

Polestar

Q422/ FY22 results webcast transcript

Thank you Operator. Hello everyone, my name is Bojana Flint, from Polestar Investor Relations.

I will cover a few house keeping points, before handing over to Thomas Ingenlath, our CEO, and Johan Malmqvist, our CFO. Their remarks will take about 15 minutes and we will then open the line for analyst questions, followed by questions received from our shareholders.

Before handing the call over to Thomas, I would like to remind participants that many of our comments today will be considered forward-looking statements under US federal securities laws; and are subject to numerous risks and uncertainties that may cause Polestar's actual results to differ materially from what has been communicated.

Forward-looking statements made today are effective only as of today, and Polestar undertakes no obligation to update any of its forward-looking statements. For a discussion of some of the factors that could cause our actual results to differ, please review the Risk Factors section of our report on Form 20-F or other documents we filed or will file with the SEC.

You may also find more information on our forward-looking statements in our filings with the SEC or our investor update presentation and recent press releases which can be found on our investor relations website. Further, we are hereby advising you not to place undue reliance on the preliminary estimated unaudited operational and financial results for the year and quarter ended December 31, 2022 that we are announcing today. Our independent registered accounting firm has not completed its audit of our year-end results. The preliminary estimated unaudited information we present today could be subject to material adjustments and should not be considered a substitute to the Annual Report on Form 20-F that we will be filing for the year ended December 31, 2022.

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

Thank you Bojana. And thank you to everyone who has joined our results call.

When I reflect on the outcome of 2022 and what lies ahead, I am confident we have the right strategy of capturing the market opportunity with our established global presence and a rapid product rollout.

With more than five years as CEO, I know that our focus on design, innovation and sustainability is what resonates with the market and makes customers passionate about our brand. This underpins the role we play in the much-needed shift to sustainable mobility.

Now the recent achievements - I want to underline how delighted I am with everything we achieved in 2022. It was our biggest year yet, despite the fluid and challenging environment. There are many highlights of 2022 to mention, Most importantly, we delivered what we said we would – more than 50,000 vehicles globally: up 80% year on year!

Today, there are around 100 thousand Polestars on the road in 27 markets. There are 158 retail locations and over 1,100 points where our customers can get service. Only one other pure EV player in mass production has this kind of global footprint.

Thanks to the huge team effort, over 21,000 vehicles were delivered in the fourth quarter, our record quarter to date to help us surpass the 50,000 volume target. This was an important milestone which demonstrates our abilities and strengths and I want to thank everyone at Polestar that made this happen.

We grew our revenues to \$2.5 billion, up over 80%. Together with support from our major shareholders we strengthened our liquidity, so that we can remain laser focused on business execution - A business execution that first and foremost prioritises and safeguards our rapidly expanding premium product portfolio, despite prolonged macro and ongoing supply chain constraints.

So, starting with design and our product development.

We launched our first luxury SUV, Polestar 3, in October 2022 in Copenhagen and we were extremely pleased with the reception that it received, including order in-take to date. Polestar 3 is a powerful, design-led electric performance SUV that appeals to the senses with a distinct shape and excellent driving dynamics. It is a car that has been designed as a Polestar from start to finish and built for the electric age.

We are working closely with our manufacturing partner to start the production in the middle of this year. Once the production in China commences – the team will move to Charleston, South Carolina – looking to start US manufacturing of the Polestar 3 in mid-2024. Keep an eye out this spring – when we will host some exciting Polestar 3 events in the US, meeting customers, investors and media.

In January, we launched a major update of Polestar 2. A new high-tech front end reflects the design language premiered by Polestar 3 – the SmartZone. Polestar 2 also gets substantial sustainability and performance increases with a battery upgrade and new more powerful and at the same time more efficient motors. For the first time in a Polestar, rear-wheel drive with Polestar 2.

In short, we showed our continuing love for Polestar 2 by keeping it fresh and exciting, alongside launching new vehicles. We are doing both as we believe this is very important in keeping customers connected with our brand and satisfaction high.

Focus on customer satisfaction has been a critical factor that has ensured Polestar 2 is today amongst the Top 10 best-selling BEVs in many markets including the UK, Sweden, Norway, Canada, South Korea and Australia.

As promised, I am happy to confirm – Polestar 4 is in the starting blocks. We can't wait to show it to you, and we will very soon.

Moving to innovation, another key pillar for Polestar. We recently reached an agreement with Google for our vehicles to benefit from their latest enhancements such as new HD map in Polestar 3 and the roll out of remote actions for Polestar 2. We are expanding our partnership with Luminar from Polestar 3 to include their LiDAR technology in Polestar 5 as well. The utilisation of LiDAR technology continues to gain momentum as the global focus on next-generation safety and autonomy increases. Worth mentioning, Polestar 3 with LiDAR is available – since February – to order at Polestar.com.

Sustainability underpins everything we do. Our ambitious sustainability project – Polestar 0 – continues to build momentum. In the last few weeks, we added a further eight new partners, bringing the total to 24 overall and we are making strong strides towards our goal of creating a truly climate-neutral car by 2030. We initiated the Pathway Report in response to the climate crisis and in collaboration with another EV maker. We believe collective actions to reduce greenhouse gas emissions in the supply chain and increase renewable energy in the grids are needed in addition to faster EV adoption.

To sum it up, I am extremely excited to 2023. This year, we will fundamentally build on all our achievements from 2022, and despite a still uncertain and fluid operating environment, plan to deliver 80,000 cars, 60% more than last year.

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 backed up by a 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.

Now, I would like to ask Johan to comment on our financial results and give some guidance on 2023 outlook.

Thank you Thomas. Hello everyone and thank you for taking the time to join us today. It's great to see so many of you on the call and on the webcast.

Starting with operational highlights first. We have delivered 51,491 cars globally in 2022, of which 21,067 in the fourth quarter, our record quarter to date.

Just to stop and reflect on that for moment, delivering over 21,000 cars in the quarter is a fantastic achievement for a young company. As Thomas mentioned, it is an important milestone which demonstrates both our abilities and strengths. Our ability to ramp up production, our ability to meet the logistical challenges of handing over the keys to over 21,000 customers across the globe in one quarter, and the strengths of our brand and product. Most importantly, it demonstrates that we have the capability to execute in a fluid and still challenging environment.

We are now active in 27 markets on four continents and have 158 sales locations and over 1,100 Service Points. We grew these by 40-50% complementing our digital first direct to consumer approach with our expanding physical footprint.

We also recognised that it is still a challenging macro environment and as I shared on the last earning's call, we started to take actions already last year. I am pleased to see that those initiatives have come through in the numbers – especially in our operating expenses. I am proud of what we have accomplished through the tremendous hard work and dedication of our entire organization.

Moving to the financial highlights for full year 2022.

Revenue increased 84%, from \$1.3bn to \$2.5bn - mainly driven by an increase in Polestar 2 vehicle sales with continued commercial expansion across existing and new markets. This growth was partially offset by slightly lower revenue per vehicle due to product, market mix and foreign exchange impacts.

To put this into context – we mainly sold long-range dual motor variants of the Polestar 2 in 2021, while in 2022 we introduced other variants to offer choice to our customers. Some at lower price points – which had an impact on average revenue per vehicle. With regards to market mix – our sales in 2022 were proportionally higher outside Europe where revenue per car is typically lower and in terms of foreign exchange this was due to strengthened US Dollar versus predominantly European currencies.

Gross profit increased from \$1mn to \$119mn, leading to an improved gross margin of 4.9%. This was driven by higher Polestar 2 sales and lower fixed manufacturing costs, and in the latter part of the year price increases, partially offset by foreign exchange which led to higher cost of sales, and product and market mix.

Selling, General, and administrative expenses were 21% higher at \$865mn, compared to 84% growth in revenues as we start to accrue benefits of scale.

Research and Development expenses were down 27% to \$171mn, due to the absence of Polestar 1 amortisation, partially offset by higher spend on future vehicles and technologies.

Operating loss, excluding the one-time share-based listing charge of \$372 million, decreased 8%, from \$995mn to \$914mn.

Moving on to Q4 2022, I would like to point out four items.

Revenues in the quarter were nearly \$1bn as we delivered 21k cars – a great achievement.

Gross margin was 6.3% - better than expected as the full effect of the price increases introduced earlier in the year came through in the quarter, but input costs are still lagging and only had a meaningful impact in December.

Thirdly, Selling, General, and administrative expenses were kept flat, compared to same period last year, due to active cost management that I mentioned earlier.

And finally, together, these resulted in a reduced operating loss of \$205mn, down 39% when compared to Q4 2021.

Moving on to cash flow, Cash used for operating activities for the full year was \$1.1bn, mainly driven by operating loss, working capital increase in inventories and trade receivables as a result of higher production and sales, and interest expenses due to increased financial indebtedness.

Cash used for investing activities was \$0.7bn, predominantly driven by intellectual property investments for Polestar 2, Polestar 3 and Polestar 4. Capex in Q4 was lower than expected, but largely due to timing.

Cash provided by financing activities was \$2.1bn. Driven by the net listing proceeds of \$1.4bn and a net increase in short-term borrowings of \$0.7bn to support the continued growth of the company. So, at the end 2022, cash and cash equivalents stood at approximately \$1bn.

Before I hand over to the operator, let me wrap up with the outlook for 2023.

Global volume is expected to be approximately 80,000 cars, an increase of 60% year on year, predominantly driven by Polestar 2 sales. We expect gross margin to be broadly in line with 2022 with volume and product mix supporting margin progression later in the year. And finally, we are on track in terms of liquidity, and as we previously communicated, we continue to explore potential equity or debt offerings to raise additional capital to fund operations and business growth.

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

Questions and answers

(Operator Instructions) Now we're going to take our first question, and the first question comes from the line of Winnie Dong from Deutsche Bank.

Winnie Dong – Deutsche Bank AG

On your 2023 delivery targets, you exited 2021 with pretty strong sort of cadence in the Q4 quarter. Any reason why we might not think your 80k guidance is a conservative number? And should we be expecting a sequential step down in Q1 and improving throughout the year? That's my first question. I have a follow-up.

Thomas Ingenlath

Yes, Thomas here, Winnie. Well, I think it's a well-known effect in the market that quarter 1 after quarter 4 is always that little dip that then picks up in spring again, a very natural behavior. The overall guidance of 80,000 as a target for 2023, I think it's just simply us being very realistic about what we feel is doable in a world which is struggling with/ still recovering from the effects from the pandemic. Yes, of course, we have a much better situation when it comes to supply chain and logistics again and the 80,000 is an increase of plus 60%. So I think that's definitely something which we feel is a strong growth from where we ended in 2022, with 50,000.

And then not to forget, the big, big bulk of the 80,000 is the Polestar 2, which will have the very nice great upgrade in tech. The effect of us expanding our product portfolio very meaningful now with adding start with now the Polestar 3, but as well the Polestar 4 already in sight. That effect will, of course, be much, much stronger and really to full effect in 2024.

Johan Malmqvist

And maybe just to follow on with just a brief statement about the phasing for the year. As Thomas mentioned, just the natural seasonality of the business, the volumes tend to be lower at the beginning of the year, and we expect volumes to be weighted towards the second half, and this is on the back of the recently launched Polestar 2 model year '24 as well as then with some of the Polestar 3 volumes expected to come in later in the year.

Winnie Dong

Thanks for that. That was helpful. Can you extend more on the gross margin trajectory for the year? You already guided to a similar level versus 2022. Could you maybe provide sort of like a year-over-year comparison and a breakdown of factors that are driving there in terms of perhaps dips of impact on pricing, regional mix and then product mix as well. Thank you so much.

Johan Malmqvist

Absolutely. I can provide a little bit more color on the gross margin for this year. So as we guided in the release, we expect gross margin to be broadly in line with 2022. With that being said, we do anticipate some pressure on margins during the first half of the year with the run rate impact of the raw material prices coming through as well as some increased sales support in select markets. We then expect margins to improve later in the year as the volumes pick up and we start to see the impact of the model year '24 coming through. And as I mentioned, first deliveries of Polestar 3. It's also worth mentioning that we have not assumed any reductions in the material costs during the year, which of course, would be margin accretive depending on timing.

Operator

(Operator Instructions) And the next question comes from the line of Tobias Beith from Redburn.

Tobias Beith - Redburn (Europe) Limited

I've got a couple. I guess where I'd like to start is on raw materials. And what are your expectations for the impact of raw material on the cost inflation on earnings in 2023? I guess what I'm looking for is a figure in the hundreds of millions of dollars, if that's okay. I've got a couple of follow-ups.

Johan Malmqvist

Yes, that's a tough question to answer in regards to providing guidance there. What I can say is what I stated in the sense that for Q4, whilst we saw the full impact of the price increase introduced earlier in the year, there's still a lag and a longer line than originally anticipated on the increased input costs. So, we really only saw that have come through in December. So, with that in mind then, as I mentioned, we do expect some margin pressure during the first half of the year because of then the run rate - full run rate impact of raw materials coming through, and then later in the year, the margin then to improve.

Tobias Beith

So just to make sure I understand, in the fourth quarter, basically, the margin improved because your raw material price inflation didn't increase or you didn't experience any inflation like you thought you would, but then you're going to start to realize some of these increases in the first half of the year and then they get offset in the second half of the year. Is that right?

Johan Malmqvist

That's right. That's correct.

Tobias Beith

Okay. Great. And then just my second question. If I have a look at your regional websites, it looks like the order book for the Polestar 2 in the U.S. covers less than 1 month of sales versus 8 months in Europe and roughly 3 months in China. What sort of actions are you taking to increase brand awareness in North America and China given how important this for success of the Polestar 3? I'm also wondering if you're willing to share how your 2023 volume guide split by major region.

Thomas Ingenlath

Generally the order book that we left from 2022 into 2023 is a good order book, and we still are busy with working that down. In regards of the activities that we have for the markets in U.S., we are very much, actually starting yesterday, promoting the Polestar 2 thus qualify for the incentives when leased. So that is a program that we very much promote now. And I think that will strengthen the Polestar 2 position in the market very much.

And generally, the brand awareness in the U.S. is something that will along our build-up of the Polestar 3 introduction into the market, us going now in April with the car on tour and the car coming to the spaces in the middle of the year. That is all orchestrated to be a nice build-up of a buzz around the car and the brand in the U.S. So that's very opposite to the 2022, where we started with this big bang of being in a halftime show in Super Bowl, it's much more targeted to the build up towards the middle of the year. And that may be is very important to keep in mind when you judge now on Polestar in the U.S.

Johan Malmqvist

And maybe just to then address the regional mix to give some color there. If we look at full year '22, the U.S. accounted for a little bit short of 1/4 of the sales. And then as you know, the -- predominantly the sales in Europe, probably 2/3 with the remaining then the rest of world or Asia Pacific. And I would expect a similar mix for 2023, perhaps with a slightly higher portion of the sales in APAC.

Operator

(Operator Instructions) And the next question comes from the line of Dan Levy from Barclays.

Dan Levy – Barclays Capital Inc.

I am looking for the underlying trends in OpEx in 2023 (technical difficulty).

Johan Malmqvist

Okay. I heard the first part of your question. You're looking for guidance in regards to OpEx. So what I can say there is that we continue to apply a restrictive spend in light of the prolonged challenging macro environment. With that being said, we also need to consider our expanded footprint and the fact that we are now established in 27 global markets. So then coupled with that, we plan to dial up the marketing spend in preparation for the upcoming 2 car models, Polestar 3 and then ultimately Polestar 4. So all in all, I would expect the SG&A spend to increase year-on-year, I would say, by similar percentage increase as you saw for 2022.

Dan Levy

Second question is, I think earlier you made in the Q&A, you made a comment about sales part. Maybe you could just explain what that means? And also, just the pricing trend as it relates to Polestar 2, one of your competitors, a large pure play EV company made some headlines by cutting prices earlier in the year. So maybe you can talk about how the potential for price decreases actually factors into your thinking?

Johan Malmqvist

Yes. Maybe I can start with the first part. What I meant there is really as it relates to the fact, again, that we are now establishing 8 additional markets. And so of course, we need to get ourselves established there just as we have in the other ones in investing in the brand and our presence. That's what I was referring to there.

Thomas Ingenlath

Thomas here again. Regarding the pricing and the position, I think it's a very good moment in time where it becomes very obvious to different ideas where the companies are going to strategy, whilst the other pure EV player you were mentioning is obviously very much concentrating to go mass market in the future to compete with, the likes of Volkswagen and Toyota. Polestar's ambition is, of course, to go fully into this premium luxury sports car segment. We have talked about that already. Yes, of course, Polestar 2 compares to Model 3, but with cars coming, Polestar 3, 4 and 5, it's very clearly targeted towards product portfolio, a competition that's much more in the comparison to an electrified Porsche.

So for that reason, we are keen on developing desirable cars that offer great, great tech and design. And of course, they have their price. Polestar 2 upgrade that we are introducing now into the market is

a very good example for that. We upgraded the car not just only with a nice new frontend and it's really tech that we brought in there with range improvement, with stronger powerful engines. And this value creation as well for the customer, for them to have a stable, reliable value with this car. I think that is our premium strategy that we are determined to follow through.

Dan Levy

If I could just squeeze one more in, please. I see your press release makes note that you are exploring potential equity or debt offering to raise additional capital. So if you could just remind us of the minimum cash balance required and what types of options you might have to gain additional liquidity? I know you just raised the facility with Volvo and Geely. What other sort of creative financing opportunities might there be beyond straight equity or debt?

Johan Malmqvist

Sure. Let me just address kind of broadly what you were talking about and then I can talk a little bit more specifically. As you mentioned, as we previously announced them towards the end of last year, we obtained this \$1.6 billion shareholder financing and liquidity support from our 2 major shareholders. So this has definitely helped strengthen our financial position. And then as you would have noticed as well, we had approximately \$1 billion of cash on the balance sheet at year-end.

And we, of course, continue to explore other funding options. I think we've demonstrated that through the course of 2022 in the form of local working capital facilities. We also have a trade financing facility in place. Those are 2 examples. And we continue to explore avenues and funding sourcing such as those. In addition to that, we also recognize that we do need to bring in and raise additional capital, either in the form of debt, continued debt either from the capital markets or equity or a combination of both. And that is something that we continue to explore.

Dan Levy

And the minimum cash balance?

Johan Malmqvist

Yes, we don't necessarily guide on the minimum cash balance. I mean we had \$1 billion at the end of 2022. We don't necessarily need to hold that amount of cash on hand as we stand right now. But that, of course, helps our financial position going into 2023. And what we also mentioned before was based upon this liquidity support from our shareholders alongside the cash on the balance sheet and other potential financing solutions then we expect to be adequately funded through 2023.

Operator

(Operator Instructions) And the next question comes from the line of Tobias Beith from Redburn.

Tobias Beith

If I remember rightly, in the second quarter of 2023, you have roughly \$520 million worth of payables due to Volvo cars. And I was just wondering, can you explain kind of, I guess, how you expect this to be covered? Is this going to be -- going to come from the liquidity support from PSD? And I guess, broadly, what I'm actually interested in is kind of the working capital trend for 2023?

Johan Malmqvist

Okay. Thank you for that question. So in regards to working capital, we expect working capital to grow with sales. But as you correctly point out, we still have scheduled payments of the overdue related part of payables towards Volvo that you make reference to. And those we are planning to settle them during the year. And the settlement of those payables, around \$0.5 billion that you mention, that is part of the cash forecasting for the year. So that's contemplated in the prior statement where we expect to be adequately funded through 2023.

Operator

Dear speakers, there are no further questions over the audio lines. And I would now like to hand the conference over to management team for any written questions.

Thomas Ingenlath

Thomas here again. We have selected 6 of the top voted questions that reached us. And I will try now to answer them in the time that we have left here.

So let's have a look at **question number 1**. It's being said that Polestar is not a known brand in the U.S. What are the efforts being taken to improve this?

To start with, I would love to explain a bit the difference that we obviously have compared to some of our competitors, peers in the startup arena. Obviously, our strategy was from day 1 to go out and develop our footprint quite harmoniously in all the regions, major important regions for EV. Instead of what a lot of competitors do to develop in your home country, a strong, strong presence and then after those years of establishing that going out and conquer more of the world. We can discuss what is more beneficial - our clear dedication was to do the Polestar way. And that is when I mentioned that the Polestar 2 is amongst the top 10 best BEVs in many markets. That is a result of it because, that's why we are in South Korea, that's why we are in the U.K. and Sweden, in many countries, Australia, we are top 10 with our Polestar 2.

You can compare that. I mean, to grow one plant very fast, yes, you can do that, but it's a very isolated one. I mean now the botanical plant, sorry, not factories. But if you plant a lot of flowers and then they grow, of course, a big, big amount, but it grows a little slower. So if you in the U.S., don't see our brand as much as you see competitors like Lucid, Rivian. Yes, I understand, that might be slightly irritating. But you will see our brand therefore, in many, many other countries where you never ever have seen a Rivian or a Lucid.

Now having said that, of course, we want to accelerate and progress in the U.S. And as mentioned a bit earlier, there is a full-fledged program over the course of the next 12 months, how we increase our brand awareness in the U.S., how we put obviously money behind it. There is for Q2 this year, over USD 20 million allocated to work in the U.S. and build up brand awareness. And I mentioned it before, it is not the big bang in the beginning with the Super Bowl. It is indeed more targeted towards going now with the Polestar 3 into the market and promote it. So indeed, there is a little bit more of a build up towards summer. So the Polestar 3 arriving, the phase of the Polestar 2 being promoted, all of that will, of course, heavily increase the awareness for Polestar.

Last but not least, of course, we expect as well a lot of the fact that we are moving production of Polestar 3 into the Charleston plant in the U.S. It will, of course, make as well a big, big impact on how much our products and our brand are presented in the U.S. market. By the -- finally, yes, today, we have brought -- we have 30 spaces up and running in the U.S., and we will, of course, continuously expand another 10 over the course of the year, Washington D.C., Miami on the agenda as some of them coming. So I think all in all, it will definitely be towards over the course of this year. Again, another big step that Polestar will make in the U.S.

Question number 2, find as well a lot of people who asked in that direction. Can you share any details on Polestar's long-term plans for expanding its product line?

We will fundamentally transform from being a one model company to a company with a lineup of Polestar 2, Polestar 3 and then indeed Polestar 4 joining as well. 2024 the Polestar company will have these 3 cars fully in the lineup, Polestar 2, 3 and 4. And I presume everybody knows that we are already with prototypes up and running, with Polestar 5 preparing already for the next launch then end of '24, so that the Polestar 5 will be then fully available in the world in '25.

And as a cherry on top of that cake, the Polestar 6 Roadster, a car that will then complete that first round of product portfolio in 2026. This is the definite perspective, kind of the bandwidth of where we see the brand Polestar in this first-generation operating. We will -- and that is, again, probably in sharp contrast to other EV start-ups. We have, of course, very strong focus on not letting our product portfolio

get old. We will then start looking into the second generation of the cars that we have put out there, not necessarily exactly the same as a repetition, but really working on keeping this customer base that we have built and grow together with them.

Number 3, will Polestar utilize Volvo dealerships for displaying, selling and servicing Polestar vehicles?

Well, we utilize Volvo dealership, of course, heavily when it comes to servicing. How could we ever have done that roll-up of 1,100 service centers? This is, of course, working together and using Volvo cars facilities and dealers. The Polestar spaces that we run and operate in most parts of the world are direct consumer places where Polestar is selling these cars, but they're operated and invested by Polestar space investors who indeed we recruited, we invited Volvo dealers to invest into this new form of Polestar space. They have a special contrast, but of course, they bring the expertise and all the knowledge of how to work with customers in a good way, and we harvest a lot on that expertise and have a very good business model together with them.

In the U.S., North America, it's a bit different there. We work together with selected Volvo dealers to then invest into a Polestar space where they sell the car. It is in the beginning, been done very deliberately where the EV market was blossoming. And as we expand in the U.S. and as, of course, electrification expense in the U.S., we will, with more and more Volvo dealers do contracts to run Polestar spaces. So that definitely is on the – again to continue that very successful model that we have established in the first 3 years.

Number 4, do you think a new factory in the Carolina will help us to ramp up production and increase market share within North America, especially since consumers may associate the brand with China?

Yes, absolutely. I mean, Carolina should be a big, big factor in making sure people understand Polestar is a European brand, but with a global production footprint. Carolina is the first step. We will definitely have other steps following where we bring production into a more global spread. The capability of ramping up production absolutely relies on using facilities that are available in the group. We have this asset-light model where we, for example, the factory in Carolina, of course, we're not building that factory. We're bringing our product into a factory which is up and running and established, and that is the way how we will continue using this model.

Next question, does the company have plans to offer more of an entry-level model similar to Tesla Model 3?

Polestar 2 defines very much the base and the entry level for the brand Polestar. And no, we don't have any intention to launch and develop a model below Polestar 2. And very clearly, we are not aiming to produce 10 or even 20 million cars per year. That's very clearly not the target of the brand Polestar. So for that reason, no, it's a very different ambition within our company. We will move our product portfolio up market and explore that end.

Does tax credit of \$7,500 was a major incentive to buy Polestar? That's now the next **question**

Number 6. Does Polestar have plans to begin qualifying for the tax credit in the future? Does Polestar 3 is priced above the tax credit threshold and the Polestar 2 is not currently manufactured in the U.S.?

Well, Polestar 2, it currently qualifies for the 7,500 federal tax credit in the U.S. when leased, and we have already adjusted our commercial plans for this and went to market yesterday with competitive lease offering. Polestar 3 at the launch will not -- we will deliver Polestar 3 in a very heavily equipped luxury specification, hence, the higher MSRP. And at this time, we are pleased with the order intake and do not see the need to lower the price, which would, of course, have an effect on our margin. And in the future, we could often enter variant of the vehicle, which would then meet the threshold, but that is then a discussion and something that we look upon in the future.

Bojana Flint

Thank you, Thomas. Hi everyone, Bojana here. I would just like to apologize. I believe we had some technical issues during the opening remarks, and there was some interference on the sound. We will

post the recording very soon on our website and make sure that those interferences are taken out. I can only apologize for that, and we will obviously improve going forward.

With that, I will just pass to Thomas for his closing remarks, and thank you again for joining us.

Thomas Ingenlath

Yes. Well, from my side, a big thank you for the interest and you joining. You have heard 2022 was a great year, really again, I mean, you can imagine we had actually a really, really massive end of the year party because to celebrate that year. And looking forward 2023, we have fundamentally upgraded Polestar 2 that year. We will start producing Polestar 3 and indeed, we will launch Polestar 4 in 2023. So the shift from being a one car company to having a product portfolio of 3 models that address the core EV growth segments will help us to achieve the targets. Thanks a lot.