 - Property, Plant and Equipment. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. This became effective annual reporting period beginning on January 1, 2022 and does not have a material effect on the Group's financial statements.

In May 2020, the IASB issued amendments to IAS 37 related to onerous contracts - cost to fulfilling a contract. The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract.' Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). This became effective annual reporting period beginning on January 1, 2022 and does not have a material effect on the Group's financial statements.

In May 2020, the IASB issued Annual Improvements to IFRSs 2018 – 2020 Cycle. The improvements have amended four standards with effective date January 1, 2022: i) IFRS 1 – First-time Adoption of International Financial Reporting Standards ("IFRS 1") in relation to allowing a subsidiary to measure cumulative translation differences using amounts reported by its parent, ii) IFRS 9 in relation to which fees an entity includes when applying the '10 percent' test for derecognition of financial liabilities, iii) IAS 41 – Agriculture in relation to the exclusion of taxation cash flows when measuring the fair value of a biological asset, and iv) IFRS 16 in relation to an illustrative example of reimbursement for leasehold improvements.

New and amended IFRS issued but not yet effective

Management has concluded the adoption of any of the below accounting pronouncements, that were issued but not effective for the period ended December 31, 2022, will not have a material impact on the Group's financial statements.

In January 2020, the IASB published amendments to IAS 1 which clarify the presentation of liabilities as current or non-current based off the rights that are in existence at the end of the reporting period, not the expectations about an entity's exercise of certain rights to defer the settlement of a liability or other subsequent events. The amendments are applied retrospectively for annual periods beginning on or after January 1, 2024.

In June 2020, the IASB published amendments to IFRS 4 which deferred the expiry date of the temporary exemption from applying IFRS 9 to annual periods beginning on or after January 1, 2023.

In June 2020, the IASB published amendments to IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendment revised the effective date to January 1, 2023 but may be applied earlier provided the entity applies IFRS 9 and IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") at or before the date of initial application of the Standard. Further, among other changes, the amendment (1) includes additional scope exceptions, (2) includes additional guidance for recognition of insurance acquisition cash flows, (3) clarifies the application of IFRS 17 in interim financial statements, and (4) simplifies the presentation of insurance contracts in the statement of financial position. The improvements are applicable for annual periods beginning on or after January 1, 2023.

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies which require companies to disclose their material accounting policy information rather than their significant accounting policies and provide guidance on how to apply the concept of materiality to accounting policy disclosures. These amendments are effective on or after January 1, 2024.

In February 2021, the IASB issued amendments to IAS 8: Definition of Accounting Estimates which clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. These amendments are effective on or after January 1, 2023.

In May 2021, the IASB issued amendments to IAS 12 – Income Taxes ("IAS 12"): Deferred Tax related to Assets and Liabilities Arising From a Single Transaction that clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations. These amendments are effective on or after January 1, 2023.

In December 2021, the IASB issued an amendment to IFRS 17: Initial Application of IFRS 17 and IFRS 9 – Comparative Information, which provides a transition option relating to comparative information about financial assets presented on initial application of IFRS 17. The amendment is aimed at helping entities to avoid temporary accounting mismatches between financial assets and insurance contract comparative information for users of financial statements. The amendment is effective on or after January 1, 2023.

In September 2022, the IASB issued an amendment to IFRS 16 which clarifies how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. This amendment is effective on or after January 1, 2024.

In October 2022, the IASB issued an amendment to IAS 1 which clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendment is effective on or after January 1, 2024.

Presentation

In the Consolidated Statement of Financial Position, an asset is classified as a current asset when it is held primarily for the purpose of trading, is expected to be realized within twelve months of the date of the Consolidated Statement of Financial Position or consists of cash or cash equivalents, provided it is not subject to any restrictions. All other assets are classified as non-current. A liability is classified as a current liability when it is held primarily for the purpose of trading or is expected to be settled within twelve months of the date of the Consolidated Statement of Financial Position. All other liabilities are classified as non-current.

Presentation reclassifications

The following presentation reclassifications have been made for the comparative information for the year ended December 31, 2021:

- Consolidated Statement of Cash Flows
    - Cash used for Vehicles under operating leases of $120,626 is now presented together with Inventories. Vehicles are reclassified from Inventories to Assets under operating leases when sold with a repurchase commitment and subsequently reclassified to Inventories when they are repurchased. Since the Group presents the non-cash impact on cash from depreciation of Assets under operating leases within Depreciation and amortization in the Consolidated Statement of Cash Flows, this presentation better reflects the nature of cash movements related to vehicles as all vehicles purchased and sold by Polestar are initially recognized and subsequently derecognized via Inventories.
- Note 1 - Significant accounting policies and judgements
    - Under Segment reporting, the Group's revenue from external customers by geographical location for Belgium, Canada, Denmark, Finland, and Switzerland of $53,339, $17,493, $38,538, $10,048, and $41,115, respectively, have been separated from Other regions. The Group's non-current assets by geographical location for Norway and Netherlands of $1,660 and $2,541, respectively, have been collapsed into Other regions. These changes have been made to align with the presentation with that of the year ended December 31, 2022.
- Note 4 - Revenue
    - Total contract liabilities Utilized during the year of $54,146 is now separated into the two lines: (1) Settled during the year of $43,469 and (2) Released during the year of $10,677. Settled during the year corresponds to contract liabilities that initially resulted in a reduction of revenue at contract inception and have subsequently been paid out in cash during the year. Utilized during the year corresponds to contract liabilities that initially resulted in a constraint on revenue at contract inception that has been subsequently released (i.e., non-cash) and recognized as revenue during the year. This presentation better reflects the nature of the each category of contract liability and the related impact in the Consolidated Financial Statements.

The following presentation reclassifications have been made for the comparative information for the year ended December 31, 2020:

- Note 1 - Significant accounting policies and judgements
    - Under Segment reporting, the Group's revenue from external customers by geographical location for Belgium, Canada, and Switzerland of $22,974, $3,007, and $580, respectively, have been separated from Other regions. These changes have been made to align with the presentation with that of the year ended December 31, 2022.

Basis of consolidation

The consolidated accounts include the Parent company and all subsidiaries over which the Parent, either directly or indirectly, exercises control. The Parent controls an entity when the Parent is exposed to, or has rights to, variable returns from its involvement with the entity, has the ability to affect those returns through its power over the entity, and if it has power over decisions which affect investor returns (i.e., voting or other rights). All subsidiaries are fully consolidated from the date on which control is transferred to the Parent. They are deconsolidated from the date that control ceases. All intergroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated upon consolidation. As of December 31, 2022, 2021 and 2020, the Parent had thirty-three, thirty-three, and eighteen fully consolidated subsidiaries, respectively.

Segment reporting

Polestar Group determined it has one reportable segment as the chief operating decision maker ("CODM") assesses financial information and the performance of the business on a consolidated basis. The Group manages its business as a single operating segment, which is the business of manufacturing and selling electric vehicles. All substantial decisions regarding allocation of resources as well as the assessment of performance is based on the Group as a whole.

Polestar Group uses the "management approach" in determining reportable operating segments. The management approach considers the internal organization and reporting used by the Group's CODM to allocate resources and assess performance as the source for determining the Group's reportable segments. Polestar Group's CODM has been identified as the Chief Executive Officer ("CEO") as he assesses the performance of the Group and has the function and sole ability to make overall decisions related to the allocation of the Group's resources. Polestar Group allocates resources and assesses financial performance on a consolidated basis.

The following tables show the breakdown of Polestar Group's revenue from external customers and non-current assets (Property, plant and equipment ("PPE"), vehicles under operating leases, and intangibles and goodwill) by geographical location where Polestar company recognizing the revenue is located:

	For the year ended December 31,		
	2022	**2021**	**2020**
Revenue			
USA	523,537	248,168	25,077
Sweden	368,277	189,656	162,062
UK	338,182	206,866	41,605
Germany	289,213	117,549	34,880
Norway	232,357	231,456	156,077
Korea	119,498	—	—
Netherlands	108,966	135,030	150,133
Belgium	88,812	53,339	22,974
Canada	85,521	17,493	3,007
Denmark	67,235	38,538	—
Australia	64,539	—	—
Finland	42,281	10,048	—
Switzerland	39,274	41,115	580
China	38,218	40,819	13,850
Other regions[1]	55,986	7,104	—
Total	**2,461,896**	**1,337,181**	**610,245**

1 - Revenue: Other regions primarily consist of Austria and Singapore in 2022 and 2021.

	As of December 31,	
	2022	2021
Non-current assets[2]		
Sweden	1,151,920	954,842
China	474,301	532,492
USA	37,752	64,072
Germany	36,747	24,009
United Kingdom	22,777	2,484
Other regions[3]	28,532	13,869
Total	**1,752,029**	**1,591,768**

2 - Non-current assets: excludes Financial assets, Deferred tax asset, and Other investments.

3 - Other regions primarily consist of Belgium, Switzerland and Australia in 2022 and Canada and Netherlands in 2021.

Foreign currency

In preparing the financial statements of the Group, transactions in currencies other than the entity's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing on the dates of the transactions. At each reporting date, assets and liabilities denominated in a foreign currency are translated to the functional currency using the closing exchange rate and items of income and expense are translated at the monthly average exchange rate. Foreign currency gains and losses arising from translation differences are recognized in the Consolidated Statement of Loss and Comprehensive Loss.

For more information about currency risk, see Note 2 - Financial risk management.

Accounting policies

Use of estimates and judgements

The preparation of these Consolidated Financial Statements, in accordance with IFRS, 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. Details of critical estimates and judgements which the Group considers to have a significant impact upon the financial statements are set out below and the corresponding impacts can be seen in the following notes:

- Revenue recognition – The expected cost plus margin approach is used for determining the transaction price of performance obligations included with sales of vehicles. and the residual amount of the transaction price is allocated to the performance obligation associated with the delivery of the vehicle. Polestar also offers volume related discounts to fleet customers which impacts its estimation of the consideration it will be entitled to in exchange for the delivery of vehicles. Sales of vehicles with repurchase obligations are accounted for as operating leases and the related revenue is recorded as lease income. – Note 4 - Revenue.
- Intangible assets – Polestar conducts various internal development projects which are divided into the concept phase and product development phase. Once a project reaches the product development phase, internally developed intellectual property is capitalized in intangible assets. Polestar conducts an analysis to estimate the useful life for internally developed intellectual property, acquired intellectual property, and software at the point in time when they are capitalized in intangible assets. – refer to Note 13 - Intangible assets and goodwill.
- Impairment – Polestar conducts routine evaluations of intangible assets and goodwill for evidence of impairment indicators. At least annually and when impairment indicators exist, Polestar conducts an impairment test at the cash generating unit level (Polestar Group constitutes a single CGU). – refer to Note 13 - Intangible assets and goodwill.
- Valuation of loss carry-forwards – The recognition of deferred tax assets requires estimates to be made about the level of future taxable income and the timing of recovery of deferred tax assets, taking into account the relevant tax jurisdictions – refer to Note 11 - Income tax expense.
- Valuation of the financial liability for the Class C-1 Shares and Class C-2 Shares (collectively, "Class C Shares") – Class C-1 Shares are publicly traded on the NASDAQ (i.e., an active market). Class C-2 Shares are derivative

financial instruments that are carried at fair value through profit and loss. Quoted or observable prices for these financial instruments are not available in active markets, requiring Polestar to estimate the fair value of the instruments each period utilizing certain valuation techniques – refer to Note 16 - Reverse recapitalization.

- Valuation of the financial liability for the Former Parent's contingent Earn-out rights – The contingent Earn-out rights are derivative financial instruments that are carried at fair value through profit and loss. Quoted or observable prices for these financial instruments are not available in active markets, requiring Polestar to estimate the fair value of the instruments each period utilizing certain valuation techniques – refer to Note 16 - Reverse recapitalization.

Actual results could differ materially from those estimates using different assumptions or under different conditions.

Cash and cash equivalents

Cash consists of cash in banks with an original term of three months or less. All highly-liquid, short-term investments that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value are classified as cash equivalents and presented as such in the Consolidated Statement of Cash Flows.

Marketable securities

Marketable securities are financial instruments with maturities less than one year when acquired that can quickly be converted into cash. Polestar's marketable securities consist of short-term money market funds (i.e., time deposits in banks). The balance in marketable securities as of December 31, 2022 and 2021 amounted to nil and $1,258, respectively.

Restricted cash

Restricted cash are Cash and cash equivalents held by Polestar for specified use which are unavailable to the overall Group for general, operational purposes. As of December 31, 2022 and 2021, the Group had no restricted cash.

Government grants

The Group's subsidiaries based in the People's Republic of China received government grants which were conditioned to be used for production related costs and grants for non-specified purposes. The Group's subsidiary based in UK received government grants conditioned to be used for product development activities. Both these grants are not tied to the future trends or performance of the Group and are not required to be refunded under any circumstance. The Group's subsidiary based in Singapore received government grants related to incentivizing job growth. The Job growth incentive is given by Inland Revenue Authority of Singapore (IRAS) SG government agency to support employers to expand local hiring. Receipt of such grants are either reported as a deduction to the related expense or as other operating income, depending on the nature of the grant received. The amount of government grants received as of December 31, 2022 and 2021 was $3,773 and $309, respectively.

Revenue recognition

Revenue from contracts with customers is measured at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. In determining the transaction price, the Group evaluates whether the contract includes other promises that constitute a separate performance obligation to which a portion of the transaction price needs to be allocated. When consideration in a contract includes variable amounts, the Group estimates the consideration to which Polestar will be entitled in exchange for transferring goods to the customer, using either the expected value method or the most likely amount method. The Group makes judgements related to potential returns, liabilities to customers related to performance obligations and potential sales discounts when considering revenue.

For contracts that contain more than one performance obligation, Polestar Group allocates the transaction price to each performance obligation on a relative standalone selling price basis. The standalone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which Polestar Group would sell a promised good or service separately to a customer. If a standalone selling price is not directly observable, Polestar Group instead estimates it, using appropriate data that reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Polestar Group disaggregates revenue by major category based on what it believes are the primary economic factors that may impact the nature, amount, timing, and uncertainty of revenue and cash flows from customer contracts.

Sales of vehicles

Revenue from the sales of vehicles includes sales of the Group's vehicles as well as related accessories and services. Revenue is recognized when the customer obtains control of delivered goods or services, and thus has the ability to direct the use of, and obtain the benefits from, the goods or services. Polestar Group includes various services and maintenance (i.e., extended service) offers with the sale of each vehicle for a period of time specified in the contract.

Polestar Group also provides connected services, including access to the internet and over-the-air software and performance updates, which provide Polestar's customers new features and improvements to existing vehicle functionality. Although Polestar's connected services improve the in-vehicle experience, it is not required when driving a Polestar vehicle.

These services and maintenance and connected services are considered stand-ready obligations as Polestar cannot determine (1) when a customer will access a service, or (2) the quantity of a service the customer will require (i.e., delivery is within control of the customer). Polestar uses an expected cost-plus margin approach for estimating the transaction price for these stand-ready obligations as this is determined to be the most suitable method for estimating stand-alone selling price for performance obligations other than the vehicle. These services are available throughout the automotive industry, there is public information that is readily accessible, and there is a stable market and cost structure to determine the appropriate inputs to the cost-plus margin calculation. The related performance obligations are satisfied in accordance with the terms of each service, and revenue is deferred and recognized on a straight-line basis over the contract period as a stand-ready obligation. The deferred revenue is presented as contract liabilities, since the customers' payments are made before the services are transferred.

Polestar will recognize revenue related to the extended service on a straight-line basis over the 3-year period following initial recognition, consistent with the terms of the contractually offered services. Polestar will recognize revenue related to connected services on a straight-line basis over the 8-year period following initial recognition, consistent with the expected utilization of the services.

The residual amount of the transaction price is allocated to the performance obligation associated with the delivery of the vehicle because the vehicle represents the most valuable component of the contract, Polestar's vehicles are not sold on a stand-alone basis such that an established price exists separate from the services and maintenance, and there is wide variation in market price among the limited competitors in this new space. The transaction price allocated to the delivery of the vehicle is recognized at a point in time on the delivery date. Polestar has continued to evaluate and monitor the number of observable inputs available for use in estimating the standalone selling price of its vehicles. As part of its ongoing analysis, Polestar has determined that use of the residual method continues to be the most appropriate method for estimating the standalone selling price of its vehicles.

Vehicles were historically only sold to individuals (end customers), fleet customers, financial service providers, and dealers. During the year ended December 31, 2022, Polestar began selling to importers as well. Importer markets exist where the Group does not have its own direct sales unit, so a third party imports Polestar vehicles and sells them to end users.

Since commercialization of Polestar vehicles commenced in the third quarter of 2020, the Group had not recognized a significant number of customer returns, and therefore has not accrued any obligations for returns, refunds, or other similar obligations for the years ended December 31, 2022 and 2021. Further, contracts with importers specify the importer does not have the right to return vehicles.

As part of certain dealer contracts, Polestar provides a residual value guarantee ("RVG"). The RVG does not affect the customer's control of the vehicle (i.e., the customer is not constrained in its ability to direct the use of, and obtain substantially all of the benefits from, the vehicle), but it does impact the transaction price as the guarantee effectively reduces the compensation to which Polestar is entitled. Polestar evaluates variables such as recent car auction values, future price deterioration due to expected changes in market conditions, vehicle quality data, and repair and recondition costs to determine the amount of the residual value. Polestar pays the difference between the determined residual value and the contracted residual value up-front, in cash, and accounts for it under IFRS 15 as a direct reduction to the transaction price. Polestar will continue to evaluate its method for recognizing RVGs and amend how it accounts for them, if necessary.

There are no significant payment terms for end customers, fleet customers, financial service providers, dealers or importers as payment is due on or near the date of invoice. Consideration received by fleet customers is variable in nature as the customer can receive volume related discounts, which are annual rebates based on the number of vehicles ordered throughout the year. There is no variability in consideration received from importers as they are charged a fixed price per vehicle. There is no significant variability in consideration received from other customers.

Sales of software and performance engineered kits

Revenue from the sales of software is related to intellectual property licensed to Volvo Cars under which Volvo Cars obtained rights to provide software upgrades to their customers' vehicle computer systems in exchange for sales-based royalties to Polestar Group. Software upgrades are downloaded and installed at Volvo Cars' dealerships at a point in time. The Group's performance obligation is satisfied at the point in time the Group transfers the licensed know-how to Volvo Cars, which is when Volvo Cars obtains control of the intellectual property and has the ability to direct the use of, and obtain the benefits from, the license. The Group recognizes license revenue from sales-based royalties in the period in which Volvo Cars' sales of software occur.

Revenue from the sales of performance engineered kits is related to intellectual property licensed to Volvo Cars under which Volvo Cars obtained rights to provide optimizations and enhancements to their customers' vehicles in exchange for sales-based royalties to Polestar Group. Performance engineered kits are installed at Volvo Cars manufacturing plants as part of Volvo Cars' normal manufacturing processes. The Group's performance obligation is satisfied at the point in time the Group transfers the licensed know-how to Volvo Cars, which is when Volvo Cars obtains control of the intellectual property and has the ability to direct the use of, and obtain the benefits from, the license. The Group recognizes license revenue from sales-based royalties in the period in which Volvo Cars' sales of vehicles with the performance engineered kits occur. During the year ended December 31, 2020, revenue from the sale of performance engineered kits was inclusive of a one-time contract termination fee paid by Volvo Cars that was accounted for as a contract modification. Polestar Group and Volvo Cars entered into a new license agreement in December 2020.

There are no significant payment terms as payment is due near the date of invoice.

Sales of carbon credits

Revenue from the sale of carbon credits is recognized when the performance obligation is satisfied and when the customer, an original equipment manufacturer ("OEM"), obtains control of the carbon credits and has the ability to direct the use of, and obtain the benefits from, the carbon credits transferred.

There are no significant payment terms as payment is due near the date of invoice.

Vehicle leasing revenue

During the years ended December 31, 2022 and December 31, 2021, Polestar Group entered into operating lease arrangements that mainly relate to vehicles sold with repurchase obligations. The Group entered into transactions to sell vehicles under which the Group maintains the right or obligation to repurchase the vehicles from the customer in the future (i.e., a forward or call option). The Group accounts for such arrangements as operating leases and records revenue from the sale of related vehicles as lease income.

Operating leases are initially measured at cost and depreciated on a straight-line basis over the lease term to the estimated residual value. Incremental direct costs incurred in connection with the acquisition of operating lease contracts are capitalized and also amortized on a straight-line basis over the lease term. In the Consolidated Statement of Financial Position, such operating leases are presented as vehicles under operating leases and recognized as non-current assets. Vehicle leasing revenue is recognized on a straight-line basis over the lease term. For sales of vehicles with repurchase obligations that are accounted for as operating leases, the entire amount due to Polestar is paid up-front at contract inception. Deferred revenue is recorded for the difference between the cash received from the sale of the vehicle and the vehicle's repurchase value, where the associated liability is recorded in Other current liabilities in the Consolidated Statement of Financial Position.

Other revenue

Other revenue consists of revenue generated through the Group's sale of research and development services and intellectual property licensed to Volvo Cars under which Volvo Cars obtained rights to source and sell parts and accessories for the Group's vehicles to customers in exchange for sales-based royalties to Polestar Group. The performance obligation related to the sale of research and development services is satisfied over time as Polestar maintains an enforceable right to payment as costs are incurred and services are provided. As such, revenue from the sale of research and development services is recognized over time.

The performance obligation related to intellectual property licensed to Volvo Cars is satisfied at the point in time the Group transfers the licensed know-how to Volvo Cars which is when Volvo Cars obtains control of the intellectual property and has the ability to direct the use of, and obtain the benefits from, the license. The Group recognizes license revenue from sales-based royalties in the period in which Volvo Cars' sales of parts and accessories occur.

There are no significant payment terms as payment is due near the date of invoice.

Contract liabilities

Contract liabilities to customers are obligations related to contracts with customers and are recognized when Polestar Group is obligated to transfer goods or services for which consideration has already been received. Contract liabilities to customers include sales generated obligations, deferred revenue from service contracts (i.e., services to be performed) and operating leases, and Connected Services related to the Polestar 1 ("PS1") and Polestar 2 ("PS2").

As the Group satisfies its performance obligations, revenue is recognized, and the contract liability is reduced. As stated above, delivery of services and maintenance is within the customer's control. Accordingly, the Group expects to recognize revenue related to such service contract liabilities over the 3-year period following initial recognition, consistent with the terms of the contractually offered services. Related to connected services, the Group expects to recognize revenue over the 8-year period following initial recognition, consistent with the expected utilization of the services. In the case of volume related discounts that are triggered over time, a short-term contract liability will also be recognized as payment is due within a twelve-month period, in line with contractual payment terms. For deferred revenue generated through operating leases, the Group expects to recognize revenue on a straight-line basis, consistent with the terms of the contract.

Cost of sales

For the years ended December 31, 2022, 2021 and 2020, cost of sales amounted to $2,342,453, $1,336,321, and $553,724, respectively. Costs of sales are related to the sales of vehicles and related accessories and services, which primarily consists of contract manufacturing costs, depreciation related to PPE and right-of-use (“ROU”) assets, amortization of intangible assets related to manufacturing engineering, warehousing and transportation costs for inventory, customs duties, and charges to write down the carrying value of inventory when it exceeds the estimated net realizable value. Sales of software and performance engineered kits and other revenue are related to items which were originally developed with the intent of internal use, not with the intent to sell. As such, all costs were appropriately capitalized or expensed as described in *Accounting policies – Intangible assets and goodwill – Internally developed IP*.

Employee benefits

Polestar Group compensates its employees through short-term employee benefits, other long-term benefits, and post-employment benefits. Generally, an employee benefit is recognized in accordance with IAS 19, Employee Benefits, when an employee has provided service in exchange for employee benefits to be paid in the future or when Polestar Group is contractually committed to providing a benefit without a realistic probability of withdrawal from its commitment.

Short-term employee benefits

Short-term employee benefits consist of wages, salaries, social benefit costs, paid annual leave and paid sick leave, and bonuses that are expected to be settled within twelve months of the reporting period in which services are rendered. Short-term employee benefits are recognized at the undiscounted amounts expected to be paid when the liabilities are settled and presented within current provisions and other current liabilities in the Consolidated Statement of Financial Position.

Short-term employee benefits include Polestar Group’s Annual Bonus Program (the “Polestar Bonus”), which is a cash-settled short-term incentive program for all permanent employees in all countries. The bonus is based on certain key performance indicators (“KPIs”). Bonuses are expressed as a percentage of employees’ annual base salaries and the target bonus varies by employee location and level. The program runs during the calendar year and bonus pay-out is made on a pro-rata basis based on employment during the year. Employees need to have joined the organization as of December 1st of the year in order to be eligible for the program. An estimate of the expected costs of the program are calculated and recognized at the end of each reporting period.

Other long-term benefits

The annual Long Term Variable Pay Program (“LTVP”) is a cash-settled incentive program for certain key management personnel that is based on (1) valuation of Volvo Cars after a three year period (i.e., the vesting period) and (2) Volvo Car’s achievement of certain profit and revenue growth metrics. The LTVP program was instituted at Polestar Group to incentivize key management personnel who transferred employment from Volvo Cars to Polestar Group. Payouts are based on a synthetic share price derived from an independent third-party valuation that is calculated using a discounted cash flow analysis of Volvo Cars and a market analysis of peer companies. Depending on the employee’s position, they are eligible to receive an award equivalent to a certain percentage of their annual base salary that is capped at a 300% ceiling. Employees must remain employed to be eligible to receive the award. The fair value of the LTVP is recognized on the annual grant date, subsequently remeasured at the end of reach reporting date, and presented within current and non-current provisions in the Consolidated Statement of Financial Position.

Post-employment benefits

Polestar Group’s post-employment benefits are comprised of defined contribution pension plans and the Swedish defined benefit pension (“ITP 2”) that is managed by the mutual insurance company Alecta.

For defined contribution plans, premiums are paid to a separate legal entity that manages pension plans on behalf of various employers. There is no legal obligation to pay additional contributions if this legal entity does not hold sufficient assets to pay all employee benefits. Contributions payable are recognized in the reporting period in which services are rendered and presented within current and non-current provisions in the Consolidated Statement of Financial Position. Contribution rates are unique to each employee.

Polestar Group’s only defined benefit plan is the ITP 2 plan in Sweden. This plan is accounted for as a multi-employer defined contribution plan under IAS 19 because Alecta does not distribute sufficient information that enables employers to identify their share of the underlying financial position and performance of ITP 2. This treatment is specific to companies operating in Sweden under the guidance discussed in the Swedish Financial Reporting Board pronouncement UFR 10, Accounting for the pension plan ITP 2 financed through an insurance in Alecta, and IAS 19.32–39, Multi-employer plans. The premiums for retirement pensions and survivor’s pensions are calculated individually and are based on salary, previously earned pension benefits, and expected remaining years of service, among other factors. Premiums of $3,507 are estimated to be paid to Alecta for the year ended December 31, 2022 related to ITP 2.

Polestar Group’s share of the total savings premiums for ITP 2 in Alecta for the years ended December 31, 2022, 2021 and 2020, amounted to 0.20597%, 0.13056%, and 0.05375%, respectively. Further, Polestar Group’s share of the total number of active policy holders as of December 31, 2022, 2021 and 2020, amounted to 0.07340%, 0.04485%, and 0.02605%, respectively. The collective consolidation level comprises the market value of Alecta’s asset as a percentage of the insurance obligations calculated in accordance with Alecta's actuarial methods and assumptions. The collective funding ratio is normally allowed to vary between 125% and 175%. If the consolidation level falls below 125% or exceeds 175%, measures are taken to increase the contract price for new subscriptions and to expand exiting benefits or introduce premium reductions. As of December 31, 2022 and 2021, Alecta's surplus of consolidation level amounted to 172%, 172%, and 148%, respectively.

Share-based payments

Share-based payments qualify as either cash-settled or equity-settled transactions, depending on the nature of their settlement terms. When the participant has the option for cash or equity settlement, the awards are classified as a compound financial instrument consisting of an equity and a financial liability component. When the Group has the option for cash or equity settlement, the awards are classified as equity-settled unless the Group has the obligation to settle in cash (i.e., the award provides the participant with a put option to the Group).

Cash settled share-based payment awards are recognized as a financial liability at their fair value on the date of grant and remeasured at each reporting date until the date of settlement, with changes in fair value recognized in profit and loss. Equity-settled share-based payment awards are recognized in equity using the fair value as of the date of grant and not remeasured thereafter. The expense associated with share-based payments is recognized over the period in which services are provided by the participant, immediately if services are deemed to have already been provided by the participant, or a combination thereof if services were already provided and the participant will continue to provide services over a future period. Share-based payment expenses are recorded in the functional cost category of the Consolidated Statement of Loss and Comprehensive Loss that corresponds with the nature of the services provided.

As of December 31, 2022, the Group granted equity settled share-based payments to employees in the form of free shares, restricted stock units ("RSU"), and performance stock units ("PSU") through the 2022 Omnibus Incentive Plan. The Group also granted equity settled share-based payments in exchange for certain marketing services through November 1, 2023 and the service of a public listing of the Group on the Nasdaq through the merger with GGI. Refer to Note 16 - Reverse recapitalization for detail on the merger with GGI. Refer to Note 7 - Share-based payment for more detail on the 2022 Omnibus Incentive Plan and marketing service agreement.

Leases

Polestar as lessee

At inception of a contract, the Group assesses whether the contract is or contains a lease. In determining the lease term, management considers all relevant facts and circumstances related to exercising an extension option or not exercising a termination option. Such options are only included in the lease term if the extension option or termination option is reasonably certain to be exercised or not exercised, respectively. If circumstances surrounding the Group's decision related to extension and termination options change, the Group reassesses the term of the lease accordingly. As of December 31, 2022 and 2021, no material lease extension options existed.

At the lease commencement date, an ROU asset and a lease liability are recognized on the Consolidated Statement of Financial Position with respect to all lease arrangements in which the Group is a lessee. The lease liability is initially measured at an amount equal to the present value of the future lease payments under the lease contract, discounted by the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise in-substance fixed payments, among other fixed lease payments, and variable lease payments that depend on an index or a rate, the exercise price of purchase options (if the lessee is reasonably certain to exercise the options), and payments of penalties for terminating the lease (if the lease term reflects the exercise of an option to terminate the lease). The practical expedient of including non-lease components in the measurement of the lease liability for all asset classes is applied.

The ROU asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, and the estimate of costs to dismantle and remove the underlying asset or the site on which it is located, less any lease incentives received. The asset is subsequently depreciated on a straight-line basis from the commencement date to the earlier of the end of the useful life of the underlying asset or the end of the lease term. For more information regarding amortization of the ROU asset, refer to Note 10 - Leases. The ROU asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The Group elected the practical expedient to account for leases with lease terms which end within twelve months of the initial date of application as a short-term lease. The Group also elected the practical expedient to not recognize a ROU asset and lease liability for short-term and low-value leases. Low value assets are defined as asset classes that are typically of low value, for example, small IT equipment (cellphones, laptops, computers, printers) and office furniture. Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense over the lease term in the Consolidated Statement of Loss and Comprehensive Loss.

On the Consolidated Statement of Financial Position, the lease liabilities are presented within current interest-bearing liabilities and other non-current interest-bearing liabilities in the Consolidated Statement of Financial Position. In the Consolidated Statement of Loss and Comprehensive Loss, depreciation expense of the ROU assets is presented on the same line item(s) as similar items of PPE. The interest expense on the lease liability is presented as part of finance expense. In the Consolidated Statement of Cash Flows, amortization of the lease liability is presented as an adjustment to arrive at cash flows from operating activities, lease related interest expense is presented within cash flows from operating activities, and principal repayments of lease liabilities is presented within cash flows from financing activities.

The Group has certain leases stemming from contract manufacturing agreements related to the production of Polestar vehicles. These agreements are associated with unique type bound tooling and equipment ("PS Unique Tools") used in the production of Polestar vehicles at certain suppliers and vendors. The PS Unique Tools are suited specifically for Polestar vehicles and Polestar has the right to direct the use of the related assets. The production of Polestar vehicles occupies 100% of these assets' capacity; as such, the PS Unique Tools are also recognized as ROU assets by the Group from the day production starts.

Sale leaseback transactions

The Group enters into transactions to sell vehicles concurrent with agreements to lease the same vehicles back for a period of six to twelve months. At the end of the rental period, Polestar is obligated to repurchase the car. Due to this repurchase obligation, this transaction is accounted for as a financial liability. Accordingly, the Group does not record a sale of these vehicles for accounting purposes and depreciates the assets over their useful lives.

Polestar as lessor

In the Consolidated Statement of Financial Position, vehicles associated with the Group's operating leases are recognized as non-current assets and presented as vehicles under operating leases. The vehicles are initially measured at cost and depreciated on a straight-line basis over their respective lease term to their estimated residual value. Incremental direct costs incurred in connection with the acquisition of lease contracts are capitalized and amortized on a straight-line method over the lease term. Liabilities related to repurchase obligations are recognized as other non-current and current liabilities. Following repurchase by Polestar, the vehicles are reclassified to inventory.

Finance income and expense

Finance income and expense represent items outside the Group's core business. These items are presented separately from operating income and include net foreign exchange rate gains (losses) on financial activities, interest income on bank deposits, expenses to credit facilities, interest expense, and other finance expenses.

Income tax expense

Polestar Group's Income tax expense consists of current tax and deferred tax. Taxes are recognized in the Consolidated Statement of Loss and Comprehensive Loss, except when the underlying transaction is recognized directly in equity, whereupon related taxation is also recognized in equity.

Current tax is tax that must be paid or will be received for the current year. Current tax also includes adjustments to current tax attributable to previous periods. Deferred tax is calculated according to the balance sheet method for all temporary differences, with the exception of book goodwill in excess of tax goodwill recorded in purchase accounting, which arises between the tax value and the carrying amount of assets and liabilities.

Deferred tax assets and liabilities are measured at the nominal amount and at the tax rates that are expected to be applied when the asset is realized or the liability is settled, using the tax rates and tax rules that have been enacted or substantively enacted at the date of the Consolidated Statement of Financial Position.

Deferred tax assets relating to deductible temporary differences and loss carry forwards are recognized to the extent it is probable that they will be utilized in the future. Deferred tax assets and deferred tax liabilities are offset when they are attributable to the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis and the affected company has a legally adopted right to offset tax assets against tax liabilities.

The recognition of deferred tax assets requires assumptions to be made about the level of future taxable income and the timing of recovery of deferred tax assets. These assumptions take into consideration forecasted taxable income by relevant tax jurisdiction. The measurement of deferred tax assets is subject to uncertainty and the actual result may diverge from judgements due to future changes in projected earnings by the company, business climate, and changes to tax laws. Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used. If needed, the carrying amount of the deferred tax asset will be altered.

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

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.

Intangible assets and goodwill

An intangible asset is recognized when it is identifiable, Polestar Group controls the asset, and it is expected to generate future economic benefits. Intangible assets have either finite or indefinite lives. Finite lived intangible assets are intellectual property ("IP"), both acquired and internally developed, and software. Indefinite lived intangible assets are Goodwill and Trademarks.

Intangible assets are measured at acquisition or internal development cost, less accumulated amortization and, as applicable, impairment loss. Intangible assets with finite lives are amortized on a straight-line basis. The Group makes estimates and judgements related to expected usage of intangible assets in accordance with Management's 2023-2027 business plan, product life cycles, technological obsolescence, developments, and advancements specific to the battery electric vehicle industry. Management estimates the useful life of intangible assets by taking into account judgements on how the Group plans to utilize such intangibles in accordance with the business plan and any related rights and obligations under its contractual agreements. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The useful lives of intangible assets with indefinite useful lives, goodwill and trademarks, are assessed annually to determine whether the indefinite designation continues to be appropriate. Intangible assets with indefinite useful lives are tested for impairment annually or if an event which could give rise to impairment occurs.

Manufacturing engineering

Amortization for manufacturing engineering, reflecting engineering performed in terms of production facility layout, is included in Cost of sales.

Acquired IP

Polestar Group has entered into agreements with Volvo Car Group ("Volvo Cars") and Zhejiang Geely Holding Group Company Limited ("Geely"), a related party, regarding the development of technology for both upgrades of existing models and upcoming models. The technology can be either Polestar unique or commonly shared. In both cases, Polestar Group is in control of the developed product, either through a license or through ownership of the IP.

Acquired IP are finite-lived intangible assets which are amortized once the acquired IP is ready for its intended use, over their estimated useful lives for 3-7 years. The remaining useful life of acquired IP is between 1-6 years. Amortization of acquired IP related to the PS1 and PS2 is included in research and development expenses as it represents foundational IP that is leveraged across multiple functions of the Group. Amortization of acquired IP related to the PS1 terminated in connection with the end of PS1 production in accordance with plan as of December 31, 2021. All PS1 assets have been fully amortized.

Internally developed IP

Internally developed IP are finite-lived intangible assets which are amortized over their estimated useful lives for 3-7 years. Amortization of internally developed IP is included in research and development expenses and commences when the internally developed IP is ready for its intended use. Polestar Group's research and development activities are divided into a concept phase and a product development phase. Costs related to the concept phase are expensed in the period incurred, whereas costs related to the product development phase are capitalized upon the commencement of product development. Each phase is identified by work plans, budgeted, and tracked internally by research and development personnel.

Costs incurred in the concept phase are expensed as incurred when (1) the Group is conducting research activities such as obtaining new knowledge, formulating a project concept, and searching for components to support the project (e.g., materials, devices, and processes) and (2) the Group cannot yet demonstrate that an intangible asset exists that will generate probable future economic benefits.

Costs incurred in the product development phase are capitalized when (1) the Group is conducting development activities such as designing, constructing, and testing pre-production prototypes, tools, systems, and processes, (2) technical feasibility of completing the intangible asset exists, (3) resources required to complete the intangible asset are available to the Group, (4) the Group intends and has the ability to use or sell the intangible asset to generate future economic benefits, and (5) related expenditures can be reliably measured.

Research and development expense recognized for the years ended December 31, 2022, 2021 and 2020, amounted to $167,242, $232,922, and $183,849, respectively, and was substantially related to the amortization of PS1 technology (ceased amortization in December 2021) and PS2 technology.

Software

Software is a finite-lived intangible asset which is amortized over its estimated useful life of 3-8 years. Amortization of software is included in research and development expense and/or selling, general and administrative expense depending on the way in which the assets have been used.

Trademarks

Trademarks are assumed to have indefinite useful lives since Polestar Group has the right and the intention to continue to use the trademarks for the foreseeable future, while generating net positive cash flows for Polestar Group. Trademarks were generated when Volvo Cars acquired Polestar Group in July 2015. Trademarks are recognized at fair value at the date of the acquisition less any accumulated impairment losses.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of identifiable assets and liabilities acquired in a business combination. Goodwill was generated as a result of Volvo Cars acquiring Polestar Group in July 2015. For more detailed information on goodwill and intangible assets, see Note 13 - Intangible assets and goodwill.

Property plant and equipment

Items of PPE are recognized at acquisition cost, less accumulated depreciation, and as applicable, accumulated impairment loss. The cost of an acquired asset includes its purchase price, expenditures directly attributed to the acquisition and subsequent preparation of the asset for its intended use, and the initial estimate of costs to dismantle and remove the item of PPE and restore the site on which it was located. Repairs and maintenance expenditures are expensed in the period incurred. Expenses related to leasehold improvements and other costs which enhance or extend the life of PPE are capitalized over the useful life of the asset.

Buildings under development are measured at actual costs. The actual costs include various construction expenditures during the construction period, borrowing costs capitalized before the building is ready for intended use, and other relevant costs. Buildings under development are not depreciated and are transferred to fixed assets when ready for the intended use.

PPE are depreciated on a straight-line basis down to their residual value, which is typically estimated to be zero, over their estimated useful lives. Each part of a tangible asset, with a cost that is significant in relation to the total cost of the item, is depreciated separately when the useful life for that part differs from the useful life of the other parts of the item.

The following useful lives are applied in Polestar Group:

Asset	Useful lives (in years)
Buildings	30-50

Machinery and equipment	3-7

Depreciation of PPE is included in costs of sales as well as selling or administrative expense, depending on the nature of the item being depreciated.

Tangible assets are derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the Consolidated Statement of Loss and Comprehensive Loss as other operating income and expense.

Impairment

At the end of each reporting period, tangible and definite-lived intangible assets are assessed for indications of impairment. Tangible and definite-lived intangible assets are tested for impairment when an impairment indicator is determined to exist. Indefinite-lived intangible assets, intangible assets not yet available for use, goodwill and trademarks are tested for impairment at least once annually or when an impairment indicator is determined to exist.

For the impairment assessment, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets (i.e., a cash-generating-unit or CGU). Polestar Group does not test assets for impairment individually because Polestar Group constitutes a single CGU in which assets do not generate cash flows that are independent of those of other assets. All assets are concentrated around battery electric vehicle technologies and processes that are utilized in Polestar Group's operations.

In testing the CGU for impairment, the CGU's carrying amount is compared to its recoverable amount. The recoverable amount is the higher of the CGU's fair value less costs of disposal or "Value In Use." Value In Use is defined as the present value of the future cash flows expected to be derived from an asset (i.e., a discounted cash flow). For the year ended December 31, 2022, this discounted cash flow was calculated based on estimations regarding future cash flows as seen in the 2023-2027 business plan, a terminal growth rate of 2.0% for cash flows through the following 10 years, and an after-tax discount rate of 14.0%. For the year ended December 31, 2022, this discounted cash flow was calculated based on estimations regarding future cash flows as seen in the 2021-2025 business plan, a terminal growth rate of 2.0% for cash flows through the following 10 years, and an after-tax discount rate of 10.1%. The estimated future cash flows are based on assumptions valid at the date of the impairment test that represent the best estimate of future economic conditions. Such estimates are calculated using estimates, assumptions, and judgements related to future economic conditions, market share, market growth, and product profitability which are consistent with Polestar Group's latest business plan.

When the carrying amount of the CGU is determined to be greater than the recoverable amount, an impairment loss is recognized by first reducing the CGU's goodwill and then reducing other assets in the CGU on a pro rata basis. For the years ended December 31, 2022 and 2021, no impairment losses were recognized. No impairment loss would have been recognized in the years ended December 31, 2022 and 2021 under a stress case scenario utilizing an after-tax discount rate of 15.1% to calculate the recoverable amount of the CGU.

Financial instruments

Financial instruments are any form of contract that gives rise to a financial asset in one company and a financial liability or equity instrument in another company.

Classification of financial assets and liabilities

The classification of financial instruments is based on the business model in which these instruments are held, on their contractual cash flows and takes place at initial recognition. Assessments of the contractual cash flows are made on an instrument-by-instrument basis. Polestar Group applies one business model for interest-bearing instruments. All interest-bearing instruments are held to collect contractual cash flows and are carried at amortized cost.

Initial recognition

Financial assets and liabilities are recognized on the Consolidated Statement of Financial Position on the date when Polestar Group becomes party to the contractual terms and conditions (i.e., the transaction date). Financial assets are initially recognized at the price that would be received when selling an asset in an orderly transaction between market participants at the measurement date ("Fair Value"), plus transaction costs directly attributable to the acquisition of the financial asset, except for those financial assets carried at fair value through the Consolidated Statement of Loss and Comprehensive Loss. Financial liabilities are initially recognized at the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., Fair Value).

Subsequent measurement

For the purpose of subsequent measurement, financial instruments are measured at amortized cost or financial fair value through profit or loss ("FVTPL").

Financial instruments carried at FVTPL consist of financial assets with cash flows other than those of principal and interest on the nominal amount outstanding. Changes in fair value of these instruments are recognized in profit and loss as finance income (expense).

Financial instruments carried at amortized cost are non-derivative financial instruments with contractual cash flows that consist solely of payments of principal and interest on the nominal amount outstanding. These financial instruments are subsequently carried at amortized cost using the effective interest method. Gains and losses are recognized in the Consolidated Statement of Loss and Comprehensive Loss when the financial assets carried at amortized cost are impaired or derecognized. Interest effects on the application of the effective interest method are also recognized in the Consolidated Statement of Loss and Comprehensive Loss as well as effects from foreign currency translation.

Financial assets

Financial assets on the Consolidated Statement of Financial Position consist of trade receivables, other current and non-current financial assets, derivative assets, marketable securities and cash and cash equivalents.

A financial asset or a portion of a financial asset is derecognized when substantially all significant risks and benefits linked to the asset have been transferred to a third party. Where Polestar Group concludes that all significant risks and benefits have not been transferred, the portion of the financial assets corresponding to Polestar Group's continuous involvement continues to be recognized.

Financial liabilities

Financial liabilities in the Consolidated Statement of Financial Position encompass liabilities to credit institutions, trade payables, other current and non-current financial liabilities, and derivative liabilities (i.e., Earn out rights and Class C Shares).

A financial liability or a portion of a financial liability is derecognized when the obligation in the contract has been fulfilled, cancelled or has expired.

The Group classifies its derivative financial instruments and marketable securities as carried at FVTPL, while all other financial assets and liabilities are carried at amortized cost. Refer to Note 16 - Reverse recapitalization for additional information on the Earn out rights and the Class C Shares.

Impairment of financial assets

The Group assesses, on a forward-looking basis, the expected credit loss associated with financial assets measured at amortized cost. For the initial recognition of financial assets carried at amortized cost, primarily trade receivables with similar risk characteristics, an analysis is made to identify the need for a provision for expected credit losses ("ECL"). The Group uses the simplified approach for estimating ECLs, which requires expected lifetime losses to be recognized from the initial recognition of the receivable. The Group considers historical credit loss experience, current economic conditions, supportable forecasts for future economic conditions, macroeconomic conditions (e.g., impacts of the Covid-19 pandemic), and other expectations of collectability. The ECL provision is reevaluated on an ongoing basis after initial recognition.

When an ECL is calculated, and if it is material, it is recognized in an allowance account which decreases the amount of gross trade receivables. The amount of the expected credit loss will be recognized as an expense in the Consolidated Statement of Loss and Comprehensive Loss. As of December 31, 2022 and 2021 no ECLs have been recognized for the Group's financial assets, as historically credit losses have been nil, and no expected credit losses are in view.

Fair value measurement

Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required, or permitted, to be either recorded or disclosed at fair value, the Group considers the principal or most advantageous market in which it would operate, and it also considers assumptions that market participants would use when pricing the asset or liability.

A three-tiered hierarchy is established as a basis for considering such assumptions and for inputs used in the valuation methodologies in measuring fair value. This hierarchy requires that the Group use observable market data, when available, and minimize the use of unobservable inputs when determining fair value:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Observable, market-based inputs, other than quoted prices, in active markets for identical assets or liabilities.

Level 3 – Unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

Financial assets and liabilities of the Group primarily consist of cash and cash equivalents, marketable securities, restricted cash, trade receivables, trade payables, short-term and long-term borrowings, the earn-out rights, and Class C shares.

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Polestar Group's assessment of the significance of a particular input to the fair value measurements requires judgement and may affect the valuation of the assets and liabilities being measured and their classification within the fair value hierarchy.

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 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 December 31, 2022, the fair value of the Class C-2 Shares was determined to equal $10,080 by leveraging the closing price of the Class C-1 Shares on the Nasdaq of $1.12 per share, an implied volatility of 89.0%, a risk-free rate of 4.0%, a dividend yield of nil, and a 1,000 time-steps for the binomial lattice option pricing model. Refer to Note 16 - 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 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 4.98 years, the five earn-out tranches, and the probability of the Class A Shares in Parent 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 Parent to the Former Parent. As of December 31, 2022, the fair value of the earn-out was determined to equal $598,570 by leveraging an implied volatility of 75% and a risk-free rate of 4.0%. 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 16 - 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 was determined by reference to the Group's share price of $6.72 on the grant date (i.e., $6.72 per RSU). The fair value of PSUs granted was determined by calculating the weighted-average fair value of the 214,705 units linked to market-based vesting conditions and the 644,116 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 share price of $6.72 on the grant date (i.e., $6.72 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 non-market-based vesting conditions was determined to be $7.93 by leveraging an implied volatility of 70%, a peer group historical average volatility of 81.9%, a risk-free rate of 3.5%, a simulation term of 2.3 years, a dividend yield of nil, and a 100,000 simulation iterations. As such, the weighted-average fair value per PSU was calculated to be $7.02. Refer to Note 7 - Share-based payment for more detail on the 2022 Omnibus Incentive Plan.

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 and consist primarily of finished goods as of December 31, 2022 and 2021. 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).

Equity

Distributed group contributions to the owners, along with the related tax effect, are recorded in equity in accordance with the principles for shareholder's contributions. If any unconditional shareholder's contributions are received from the main owner, they are recognized in equity.

Provisions and contingent liabilities

Provisions are recognized on the Consolidated Statement of Financial Position when a legal or constructive obligation exists as a result of a past event, it is deemed more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are regularly reviewed and adjusted as further information becomes available or circumstances change. If the effect of the time value of money is material, non-current provisions are recognized at present value by discounting the expected future cash flows at a pre-tax rate reflecting current market assessments of the time value of money. The unwinding of the discount is expensed as incurred and recognized in the Consolidated Statement of Loss. The discount rate does not reflect such risks that are taken into consideration in the estimated future cash flow. Revisions to estimated cash flows (both amount and likelihood) are allocated as operating cost. Changes to present value due to the passage of time and revisions of discount rates to reflect prevailing current market conditions are recognized as a financial cost.

Warranty

Polestar Group issues various types of product warranties, under which the Group generally guarantees the performance of products delivered and services rendered for a certain period of time. The estimated warranty costs include those costs which are related to contractual warranties, warranty campaigns (i.e., recalls), and warranty cover in excess of contractual warranties or campaigns. Warranty cover in excess of contractual warranties or campaigns occurs when Polestar Group provides a customer warranty type assistance, above and beyond the stated nature of the contract. This type of warranty cover is normal practice in maintaining a strong business relationship with the customer; the Group accordingly includes the estimate of this provision in total estimated warranty costs. In the future, the Group, may at various times initiate a recall if any products or vehicle components, including any systems or parts sourced from our suppliers, prove to be defective or noncompliant with applicable laws and regulations.

All warranty provisions are recognized at the time of the sale of vehicles. The initial calculations of the warranty provision are based on historical warranty statistics, considering factors like known quality improvements and costs for remedying defaults. The warranty provision is subsequently adjusted if recalls for specific quality problems are made. On a semi-annual basis, the provisions are adjusted to reflect the latest available data such as actual spend and exchange rates. The provisions are reduced by warranty reimbursements from suppliers. Such refunds from suppliers decrease Polestar Group's warranty costs and are recognized to the extent these are considered to be virtually certain, based on historical experience or agreements entered into with suppliers.

Other provisions

Other provisions primarily comprise expected costs for provisions for the Group's long-term incentive plan, short-term incentive plan, and other taxes and related charges. Other provisions can also include provisions for claims and litigation and anticipated losses, giving consideration to historical trends, various other risks, and specific agreements related to recoveries provided by suppliers which cannot be allocated to any other class of provision.

Contingent liabilities

When a possible obligation does not meet the criteria for recognition as a liability, it may be disclosed as a contingent liability. These possible obligations derived from past events and their existence will be confirmed only when one, or several, uncertain future events, which are not entirely within the Group's control, take place or fail to take place. A contingent liability could also exist for a present obligation, due to a past event, where an outflow of resources is less than likely or when the amount of the obligation cannot be reliably measured.

Assets held for sale

Non-current assets, groups of assets, and liabilities which comprise disposal groups are presented as assets held for sale where the asset or disposal group is available for immediate sale in its present condition and the sale is highly probable. For a sale to be highly probable related to an asset held for sale or disposal group, management must be committed to a plan to achieve the sale, there must be an active program to find a buyer, the non-current asset or disposal group must be actively marketed for sale at a price that is reasonable in relation to its current fair value, and the sale must be anticipated to be completed within one year from the date of classification.

In its Consolidated Statement of Financial Position, Polestar records non-current assets and disposal groups held for sale, that are not investment properties, at the lower of carrying amount and fair value less costs to sell. Any gain or loss arising from the change in measurement basis as a result of reclassification is recognized in the profit or loss at the time of reclassification.

Where a component of an entity has been disposed of, or is classified as held for sale, and it represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale, the related results of operations and gain or loss on reclassification or disposition are presented in discontinued operations. As of December 31, 2022 Polestar's held for sale assets do not represent a separate major line of business or geographical area, nor is it a subsidiary acquired exclusively with a view to resale; therefore, the non-current asset is not presented as a discontinued operation.

Borrowing costs

Borrowing costs are expensed as incurred unless they are directly attributable to the acquisition, construction or production of a qualifying asset and are therefore part of the cost of that asset.

Note 2 - Financial risk management

Management of financial risks

As a result of its business and the global nature of its operations, Polestar Group is exposed to market risks from changes in foreign currency exchange rates, interest rate risk, credit risk and liquidity risk.

Foreign currency exchange risk

The global nature of Polestar Group's business exposes the Group's cash flows to risks arising from fluctuations in currency exchange rates. Changes in currency exchange rates have a direct impact on Polestar Group's Operating income, Finance income, Finance expense, Consolidated Statement of Financial Position and Consolidated Statement of Cash Flows. To mitigate the impact of currency exchange rate fluctuations on business operations, the Group continually assesses its exposure to exchange rate risks.

Transaction and translation exposure risk

Currency transaction risk arises from future commercial transactions and settlement of recognized assets and liabilities denominated in a currency that is not the functional currency of the relevant Group entity. Primarily, the Group is exposed to currency transaction risk in Group companies with SEK as the functional currency. The primary risks in these companies are SEK/CNY, USD/SEK and EUR/SEK due to trade receivables, trade payables, and short-term credit facilities.

For example, Polestar purchases vehicles via a SEK denominated legal entity from Volvo Cars' CNY denominated Taizhou plant in China (see Note 25 - Related party transactions for further discussion on contract manufacturing arrangements). Under this contract manufacturing arrangement with Volvo Cars, Polestar's purchasing entity bears the currency transaction risk upon purchasing and recognizing the vehicles in inventories, which are denominated in SEK. As the SEK/CNY exchange rate fluctuates, the amount of SEK required to purchase a vehicle in CNY has a corresponding fluctuation. During the year ended December 31, 2022, the SEK deteriorated against the CNY by approximately 5.7%, from 0.70 SEK/CNY on January 1, 2022 to 0.66 SEK/CNY as of December 31, 2022. During the comparative period, the SEK deteriorated against the CNY by approximately 11.4%, from 0.79 SEK/CNY on January 1, 2021 to 0.70 SEK/CNY as of December 31, 2021. In total, since January 1, 2021, the SEK foreign exchange rate deteriorated against the CNY by approximately 16%, indicating that the cost per vehicle purchased has increased over time as Polestar has been required to spend more SEK for every vehicle purchased in CNY.

Currency translation risk arises from the consolidation of foreign subsidiaries that maintain net assets denominated in their respective functional currencies other than USD (i.e., the functional currency of the Parent). Translation risk also arises from the conversion of balances denominated in foreign currencies to the functional currency using monthly closing exchange rates. Such currency effects (i.e., foreign currency gains and losses) are recorded in the Consolidated Statement of Loss and Comprehensive Loss. The Group is primarily exposed to currency translation risk from subsidiaries with functional currencies in the Swedish Krona ("SEK"), the Euro ("EUR") and the Chinese yuan ("CNY").

During the year ended December 31, 2022, the Group was primarily exposed to changes in SEK/CNY, EUR/SEK and GBP/SEK foreign exchange rates. The following table illustrates the estimated impact of a 10% change in these foreign exchange rates:

	Impact on loss before income taxes	
SEK/CNY exchange rate - increase/decrease 10%	-/+	210,810
USD/SEK exchange rate - increase/decrease 10%	+/-	45,359
EUR/SEK exchange rate - increase/decrease 10%	+/-	35,831
GBP/SEK exchange rate - increase/decrease 10%	+/-	30,201

NOK/SEK exchange rate - increase/decrease 10%	+/-	16,118

During the year ended December 31, 2021, the Group was primarily exposed to changes in SEK/CNY, USD/SEK, and EUR/SEK foreign exchange rates. The following table illustrates the estimated impact of a 10% change in these foreign exchange rates:

	Impact on loss before income taxes	
SEK/CNY exchange rate - increase/decrease 10%	+/-	111,743
USD/SEK exchange rate - increase/decrease 10%	-/+	56,052
EUR/SEK exchange rate - increase/decrease 10%	+/-	46,871
GBP/SEK exchange rate - increase/decrease 10%	-/+	41,688
NOK/SEK exchange rate - increase/decrease 10%	+/-	36,493

During the year ended December 31, 2020, the Group was primarily exposed to changes in the EUR/CNY and EUR/SEK foreign exchange rate. The following table illustrates the impact of a 10% change in these foreign exchange rates:

	Impact on loss before income taxes	
SEK/CNY exchange rate - increase/decrease 10%	+/-	86,794
EUR/SEK exchange rate - increase/decrease 10%	-/+	34,732

The Group's overall currency exposure is reduced by natural hedging, which consists of the currency exposures of the business operations of different entities partially offsetting each other at the Group level. These natural hedges eliminate the need for hedging to the extent of the matched exposures.

Other risk

The Group is exposed to market volatility risk through the financial liabilities for the Class C Shares and Earn-out rights. These instruments are carried at fair value with subsequent changes in fair value recognized in the Consolidated Statement of Loss and Comprehensive Loss at each reporting date. The Class C-1 Shares are publicly traded on the Nasdaq. The Class C-2 Shares and Earn-out rights are not publicly traded and require Level 2 and Level 3 fair value measurements, respectively. Refer to Note 1 - Significant accounting policies and judgements and Note 16 - Reverse recapitalization for further details on the Class C Shares, Earn-out rights, and related valuation methodologies. The following table illustrates the estimated impact of a 10% change in market volatility:

	Impact on loss before income taxes	
Earn-out liability - increase 10%	+	60,531
Earn-out liability - decrease 10%	-	(55,828)

	Impact on loss before income taxes		
		Fair value change - Class C-1 Shares	Fair value change - Class C-2 Shares
Class C Shares liability - increase of 10%	+	800	450
Class C Shares liability - decrease of 10%	-	(960)	(540)

Interest rate risk

The Polestar Group's main interest rate risk arises from short-term liabilities to credit institutions with variable rates, which exposes the Group to cash flow interest rate risk. As of December 31, 2022 and 2021, the nominal amount of liabilities to credit institutions with floating interest rates was $819,390 and $642,338, respectively. Management closely monitors the effects of changes in the interest rates on the Group's interest rate risk exposures, but the Group currently does not take any measures to hedge interest rate risks. Interest rate risk associated with these loans is limited given their short-term duration.

The table below shows the estimated effect on profit or loss and equity of a parallel shift of the interest rate curves up or down by one percent on all loans. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The calculation considers the effect of financial instruments with variable interest rates, financial instruments at fair value through profit or loss or available for sale with fixed interest rates, and the fixed rate element of interest rate caps. The analysis is performed on the same basis for 2022 and 2021.

	Impact on loss before income taxes			
	2022		2021	
Interest rates - increase/decrease by 1%	+/-	5,219	+/-	1,791

Credit risk

The Polestar Group is exposed to counterparty credit risks if contractual partners, fleet customers for example, are unable or only partially able to meet their contractual obligations. Polestar Group's credit risk can be divided into financial credit risk and operational credit risk. Credit risk encompasses both the direct risk of default and the risk of a deterioration of creditworthiness, as well as concentration risks. The Group defines default as the inability to collect receivables once all reasonable means of collection have been unsuccessful and the expectation of recovering contractual cash flows on the receivables is not probable.

Financial credit risk

Financial credit risk on financial transactions is the risk that Polestar Group will incur losses as a result of non-payment by counterparties related to the Group's bank accounts, bank deposits, derivative transactions, and other liquid assets. In order to minimize financial credit risk, Polestar Group has adopted a policy of dealing with only well-established international banks or other major participants in the financial markets as counterparties. Further, Polestar Group also considers the credit risk assessment of its counterparties by the capital markets and places priority on institutions with high creditworthiness and balanced risk diversification. The credit rating of financial counterparties used during the years ended December 31, 2022 and 2021 were in the range of BBB to A+.

Assets that potentially subject the Group to concentrations of credit risk primarily consist of cash and cash equivalents, marketable securities, restricted cash, and trade receivables. Cash and cash equivalents, restricted cash and marketable securities are all invested in major financial institutions with high credit ratings. Generally, these assets may be redeemed upon demand and, therefore, bear low risk. Risks associated with the Group's trade receivables are further specified below.

Operational credit risk

Operational credit risk arises from trade receivables. It refers to the risk that a counterparty will default on its contractual obligations which would, in turn, result in financial loss to the Group. Trade receivables at Polestar Group mostly consist of receivables resulting from the global sales of vehicles and technology. The credit risk from trade receivables encompasses the default risk of customers. Management evaluates for concentrations of credit risk at the customer level based on the outstanding trade receivables balance of each respective customer account. As of December 31, 2022, an unrelated party accounted for $26,649 (13.1%) of the Group's total trade receivables (i.e., trade receivables plus trade receivables - related parties). As of December 31, 2021, an unrelated party accounted for $23,031 (12.5%) of the Group's total trade receivables. Historically, the Group has not incurred any losses from these customers and does not have any contractual right to off-set its payables and receivables.

Polestar has five categories of customers when considering sales of vehicles: (1) end customers who pay up-front for vehicles, (2) fleet customers, (3) dealers, (4) importers, and (5) financial service providers. All credit risk related to sales to end customers who pay up-front for vehicles is eliminated due to the nature of the payment. To reduce risk related to fleet customers, credit risk reviews are performed prior to entering into related sales agreements. Depending on the creditworthiness of its customers, Polestar Group may establish credit limits to reduce credit risks. For sales to dealers and importers, title to Polestar vehicles remains with Polestar until the invoice is paid in full, which is generally on the invoice date or the day after (i.e., payment is received before the vehicle ships and credit risk is thereby mitigated). Polestar sells vehicles to financial service providers, who then form separate contractual relationships with end customers. To reduce the risk related to such financial service providers, Polestar Group has selected a few credible financing providers in each market. Credit risk reviews, establishment of credit limits, and selection of credible financial service providers must be strictly followed and monitored, globally. The maximum amount of credit risk exposure is the carrying amount of trade receivables. See Note 15 - Financial instruments for further details.

Liquidity risk

Liquidity risk is the risk that Polestar Group is unable to meet ongoing financial obligations on time. The Group faces liquidity risk as all loans from financial institutions are short-term in nature, typically with a credit term of one year or less, and trade payables with related parties represent working capital arrangements under which the liquidity needs of the Group are highly dependent on the continued flexible payment terms offered to the Group by its related parties. These flexible payment terms are not a contractual right and may be called upon in the future. Refer to Note 25 - Related party transactions for additional information on these arrangements. Polestar Group needs to have adequate cash and highly liquid assets on hand to ensure the Group can meet its short-term financing obligations and other working capital needs. Polestar manages its liquidity by holding adequate volumes of liquid assets such as cash and cash equivalents and accounts receivable, by maintaining credit facilities in addition to the cash inflows generated by its business operations and through capital contributions from private equity investors.

As of December 31, 2022 and 2021, the Group held cash and cash equivalents of $973,877 and $756,677, respectively, that were available for managing liquidity risk. The Group entered into short-term financing arrangements with credit institutions and other financial service providers to enhance short term liquidity and financing needs. Refer to Note 23 - Liabilities to credit institutions for further details on short-term borrowings. The Group's short-term and mid-term liquidity management takes into account the maturities of financial assets and financial liabilities and estimates of cash flows from business operations.

Management has established an appropriate liquidity risk management framework for management of the Group's short, medium and long-term funding and liquidity management requirements and the Group prepares long-term planning in order to mitigate funding and re-financing risks. Depending on liquidity needs, Polestar Group will enter into financing and debt agreements and/or lending agreements. All draws on loans are evaluated against future liquidity needs and investment plans.

Capital management

Safeguarding the Group's ability to continue as a going concern, driving growth to provide future returns for shareholders, and maintaining an optimal capital structure to reduce the cost of capital are Polestar Group's primary objectives when managing capital and implementing related capital management strategies. To maintain or adjust the capital structure, the Group may issue new shares, sell assets to reduce debt, or enter into short term debt and financing arrangements to increase cash on hand. Capital is calculated as total equity as shown on the Consolidated Statement of Financial Position plus total borrowings and lease liabilities, less cash and cash equivalents.

Note 3 - Common control transaction

On September 14, 2020, Polestar Automotive (Shanghai) Co., Ltd (incorporated in the People's Republic of China) ("Old Parent") along with its consolidated subsidiaries ("Former Group") was restructured so that 100% of ownership interests in the Former Group were transitioned from Old Parent to Polestar Automotive (Singapore) Pte. Ltd, which is a wholly owned entity of Polestar Automotive Holding Limited (incorporated in Hong Kong) ("New Parent"). The restructuring represented a common control transaction rather than a business combination under the guidance in IFRS 3, Business Combinations ("IFRS 3"), because (1) the New Parent was a shell company that did not meet the definition of a business at the time of the transaction, (2) ultimate control of the Former Group was the same before and after the transaction, and (3) control of the Former Group was not transitory (i.e., organized to effect a 'grooming' transaction).

Accordingly, the restructuring was recognized using the historic value method (i.e., the assets and liabilities are measured using the existing book value) and the impact of the restructuring is reflected in the Consolidated Statement of Changes in Equity under the "Changes in the consolidated group" subheading. Additionally, the presentation of the Consolidated Statement of Changes in Equity was required to be adjusted following the restructuring. Prior to the restructuring, the concept of share capital did not exist under the Old Parent's limited company structure in China. Ownership interests were only represented by percentages of paid-in capital, as adjusted by accumulated losses and cumulative translation adjustments. Under the New Parent's private company limited structure in Hong Kong, share capital was introduced to the Former Group's equity and the Consolidated Statement of Changes in Equity. Therefore, capital infusions in the Old Parent are shown as other contributed capital in the Consolidated Statement of Changes in Equity prior to the restructuring. Total equity prior to the restructuring did not change, and restructuring resulted in issued share capital in the New Parent equivalent to the ownership percentages under the Old Parent.

Consideration transferred for the Former Group from the New Parent to the Old Parent under the restructuring was equal to the initial investment of the controlling owners in the Former Group. However, when the Polestar Group was separated from the Old Parent, the intercompany relationship between the Old Parent and the Former Group was severed. This resulted in the realization of accumulated gains in equity of $5,801 in the Old Parent, which were historically eliminated upon consolidation. The $5,801 adjustment to equity does not reflect cash consideration transferred, but rather, the non-cash impact of separating intercompany interests and changing parent entities under the same controlling owners.

Note 4 - 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 year ended December 31,		
	2022	2021	2020
Sales of vehicles[1]	2,404,246	1,290,031	542,783
Sales of software and performance engineered kits	21,308	25,881	35,434
Sales of carbon credits	10,984	6,299	27,141
Vehicle leasing revenue	16,719	6,217	—
Other revenue	8,639	8,753	4,887
Total	**2,461,896**	**1,337,181**	**610,245**

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

For the years ended December 31, 2022 and 2021, 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, which Volvo Cars began selling to customers during 2021. For the year ended December 31, 2020, other revenue primarily consisted of revenue generated through the sale of technology to a related party.

For the year ended December 31, 2022, no sole customer exceeded 10% of total revenue. The Group's two largest customers that are third parties accounted for $135,544 (10.14%) and $129,873 (9.71%) of revenue, respectively, for the year ended December 31, 2021. For the year ended December 31, 2020, Volvo Cars accounted for $107,948 (17.7%) of the Group's revenue and a third party customer accounted for $71,361 (11.69%) of the Group's revenue. Refer to Note 25 - Related party transactions for further details on revenues from related parties.

Contract liabilities

	Sales generated obligation	Deferred revenue - extended service	Deferred revenue - connected services	Deferred revenue - operating leases & other	Total
Balance as of January 1, 2021	2,436	8,967	5,669	—	17,072
Provided for during the year	65,862	20,612	14,472	25,869	126,815
Settled during the year	(43,469)	—	—	—	(43,469)
Released during the year	—	(3,673)	(1,450)	(5,554)	(10,677)
Effect of foreign currency exchange rate differences	(127)	(2,226)	(98)	—	(2,451)
Balance as of December 31, 2021	**24,702**	**23,680**	**18,593**	**20,315**	**87,290**
of which current	24,702	11,178	2,521	19,967	58,368
of which non-current	—	12,502	16,072	348	28,922
Provided for during the year	66,769	31,928	17,325	14,197	130,219
Settled during the year	(77,667)	—	—	—	(77,667)
Released during the year	—	(13,882)	(3,859)	(21,437)	(39,178)
Effect of foreign currency exchange rate differences	(735)	(934)	(1,966)	(560)	(4,195)
Balance as of December 31, 2022	**13,069**	**40,792**	**30,093**	**12,515**	**96,469**
of which current	13,069	18,979	4,431	9,738	46,217
of which non-current	—	21,813	25,662	2,777	50,252

As of December 31, 2022, contract liabilities amounted to $96,469, of which $13,069 was related to variable consideration payable to fleet customers in the form of volume related bonuses and $83,400 was related to remaining performance obligations associated with sales of vehicles and vehicle leasing revenue. As of December 31, 2021, the aggregate amount of the transaction price related to sales of vehicles allocated to the remaining performance obligations was $87,290.

Revenue recognized during the year ended December 31, 2022 related to contract liabilities outstanding as of January 1, 2022 was $33,666, and no revenue was recognized during the period related to performance obligations fully (or partially) satisfied in prior periods. Revenue recognized during the year ended December 31, 2021 related to contract liabilities outstanding as of January 1, 2021 was $4,648, and no revenue was recognized during the period related to performance obligations fully (or partially) satisfied in prior periods. Since Polestar Group did not enter the commercial space until the third quarter of 2020, there was no revenue recognized during the year ended December 31, 2020 related to contract liabilities outstanding as of January 1, 2020 or performance obligations fully (or partially) satisfied.

Note 5 - Depreciation and amortization by function

Polestar utilizes acquired research and development related to PS1 and PS2 as a foundation for the development of future car models and technology. As such, amortization of these intangible assets is included in research and development expense. The following table illustrates depreciation and amortization by function:

2022	**Property, plant and equipment**	**Right-of-use assets**	**Assets under operating leases**	**Intangible assets**	**Total**
Cost of sales	16,188	7,852	14,004	7,232	45,276
Research and development expense	23	389	—	95,624	96,036
Selling, general and administrative expense	5,154	11,926	—	—	17,080
Total	**21,365**	**20,167**	**14,004**	**102,856**	**158,392**
2021					
Cost of sales	30,557	9,822	—	13,672	54,051
Research and development expense	1,845	385	—	174,639	176,869
Selling, general and administrative expense	3,774	4,404	—	65	8,243
Total	**36,176**	**14,611**	**—**	**188,376**	**239,163**
2020					
Cost of sales	38,671	6,947	—	14,447	60,065
Research and development expense	—	—	—	152,395	152,395
Selling, general and administrative expense	1,402	2,170	—	44	3,616
Total	**40,073**	**9,117**	**—**	**166,886**	**216,076**

Note 6 - Employee benefits

The following table discloses total expenses related to employee benefits:

	For the year ended December 31,		
	2022	**2021**	**2020**
Short-term employee benefits	187,202	100,461	70,555
Post-employment benefits	26,294	18,600	10,590
Share-based compensation	4,958	—	—
Total employee benefits	**218,454**	**119,061**	**81,145**

Post-employment benefits expense reflects those related to defined contribution plans for the years ended December 31, 2022, 2021 and 2020, inclusive of expenses related to the ITP 2. Expenses related to defined contribution plans amounted to $20,664, $13,916 and $7,975 for the years ended December 31, 2022, 2021 and 2020, respectively.

The following table discloses total expenses related to employee benefits for the Group's Executive Management Team ("EMT") and managing directors at the Group's sales units:

	For the year ended December 31,		
	2022	2021	2020
Short-term employee benefits	8,486	5,094	5,788
Post-employment benefits	996	525	351
Other long-term benefits	228	417	600
Share-based compensation	1,294	—	—
Total benefits to key management personnel only	**11,004**	**6,036**	**6,739**

The Group's EMT has the authority and responsibility for planning, directing, and controlling the Polestar Group's activities. As of December 31, 2022 and 2021, the EMT consisted of the following individuals:

- Thomas Ingenlath (CEO);
- Johan Malmqvist (Chief Financial Officer, "CFO"); and
- Dennis Nobelius (Chief Operating Officer, "COO").

As of December 31, 2020, the EMT consisted of:

- Thomas Ingenlath (CEO);
- Ian Zhang (CFO); and
- Dennis Nobelius (COO).

The CEO has the ultimate authority for approval of actions proposed by each member of the EMT.

Note 7 - Share-based payment

As noted in Note 1 - Significant accounting policies and judgements, Polestar granted shares to employees under the Omnibus Plan as part of the Group's employee compensation. Under the 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. The following table illustrates share activity for the year ended December 31, 2022:

	Number of PSUs	Number of RSUs	Number of Free Shares	Total
Outstanding as of January 1, 2022	—	—	—	—
Granted	858,821	629,303	334,990	1,823,114
Vested	—	(170,683)	(330,768)	(501,451)
Cancelled	—	—	—	—
Outstanding as of December 31, 2022	**858,821**	**458,620**	**4,222**	**1,321,663**

There was no share activity under the Omnibus Plan for the years ended December 31, 2021 and 2020.

The following table illustrates total share-based compensation expense for the years ended December 31, 2022, 2021 and 2020:

	For the year ended December 31,		
	2022	2021	2020
Selling, general and administrative expense	7,128	—	—
Research and development expense	2,781	—	—
Total	**9,909**	**—**	**—**

At-listing plan

All executives and other key management members are eligible to receive RSUs under this plan. RSUs were granted on September 9, 2022 with the vesting commencement date of June 24, 2022; 33% of the RSUs vested on October 3, 2022 and the remaining RSUs will vest in two installments, with 33% of the awards vesting on June 24, 2023, and the remaining 34% of awards vesting on June 24, 2024. In order for the RSUs to vest, the employee must remain employed with Polestar at each vesting date.

The total number of RSUs granted was 517,220, with a fair value of $3,476 as of the grant date. The total number of shares vested during the period was 170,683 with a fair value of $1,147. There were no changes to the number of shares granted during the period due to leavers or any vesting/non-vesting conditions.

Post-listing plan

Under this plan, the EMT (i.e., CEO, CFO, and COO), are eligible to receive PSUs and other key management members are eligible to receive RSUs and PSUs. Awards were granted on September 9, 2022. The Post-listing plan has a three-year cliff vesting period, where the first vesting date is October 3, 2022 with a final vesting date of June 24, 2025. The vesting commencement date for the Post-listing plan was June 24, 2022. In order for the participants to receive the awards, they must remain employees at Polestar throughout the three-year vesting period, and achieve certain market and non-market performance-based targets in order to receive the PSUs:

Market condition

- 25% Value Creation – The target is equal to positive relative market value development compared to a specified peer group. This is measured by Relative Total Shareholder Return (“rTSR”) which captures share price change (of a single share) and dividend reinvestment. Relative rTSR is a metric that will be externally measured.

Non-market conditions

- 25% Cash flow – The target is equal to unleveraged free cash flow accumulated from 2022 – forecasted 2024.
- 20% Environmental, Social, Governance ("ESG") – The target is equal to Polestar’s total yearly greenhouse gas emissions divided by the number of cars sold for the applicable year. The greenhouse gas emissions are calculated every year according to Greenhouse gas protocol reporting standards. Polestar includes Scope 1, 2 and 3 emissions. The results and methodology are reported in the annual sustainability report.
- 30% Operational milestones – The target is the fulfillment of operational milestones driving growth and stand-alone capabilities. The total number of RSUs granted was 112,083, with a fair value of $753 as of the grant date. The total number of PSUs granted was 858,821, with a fair value of $6,031 as of the grant date. There were no changes to the number of shares granted during the period due to leavers or any vesting/non-vesting conditions.

Free share plan

All permanent employees hired no later than December 31, 2021 who remained employed were granted free shares on September 30, 2022. The awards vested on October 3, 2022 and are subject to a one-year holding period. The total number of Free Shares granted and vested was 334,990 and 330,768, respectively, with vested shares fair value of $1,715 as of the grant date. The fair value was determined using the market value of the shares listed on the Nasdaq. Under the Free Share plan, Polestar must withhold the tax obligation related to the share-based payment and transfer that amount in cash to the tax authority on the employee's behalf. Polestar does not withhold shares in order to settle the employee's tax obligations.

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 date the F-1 Registration Statement became effective. 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 have vested as of December 31, 2022.

Note 8 - Other operating income and expense

The following table details the Group’s other operating income and expense:

	For the year ended December 31,		
	2022	2021	2020
Other operating income			

Net foreign exchange rate differences	—	—	2,478
Sold services	—	847	—
Other operating income	4,724	1,776	1,598
Total	**4,724**	**2,623**	**4,076**

	For the year ended December 31,		
Other operating expense	**2022**	**2021**	**2020**
Net foreign exchange rate differences	3,595	49,298	—
Non-income tax	1,502	1,064	1,347
Other operating expense	1,192	314	963
Total	**6,289**	**50,676**	**2,310**

Note 9 - Finance income and expense

The following table details the Group's finance income and expense:

	For the year ended December 31,		
Finance income	**2022**	**2021**	**2020**
Net foreign exchange rate gains on financial activities	—	31,574	—
Interest income on bank deposits	7,658	1,396	3,199
Other finance income	894	—	—
Total	**8,552**	**32,970**	**3,199**

	For the year ended December 31,		
Finance expense	**2022**	**2021**	**2020**
Interest expense on credit facilities and financing obligations	33,331	11,681	13,169
Interest expense to related parties	37,978	30,801	11,210
Net foreign exchange rate losses on financial activities	30,920	—	7,527
Interest expense related to lease liabilities	6,201	2,377	2,122
Credit facility expenses	—	377	—
Other finance expenses	5	13	6
Total	**108,435**	**45,249**	**34,034**

For the years ended December 31, 2022, 2021 and 2020, interest expense to related parties was comprised of interest on overdue trade payables balances and interest on related party borrowings. Refer to Note 25 - Related party transactions for further discussion.

Note 10 - Leases

Polestar Group as Lessee

As a lessee, Polestar Group primarily leases buildings and manufacturing production equipment. The Group also has short-term and low value leases related to the leasing of temporary spaces and small IT equipment, respectively. The lease term for land and buildings is generally 2-15 years, with the exception of one long term land lease with a term of 50 years. The lease term for machinery and equipment is generally 2-6 years.

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, 2021	33,965	48,946	82,911
Additions	12,345	31	12,376
Effect of foreign currency exchange rate differences	(1,197)	1,122	(75)
Balance as of December 31, 2021	**45,113**	**50,099**	**95,212**
Additions	53,870	—	53,870
Reclassification to Assets held for sale	(4,975)	—	(4,975)
Effect of foreign currency exchange rate differences	(4,399)	(4,683)	(9,082)
Balance as of December 31, 2022	**89,609**	**45,416**	**135,025**
Accumulated depreciation			
Balance as of January 1, 2021	(4,196)	(6,838)	(11,034)
Depreciation expense	(6,180)	(8,431)	(14,611)
Effect of foreign currency exchange rate differences	217	(178)	39
Balance as of December 31, 2021	**(10,159)**	**(15,447)**	**(25,606)**
Depreciation expense	(12,389)	(7,778)	(20,167)
Reclassification to Assets held for sale	430	—	430
Effect of foreign currency exchange rate differences	3,184	2,457	5,641
Balance as of December 31, 2022	**(18,934)**	**(20,768)**	**(39,702)**
Carrying amount as of December 31, 2021	**34,954**	**34,652**	**69,606**
Carrying amount as of December 31, 2022	**70,675**	**24,648**	**95,323**

Amounts related to leases recognized in the Consolidated Statement of Loss and Comprehensive Loss are as follows:

	For the year ended December 31,		
	2022	**2021**	**2020**
Income from sub-leasing right-of-use assets	1,415	—	—
Expense relating to short-term leases	(1,598)	(1,300)	(1,390)
Expense relating to lease of low value assets	(4,454)	(4,218)	(25)
Interest expense on leases	(6,201)	—	—
Effect of foreign currency exchange rate differences	—	39	584

The current and non-current portion of the Group´s lease liabilities are as follows:

	As of December 31,	
	2022	**2021**
Current lease liability	21,545	10,250
Non-current lease liability	85,556	66,575

Total	**107,101**	**76,825**

Expected future lease payments to be made to satisfy the Group´s lease liabilities are as follow:

	As of December 31,	
	2022	**2021**
Within 1 year	21,717	10,250
Between 1 and 2 years	24,484	11,715
Between 2 and 3 years	20,739	10,375
Between 3 and 4 years	17,924	8,596
Between 4 and 5 years	5,987	42,032
Later than 5 years	29,613	6,361
Total	**120,464**	**89,329**

For the years ended December 31, 2022, 2021 and 2020, total cash outflows for leases amounted to $18,905, $8,578 and $2,298, respectively.

Polestar Group as lessor

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

	For the year ended December 31,		
	2022	**2021**	**2020**
Vehicle leasing revenue	16,719	6,217	—

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, 2021	—
Reclassification from inventories	124,764
Balance at December 31, 2021	**124,764**
Reclassification from inventories	41,134
Reclassification to inventories	(58,581)
Effect of foreign currency exchange rate differences	(2,317)
Balance at December 31, 2022	**105,000**
Accumulated depreciation & impairment	
Balance as of January 1, 2021	—
Depreciation expense	(4,138)
Balance at December 31, 2021	**(4,138)**
Depreciation expense	(14,004)
Reclassification to inventories	4,578
Effect of foreign currency exchange rate differences	762
Balance at December 31, 2022	**(12,802)**
Carrying amount as of December 31, 2021	**120,626**
Carrying amount as of December 31, 2022	**92,198**

Note 11 - Income tax expense

Income tax expense recognized in the Consolidated Statement of Loss and Comprehensive Loss is as follows:

	For the year ended December 31,		
	2022	**2021**	**2020**
Current income tax for the year	(17,277)	(3,336)	(1,966)
Deferred taxes	4,210	5,517	(4,422)
Foreign taxes	(3,717)	(2,517)	(7,147)
Total	**(16,784)**	**(336)**	**(13,535)**

Information regarding current year income tax expense based on the applicable UK and Hong Kong tax rates are as follows:

	For the year ended December 31,		
	2022	**2021**	**2020**
Loss before tax for the year	(449,005)	(1,007,118)	(471,323)
Tax according to the applicable tax rate [1]	85,311	166,174	74,449
Operating income/costs, non-taxable[2]	86,504	(5,407)	(2,178)

Effect of different tax rates	17,142	64,384	34,700
Tax effect on deferred tax due to change of tax rate	—	—	(575)
Withholding tax	(3,717)	(2,517)	(7,147)
Non-recognition of deferred tax assets on temporary differences	(13,672)	(9,042)	(32,223)
Not recognized loss carry-forward	(188,352)	(213,928)	(80,434)
Other	—	—	(127)
Total	**(16,784)**	**(336)**	**(13,535)**

1 – 2022: 19% (UK rate), 2021: 16.5% and 2020: 15.8% (Hong Kong rates).

2 – Primarily attributable to the Listing expense being non-tax deductible, corresponding tax $70,740 and Fair value changes of the Earn-out rights being non-taxable income, corresponding tax $171,393. Other non-tax items net $14,148.

The 2021 and 2020 income tax expense is based on the applicable Hong Kong tax rate as a result of the change in group composition that occurred in September 2020. The 2020 restructuring represented a common control transaction and resulted in certain tax losses in Sweden of $30,418 to be forfeited. Refer to Note 3 - Common control transaction for further discussion. The 2021 Hong Kong tax rate in the table above is reflective of the Inland Revenue (Amendment (No. 7) Bill 2017 (the "Bill"), which was passed by the Hong Kong Legislative Council in 2018. The Bill introduces the two-tiered profits tax rates regime, under which, the first 2,000,000 Hong Kong Dollar ("HKD") of profits of the qualifying group entity will be taxed at 8.25%, and profits above 2,000,000 HKD will be taxed at 16.5%.

Information regarding the composition of recognized deferred tax assets is as follows:

	As of December 31,	
Specification of deferred tax assets	**2022**	**2021**
Tax loss carry-forwards	49,804	29,737
Other temporary differences	7,755	3,850
Recognized value of deferred tax assets as of December 31	**57,559**	**33,587**
Netting of asset and liability tax positions	(49,804)	(29,737)
Deferred tax asset as of December 31	**7,755**	**3,850**

Information regarding the composition of recognized deferred tax liabilities is as follows:

	As of December 31,	
Specification of deferred tax liabilities	**2022**	**2021**
Intangible assets	41,452	28,753
Inventory	7,890	408
Warranty	938	1,085
Recognized value of deferred tax liabilities as of December 31	**50,280**	**30,246**
Netting of asset and liability tax position	(49,804)	(29,737)
Deferred tax liability as of December 31	**476**	**509**

All changes in deferred tax assets and liabilities have been reported in the Consolidated Statement of Loss and Comprehensive Loss for the years ended December 31, 2022, 2021 and 2020, respectively. Deferred taxes have been calculated by applying the tax rate per jurisdiction.

Information regarding unrecognized deferred tax assets:

The Group recognizes deferred tax assets to the extent that the Group believes that the likelihood of recognition is probable. In making such a determination, the Group considers reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies and the results of recent operations. Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used. Significant management judgements and assumptions are required in determining the recognition of deferred tax assets related to tax losses and other temporary deductible differences. A change in judgement or assumption could have a material impact on the recognition of deferred tax assets.

As of December 31, 2022 and 2021, the Group made the judgement that there is not sufficient, objectively verifiable evidence available which would demonstrate that it is more likely than not that the Group would be able to realize all deferred tax assets in the future. This resulted in deferred tax assets on tax loss carryforwards not being recognized for a tax effected amount of $479,926 and $339,389 as of December 31, 2022 and 2021, respectively.

Tax loss carryforwards through the year of expiration are as follows:

	As of December 31,	
	2022	**2021**
Year of expiration		
2023	—	—
2024	67,221	74,736
2025	174,128	193,596
2026	142,496	158,427
2027	201,454	12,672
2028 onwards	1,616,709	1,113,882
Tax loss carryforwards as of December 31	**2,202,008**	**1,553,313**

The increase in tax losses available for carryforward are mainly attributable to losses incurred as a consequence of the Group scaling headcount and research and development expense to meet the demands of the growing business. Further, for the year ended December 31, 2022, tax loss carryforwards and other temporary differences of $117,229 were attributable to the Chengdu facility which is held for sale. Refer to Note 26 - Assets held for sale for further details. As of December 31, 2022, the Group had unused tax losses of $2,202,008, for which no deferred tax asset has been recognized due to unpredictability of future profit streams. As of December 31, 2022 and 2021, tax losses in Sweden of $1,605,529 and $1,113,842, respectively, have an indefinite carryforward period. As of December 31, 2022 and 2021, tax losses in China of $585,299 and $430,035, respectively, have a five-year carryforward period.

In addition to the losses referred to above, the Group also had deferred tax assets arising on other temporary differences of $251,566 and $40,544 as of December 31, 2022 and 2021, respectively, where no deferred tax assets have been recognized.

Note 12 - Net loss per share

For the year ended December 31, 2022, potentially dilutive instruments issued were the Class C Shares and the earn out to the Former Parent related to the Closing of the BCA discussed in Note 16 - Reverse recapitalization, and unvested equity-settled payments discussed in Note 7 - Share-based payment. The Convertible Notes of the Former Parent were the only dilutive instrument outstanding prior to the reverse recapitalization and were converted to Class A Shares in the Group upon the Closing of the BCA. These financial instruments were excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive. For the year ended December 31, 2021, 4,306,466 shares issuable upon conversion of the Convertible Notes were excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive. No dilutive event occurred for the year ended December 31, 2020. Dilutive Net loss per share was the same as basic Net loss per share for all periods presented.

Loss per share for the periods prior to the reverse recapitalization are 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 dates multiplied by the exchange ratio of 8.335. Refer to Note 20 - Equity for further details. The following table presents the computation of basic and diluted Net loss per share for the years ended December 31, 2022, 2021, and 2020 when applying the exchange ratio:

	For the year ended December 31,		
	2022	**2021**	**2020**
	Class A and B Common Shares		
Net loss attributable to common shareholders	**(465,789)**	**(1,007,454)**	**(484,858)**
Weighted-average number of common shares outstanding:			
Basic and diluted	**2,027,328**	**1,911,580**	**1,681,417**
Net loss per share (in ones):			
Basic and diluted	**(0.23)**	**(0.53)**	**(0.29)**

The following table presents shares that were not included in the calculation of diluted loss per share as their effects would have been antidilutive for the years ended December 31, 2022, 2021 and 2020:

	For the year ended December 31,		
	2022	**2021**	**2020**
Earn-out Shares	158,177,609	—	—
Class C-1 Shares	15,999,965	—	—
Class C-2 Shares	9,000,000	—	—
PSUs	858,821	—	—
RSUs	458,620	—	—
Marketing consulting services agreement	125,000	—	—
Convertible Notes	—	4,306,466	—
Total antidilutive shares	**184,620,015**	**4,306,466**	**—**

Note 13 - Intangible assets and goodwill

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

	As of December 31,	
	2022	**2021**
Intangible assets	1,347,709	1,312,427
Goodwill and trademarks	48,768	55,929
Total	**1,396,477**	**1,368,356**

Intangible assets were as follows:

	Internally developed IP	Software	Acquired IP	Total
Acquisition cost				
Balance as of January 1, 2021	44,002	1,343	1,273,314	1,318,659
Additions[1]	112,844	11	349,876	462,731
Effect of foreign currency exchange rate differences	(4,962)	(87)	(81,335)	(86,384)
Balance as of December 31, 2021	**151,884**	**1,267**	**1,541,855**	**1,695,006**
Additions[1]	95,213	—	218,031	313,244

Replacement cost development project	(10,007)	—	—	(10,007)
Effect of foreign currency exchange rate differences	(19,490)	(153)	(190,491)	(210,134)
Balance as of December 31, 2022	**217,600**	**1,114**	**1,569,395**	**1,788,109**
Accumulated amortization and impairment				
Balance as of January 1, 2021	(16,246)	(138)	(193,004)	(209,388)
Amortization expense	(1,025)	(157)	(187,194)	(188,376)
Effect of foreign currency exchange rate differences	1,612	12	13,561	15,185
Balance as of December 31, 2021	**(15,659)**	**(283)**	**(366,637)**	**(382,579)**
Amortization expense	(1,211)	(144)	(101,501)	(102,856)
Effect of foreign currency exchange rate differences	2,014	38	42,983	45,035
Balance as of December 31, 2022	**(14,856)**	**(389)**	**(425,155)**	**(440,400)**
Carrying amount as of December 31, 2021	**136,225**	**984**	**1,175,218**	**1,312,427**
Carrying amount as of December 31, 2022	**202,744**	**725**	**1,144,240**	**1,347,709**

1 - Of $313,244 in additions for the year ended December 31, 2022, $238,463 has been settled in cash. These $238,463 are included in the $681,204 cash used for investing activities related to additions to intangible assets, and the remaining $442,741 relates to increases in Trade payables - related parties from prior years which were settled in cash during the year ended December 31, 2022. Of $462,731 in additions for the year ended December 31, 2021, $104,971 has been settled in cash and included in cash used for investing activities related to additions to intangible assets.

Additions to internally developed IP are primarily related to the Polestar Precept concept car and various other internal programs, such as model year changes, for the year ended December 31, 2022. Additions to acquired IP during the year ended December 31, 2022 were related to acquisitions of model year changes of the Polestar 2 (“PS2”) and Polestar 3 (“PS3”) IP from Volvo Cars. Polestar also acquired IP related to the Polestar 4 (“PS4”) from Geely. Refer to Note 25 - Related party transactions for further details.

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

	Goodwill	Trademark	Total
Balance as of January 1, 2021	59,129	2,937	62,066
Effect of foreign currency exchange rate differences	(5,847)	(290)	(6,137)
Balance as of December 31, 2021	**53,282**	**2,647**	**55,929**
Effect of foreign currency exchange rate differences	(6,822)	(339)	(7,161)
Balance as of December 31, 2022	**46,460**	**2,308**	**48,768**

Note 14 - Property, plant and equipment

As of December 31, 2022 and 2021, PPE are recognized in the Consolidated Statement of Financial Position with carrying amounts of $258,048 and $208,193, respectively. Of these amounts, $70,675 and $34,954 is related to ROU assets for leased buildings and land, and $24,648 and $34,652 is related to ROU assets for leased machinery and equipment, respectively. Refer to Note 10 - Leases for more details on the Group’s ROU assets and operating leases.

Property, plant and equipment was as follows:

	Buildings and land	Machinery and equipment	Machinery under development	Total
Acquisition cost				
Balance as of January 1, 2021	48,820	131,479	1,878	182,177
Additions	2,106	6,315	33,622	42,043
Reclassifications	—	7,977	(7,977)	—

Effect of foreign currency exchange rate differences	1,304	2,206	143	3,653
Balance as of December 31, 2021	**52,230**	**147,977**	**27,666**	**227,873**
Additions[1]	2,789	6,254	58,171	67,214
Divestments and disposals	(604)	(919)	—	(1,523)
Reclassifications[2]	(1,976)	44,447	33	42,504
Reclassified to Assets held for sale	(44,342)	(20,041)	—	(64,383)
Effect of foreign currency exchange rate differences	(4,027)	(10,217)	(1,976)	(16,220)
Balance as of December 31, 2022	**4,070**	**167,501**	**83,894**	**255,465**
Depreciation and impairment				—
Balance as of January 1, 2021	(2,376)	(50,007)	—	(52,383)
Depreciation expense	(2,266)	(33,910)	—	(36,176)
Effect of foreign currency exchange rate differences	(70)	(657)	—	(727)
Balance as of December 31, 2021	**(4,712)**	**(84,574)**	**—**	**(89,286)**
Depreciation expense	(3,101)	(18,264)	—	(21,365)
Divestments and disposal	47	447	—	494
Reclassification	195	(195)	—	—
Reclassification to Assets held for Sale	5,623	5,385	—	11,008
Effect of foreign currency exchange rate differences	938	5,471	—	6,409
Balance as of December 31, 2022	**(1,010)**	**(91,730)**	**—**	**(92,740)**
Carrying amount at December 31, 2021	**47,518**	**63,403**	**27,666**	**138,587**
Carrying amount at December 31, 2022	**3,060**	**75,771**	**83,894**	**162,725**

1 - Of $67,214 in additions for the year ended December 31, 2022, $30,881 has been settled in cash. These $30,881 are included in the $32,269 in the cash-flow from investing activities related to additions to property, plant and equipment, and the remaining $1,388 relates to increases in Trade payables - related parties from prior years which were settled in cash during the year ended December 31, 2022. Of $42,043 in additions for the year ended December 31, 2021, $17,341 has been settled in cash. These $17,341 are included in the $24,701 cash-flow from investing activities related to additions to property, plant and equipment, while $7,360 is settled in cash in 2021, but added as investments through Trade payables in prior years.

2 - $42,504 is a reclassification from Inventory to Property, plant and equipment for vehicles that are in the process of being repurposed permanently for leasing business with customers and will not be sold.

Note 15 - 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:

	As of December 31, 2022				As of December 31, 2021			
Assets measured at FVTPL	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Marketable securities	—	—	—	—	1,258	—	—	1,258
Other investments	—	—	2,333	2,333	—	—	—	—
Total assets	**—**	**—**	**2,333**	**2,333**	**1,258**	**—**	**—**	**1,258**
Liabilities measured at FVTPL								
Earn-out rights	—	—	598,570	598,570	—	—	—	—
Class C-1 Shares	17,920	—	—	17,920	—	—	—	—
Class C-2 Shares	—	10,080	—	10,080	—	—	—	—
Total liabilities	**17,920**	**10,080**	**598,570**	**626,570**	**—**	**—**	**—**	**—**

During the year ended December 31, 2022, Polestar made a $2,500 investment in the fast charging innovator, StoreDot. This investment is presented in Other investments in the Consolidated Statement of Financial Position and is valued at $2,333 as of December 31, 2022.

Refer to Note 1 - Significant accounting policies and judgements and Note 16 - Reverse recapitalization for more details on the financial liabilities related to the Class C Shares and the Earn-out rights.

The following table shows the carrying amounts of financial assets and liabilities measured at amortized cost:

	As of December 31, 2022
Financial assets	
Trade receivables and trade receivables - related parties	321,103
Cash and cash equivalents	973,877
Accrued income - related parties	49,060
Other current receivables	10,840
Total	**1,354,880**
Financial liabilities	
Trade payables and trade payables - related parties	1,055,955
Liabilities to credit institutions	1,328,752
Accrued expenses and accrued expenses - related parties	367,005
Advance payments from customers	40,869
Liabilities related to repurchase commitments	79,501
Interest-bearing current liabilities[1] and interest-bearing current liabilities - related parties	38,235
Other current liabilities - related parties	70,258
Other non-current liabilities	14,753
Other non-current interest-bearing liabilities[1]	85,556
Total	**3,080,884**

	As of December 31, 2021
Financial assets	
Trade receivables and trade receivables - related parties	172,441
Cash and cash equivalents	756,677
Other current receivables	38,741
Other non-current receivables	1,682
Total	**969,541**
Financial liabilities	
Trade payables and trade payables - related parties	1,541,974
Liabilities to credit institutions	642,338
Accrued expenses and accrued expenses - related parties	502,809
Interest-bearing current liabilities[1] and interest-bearing current liabilities - related parties	24,072
Other non-current liabilities	11,764
Total	**2,722,957**

1 – The Group's current and non-current lease liabilities are included in Interest-bearing current liabilities and Other non-current interest-bearing liabilities, respectively. These amounts are presented separately in Note 10 - Leases.

Total interest income arising on financial assets measured at amortized cost related to cash and cash equivalents as of December 31, 2022, 2021, and 2020, and amounted to $7,658, $1,396, and $3,199, respectively. Total interest expense arising on financial liabilities measured at amortized cost related to liabilities to credit institutions, lease liabilities, other financing obligations, and related party liabilities as of December 31, 2022 amounted to $77,510. Total interest expense arising on financial liabilities measured at amortized cost related mainly to liabilities to credit institutions and other financing obligations as of December 31, 2021, and 2020, and amounted to $42,482 and $24,379, respectively.

The following table shows the maturities for the Group's non-derivative financial assets and liabilities as of December 31, 2022:

	Due within 1 year	Due between 1 and 5 years	Due beyond 5 years	Total
Financial assets				
Trade receivables and trade receivables - related parties	321,103	—	—	321,103
Accrued income - related parties	49,060	—	—	49,060
Other current receivables	10,840	—	—	10,840
Other non-current receivables	—	—	—	—
Total	**381,003**	**—**	**—**	**381,003**
Financial liabilities				
Trade payables and trade payables - related parties	1,055,955	—	—	1,055,955
Liabilities to credit institutions	1,328,752	—	—	1,328,752
Accrued expenses and accrued expenses - related parties	367,005	—	—	367,005
Advance payments from customers	40,869	—	—	40,869
Liabilities related to repurchase commitments	79,501	—	—	79,501
Interest-bearing current liabilities and interest-bearing current liabilities - related parties	38,235	—	—	38,235

Other current liabilities - related parties	70,258	—	—	70,258
Other non-current liabilities	—	14,753	—	14,753
Other non-current interest-bearing liabilities and other non-current interest-bearing liabilities - related parties	—	85,556	—	85,556
Total	**2,980,575**	**100,309**	**—**	**3,080,884**

The following table shows the maturities for the Group’s non-derivative financial assets and liabilities as of December 31, 2021:

	Due within 1 year	**Due between 1 and 5 years**	**Due beyond 5 years**	**Total**
Financial assets				
Trade receivables and trade receivables - related parties	172,441	—	—	172,441
Cash and cash equivalents	756,677	—	—	756,677
Marketable securities	1,258	—	—	1,258
Other current receivables	38,741	—	—	38,741
Other non-current receivables	—	1,682	—	1,682
Total	**969,117**	**1,682**	**—**	**970,799**
Financial liabilities				
Trade payables and trade payables - related parties	1,541,974	—	—	1,541,974
Liabilities to credit institutions	642,338	—	—	642,338
Accrued expenses and accrued expenses - related parties	502,809	—	—	502,809
Interest-bearing current liabilities and interest-bearing current liabilities - related parties	24,072	—	—	24,072
Other non-current liabilities	—	11,764	—	11,764
Total	**2,711,193**	**11,764**	**—**	**2,722,957**

Maturities are not provided for the Group's derivative liabilities related to the Earn-out rights and the Class C Shares that were assumed as part of the merger with GGI on June 23, 2022. The derivative liability related to the Earn-out rights can only be equity settled and therefore will never have a cash flow impact on the Group. The derivative liabilities related to the Class C Shares can be either cash or equity settled, depending on certain circumstances that may occur in the future. However, the timing of those circumstances are uncertain and any cash flow impacts cannot be forecasted in a useful manner. Refer to Note 1 - Significant accounting policies and judgements and Note 16 - Reverse recapitalization for more details on the financial liabilities related to the Class C Shares and the Earn-out rights.

The Group did not have any derivative financial liabilities as of December 31, 2021. For the years ended December 31, 2022 and 2021, the realized gain/loss on derivatives was nil. For the year ended December 31, 2020, the realized gain on derivatives was $554. No financial instruments were offset by the Group.

Note 16 - Reverse recapitalization

As previously outlined in Note 1 - Significant accounting policies and judgements, Polestar underwent a reverse recapitalization through the merger with GGI and related arrangements. Under this type of transaction structure, Polestar Group is the accounting acquirer and accounting predecessor while GGI is treated as the acquired entity for financial reporting purposes. The Group was deemed to be the accounting acquirer based on an evaluation of the following facts and circumstances:

- Shareholders of the Former Parent retained the largest voting interest in the Group with over 99% of the voting interests;
- the Board of Directors of the Group comprises four members nominated by the Former Parent, as compared to one member nominated by certain investors in GGI;

- the Former Parent has the ability to appoint the remaining members of the Board as deemed necessary;
- the Former Parent's senior management is the senior management of the Group;
- the Former Parent's operations comprise substantially all of the ongoing operations of the Group following the merger with GGI; and
- the Group was the larger entity by substantive operations and employee base while GGI lacked operating activities and maintained net assets principally comprised of cash.

GGI did not meet the definition of a business in accordance with IFRS 3 and the merger with GGI was instead accounted for within the scope of IFRS 2, Share-based payment ("IFRS 2"), as a share-based payment transaction in exchange for a public listing service. Under IFRS 2, the Group recorded a one-time share-based expense of $372,318 at the Closing of the BCA that was calculated based on the excess of the fair value of the Group issued to public investors via Class A Shares in Parent utilizing the publicly traded share price at the Closing of $11.23 over the fair value of the identifiable net assets of GGI that were acquired. The amount of GGI's identifiable net assets of acquired at Closing, were as follows:

Cash and cash equivalents	579,146
Prepaid assets	6,050
Public warrant liability	(40,320)
Private warrant liability	(22,770)
Total GGI identifiable net assets at fair value	**522,106**

The net assets of GGI are stated at fair value, with no goodwill or other intangible assets recorded. The IFRS 2 listing expense was calculated as follows:

Fair value of Polestar[1]	22,183,823
Equity interest in Polestar issued to GGI shareholders	5.1 %
Equity interest in Polestar issued to Former Parent shareholders	94.9 %
Deemed cost of shares issued by Polestar[1]	1,131,375
GGI identifiable net assets at fair value	522,106
Sponsor and third-party PIPE Cash	236,951
IFRS 2 Listing Expense	**372,318**

1 - The deemed cost of the shares issued by Polestar was estimated based on the fair value of Polestar at Closing, less an adjustment in respect to the fair value of the earn out rights (discussed below).

Class C Shares

On the Closing of the BCA, Public Warrants and Private Warrants in GGI that were issued and are outstanding immediately prior to the Closing were exchanged for Class C-1 Shares and Class C-2 Shares in Parent. Class C-1 Shares have the following terms:

- Each whole Class C-1 Share entitles the holder to purchase one Class A Share in Parent at an exercise price of $11.50, subject to adjustments for split-ups and dividends. The Class C-1 Shares may also be exercised on a cashless basis by the holder
- Each whole Class C-1 Share is exercisable 30 days after the Closing of the BCA and expires on the earlier of:
  - June 23, 2027,
  - the date the Class C-1 Shares are redeemed by the Group, or
  - the liquidation of the Group.
- The Group may (1) redeem the outstanding whole Class C-1 Shares at a price of $0.01 per Class C-1 Share or (2) convert the outstanding whole Class C-1 Shares in Class A Shares in Parent on a cashless basis any time while the warrants are exercisable upon a minimum of 30 days prior written notice of redemption if, and only if, the last sales price of the Class A Shares in Parent equals or exceeds $18 per share (as adjusted for split-ups, dividends, and the like) on each of 20 trading days within any 30 trading day period ending on the third business day prior to the date on which redemption notice is given.

- The Group may require the conversion of all of the outstanding Class C-1 Shares into Class A Shares in Parent on a cashless basis beginning on October 24, 2022, provided:
    - that the last reported price of the Class A Shares in Parent was at least $10.00 per share (as adjusted for split-ups, dividends, and the like) on the trading day prior to the date on which redemption notice is given,
    - the Class C-2 Shares are converted on the same basis as the outstanding Class C-1 Shares, and
    - there is an effective registration statement covering the Class A Shares in Parent arising upon conversion of the Class C Shares is available for 30 days prior to the date the Class C-1 Shares are redeemed by the Group.
- The Class C-1 Shares may be exercised, on a cash or cashless basis at any time after a notice of redemption shall have been given by the Group and prior to the date the Class C-1 Shares are redeemed by the Group.

The Class C-2 Shares are identical to the Class C-1 Shares, except that the Class C-2 Shares:

- are not redeemable by the Group as long as they are held by certain GGI investors and their permitted transferees;
- automatically convert to Class C-1 Shares if they are transferred to individuals other than certain GGI investors and their permitted transferees;
- may be converted to Class C-1 Shares at any time by the holder upon notification to the Group; and
- are exercisable on a cashless basis by the holder.

The Group applied the provisions of IAS 32, *Financial Instruments: Presentation* ("IAS 32"), and IFRS 9, *Financial Instruments* ("IFRS 9"), in accounting for the Class C Shares. Under IAS 32 and IFRS 9, the Class C Shares failed to meet the definition of equity because they could result in the issuance of a variable number of Class A Shares in the Parent in the case of a cashless basis exercise. Additionally, in the case of a redemption or conversion, the Group would be required to either pay cash or issue a variable number of shares to the holders of the Class C Shares. Instead, the Class C Shares meet the definition of derivative liabilities that are 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 December 31, 2022
Class C-1 Shares	17,920
Class C-2 Shares	10,080
Total Class C Shares	**28,000**

The Class C-1 Shares are publicly traded on the Nasdaq (i.e., Level 1 input) and the closing share price of the GGI Public Warrants on June 23, 2022 was used to measure their fair value upon initial recognition, at which time the 15,999,965 Class C-1 Shares had a fair value of $40,320. On December 31, 2022, the fair value of the Class C-1 Shares was remeasured at $17,920, for a total unrealized gain related to the change in fair value of $22,400.

	Class C-1 Shares
As of January 1, 2022	—
Class C-1 Shares issued	40,320
Change in fair value measurement	(22,400)
As of December 31, 2022	**17,920**

The 9,000,000 Class C-2 Shares had a fair value as of June 23, 2022, of $22,770. On December 31, 2022, the fair value of the Class C-2 Shares was remeasured at $10,080, for a total gain related to the change in fair value of $12,690. 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.

	Class C-2 Shares
As of January 1, 2022	—
Class C-2 Shares issued	22,770
Change in fair value measurement	(12,690)
As of December 31, 2022	**10,080**

The fair value change for Class C Shares are as follows:

	For the year ended December 31,		
	2022	2021	2020
Fair value change - Class C-1 Shares	22,400	—	—
Fair value change - Class C-2 Shares	12,690	—	—
Fair value change - Class C Shares	**35,090**	**—**	**—**

Earn-out rights

On the Closing of the BCA, the Former Parent (or the shareholders of the Former Parent if the Former Parent is dissolved or liquidated) was issued a contingent right to receive earn outs of up to 24,078,638 Class A Shares and 134,098,971 Class B Shares in Parent, issuable in five tranches that each comprise 4,815,728 Class A Shares and 26,819,794 Class B Shares in Parent. Each tranche is issuable once the daily volume weighted average price of Class A Shares in Parent meets specific price hurdles for 20 trading days out of any 30 day trading period beginning after December 23, 2022 and ending on December 23, 2028. The daily volume weighted average price of Class A Shares in Parent that is required to trigger each tranche is as follows:

- Tranche 1 — $13 per share
- Tranche 2 — $15.50 per share
- Tranche 3 — $18 per share
- Tranche 4 — $20.50 per share
- Tranche 5 — $23 per share

If the daily volume weighted average price of Class A Shares in Parent triggers a higher price tranche prior to triggering a lower price tranche, all tranches below the tranche triggered are also triggered for (e.g., if tranche 5 is triggered, tranches 1 through 4 are also triggered). Additionally, in the event there is a change of control of the Group (i.e., there is a change in greater than 50% equity ownership of the Group) all five tranches are automatically triggered for issuance. The Former Parent’s contingent right to the earn out tranches that are not triggered for issuance by December 23, 2028 will expire immediately.

The Group applied the provisions of IAS 32 and IFRS 9 in accounting for the contingent earn out rights of the Former Parent. Under IAS 32 and IFRS 9, the contingent earn out right failed to meet the definition of equity because it could result in the issuance of a variable number of Class A Shares and Class B Shares in Parent and the triggering events are subject to price hurdles (i.e., a market condition) that are outside of the control of the Group. Instead, it meets definition of a derivative liability that 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. However, since it provides value to owners of the Former Parent effectively in the form of a pro rata dividend, the fair value at the Closing of the BCA was charged to Accumulated deficit.

At the Closing of the BCA, the fair value of the contingent earn out rights was approximately $1,500,638. The financial liability was remeasured on December 31, 2022 at $598,570, resulting in a total gain related to the change in fair value of $902,068. 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, 2022	—
Earn-out rights issued	1,500,638
Change in fair value measurement	(902,068)
As of December 31, 2022	**598,570**

The fair value change of earn-out rights are as follows:

	For the year ended December 31,		
	2022	2021	2020
Fair value change - Earn-out rights	902,068	—	—

Volvo Cars Preference Subscription Shares

At the Closing of the BCA and pursuant to the Volvo Cars Preference Subscription Agreement, Volvo Cars agreed to subscribe for Preference Shares in the Parent in exchange for a cash payment of $588,826. The cash proceeds were used to pay down outstanding payables owed to VCC. Each Preference Share in the Parent automatically converted into Class A Shares in the Parent at a conversion price of $10 per share thereafter. The Group applied the provisions of IAS 32 and IFRS 9 in accounting for the Volvo Cars Preference Subscription Shares. Under IAS 32, the preference shares did not meet the definition of a financial liability but instead represent a fixed residual interest in Parent (i.e., Class A shares). As such, the initial carrying value of the Volvo Cars Preference Subscription Shares was equity classified and accounted for as a capital contribution from Volvo Cars.

Parent entity restructuring

Pursuant to the terms and conditions of the BCA, the Former Parent was separated from the Group and 100% of the ownership interests in the Group's subsidiaries were transferred to the Parent in exchange for the issuance of 294,877,349 Class A Shares in the Parent, the issuance of 1,642,233,575 Class B Shares in the Parent, and the Earn-out rights. When the Group was separated from the Former Parent, the intercompany relationship between the Former Parent and the Group was severed. This resulted in the realization of accumulated gains in equity of $1,512 in the Former Parent, which were historically eliminated upon consolidation. The $1,512 adjustment to equity does not reflect cash consideration transferred, but rather, the non-cash impact of separating intercompany interests and changing parent entities. The restructuring was recognized using the historic value method (i.e., the assets and liabilities are measured using the existing book value) and the impact of the restructuring is reflected in the Consolidated Statement of Changes in Equity under the “Changes in the consolidated group” subheading.

Note 17 - Trade receivables

Trade receivables from contracts with customers represent sales transactions, conducted via sales units, within the markets in which the Group operates. The average credit term to finance service providers and fleet customers is two weeks. Trade receivables - related parties were comprised of sales transactions with related parties in relation to sale of R&D services, software and performance engineered kits.

The following table details the aging analysis of the trade receivables:

	Not overdue	1-30 days overdue	30-90 days overdue	>90 days overdue	Total
2022					
Gross trade receivables	130,718	93,371	19,034	2,984	246,107
Trade receivables - related parties	61,293	12,786	519	398	74,996
Net trade receivables	**192,011**	**106,157**	**19,553**	**3,382**	**321,103**
2021					
Gross trade receivables	89,348	53,289	14,403	713	157,753
Trade receivables - related parties	7,210	7,310	—	168	14,688

Net trade receivables	**96,558**	**60,599**	**14,403**	**881**	**172,441**

Management determines that a receivable is written off once reasonable means of collection have been unsuccessful and the Group has no reasonable expectations of recovering the entire contractual cash flows, or a portion thereof. Historically, the Group has had nil credit losses, neither from external receivables nor from related party receivables. As of December 31, 2022 and 2021 Polestar Group performed an ECL assessment and found no significant effects resulting from the analysis; no write-offs were made for trade receivables.

Further information on credit risks for trade receivables is included in Note 2 - Financial risk management.

Note 18 - Inventories

The Group’s inventory primarily consisted of vehicles as follows:

	As of December 31,	
	2022	**2021**
Work in progress	1,387	3,586
Finished goods and good for resale	704,929	610,124
Provision for impairment	(47,757)	(67,967)
Total	**658,559**	**545,743**

Inventories recognized as an expense during the years ended December 31, 2022, 2021 and 2020 amounted to $2,179,958, $1,234,062 and $551,508, respectively, and were included in Cost of sales in the Consolidated Statement of Loss and Comprehensive Loss.

Inventories can be pledged as security for liabilities. Refer to Note 23 - Liabilities to credit institutions for further details.

As of December 31, 2022, 2021, and 2020 write-downs of inventories to net realizable value amounted to $27,877, $67,967, and $35,984 respectively. The write down was recognized as an expense during the years ended December 31, 2022, 2021, and 2020 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.

Note 19 - Other current assets

Other current assets for the Group were as follows:

	As of December 31,	
	2022	**2021**
Value added tax receivables	58,516	63,698
Prepaid expenses and accrued income	34,635	40,077
Advances to suppliers	3,336	6,424
Other current assets	10,840	10,003
Total	**107,327**	**120,202**

As of December 31, 2022, prepaid expenses and accrued interest income consisted primarily of prepaid insurance and accrued income related to Carbon credits. As of December 31, 2021, prepaid expenses and accrued interest income consisted primarily of accrued transaction costs related to the merger with Gores Guggenheim Inc.

Note 20 - Equity

Changes in the Group's equity during the years ended December 31, 2022, 2021, and 2020 were as follows:

	Class A Shares	Class B Shares	Share capital	Other contributed capital
Pre-closing of the merger with GGI				
Balance as of January 1, 2020	**—**	**—**	**—**	**879,232**
Changes in the consolidated group	200,000,000	—	880,412	(879,232)
Issuance during the year	14,371,808	—	438,340	—
Balance as of December 31, 2020	**214,371,808**	**—**	**1,318,752**	**—**
Issuance during the year	—	18,032,787	547,157	—
Conversion from Class A to Class B	(17,345,079)	17,345,079	—	—
Issuance of Convertible Notes	—	—	—	35,231
Balance as of December 31, 2021	**197,026,729**	**35,377,866**	**1,865,909**	**35,231**
Issuance during the period	**—**	**—**	**—**	**—**
Balance as of June 23, 2022	**197,026,729**	**35,377,866**	**1,865,909**	**35,231**
Closing of the merger with GGI				
Removal of Polestar Automotive Holding Limited from the Group				
Exchange of Class A for Class B (1:8.335)	(197,026,729)	1,642,233,575	(1,565,447)	1,565,447
Exchange of Class B for Class A (1:8.335)	294,877,349	(35,377,866)	(281,090)	281,090
Reclassification of GBP Redeemable Preferred Shares	—	—	65	(65)
Issuance of Volvo Cars Preference Shares[1]	58,882,610	—	589	588,237
Issuance to Convertible Note holders	4,306,466	—	43	(43)
Issuance to PIPE investors	26,540,835	—	265	249,735
Issuance to GGI shareholders	82,193,962	—	822	521,285
Listing expense	—	—	—	372,318
Transaction costs	—	—	—	(38,903)
Post-closing of the merger with GGI				
Equity-settled share-based payment	876,451	**—**	9	9,900
Balance as of December 31, 2022	**467,677,673**	**1,642,233,575**	**21,165**	**3,584,232**

1 - The Volvo Cars Preference Shares subsequently converted into Class A shares following the merger with GGI on June 23, 2022.

Pre-closing of the merger with GGI

The concept of share capital did not exist under the limited company structure when Polestar Automotive (Shanghai) Co., Ltd was the parent entity prior to the common control transaction that occurred on September 14, 2020. Share capital was subsequently introduced under the private company limited structure when Polestar Automotive Holding Limited became the parent entity as a result of the transaction. Refer to Note 3 - Common control transaction for additional details. As of December 31, 2020, after the issuance of 14,371,808 Class A Shares, total common shares fully paid, authorized, issued, and outstanding were 214,371,808. Each common share was valued at $6.15 (in ones).

In March 2021, the Group distributed 18,032,787 shares of newly authorized Class B Shares at $30.50 (in ones) per share for gross proceeds of $550,000 with related issuance costs of $2,843. Of the 18,032,787 shares issued, 4,262,295 were issued to Geely. In July 2021, 17,345,079 Class A Shares were converted to Class B Shares. As of December 31, 2021, 197,026,729 Class A Shares and 197,026,729 Class B Shares were outstanding, respectively. Each common share was valued at $8.04 (in ones).

Both Class A and B Shares were issued with no par value.

Closing of the merger with GGI

Between January 1, 2022, and prior to the Closing of the merger with GGI, there were no events impacting the Group's equity other than the issuance of 50,000 British Pound Sterling ("GBP") Redeemable Preferred Shares in the Parent with a par value of GBP 1.00, equivalent to $65, to the Former Parent. This issuance was part of Parent's incorporation in the United Kingdom as a subsidiary of the Former Parent in preparation for the Closing of the merger with GGI. These shares were subsequently reclassified to Share capital when the Former Parent was separated from the Group at Closing.

In connection with the Closing of the merger with GGI and the removal of the Former Parent (Polestar Automotive Holding Limited) from the Group:

- 197,026,729 Class A Shares were exchanged at a ratio of 1:8.335 for 1,642,233,575 Class B Shares;
- 35,377,866 Class B Shares were exchanged at a ratio of 1:8.335 for 294,877,349 Class A Shares;
- 4,306,466 Class A Shares were issued to holders of the Convertible Notes;
- 26,540,835 Class A Shares were issued to the PIPE investors;
- 82,193,962 Class A Shares were issued to the former shareholders of GGI; and
- 58,882,610 Preference Shares were issued to Volvo Cars which subsequently converted into 58,882,610 Class A Shares.

Refer to Note 1 - Significant accounting policies and judgements and Note 16 - Reverse recapitalization for more details on the merger with GGI.

Post-closing of the merger with GGI

Following the merger with GGI, 501,451 Class A Shares were issued to employees of the Group under the Omnibus Plan and 375,000 were issued in exchange for marketing services. Refer to Note 7 - Share-based payment for additional details. As of December 31, 2022, there were an additional 4,532,322,327 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.

The following instruments of Parent were issued and outstanding as of December 31, 2022:

- 467,677,673 Class A Shares with a par value of $0.01, of which 240,099,199 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;
- 15,999,965 Class C-1 Shares with a par value of $0.10;
- 9,000,000 Class C-2 Shares with a par value of $0.10; and
- 50,000 GBP Redeemable Preferred Shares with a par value of GBP 1.00.

Holders of Class A Shares in Parent are entitled to one vote per share and holders of Class B Shares in the 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 the Parent. Additionally, holders of GBP Redeemable Preferred Shares in the Parent have no voting rights. Any dividends or other distributions paid by the Parent shall only be issued to holders of outstanding Class A Shares and Class B Shares in the Parent. Holders of Class C Shares and GBP Redeemable Preferred Shares in the Parent are not entitled to participate in any dividends or other distributions. Refer to Note 16 - Reverse recapitalization for additional information on the Class C Shares.

Convertible Notes

In July 2021, Geely and two other third-parties invested $35,231 in non-interest-bearing Convertible Notes. Of the $35,231, $9,531 was held by Geely. The Convertible notes were accounted for as equity upon issuance and classified within Other contributed capital. The Convertible Notes were not eligible to receive a coupon or dividend for the first 24 months after issuance and were to convert to common shares upon (1) an issuance of equity securities in an amount greater than $50,000 to any entity that owned more than 35% voting power in the Former Group, (2) the occurrence of any initial public offering, combination with a special purpose acquisition company, or direct listing, (3) a liquidation of the Former Group, or (4) the non-occurrence of any of the preceding events by the 24-month anniversary of the issuance of the Convertible Notes. The second conversion event was satisfied on June 23, 2022 in connection with the merger with GGI and the Convertible Notes were converted into 4,306,466 Class A Shares in the Parent, resulting in a reclassification of par value within equity from Other contributed capital to Share capital.

Currency translation reserve

The currency translation reserve comprises exchange rate differences resulting from the translation of financial reports of foreign operations that have prepared their financial reports in a currency other than Polestar Group's reporting currency.

Accumulated deficit

Accumulated deficit comprises Net loss for the year and preceding years less any profits distributed. Accumulated deficit also includes the effects of business combinations under common control within Polestar Group.

Note 21 - Current and non-current provisions

The changes in the Group's current and non-current provisions were as follows:

	Warranties	Provision for employee benefits	Other provisions	Total
Balance as of January 1, 2021	34,305	5,128	14,683	54,116
Additions	68,081	6,867	4,853	79,801
Utilization	(33,332)	(4,207)	(8,498)	(46,037)
Reversals	(4,967)	(160)	—	(5,127)
Balance as of December 31, 2021	**64,087**	**7,628**	**11,038**	**82,753**
of which current	28,660	6,325	9,057	44,042
of which non-current	35,427	1,303	1,981	38,711
Balance as of January 1, 2022	64,087	7,628	11,038	82,753
Additions	100,389	16,647	8,987	126,023
Utilization	(25,239)	(8,608)	(10,431)	(44,278)
Reversals	(10,785)	(192)	(17)	(10,994)
Unwinding of discount and effect in changes due to discount rate	(4,612)	—	—	(4,612)
Balance as of December 31, 2022	**123,840**	**15,475**	**9,577**	**148,892**
of which current	53,595	15,379	5,933	74,907
of which non-current	70,245	96	3,644	73,985

Provision for employee benefits relates to the Group's short-term incentive plan and LTVP. Refer to Note 6 - Employee benefits for more details.

Note 22 - Other current liabilities

Other current liabilities for the Group were as follows:

	As of December 31,	
	2022	**2021**
Accrued expenses	199,489	186,748
Liabilities related to repurchase commitments	79,501	92,421
Accrued interest	2,614	305
Personnel related liabilities	28,816	19,642
VAT liabilities	78,954	46,464
Other liabilities	4,416	19,082
Total	**393,790**	**364,662**

Accrued expenses were mainly related to marketing and product development; personnel related liabilities consisted of wages, salaries, and other benefits payable.

Note 23 - Liabilities to credit institutions

The carrying amount of Polestar Group's liabilities to credit institutions as of December 31, 2022 and December 31, 2021 are as follows:

	As of December 31,	
	2022	**2021**
Working capital loans from banks	1,300,108	609,209
Floorplan facilities	16,925	18,664
Sale-leaseback facilities	11,719	14,465
Closing balance	**1,328,752**	**642,338**

The Group had the following working capital loans outstanding as of December 31, 2022:

Currency	Term	Security	Interest	Nominal amount in respective currency (thousands)	TUSD
EUR	February 2022 - February 2023	Secured[1]	3 month EURIBOR[2] plus 2.1% and an arrangement fee of 0.15%	270,095	288,746
CNY	June 2022 - June 2023	Unsecured	12 month LPR[3] plus 1.25%, settled monthly	500,000	72,517
CNY	August 2022 - August 2023	Unsecured	12 month LPR plus 0.05%, settled quarterly	716,000	103,845
USD	August 2022 - August 2023	Unsecured	3 month LPR plus 2.3%, settled quarterly	147,000	147,000
USD	September 2022 - September 2023	Unsecured	3 month LPR plus 2.3%, settled quarterly	255,000	255,000
USD	September 2022 - September 2023	Secured[4]	4.48% per annum	133,000	133,000
USD	September 2022 - September 2023	Unsecured	3 month SOFR[5] plus 2.4%, settled quarterly	100,000	100,000
USD	December 2022 - December 2023	Unsecured[6]	7.5% per annum	200,000	200,000
Total					**1,300,108**

1 - 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.

2 - Euro Interbank Offered Rate ("EURIBOR").

3 - People's Bank of China ("PBOC") Loan Prime Rate ("LPR").

4 - Secured by Geely, including letters of keep well from both Volvo Cars and Geely.

5 - Secured Overnight Financing Rate ("SOFR").

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

The Group had the following working capital loans outstanding as of December 31, 2021:

Currency	Term	Security	Interest	Nominal amount in respective currency (thousands)	TUSD
USD	December 2021 - September 2022	Secured[1]	1.883% per annum	400,000	400,000
CNY	July 2021 - July 2022	Unsecured	3.915% per annum	830,000	130,559
CNY	June 2021 - June 2022	Unsecured	12 month national interbank loan prime offer rate plus 1.1%	500,000	78,650
Total					**609,209**

1 - 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 December 31, 2022 and December 31, 2021, the aggregate amount outstanding under these arrangements was $33,615 and $32,453, 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 Consolidated Statement of Financial Position. Of the amounts above, the aggregate amount outstanding as of December 31, 2022 and 2021 due to related parties amounted to $16,690 and $13,789, respectively. Refer to Note 25 - Related party transactions for further details.

Sale-leaseback facilities

Polestar enters 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 re-purchase the vehicles. Accordingly, the consideration received for these transactions was recorded as a financing transaction. As of December 31, 2022 and December 31, 2021, the aggregate amount outstanding under these arrangements was $11,719 and $14,465, 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, and for the year ended, December 31, 2022.

The weighted average interest rate on short-term borrowings outstanding was 5.2% and 2.6% as of December 31, 2022 and 2021, respectively.

Note 24 - Supplemental cash flow information

	For the year ended December 31,		
	2022	**2021**	**2020**
Non-cash investing and financing activities			
Purchases of intangible assets in trade payables - related parties and accrued expenses - related parties	74,781	357,760	143,986
Initial recognition of ROU assets and liabilities	53,870	12,376	61,529
Purchases of property, plant and equipment in trade payables	34,945	17,341	13,101
Prepaid assets and warrant liabilities assumed upon closing of the merger with GGI	57,040	—	—

Note 25 - Related party transactions

Related parties are as follows:

- a member of the board of directors, CEO and other key management employees in any Polestar entity;
- a spouse or co-habitee of, or a person under the custody of, any person referred to in “a)” above;
- legal entities controlled by any person, alone or jointly, referred to under “a)” and “b)” above;
- a legal entity that is a parent company, subsidiary, joint venture, or associate within Geely and Volvo Cars;
- a legal entity in which a company within the Polestar Group holds, or otherwise controls, between 20-50% (i.e., an associate or joint venture of any company within the Polestar Group); or
- a person, or a close family member of such person, that has direct or indirect control or joint control of a Polestar entity, has significant influence over a Polestar entity or is a member of the key management of Polestar Group.

Prior to the merger with GGI, Polestar Group existed as a joint venture between Geely and Volvo Cars. Geely is primarily owned and operated by Mr. Li Shufu. Geely, through a combination of wholly owned and partially owned entities, owns a controlling number of equity interests in Volvo Cars. Therefore, Mr. Li Shufu, as a controlling equity interest holder in Geely, effectively controls Geely and Volvo Cars. All transactions with either Geely or Volvo Cars are considered related party transactions.

The primary agreement between Geely/Volvo Cars and the Group was a contract manufacturing agreement to produce the PS2; the primary agreements between Volvo Cars and the Group related to the acquisition of technology developed by Volvo Cars and various services provided by Volvo Cars.

All agreements with related parties are on an arm’s length basis.

As of December 31, 2022, the Group has related party agreements in the following functions:

Product development

The agreements in place to support the Group’s product development include licenses and intellectual property, patents, R&D services, design, and technology agreements with Volvo Cars and Geely. The Group owns its developed Polestar Unique technology, which was created using purchased R&D, design services, and licenses to critical common technology from Volvo Cars and Geely. Polestar also benefits from related parties as subcontractors in certain internal technology development programs of the Group.

In December 2021, Polestar Group entered into agreements with Geely to acquire technology and related services leveraged in the development of the PS4. Under these agreements, Geely will perform development services in pursuit of achieving project milestones through 2025 for which the Group will make certain milestone payments to Geely. The agreements also obligate Polestar to make certain royalty payments per vehicle sold once the PS4 reaches commercialization.

Procurement

The Group has entered into Service Agreements with Volvo Cars regarding the procurement of direct (production related) materials, whereas the joint sourcing of direct material for the Group and Volvo Cars has allowed both companies to leverage economies of scale.

Manufacturing

The Group purchases contract manufacturing services, manufacturing and logistics engineering services, and has entered into tool sharing agreements with related parties.

Polestar also entered into a unique vendor tooling agreement and a unique in-house tooling and equipment agreement for the PS4. These agreements were entered into as part of Polestar’s and Geely’s intent to enter into a more detailed agreement related to manufacturing original equipment manufacturer (“OEM”) services for the PS4 prior to the commencement of production. Refer to Note 27 - Commitments and contingencies for further details regarding the unique vendor tooling agreement.

In 2020, production of the PS2 was commenced at the Geely owned Luqiao plant through contract manufacturing agreements. In the second half of 2021, ownership transferred to Volvo Cars and the plant was renamed to Taizhou.

Manufacturing engineering includes activities related to the development of the production process (i.e., deciding which manufacturing equipment should be utilized and where equipment should be situated to ensure an efficient production process), rather than development of the vehicle itself. The Group outsourced the manufacturing engineering for the production process of the PS1, PS2, and PS3 to Volvo Cars.

Activities related to logistics engineering (i.e., activities related to the determination of how different components are delivered to the production sites) were outsourced to Volvo Cars for the PS1, PS2, and PS3.

Tool sharing occurs when the Group purchases production tools, together with Volvo Cars, to obtain synergies from utilizing the same tools.

Polestar enters into machinery and equipment lease arrangements as well as certain building lease agreements with Geely and Volvo Cars. Refer to Note 10 - Leases for more information on Polestar's leasing arrangements.

Sales and distribution

Prior to entering the commercial space in the third quarter of 2020, the Group's principal operations were related to the sale of R&D services to Volvo Cars and Geely, and the sale of software and performance engineering kits to Volvo Cars. In addition to these sales agreements, in 2020, the Group had agreements in place to begin selling vehicles, prototype engines and carbon credits to Geely and Volvo Cars, respectively. The Group leverages Volvo Cars sales and services network for go-to-market strategies and dealer support to assist with tasks, which include agreements related to distribution and outbound logistics, delivery of vehicles and other products and global customer service.

Polestar Group sells vehicles to related parties, Volvo Cars and Volvofinans Bank AB ("Volvofinans Bank"). Volvofinans Bank sells these vehicles to end customers when the end customers choose to finance the vehicles via Volvofinans Bank.

Polestar Group and Volvo Car Financial Services US LLC, doing business as Polestar Financial Services ("PFS"), entered into residual value guarantee agreements with Bank of America, National Association ("BANA"), a third party, in the US. BANA sought to obtain economic protection against degradation in the residual value of leased vehicles it funds, and Polestar USA agreed to provide such protection as a service for a fee.

Information technology

While the Group has its own information technology ("IT") department, Polestar operates in a shared IT environment with Volvo Cars and has service and software license agreements related to the support, maintenance and operation of IT processes associated with the Group. These IT services include resource planning systems, operations, infrastructure, networking, communications, collaboration, integration and application hosting.

Other support

The Group has various other related party agreements in place with Volvo Cars. These are primarily service agreements that relate to support for corporate or back-office functions, including human resources ("HR"), legal, accounting, and other functions.

HR support services relate to activities associated with payroll administration, training and workforce administration.

Legal support services include routine work associated with patent and brand registrations and competition law.

Accounting and finance support services include finance administration, local legal entity accounting and financial reporting.

Polestar outsources inbound and outbound logistics to Volvo Cars as the Group's and Volvo Cars' vehicles are typically manufactured at the same production sites. Inbound logistics relate to supplier shipments to various production sites; outbound logistics relate to the transport of vehicles to end customers. The Group outsources customs handling to Volvo Cars as it does not currently have its own customs department. Warranty provision calculations and claims handling are also outsourced to Volvo Cars.

Financing

In May 2021, the Group entered into a working capital credit facility with Volvo Cars. As of December 31, 2022 and 2021, $16,690 and $13,789 of this financing arrangement remained outstanding, respectively, which is included in Interest-bearing current liabilities - related parties on the Consolidated Statement of Financial Position.

Working capital loans

In 2020, the Group entered into two working capital loans with Volvo Car (Asia Pacific) Investment Holdings Co., Ltd. The first loan was for $143,600 and was amended seven times, where each amendment served to extend the term of the loan. The loan commenced in July 2018 with an original maturity of July 2019 and an amended maturity of December 2020. The second loan was for $214,950 and was amended two times, where each amendment served to extend the term of the loan. The loan commenced in July 2020 with an original maturity of September 2020 and an amended maturity of December 2020, where the Group paid the loan back in full. The Group did not incur any fees associated with the amendments on either loan.

The interest rates for the loans with Volvo Car (Asia Pacific) that commenced in July 2018 and July 2020 were 3.45% and 3.48%, respectively. The Group repaid each loan in a lump sum together with all the principal and interest at the date of maturity in December 2020. For the years ended December 31, 2022, 2021, and 2020, interest expense for these loans was nil, nil, and $8,684, respectively.

Convertible instruments

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 December 31, 2022, the Group had not yet drawn down on the facility and the fair value of the financial liability related to Volvo Cars' conversion right was nil.

Of the $35,231 in Convertible Notes issued on July 28, 2021, $9,531 was related to Geely. As of December 31, 2021, all $9,531 of the Convertible Notes were outstanding. Upon the Closing of the merger with GGI, the Convertible Notes were converted into 4,306,466 Class A Shares, of which 1,165,041 Class A Shares were attributable to Geely (inclusive of affiliated entities). Refer to Note 1 - Significant accounting policies and judgements and Note 20 - Equity for further details.

Sale of goods, services and other

Related party revenue transactions relate to product development and sales and distribution agreements discussed above. These transactions are comprised of sales of products and related goods and services, sales of software and performance engineered kits, sales of carbon credits and sales of prototype engines. The total revenue recognized from each related party is shown in the table below:

	For the year ended December 31,		
	2022	**2021**	**2020**
Volvo Cars	71,191	73,660	107,948
Volvofinans Bank AB	68,391	52,973	30,167
Geely	—	2,347	9,340
Total	**139,582**	**128,980**	**147,455**

For the year ended December 31, 2022, revenue from related parties amounted to $139,582 (5.67%) of total revenue. For the year ended December 31, 2021, revenue from related parties amounted to $128,980 (9.65%) of total revenue. For the year ended December 31, 2020, revenue from related parties was $147,455 (24.16%) of total revenue.

Purchases of goods, services and other

Purchases from related parties include agreements related to product development, procurement, manufacturing, IT, and other support (specifically, inbound and outbound logistics) agreements discussed above. These agreements include work in progress and finished goods, including Polestar 2 vehicles purchased from Volvo Car's factory in Taizhou, China. Purchases of PS2 vehicles were from Geely until the change in plant ownership in November 2021; purchases and their related payables were from Volvo Cars subsequent to this event. Inventory cost of the Group is comprised of all costs of purchase, production charges and other expenditures incurred in bringing the inventory to its present location and condition.

Additionally, purchases from related parties include administrative costs associated with service agreements with Volvo Cars that relate to corporate or back-office functions. IT service and software related agreements are also included in administrative costs.

The total purchases of goods, services and other for each related party is shown in the table below:

	For the year ended December 31,

	2022	2021	2020
Volvo Cars	2,217,094	570,429	276,849
Geely	249,204	1,200,295	782,864
Volvofinans Bank AB	1,003	5,748	—
Total	**2,467,301**	**1,776,472**	**1,059,713**

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 PS2, PS3, and PS4. In 2020, the Group entered into similar agreements with Volvo Cars to acquire technology leveraged in the development of the PS1, PS2, and PS3. 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 December 31, 2022 was $1,144,240, of which acquisitions attributable to 2022 were $218,031. As of December 31, 2021, the recognized asset associated with these agreements was $1,175,218, of which acquisitions attributable to 2021 were $349,876.

Amounts due to related parties

Amounts due to related parties include transactions from agreements associated with purchases of intangible assets, sales and distribution, procurement, manufacturing and other support with Volvo Cars and Geely.

	As of December 31,	
Trade payables – related parties, accrued expenses, and other current liabilities to related parties	**2022**	**2021**
Volvo Cars	1,136,746	1,507,308
Geely	71,212	235,622
Volvofinans Bank AB	1,389	504
Total	**1,209,347**	**1,743,434**

In addition to current liabilities to related parties, Polestar has non-current lease liabilities to related parties amounting to $27,123 as of December 31, 2022 and $40,741 as of December 31, 2021 included in Other non-current interest-bearing liabilities.

The Group's interest expense on related party trade payables for amounts past due is as follows:

	For the year ended December 31,		
	2022	**2021**	**2020**
Interest expense on related party trade payables	37,957	30,801	11,210

Amounts due from related parties

Amounts due from related parties include transactions related to sales of software and performance engineered-kits and sales and distribution agreements discussed above.

	As of December 31,	
Trade receivables – related parties and accrued income – related parties	**2022**	**2021**
Volvo Cars	120,302	15,457
Geely	3,751	4,025
Volvofinans Bank AB	3	309
Total	**124,056**	**19,791**

Incentives to key management personnel

During the year ended December 31, 2019, Volvo Cars provided an equity-based incentive program to certain members of the Group's management team (the "Polestar Incentive Plan"). The Polestar Incentive Plan was launched to incentivize the retention of key personnel with pivotal roles in the development of the Group into a successful standalone company. Each participant was offered to purchase shares in PSINV AB, a subsidiary of Volvo Cars which in turn owned shares in Polestar Automotive Holding Ltd and hence the participants were indirectly minority owners of the Group. The investment was made at fair market value in accordance with an external valuation.

In total 38,125 shares were acquired by the participants, which corresponded to an indirect ownership in the Group of 0.16 percent. Management evaluated the Polestar Incentive Plan to determine whether it qualified as an equity-settled share-based payment transaction within the scope of IFRS 2, as the participants receive shares of equity in exchange of their investment and more than one entity was involved in delivering the benefit to the participants. Given that the Group does not receive identifiable or unidentifiable goods or services in exchange for the equity purchase of PINSV AB, the transaction is not within the scope of IFRS 2. Furthermore, the Polestar Incentive Plan is in agreement with Volvo Cars and individual members of the Group's prior EMT, as participants were given the option to purchase equity shares in PSINV AB being an entity outside the Group. Therefore, the Polestar Incentive Plan is not a share-based payment transaction in the scope of IFRS 2 and there is no financial statement impact on the Group.

As a consequence of the listing of Polestar Automotive Holding UK Ltd on the Nasdaq Stock Exchange in June 2022 and in accordance with the terms of the Polestar Incentive Program, Volvo Cars was obliged to repurchase the participants shares in PSINV AB at fair market value. Each participant was thereafter obliged to reinvest the net proceeds received (repurchase amount less an amount corresponding to the effective tax rate on capital gains in the participants jurisdiction) in shares in Polestar Automotive Holding UK Ltd directly on the open market. The purchased shares were subject to a 180 days' lock-up period.

Refer to Note 6 - Employee benefits for details on compensation to the EMT and managing directors at the Group's sales units.

Share capital

Of the 14,371,808 Class A common shares issued in December 2020 to raise $438,340 in capital, 7,185,904 Class A common shares were issued to Snita Holding B.V., a subsidiary of Volvo Cars, representing $219,170 of the total capital raised. 7,185,904 Class A common shares were issued to PSD Investment Limited, representing $219,170 of the total capital raised.

Of the 18,032,787 Class B common shares issued in March 2021 to raise $550,000 in capital, 4,262,295 Class B common shares were issued to Geely, representing $130,000 of the total capital raised.

At the Closing of the merger with GGI, related parties experienced certain share exchanges as follows:

	Pre-closing		Post-closing	
	Class A	**Class B**	**Class A**	**Class B**
Geely (inclusive of affiliated entities)	—	4,262,295	36,691,611	—
Volvo Cars (inclusive of its consolidated subsidiaries)	97,685,904	17,345,079	204,572,624	814,219,838
PSD Investment Limited	99,340,825	—	—	828,013,737
Total	**197,026,729**	**21,607,374**	**241,264,235**	**1,642,233,575**

Refer to Note 16 - Reverse recapitalization and Note 20 - Equity for further details. Between the Closing of the merger with GGI through December 31, 2022, no shares were issued to related parties. Related party share ownership as of December 31, 2022 and 2021 was as follows:

	As of December 31,	
Class A Shares	**2022**	**2021**
Snita Holding B.V.	204,572,624	95,961,904
PSD Investment Limited	—	99,340,825
PS Investment	—	1,724,000
Geely (inclusive of affiliated entities)	35,526,575	—
Total	**240,099,199**	**197,026,729**

	As of December 31,

Class B Shares	2022	2021
Snita Holding B.V.	814,219,838	17,345,079
PSD Investment Limited	828,013,737	—
Geely	—	4,262,295
Total	**1,642,233,575**	**21,607,374**

Note 26 - Assets held for sale

During fourth quarter of 2022, the Group committed to a plan to sell, to a related party, the Chengdu manufacturing plant held by its subsidiary, Polestar New Energy Vehicle Co. Ltd., that was previously used to manufacture the PS1 and special edition PS2 BST 270. Accordingly, the Chengdu plant and certain related assets are presented as a disposal group held for sale. Polestar has initiated selling efforts and expects to close a sale in the first half of 2023. The assets related to the Chengdu Plant that have been classified as held for sale have a net value of $63,224. The cumulative expense related to exchange rate differences from translation of the disposal group that are included in other comprehensive income amount to $1,392. Prior to December 2022, the Group did not hold any assets classified as held for sale.

As of December 31, 2022, the disposal group was stated at the Group's carrying value and was comprised of the following:

Property, plant and equipment	57,921
Other current assets	5,303
Assets held for sale	**63,224**

Note 27 - Commitments and contingencies

Commitments

As of December 31, 2022, commitments to acquire PPE and intangible assets were $179,690 and $216,572, respectively. As of December 31, 2021, commitments to acquire PPE and intangible assets were $235,573 and $501,207, respectively. These commitments are contractual obligations to invest in PPE and intangible assets for the production of upcoming vehicle models PS3 and PS4. For the production of PS3 and PS5, contract manufacturing agreements are yet to be signed that define the upcoming investment commitments in Volvo Cars Charleston plant and Geely's Chongqing plant respectively.

In December 2021, Polestar entered into a unique vendor tooling agreement and a unique in-house tooling and equipment agreement for the PS4. These agreements were entered into as part of Polestar's and Geely's intent to enter into a more detailed agreement related to manufacturing OEM services for the PS4 prior to the commencement of production.

Polestar Group also entered into agreements with Geely to acquire technology and related services leveraged in the development of the PS4. Under these agreements, Geely will perform development services in pursuit of achieving project milestones through 2025 for which the Group will make certain milestone payments to Geely. The agreements also obligate Polestar to make certain royalty payments per vehicle sold for the use of the pre-existing vehicle platform once the PS4 reaches commercialization

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.

In March 2021, a Swedish investment firm specializing in class action lawsuits initiated class action activities in Norway against Polestar Norway. The class action suit alleges the Polestar Norway issued misleading statements regarding the range of the PS2 vehicle, which Polestar Norway rejects. As of the date these financial statements were issued, these class action activities consisted of the initial steps of soliciting individuals who purchased a PS2 vehicle in Norway to join the class action suit against Polestar Norway; no claim has been filed in court. The Swedish investment firm refers to a potential total claim of $2,530. Simultaneously, a Norwegian automobile association for car owners ("NAF") has sent separate claim letters to Polestar Norway on behalf of a few members, on the same grounds as the class action lawsuit. These claims have also been rejected by Polestar Norway.

The Group did not have any liabilities related to such contingencies as of December 31, 2022 and 2021.

Note 28 - Subsequent events

Management has evaluated events subsequent to December 31, 2022 and through June 6, 2023, the date of these Parent Financial Statements were authorized for issuance by the Board of Directors. The following events which occurred subsequent to December 31, 2022 merited disclosure in these Parent Financial Statements. Management determined that no adjustments were required to the figures presented as a result of these events.

On February 26, 2023, the Group entered into an amended and restated 12-month green trade revolving credit facility for an aggregate principal amount of EUR 350,000 with Standard Chartered Bank, Nordea Bank ABP, Citibank Europe PLC, and ING Belgium SA. The Group exercised its 12-month extension option under the initial facility that was entered into with the same parties on February 28, 2022. Similar to the initial facility, the Group may request a potential accordion increase for an additional principal amount of EUR 250,000, subject to certain terms. This facility carries interest at the relevant interbank offered rate plus 2.3% per annum and has a repayment period of 90 days.

On February 27, 2023, the Group drew down $150,000 of the $800,000 aggregate principal available under its 18-month credit facility with Volvo Cars that was secured on November 3, 2022. On March 29, 2023, April 27, 2023, and May 9, 2023, the Group drew down an additional $150,000 on each date, respectively. Refer to Note 25 - Related party transactions for further details on the facility with Volvo Cars.

On March 16, 2023, the Group entered into a 12-month working capital loan for $100,000 with China CITIC Bank Corporation Limited - Hangzhou Branch. This loan is unsecured but includes a subsidiary guarantee from Polestar Shanghai and letters of keep well from Volvo Cars and Geely. Interest is incurred at a fixed rate of 7.35% per annum and due every 3 months. Principal repayment is due on March 15, 2024.

On March 22, 2023, 4,500,000 Class C-2 Shares were converted into 4,500,000 Class C-1 Shares following the election of beneficial holders of such Class C-2 Shares to convert their securities. The conversion of the Class C-2 Shares into Class C-1 Shares was affected by means of a re-designation of the Class C-2 Shares as Class C-1 Shares. 4,500,000 Class C-2 Shares remain issued and outstanding as of the date of this annual report.

On April 3, 2023, the Group granted 1,607,582 awards under the 2022 Omnibus Incentive Plan, of which 1,202,569 are PSUs and 405,013 are RSUs. The awards are equity-settled with a three-year cliff vesting period. The vesting commencement date was January 1, 2023.

On May 11, 2023, the Group announced that it was recently informed that additional time for final software development of the new all-electric platform shared by Volvo Cars is needed and that the start of production of Polestar 3 is now expected in the first quarter of 2024. In light of this and the economic environment affecting the automotive industry, the Group now expects 2023 global volumes of 60,000 – 70,000 vehicles. Additionally, the Group is intensifying its focus on cost management, including a global hiring freeze and 10% headcount reduction.

On May 25, 2023, the Group entered into a 12-month working capital loan for CNY 231,000 with the Bank of East Asia. The loan is unsecured but includes a subsidiary guarantee from Polestar Shanghai and letter of comfort from Geely. Interest is accrued at a fixed rate of 4.1% per annum and due every 3 months. Principal repayment is due on May 24, 2024.

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

Parent Statement of Income and Comprehensive Income		**For the period September 15, 2021 to December 31,**
	Note	**2022**
Selling, general and administrative expense		(25,787)
Other operating income and expense	4	6,538
Listing expense	1	(372,318)
Operating loss		**(391,567)**
Finance income	5	7,868
Finance expense	5	(10,627)
Fair value change - Earn-out rights	6	902,068
Fair value change - Class C Shares	6	35,090
Net income		**542,832**
Other comprehensive income		—
Total comprehensive income		**542,832**

Parent Statement of Financial Position
(in thousands of U.S. dollars unless otherwise stated)

	Note	As of the year ended December 31, 2022
Assets		
Non-current assets		
Investments in subsidiaries	6, 7	3,783,605
Total non-current assets		**3,783,605**
Current assets		
Cash and cash equivalents	6	122,437
Other current receivables - subsidiaries	6, 10	8,488
Other current assets		7
Total current assets		**130,932**
Total assets		**3,914,537**
Equity		
Share capital		(21,165)
Other contributed capital		(3,582,737)
Accumulated deficit		957,806
Total equity	8	**(2,646,096)**
Liabilities		
Non-current liabilities		
Earn-out liability	6	(598,570)
Total non-current liabilities		**(598,570)**
Current liabilities		
Trade payables	6	(2)
Current provisions		(86)
Interest-bearing current liabilities - subsidiaries	10	(579,147)
Class C Shares liability	6	(28,000)
Other current liabilities	9	(5,905)
Other current liabilities - subsidiaries	6, 10	(56,731)
Total current liabilities		**(669,871)**
Total liabilities		**(1,268,441)**
Total equity and liabilities		**(3,914,537)**

Approved by the Board of Directors on 6 June 2023 and signed on its behalf by:

Håkan Samuelsson
Chair
6 June 2023

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

	Note	For the period September 15, 2021 to December 31, 2022
Cash flows from operating activities		
Net income		542,832
Adjustments to reconcile net loss to net cash flows:		
Finance income	5	(7,868)
Finance expense	5	10,627
Fair value change - Earn-out rights	6	(902,068)
Fair value change - Class C Shares	6	(35,090)
Listing expense	1	372,318
Other non-cash expense and income		1,633
Change in operating assets and liabilities:		
Trade receivables, prepaid expenses and other assets		(10,288)
Trade payables, accrued expenses and other liabilities		23,341
Interest received		7,868
Cash provided by operating activities		**3,305**
Cash flows from investing activities		
Additions to investments in subsidiaries	7	(1,361,916)
Cash used for investing activities		**(1,361,916)**
Cash flows from financing activities		
Proceeds from short-term borrowings	10	579,147
Proceeds from the issuance of equity securities		901,916
Cash provided by financing activities		**1,481,063**
Effect of foreign exchange rate changes on cash and cash equivalents		(15)
Net increase in cash and cash equivalents		**122,437**
Cash and cash equivalents at the beginning of the period		**—**
Cash and cash equivalents at the end of the period		**122,437**

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

	Note	Share capital	Other contributed capital	Accumulated deficit	Total
Balance as of September 15, 2021	8	—	—	—	—
Net income		—	—	542,832	542,832
Other comprehensive income		—	—	—	—
Total comprehensive income		**—**	**—**	**542,832**	**542,832**
Merger with Gores Guggenheim Inc.					
Issuance to Former Parent		19,437	1,880,208	—	1,899,645
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	8	9	9,900	—	9,909
Balance as of December 31, 2022		**21,165**	**3,582,737**	**(957,806)**	**2,646,096**

Note 1 - Significant accounting policies and judgements

General information

Polestar Automotive Holding UK PLC (formerly known as Polestar Automotive Holding UK Limited) (the “Parent” or the "Company") acts as a holding company for investments in subsidiaries, as well as a provider of various intragroup services. The Parent was incorporated as a private company under the laws of England and Wales on September 15, 2021. 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, 405 31 Göteborg, Sweden.

Merger with Gores Guggenheim, Inc.

Gores Guggenheim, Inc. (“GGI”) was a special purpose acquisition company (“SPAC”) formed for the purpose of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or a similar business combination. GGI was incorporated in Delaware on December 21, 2021 and completed its initial public offering (“IPO”) on March 25, 2021.

On September 27, 2021, GGI entered into a Business Combination Agreement (“BCA”) with Polestar Automotive Holding Limited, a Hong Kong incorporated company (“Former Parent”), Polestar Automotive (Singapore) Pte. Ltd., a private company limited by shares in Singapore (“Polestar Singapore”), Polestar Holding AB, a private limited liability company incorporated under the laws of Sweden (“Polestar Sweden”), Polestar Automotive Holding UK Limited, a limited company incorporated under the laws of England and Wales and a direct wholly owned subsidiary of the Former Parent, and PAH UK Merger Sub Inc., a Delaware corporate and a direct wholly owned subsidiary of the Parent (“US Merger Sub”).

On June 23, 2022 (“Closing”), the Former Parent consummated a reverse recapitalization pursuant to the terms and conditions of the BCA. At the Closing, Polestar Holding AB and its subsidiaries became wholly owned subsidiaries of Parent. US Merger Sub merged with GGI, pursuant to which the separate corporate existence of US Merger Sub ceased and GGI became a wholly owned subsidiary of the Parent.

The merger was accounted for as a reverse recapitalization, in accordance with the relevant International Financial Reporting Standards (“IFRS”). Under IFRS 2, the Group recorded a one-time share-based expense of $372,318 at the Closing of the BCA that was calculated based on the excess of the fair value of the Group issued to public investors via Class A Shares in Parent utilizing the publicly traded share price at the Closing of $11.23 over the fair value of the identifiable net assets of GGI that were acquired. For additional information on the reverse capitalization, refer to Note 1 - Significant accounting policies and judgements and Note 16 - Reverse recapitalization of the Polestar Group Consolidated Financial Statements ("Consolidated Financial Statements"). Immediately following the closing of the transaction, Parent changed its name to Polestar Automotive Holding UK PLC and began trading on the National Association of Securities Dealers Automated Quotations (“Nasdaq”) under the ticker symbol PSNY.

As of December 31, 2022, the Former Parent owns 89.2% of the Parent. The remaining 10.8% is owned by external investors.

Basis of preparation

The financial statements of the Parent are prepared on the going concern basis and in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and UK-adopted international accounting standards. The Parent 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 of the Consolidated Financial Statements. 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 principles have been applied consistently for all periods to the Parent financial statements, unless otherwise stated below.

In case no other principles are mentioned, refer to the accounting principles as described in the Consolidated Financial Statements. For an appropriate interpretation of these financial statements, the Parent Financial Statements should be read in conjunction with the Consolidated Financial Statements.

Information on the use of financial instruments and on related risks for the Group is provided in the notes to the Consolidated Financial Statements. They were authorized for issue by the Company’s Board of Directors on April 14, 2023.

This annual report is prepared in the presentation currency, U.S. Dollar (“USD”), which is the Parent's functional currency. All amounts are stated in thousands of USD (“TUSD”), unless otherwise stated.

Accounting policies

Use of estimates and judgements

The preparation of these Parent Financial Statements 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. Details of critical estimates and judgements which the Parent considers to have a significant impact upon these Parent Financial Statements are set out below and the corresponding impacts can be seen in the following notes:

- Impairment of investment in subsidiaries – The carrying value of assets are reviewed on a periodic basis, and whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Such circumstances or events could include: a pattern of losses involving the asset; a decline in the market value for the asset; and an adverse change in the business or market in which the asset is involved. Determining whether an impairment has occurred typically requires various estimates and assumptions, including determining which cash flows are directly related to the potentially impaired asset, the useful life over which cash flows will occur, their amount and the asset's residual value, if any. Estimates of future cash flows and the selection of appropriate discount rates relating to particular assets involve the exercise of a significant amount of judgment.
- Valuation of the financial liability for the Class C-1 Shares and Class C-2 Shares (collectively, "Class C Shares") – Class C-1 Shares are publicly traded on the NASDAQ (i.e., an active market). Class C-2 Shares are derivative financial instruments that are carried at fair value through profit and loss. Quoted or observable prices for these financial instruments are not available in active markets, requiring Polestar to estimate the fair value of the instruments each period utilizing certain valuation techniques – refer to Note 16 - Reverse recapitalization of the Polestar Group Consolidated Financial Statements.
- Valuation of the financial liability for the Former Parent's contingent Earn-out rights – The contingent Earn-out rights are derivative financial instruments that are carried at fair value through profit and loss. Quoted or observable prices for these financial instruments are not available in active markets, requiring Polestar to estimate the fair value of the instruments each period utilizing certain valuation techniques – refer to Note 16 - Reverse recapitalization of the Polestar Group Consolidated Financial Statements.

Actual results could differ materially from those estimates using different assumptions or under different conditions.

Share-based payments

The expense associated with share-based payments is recognized over the period in which services are provided by the participant, immediately if services are deemed to have already been provided by the participant, or a combination thereof if services were already provided and the participant will continue to provide services over a future period. Share-based payment expenses are recorded in the functional cost category of the Parent Statement of Income and Comprehensive Income that corresponds with the nature of the services provided.

As of December 31, 2022, the Group granted equity settled share-based payments to their employees through an At-listing, Post-listing, and Free share plan, collectively referred to as the 2022 Omnibus Incentive Plan. Equity awards were granted in the form of free shares, restricted stock units ("RSU"), and performance stock units ("PSU"). Pursuant to an agreement between the Parent and the consolidated subsidiaries participating in the 2022 Omnibus Incentive Plan, the Parent entered into a recharge arrangement ("Recharge Arrangement") with the participating Group subsidiaries to recoup a portion of the expense related to granting its equity instruments. The expense recharged by the Parent is recognized within Other current receivables - subsidiaries with an offsetting amount recorded as an increase to Share capital, Other contributed capital or Other operating income. As of December 31, 2022, the Parent recognized the granted equity settled share-based payments to employees in the form of free shares, restricted stock units ("RSU"), and performance stock units ("PSU") within equity.

The Group also granted equity settled share-based payments in exchange for certain marketing services through November 1, 2023 and the service of a public listing of the Group on the Nasdaq through the merger with GGI. Equity was issued and share-based compensation expense relating to such services was recognized by the Parent over the period in which services were received. The Parent entered into a Recharge Arrangement with the Group subsidiary primarily receiving such marketing and public listing services, in which the share-based expense was offset against Other operating income with a corresponding Other current receivables - subsidiaries.

Refer to Note 3 - Share-based payment and Note 10 - Related party transactions for more detail on the 2022 Omnibus Incentive Plan and marketing service agreement.

Investment in subsidiaries

Investments in subsidiaries comprise equity shares of Group companies and are stated at cost less, where appropriate, provisions for impairment. At the end of each reporting period, investments in subsidiaries are assessed for indications of impairment, and if indications are determined to exist, tested for impairment. As these investments only generate cash inflows in combination with other assets within the Group, cash inflows are not independent at any level below the cash generating units used for Group impairment testing purposes.

Note 2 - Employee benefits

The following table discloses the Parent's expenses related to employee benefits:

	For the period September 15, 2021 to December 31,
	2022
Short-term employee benefits	722
Post-employment benefits	61
Total employee benefits	**783**

Post-employment benefits expense reflects those related to defined contribution plans for the period September 15, 2021 to December 31, 2022.

Note 3 - Share-based payment

As noted in Note 1 - Significant accounting policies and judgements of the Polestar Group Consolidated Financial Statements, the Group granted shares of the Parent to employees under the 2022 Omnibus Incentive Plan as part of the Group's employee compensation. Under the 2022 Omnibus Incentive Plan, there are three kinds of programs: At-listing Plan, Post-listing Plan, and the Free Share Plan, all of which are equity-settled. The Parent entered into a Recharge Arrangement with the Group subsidiaries participating in the 2022 Omnibus Incentive Plan to receive reimbursement for a portion of the expense related to shares granted. Refer to Note 10 - Related party transactions for additional detail.

As noted in Note 7 - Share-based payment of the Polestar Group Consolidated Financial Statements, the Group entered into a marketing consulting services agreement where an equity-settled share-based payment was granted in exchange for marketing services received. The Parent entered into a Recharge Arrangement with the Group subsidiary receiving such services for the total share-based compensation expense related to shares granted.

The following table illustrates the Parent's share-based compensation expense for the period September 15, 2021 to December 31, 2022:

	For the period September 15, 2021 to December 31,
	2022
Selling, general and administrative expense	8,189
Total	**8,189**

Of the total $8,189, share-based compensation expense related to the 2022 Omnibus Incentive Plan and marketing consulting services agreement was $3,243 and $4,946, respectively.

Refer to Note 7 - Share-based payment of the Polestar Group Consolidated Financial Statements for additional details on the 2022 Omnibus Incentive Plan.

Note 4 - Other operating income and expense

The following table details the Parent's other operating income and expense:

	For the period September 15, 2021 to December 31,
Other operating income	**2022**
Services provided to subsidiaries	6,482
Net foreign exchange rate differences	56
Total	**6,538**

Services provided to subsidiaries consist of recharges from subsidiaries for the Group's At-Listing Plan, short-term employee benefits, and the marketing consulting services agreement. Refer to Note 10 - Related party transactions for further discussion.

Note 5 - Finance income and expense

The following table details the Parent’s finance income and expense:

Finance income	For the period September 15, 2021 to December 31, 2022
Interest income from subsidiaries	4,520
Interest income on bank deposits	3,348
Total	**7,868**

Finance expense	For the period September 15, 2021 to December 31, 2022
Interest expense to subsidiaries	10,612
Net foreign exchange rate losses on financial activities	15
Total	**10,627**

For the period September 15, 2021 to December 31, 2022, interest income from subsidiaries was comprised of interest from a loan issued to a subsidiary. Interest expense to subsidiaries was comprised of interest on borrowings from a subsidiary. Refer to Note 10 - Related party transactions for further discussion.

Note 6 - Financial instruments

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

	As of December 31, 2022			
Liabilities measured at FVTPL	**Level 1**	**Level 2**	**Level 3**	**Total**
Earn-out rights	—	—	598,570	598,570
Class C-1 Shares	17,920	—	—	17,920
Class C-2 Shares	—	10,080	—	10,080
Total liabilities	**17,920**	**10,080**	**598,570**	**626,570**

At the Closing of the BCA, the fair value of the contingent earn out rights was approximately $1,500,638. The financial liability was remeasured on December 31, 2022 at $598,570, resulting in a total gain related to the change in fair value of $902,068. The Class C-1 Shares are publicly traded on the Nasdaq (i.e., Level 1 input) and the closing share price of the GGI Public Warrants on June 23, 2022 was used to measure their fair value upon initial recognition, at which time the 15,999,965 Class C-1 Shares had a fair value of $40,320. On December 31, 2022, the fair value of the Class C-1 Shares was remeasured at $17,920, for a total unrealized gain related to the change in fair value of $22,400. The 9,000,000 Class C-2 Shares had a fair value as of June 23, 2022, of $22,770. On December 31, 2022, the fair value of the Class C-2 Shares was remeasured at $10,080, for a total gain related to the change in fair value of $12,690. The total gain related to the change in fair value of Class C Shares was $35,090. Refer to Note 16 - Reverse recapitalization within the Polestar Group Consolidated Financial Statements for more details on the financial liabilities related to the Class C Shares and the Earn-out rights.

The following table shows the carrying amounts of the Parent's financial assets and liabilities measured at amortized cost:

Financial assets	**As of December 31, 2022**
Investments in subsidiaries	3,783,605
Cash and cash equivalents	122,437
Other current receivables - subsidiaries	8,488
Total	**3,914,530**
Financial liabilities	
Trade payables	2
Interest-bearing current liabilities - subsidiaries	579,147
Other current liabilities - subsidiaries	56,731
Total	**635,880**

Total interest income arising on financial assets measured at amortized cost amounted to $7,868 for the period September 15, 2021 to December 31, 2022. Total interest expense arising on financial liabilities measured at amortized cost amounted to $10,612 for the period September 15, 2021 to December 31, 2022.

The following table shows the maturities for the Parent’s non-derivative financial assets and liabilities as of December 31, 2022:

	Due within 1 year	**Due between 1 and 5 years**	**Due beyond 5 years**	**Total**
Financial assets				
Investments in subsidiaries	—	—	3,783,605	3,783,605
Cash and cash equivalents	122,437	—	—	122,437
Other current receivables - subsidiaries	8,488	—	—	8,488
Total	**130,925**	**—**	**3,783,605**	**3,914,530**
Financial liabilities				
Trade payables	2	—	—	2
Interest-bearing current liabilities - subsidiaries	579,147	—	—	579,147
Other current liabilities - subsidiaries	56,731	—	—	56,731
Total	**635,880**	**—**	**—**	**635,880**

Maturities are not provided for the Parent's derivative liabilities related to the Earn-out rights and the Class C Shares that were assumed as part of the merger with GGI on June 23, 2022. The derivative liability related to the Earn-out rights can only be equity settled and therefore will never have a cash flow impact on the Parent. The derivative liabilities related to the Class C Shares can be either cash or equity settled, depending on certain circumstances that may occur in the future. However, the timing of those circumstances are uncertain and any cash flow impacts cannot be forecasted in a useful manner. Refer to Note 16 - Reverse recapitalization within the Polestar Group Consolidated Financial Statements for more details on the financial liabilities related to the Class C Shares and the Earn-out rights.

Note 7 - Investments in subsidiaries

The following table depicts the changes in the Parent's investments in subsidiaries:

	Total
Balance as of September 15, 2021	—
Additions	3,783,605
Disposal	—
Impairment losses	—
Balance as of December 31, 2022	**3,783,605**

Investments in subsidiaries include the subsidiary Polestar Holding AB, with a cost of $3,198,409, and the subsidiary GGI, with a cost of $585,196. The additions in investments in subsidiaries is on account of (1) the reverse recapitalization transaction pursuant to which Polestar Holding AB and the subsidiary GGI became wholly owned subsidiaries of the parent in exchange for Class A and Class B Shares issued to the Former Parent and (2) cash injections of $1,361,916 in Polestar Holding AB by the Parent subsequent to the reverse recapitalization. See Note 1 - Significant accounting policies and judgements within the Polestar Group Consolidated Financial Statements for more details.

There have been no impairments recorded against the Group cash generating units for the period September 15, 2021 to December 31, 2022, and therefore there is no indication that any of the investments in subsidiaries would be subject to impairment.

The subsidiaries of the Group as of the date of this Report are listed below.

Legal Name	Jurisdiction of Incorporation	Proportion of Ordinary Shares Held by the Company
Polestar Holding AB	Sweden	100 %
Polestar Automotive (Singapore) Pte. Ltd.	Singapore	100 %
Polestar Performance AB	Sweden	100 %
Polestar Automotive Canada Inc.	Alberta, Canada	100 %
Polestar Automotive USA Inc.	Delaware, USA	100 %
Gores Guggenheim, Inc.	Delaware, USA	100 %
Polestar Automotive Belgium BV	Belgium	100 %
Polestar Automotive Germany GmbH	Germany	100 %
Polestar Automotive Netherlands BV	Netherlands	100 %
Polestar Automotive Sweden AB	Sweden	100 %
Polestar Automotive Austria GmbH	Austria	100 %
Polestar Automotive Denmark ApS	Denmark	100 %
Polestar Automotive Finland Oy	Finland	100 %
Polestar Automotive Switzerland GmbH	Switzerland	100 %
Polestar Automotive Norway A/S	Norway	100 %
Polestar Automotive Korea Limited	South Korea	100 %
Polestar Automotive Australia PTY Ltd	Australia	100 %
Polestar Automotive (Singapore) Distribution Pte. Ltd.	Singapore	100 %
Polestar Automotive Ireland Limited	Republic Ireland	100 %
PLSTR Automotive Portugal Unipessoal Lda	Portugal	100 %
Polestar Automotive Poland sp. zo. o	Poland	100 %
Polestar Automotive UK Limited	United Kingdom	100 %
Polestar Automotive Spain S.L	Spain	100 %
Polestar Automotive Luxembourg SARL	Luxembourg	100 %

Polestar Automotive Czech Republic s.r.o	Czech Republic	100 %
Polestar Automotive Italy s.r.l	Italy	100 %
Polestar Automotive Shanghai Co., Ltd.	People's Republic of China	100 %
Polestar New Energy Vehicle Co., Ltd.	People's Republic of China	100 %
Polestar Automotive China Distribution Co., Ltd.	People's Republic of China	100 %
Polestar Automotive Consulting Service (Shanghai) Co., Ltd.	People's Republic of China	100 %
Polestar Automotive (Chongqing) Co., Ltd.	People's Republic of China	100 %

Note 8 - Equity

Changes in the Parent's equity during the period September 15, 2021 to December 31, 2022 were as follows:

	Class A Shares	Class B Shares	Share capital	Other contributed capital
Pre-closing of the merger with GGI				
Balance as of September 15, 2021	—	—	—	—
Closing of the merger with GGI				
Issuance to Former Parent				
Issuance of Class A and B Shares	294,877,349	1,642,233,575	19,372	1,880,273
Reclassification of GBP Redeemable Preferred Shares	—	—	65	(65)
Issuance of Volvo Cars Preference Shares[1]	58,882,610	—	589	588,237
Issuance to Convertible Note holders	4,306,466	—	43	(43)
Issuance to PIPE investors	26,540,835	—	265	249,735
Issuance to GGI shareholders	82,193,962	—	822	521,285
Listing expense	—	—	—	372,318
Transaction costs	—	—	—	(38,903)
Post-closing of the merger with GGI				
Equity-settled share-based payment	876,451	—	9	9,900
Balance as of December 31, 2022	**467,677,673**	**1,642,233,575**	**21,165**	**3,582,737**

1 - The Volvo Cars Preference Shares subsequently converted into Class A shares following the merger with GGI on June 23, 2022.

Pre-closing of the merger with GGI

The Parent was incorporated on September 15, 2021 and issued 1 Class A ordinary share at $1 per share to an entity in the Polestar Group. On October 15, 2021, the Parent had the following changes in equity:

- A sub-division of initial equity from 1 Class A ordinary share at $1 per share to 100 Class A ordinary shares at $0.01 per share.
- A share issuance of 900 Class A ordinary shares at $0.01 per share to the related Polestar Group entity.

Closing of the merger with GGI

Refer to Note 1 - Significant accounting policies and judgements, Note 16 - Reverse recapitalization and Note 20 - Equity of the Polestar Group Consolidated Financial Statements for details on the merger with GGI.

As part of the closing of the merger with GGI, Polestar Automotive Holding UK PLC underwent multiple related party equity transactions with its Group subsidiaries to effectuate a change in the legal entity structure, making Polestar Automotive Holding UK PLC the new parent of the Polestar Group. As a result of the Parent's equity transaction with the Group subsidiaries, the Parent consolidated 100% of the Group subsidiaries.

Accumulated deficit

Accumulated deficit comprises Net income for the year and preceding years, less any profits distributed. Accumulated deficit also includes the income effect of the issuance of Earn-out rights. Refer to Note 16 - Reverse recapitalization of the Polestar Group's Consolidated Financial Statements for further information on the Earn-out rights.

Note 9 - Other current liabilities

Other current liabilities for the Parent were as follows:

	As of December 31,
	2022
Personnel related liabilities	108
Accrued expenses	5,772
Other liabilities	25
Total	**5,905**

Accrued expenses consist of audit and lawyer fees.

Note 10 - Related party transactions

Refer to Note 25 - Related party transactions and Note 6 - Employee benefits of the Polestar Group Consolidated Financial Statements for further discussion of related parties and benefits to key management, respectively. All agreements with related parties are on an arm's length basis.

The following related party balances existed with Group companies:

	As of December 31,
Other current receivables - subsidiaries	**2022**
Share-based compensation recharges	7,523
Salaries recharges	674
Other non-interest-bearing short-term receivables	215
Other accrued income	76
Total	**8,488**

Other non-interest-bearing short-term receivables consists primarily of income from the Group's American Depository Receipts ("ADRs")). Share-based compensation recharges relate to equity instruments awarded to employees of the subsidiaries of the Group under the Group's Omnibus Incentive Plan, pursuant to the Recharge Arrangement.

	As of December 31,
Liabilities - subsidiaries	**2022**
Interest-bearing current liabilities - subsidiaries	579,147
Other current liabilities - subsidiaries	56,731
Total	**635,878**

Interest-bearing current liabilities consist of financing agreements with subsidiaries, discussed further below. As of December 31, 2022, Other current liabilities - subsidiaries consisted of $46,119 of accrued expenses related to transaction costs owed to subsidiaries by the Parent and $10,612 of accrued interest on loans with subsidiaries.

The following related party transactions took place during the year with subsidiaries:

Subsidiary income	For the period September 15, 2021 to December 31, 2022
Services provided to subsidiaries	6,482
Interest income from subsidiaries	4,520

Refer to Note 4 - Other operating income and expense for a description of services provided to subsidiaries. Refer to Note 5 - Finance income and expense for a description of the Parent's interest income from subsidiaries.

Subsidiary expense	For the period September 15, 2021 to December 31, 2022
Services provided from subsidiaries	6,523
Interest expense to subsidiaries	10,612

Services provided from subsidiaries consisted of recharges of transaction costs related to the BCA and are included in selling, general and administrative expense within the Parent Statement of Income and Comprehensive Income. Refer to Note 5 - Finance income and expense for a description of the Parent's interest expense to subsidiaries.

Financing with subsidiaries

On June 23, 2022, the Parent entered into a 12-month loan with a US subsidiary of $579,147, denominated in USD and subject to a floating interest rate set to the Applicable Federal Rate ("AFR"), published by the Internal Revenue Service for short-term loans, which ranged from 2.88% to 4.55% within the period. As of December 31, 2022, the full carrying amount is reflected in interest-bearing current liabilities - subsidiaries. and accrued interest of $10,612 is reflected in other current liabilities - subsidiaries.

On June 20, 2022, the Parent issued a 12-month credit facility to a Swedish subsidiary of $500,000, denominated in USD and subject to an initial interest rate at the floating Secured Overnight Financing Rate ("SOFR") plus 2.59%. On July 14, 2022, $250,000 was withdrawn and the loan was fully repaid as of December 31, 2022, During the period September 15, 2021 to December 31, 2022, the Parent recognized $6,523,000 of interest income from subsidiaries related to this arrangement.

Convertible instruments with Volvo Cars

On November 3, 2022 the Parent 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 Parent Statement of Income and Comprehensive Income at each reporting date. As of December 31, 2022, the Parent had not yet drawn down on the facility and the fair value of the financial liability related to Volvo Cars' conversion right was nil.

Share-based payment Recharge Arrangement

As part of the 2022 Omnibus Incentive Plan, the Group issued Parent shares to its employees as compensation. As further described in Note 3 - Share-based payment, the Parent and participating subsidiaries entered into a Recharge Arrangement to provide the Parent reimbursement for a portion of the expense related to the shares granted. The Recharge Arrangement gave rise to both Other current short-term receivables - subsidiaries within an offset to Other operating income and expense and equity. As of December 31, 2022, the Recharge Arrangement generated Other current receivables - subsidiaries of $2,580 with an offset to income within Other operating income and expense of $865 and equity of $1,715.

As part of the marketing consulting services agreement, the Parent granted shares for services provided to a Group subsidiary. The Parent and participating subsidiary entered into a Recharge Arrangement whereby the Parent received reimbursement for the full amount of share-based compensation expense recognized related to the shares issued. The Recharge Arrangement gave rise to Other current receivables - subsidiaries with an offset to income within Other operating income and expense of $4,946.

Note 11 - Commitments and contingencies

Commitments

The Parent did not have any commitments as of December 31, 2022.

Contingencies

In the normal course of business, the Parent 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.

The Parent did not have any liabilities related to such contingencies as of December 31, 2022.

Note 12 - Subsequent events

Management has evaluated events subsequent to December 31, 2022 and through June 6, 2023, the date these Parent Financial Statements were authorized for issuance by the Board of Directors. The following events which occurred subsequent to December 31, 2022 merited disclosure in these Parent Financial Statements. Management determined that no adjustments were required to the figures presented as a result of these events.

On February 10, 2023, GGI distributed a $290,000 dividend to the Parent. As a result, the Parent wrote down the value of its shares in GGI, resulting in an impairment of approximately the same amount.

On February 27, 2023, the Parent drew down $150,000 of the $800,000 aggregate principal available under its 18-month credit facility with Volvo Cars that was secured on November 3, 2022. On March 29, 2023, April 27, 2023, and May 9, 2023, the Parent drew down an additional $150,000 on each date, respectively. Refer to Note 10 - Related party transactions for further details on the facility with Volvo Cars.

On March 22, 2023, 4,500,000 Class C-2 Shares were converted into 4,500,000 Class C-1 Shares following the election of beneficial holders of such Class C-2 Shares to convert their securities. The conversion of the Class C-2 Shares into Class C-1 Shares was affected by means of a re-designation of the Class C-2 Shares as Class C-1 Shares. 4,500,000 Class C-2 Shares remain issued and outstanding as of the date of this annual report.

On April 3, 2023, Polestar granted 1,607,582 awards under the 2022 Omnibus Incentive Plan, of which 1,202,569 are PSUs and 405,013 are RSUs. The awards are equity-settled with a three-year cliff vesting period. The vesting commencement date was January 1, 2023.

On May 11, 2023, the Group announced that it was recently informed that additional time for final software development of the new all-electric platform shared by Volvo Cars is needed and that the start of production of Polestar 3 is now expected in the first quarter of 2024. In light of this and the economic environment affecting the automotive industry, the Group now expects 2023 global volumes of 60,000 – 70,000 vehicles. Additionally, the Group is intensifying its focus on cost management, including a global hiring freeze and 10% headcount reduction.

Other Information

Glossary

"*AD securities*" or "*ADSs*" means Class A ADSs and Class C ADSs.

"*ADRs*" means American Depository Receipts.

"*Board*" means the board of directors of the Company.

"*Business Combination*" means the transactions contemplated by the Business Combination Agreement, including the Merger, and the other transactions contemplated by the other transaction documents contemplated by the Business Combination Agreement.

"*Business Combination Agreement*" means that certain Business Combination Agreement, dated as of September 27, 2021 (as amended by Amendment No. 1 to the Business Combination Agreement, Amendment No. 2 to the Business Combination Agreement and Amendment No. 3 to the Business Combination Agreement), by and among GGI, the Company, Former Parent, Polestar Singapore, Polestar Sweden and Merger Sub, a copy of which is filed as an exhibit to this Report.

"*CEO*" means Chief Executive Officer.

"*CFO*" means Chief Finance Officer.

"*Class A ADS*" means one American depositary share of the Company duly and validly issued against the deposit with the Depositary of an underlying Class A Share.

"*Class A Shares*" means Class A ordinary shares of the Company, entitling the holder thereof to one vote per share.

"*Class B Shares*" means Class B ordinary shares of the Company, entitling the holder thereof to 10 votes per share.

"*Class C ADSs*" means Class C-1 ADSs and Class C-2 ADSs.

"*Class C Shares*" means Class C-1 Shares and Class C-2 Shares.

"*Class C-1 Share*" means a class C-1 ordinary share in the share capital of the Company, each of which underlies a Class C-1 ADS and is exercisable for one Class A Share.

"*Class C-2 Share*" means a class C-2 ordinary share in the share capital of the Company, each of which underlies a Class C-2 ADS and is exercisable for one Class A Share.

"*CNY*" means the Chinese Yuan Renminbi, the legal currency of the People's Republic of China.

"*Company*" means, prior to the re-registration as a public limited company under the laws of England and Wales, "Polestar Automotive Holding UK Limited," a limited company incorporated under the laws of England and Wales, and, after the re-registration as a public limited company under the laws of England and Wales, "Polestar Automotive Holding UK PLC."

"*COO*" means Chief Operating Officer.

"*Deloitte*" means Deloitte AB, an independent registered public accounting firm.

"*Depositary*" means Citibank, N.A., acting as depositary under the Deposit Agreements.

“*Earn Out Shares*” means earn out shares from the Company issuable in Class A ADSs and Class B ADS to certain Former Parent Shareholders depending on share price performance of Polestar.

“*Equity Plan*” means the Polestar Automotive Holding UK PLC 2022 Omnibus Incentive Plan.

“*Exchange Act*” means the Securities Exchange Act of 1934, as amended, together with the rules and regulations promulgated thereunder.

“*Executive Director*” means a C-Suite board member.

“EV” means electric vehicle.

“*Former Parent*” means Polestar Automotive Holding Limited, a Hong Kong incorporated company, which is in the process of completing its voluntary liquidation that commenced on October 19, 2022.

“*Former Parent Shareholders*” means Snita, PSINV AB, PSD Investment Limited, GLY New Mobility 1. LP, Northpole GLY 1 LP, Chongqing Liangjiang , Zibo Financial Holding Group Co., Ltd. and Zibo High-Tech Industrial Investment Co., Ltd.

“*Geely*” means Zhejiang Geely Holding Group Company Limited.

“*GGI*” means Gores Guggenheim, Inc.

“*GGI Class A Common Stock*” means the shares of Class A common stock, par value $0.0001 per share, of GGI.

“*GGI Class F Common Stock*” means the shares of Class F common stock, par value $0.0001 per share, of GGI.

“*GGI Common Stock*” means the GGI Class A Common Stock and the GGI Class F Common Stock.

“*GGI Public Warrants*” means the warrants included in the GGI public units (consisting of one share of GGI Class A Common Stock and one-fifth of one GGI Public Warrant) issued in the GGI initial public offering, consummated on March 25, 2021.

“*Merger*” means the merger between Merger Sub and GGI, with GGI surviving as a direct wholly owned subsidiary of the Company.

“*Merger Sub*” means PAH UK Merger Sub Inc., a Delaware corporation and a direct wholly owned subsidiary of the Company until June 23, 2022.

“*Nasdaq*” means the National Association of Securities Dealers Automated Quotations Global Market.

“*Non-Executive Director”* means a non-employee board member.

“*PIPE Investment*” means the purchase of PIPE Shares pursuant to the PIPE Subscription Agreements.

“*PIPE Investors*” means the purchasers of PIPE Shares in the PIPE Investment.

“*PIPE Shares*” means the Class A Shares in the form of Class A ADSs purchased by PIPE Investors in the PIPE Investment.

“*PIPE Subscription Agreements*” means the Initial PIPE Subscription Agreements, the December PIPE Subscription Agreements and the March PIPE Subscription Agreements.

“*Polestar*” means, as the context requires, (i) in general Former Parent and its subsidiaries prior to the Business Combination Closing, (ii) in the context of the Business Combination, the Pre-Closing Reorganization and the Pre-Closing Sweden/Singapore Share Transfer, Polestar Sweden, or, both Polestar Singapore and Polestar Sweden if at any time (x) Polestar Sweden is not a wholly-owned subsidiary of Polestar Singapore or (y) Polestar Singapore is not a wholly-owned subsidiary of Polestar Sweden, or (iii) the Company or Polestar Group after the Business Combination Closing.

"*Polestar Group*" means Former Parent, together with its subsidiaries prior to the Business Combination Closing and the Company and its subsidiaries following the Business Combination Closing.

"*Polestar Singapore*" means Polestar Automotive (Singapore) Pte. Ltd., a private company limited by shares in Singapore.

"*Polestar Spaces*" means permanent or pop up/temporary Polestar showrooms located in urban or peri-urban areas where potential customers can experience Polestar vehicles, engage with Polestar specialists and, at select locations, test-drive Polestar vehicles.

"*Polestar Sweden*" means Polestar Holding AB, a private limited liability company incorporated under the laws of Sweden.

"*SEC*" means the U.S. Securities and Exchange Commission.

"*SEK"* means Swedish Krona, the legal currency of Sweden.

"*Shares*" means the Class A Shares and the Class B Shares.

"*Snita*" means Snita Holding B.V., a corporation organized under the laws of the Netherlands and a wholly owned subsidiary of Volvo Car Corporation.

"*TUSD*" means thousands of U.S. Dollars.

"*U.S. Dollars*" and "*USD*" and "*$*" means United States dollars, the legal currency of the United States.

"*United Kingdom*" or "*UK*" means the United Kingdom of Great Britain and Northern Ireland and its territories and possessions.

"*United States*" or "*US*" means the United States of America and its territories and possessions.

"*Volvo Cars*" means Volvo Car AB (publ) and its subsidiaries.

"*Volvo Cars Preference Subscription Agreement*" means the subscription agreement, dated September 27, 2021, by and between the Company and Snita as amended on March 24, 2022, pursuant to which Snita purchased, at Business Combination Closing, mandatory convertible preference shares of the Company for an aggregate subscription price of $10.00 per share, for an aggregate investment amount equal to TUSD588,826.

"*Volvo Cars Preference Subscription Shares*" means the mandatory convertible preference shares of the Company purchased by Snita pursuant to the Volvo Cars Preference Subscription Agreement.

Company Information

Polestar is incorporated in England & Wales. The Company operates in 27 markets across Europe, Asia, and North America.

Shareholder information: https://investors.polestar.com/

Company Registration

Registered Office
Polestar Automotive Holding UK PLC

The Pavilions, Bridgwater Road,
Bristol, England, BS13 8AE

Registered in England & Wales
Company number: 13624182

Correspondence Address
Polestar HQ

Assar Gabrielssons Väg 9, 405 31
Gothenburg, Sweden

Website: www.polestar.com
Email: ir@polestar.com

Advisors

Company Registrars
Computershare Investor Services PLC

The Pavilions, Bridgwater Road,
Bristol, England, BS13 8FD

Telephone: 44 (0) 370 702 0003
Website: computershare.com

ADR administrator
Citibank, N.A.

388 Greenwich Street, New York,
New York 10013, U.S.A.,
Attn: Depositary Receipts Department

Telephone: +1-877-248-4237
Website: depositaryreceipts.citi.com

Legal Advisers
Kirkland & Ellis LLP

30 St Mary Axe, London EC3A 8AF,
United Kingdom

Telephone: 44 20 7469 2000
Website: www.kirkland.com

Company Secretary
Computershare Company Secretarial Services Limited

The Pavilions, Bridgwater Road, Bristol,
England, BS13 8FD

Telephone: 44 (0) 370 702 0003
Website: computershare.com

Independent Auditors
Deloitte UK

Four Brindleyplace B1 2HZ,
United Kingdom

Telephone: 44 (0) 121 632 6000
Website: https://www.deloitte.com