POLESTAR AUTOMOTIVE HOLDING UK PLC

Annual Report and Financial Statements
for the year ended 31 December 2023

Company number: 13624182

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Strategic Report

Chairman's Statement

Dear shareholders,

It's my pleasure to introduce to you our Annual Report for 2023.

2023 has been a year of significant progress for Polestar, as we prepare for the next phase of our development, but also a year that has seen significant headwinds – which we have taken swift and decisive action to handle.

In November we presented a strengthened business plan, setting the focus for the business over the coming two years. Our ambitions are clear and precise: maximising the value of the investments made to date in establishing our brand, and we aim to reach cash flow break-even towards the end of 2025, with a gross profit margin in the high teens.

Central to our strengthened business plan is our growing model line-up of more exclusive, higher-margin SUVs: Polestar 3 and Polestar 4.

A delay to the final software development of Polestar 3 was announced by our development partner during the first half of 2023 but progress was made during the year and production of the SUV for the electric age started in Volvo Cars factory in Chengdu in February, 2024, with first customer deliveries taking place in June. Production started in South Carolina, in August 2024.

Polestar 4, our SUV coupé, started producing in November of 2023 and sales have now started across our main markets,

Preparing the business for increased levels of protectionism and uncertainty in the global economy has been a key focus for us during 2023. Polestar 3 is the first of our cars to be produced on two continents. Polestar 4 will be produced in Busan, South Korea, from the second half of 2025, thanks to a collaboration with RKM, a joint venture between Renault and Geely. A number of cost cutting initiatives have been implemented across the business, making us leaner and more efficient.

As we look ahead, we do so with a solid plan for how we are going to deliver on the next phase of our ambitions, taking Polestar from a start-up to an established, leading player – the only European, pure-play EV brand – with three models on the road.

Our ambitions are further supported by our ownership structure. With Geely becoming a new, major shareholder as a result of Volvo Cars distributing part of its Polestar ownership to its own shareholders, our position within the Geely ecosystem is reinforced. We will continue to enjoy a close collaboration with Volvo Cars across commercial operations and after-market support, whilst Geely will provide us with access to the latest technologies as well as providing financial support. Perhaps most importantly, we become a stronger, independent brand within the Geely portfolio.

With Polestar 3 and Polestar 4 now on the roads, and with the completion of development of Polestar 5, Polestar will continue to build its position as the leading performance EV brand.

Having been part of the Polestar journey since we relaunched the company in 2017, I have now decided to retire from the Board. I am extremely proud of what Polestar has achieved in such a short time, as Europe's only established pure EV company and brand. Polestar combines design, luxury and performance in a way that creates some of the most attractive cars available on the fast-growing EV market.

Finally, I would like to express my gratitude to Thomas Ingenlath, who has served as the CEO of Polestar since the brand's launch. Thomas has played an instrumental role in building Polestar into what it is today, and I and the rest of Board all wish him well in the future. At the same time, I welcome Michael Lohscheller as our new CEO and look forward to following the Company's development under his leadership.

Håkan Samuelsson
Chairman of the Board

Chief Executive Officer's Statement

Dear shareholders,

Polestar is at one of the most exciting points in its history. Since 2017, we have built a global performance car brand from scratch and invested in the robust foundation for our future growth, which we are now set to capitalise on, through our growing model line-up and de-risked, diversified contract manufacturing footprint.

In June 2023 we entered a strategic joint venture for the China market with the technology company Xingji Meizu Group to accelerate growth in China. With China being one of the fastest growing EV markets in the world, our partnership with a leading software and consumer technology company will complement our own strengths, creating a tailored user experience that both drivers and passengers expect.

As presented in November 2023, we aim to achieve cash flow break-even towards the end of 2025, with a gross margin in the high teens, driven by our growing model line-up.

In November 2023 we secured additional funding, totalling USD 450 million, from Geely Holding and Volvo Cars, two of our major shareholders, who showed their strong commitment to Polestar. Furthermore, in early 2024, we secured nearly one billion dollars of loans from 12 leading financial institutions.

The distribution of Volvo Cars' shares in Polestar to its shareholders has strengthened our ownership structure and increased our free float. Together with Geely's financial and operational support as a new, major shareholder, we enjoy a defined position within the Geely ecosystem and the benefits of an even stronger technical collaboration and full operational and financial support.

Volvo Cars has retained an 18% stake in Polestar – making them our third largest shareholder, as well as extending the terms of their existing shareholder loan by 18 months, to the end of 2028.

Premium performance for the electric age

Deliveries of the upgraded Polestar 2, featuring an increased range, efficiency and performance alongside a lower carbon footprint, started in August 2023. Our electric fast-back continues to achieve strong reviews, in particular for its driving dynamics and Google's Android Automotive operating system.

The two cars that are shaping our brand's future and position are Polestar 3 and Polestar 4 – two exclusive SUVs, developed and produced for modern, demanding customers that appreciate all that a performance car has to offer.
Following its global dynamic debut at the 2023 Goodwood Festival of Speed in England, customer deliveries of Polestar 3 have now started and, importantly, it is now the first Polestar to be manufactured on two continents, as production has started in South Carolina in August 2024. The global media reviews of Polestar 3 have been fantastic, with journalists praising its design, driving dynamics, rich technology content and luxurious interior material choices. This SUV for the electric age combines performance and luxury in a way that you have most likely never experienced before.

Polestar 4, our SUV coupé, is also on the roads across our markets. Polestar 4 is perhaps most known for its unique design and digital rear view mirror, but it has also been lauded for its luxurious interior and exceptional performance. In keeping with our sustainability ambitions, Polestar 4 carries the lowest carbon footprint of all Polestar cars at launch.

As protectionism increases, in the form of proposed tariffs on imports to both the EU and USA, our de-risked, asset light manufacturing strategy, which includes establishing production for future models in Europe, will continue to be a differentiator for us.

Looking ahead
Our digital-first, direct to consumer approach has served us well, as we established our brand across 27 markets in a very short space of time. Since then, we have taken a region-by-region approach for the development of our commercial and sales approach. The next step in this process is the implementation of a non-genuine agency set-up across key European markets. This will enable us to significantly expand our retail footprint, together with existing and new partners, to reach more customers, supporting our sales growth.

Our geographic reach is set to expand, as well, with plans to enter seven new markets during 2025. France is the largest volume market for electric cars in the EU after Germany and represents a significant opportunity for us. We will also bring our brand to Czech Republic, Slovakia, Hungary, Poland, Thailand, and Brazil via local distribution partnerships.

The passion and desire of our customers for their Polestars is what lays the foundation for our success. At Polestar, we have an important responsibility: continuing to design and develop the most beautiful and powerful EVs on the market. During 2023, we have been able to stay on our climate roadmap and achieve a 9% reduction in greenhouse gas emissions per sold car. Our customers expect the best of us and being a responsible and progressive business is a prerequisite where Polestar will continue to stand and push for increased transparency in the age of electrification.
Our model line-up positions Polestar as the performance car brand in the electric age and we are fully focused on delivering the most exciting, exclusive performance cars on the market.

As we enter the next phase of our development as the leading performance EV brand, we do so with great confidence that stems from our exceptional foundation, great cars and shareholder support.

Finally, I want to thank all of our shareholders for providing the support that has enabled us to build Europe’s only pure EV brand from scratch – an exceptional achievement. Polestar now has three models on the road, several more models on the way and an established presence in close to 30 markets. I’m incredibly proud of what we have achieved together and I wish Michael Lohscheller and the Polestar team the best of luck in the future.

Thomas Ingenlath

Chief Executive Officer

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 a capital-efficient, asset-light business model.

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 78 kWh, and dual motor and single-motor powertrains with up to 300 kW / 408 hp and 660 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 / 510 hp and 671 Nm of torque. Polestar 4, a sporty SUV coupe, was launched in 2023. Polestar 4 has two variants with a long-range battery of 100kWh, and dual and single-motor powertrains with up to 400 kW / 544 hp and 686 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 4 has won the Production Car Design of the Year award 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, 2023, Polestar’s cars are on the road in 27 markets across Europe, North America and Asia Pacific. Polestar plans to have a line-up of four performance EVs by 2025. Following the launch of the Polestar 3, a luxury aeroSUV, in October 2022 , Polestar launched Polestar 4, a premium sport SUV coupe in April 2023 in China only and started first customer deliveries in China in December 2023. Polestar 5, a luxury 4 door GT, is planned to start production in 2025. Polestar believes the premium luxury SUV 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 important goal to create a truly climate neutral 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 2 vehicles are currently manufactured at a plant in Taizhou, China that is owned and operated by Volvo Cars. The 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. The Polestar 2 vehicles have been manufactured at this plant since production commenced in 2020. 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 South Carolina. Polestar 3 production in Chengdu commenced in February 2024 and in South Carolina in August 2024. Polestar also expects to start producing Polestar 4 vehicles in Busan, South Korea, during the second half of 2025. An agreement has been reached between Polestar, Geely Holding and Renault Korea Motors (RKM), that will bring contract manufacturing of Polestar 4 vehicles for the North American and domestic South Korean markets to RKM’s Busan plant.

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-consumer and direct-to-business models. 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 online. In direct-to-business, vehicles are sold to various fleet customers, such as rental car companies and corporate fleet managers. In November 2023, Polestar announced a refocused approach to key markets including the new joint venture in China. Alternatively, Polestar Spaces are where customers can see, feel, and test drive Polestar's vehicles prior to making an online 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, 2023, there were 192 (2022: 158) Polestar Spaces. In addition, Polestar leverages the Volvo Cars service centre network to provide access to 1,149 (2022: 1,116) customer service points worldwide (as of December 31, 2023) 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 (2022: 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 (2022: 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 recognised 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, unless otherwise stated.

Financial KPIs

	As of December 31, 2023	As of December 31, 2022
		(Restated)
Statement of financial position		
Cash and cash equivalents	$ 768,927	$ 973,877
Total assets	$ 4,121,304	$ 3,934,410
Total equity	$ 1,262,299	$ 88,189
Total liabilities	$ (5,383,603)	$ (4,022,599)

	For the year ended December 31,		
	2023	2022	2021
		(Restated)	(Restated)
Statement of loss			
Revenue	2,378,562	2,444,105	1,346,347
Cost of sales	(2,791,643)	(2,343,302)	(1,336,688)
Gross (loss) profit	**$ (413,081)**	**$ 100,803**	**$ 9,659**
Operating expenses	(1,066,885)	(1,385,906)	(969,784)
Operating loss	**$ (1,479,966)**	**$ (1,285,103)**	**$ (960,125)**
Finance income and expense, net	277,997	837,308	(12,248)
Income tax expense	7,138	(29,660)	3,075
Net loss	**$ (1,194,831)**	**$ (477,455)**	**$ (969,298)**

	For the year ended December 31,		
	2023	2022	2021
		(Restated)	(Restated)
Statement of cash flows			
Cash used for operating activities	$ (1,859,842)	$ (1,089,295)	$ (314,555)
Cash used for investing activities	$ (439,399)	$ (709,044)	$ (126,937)
Cash provided by financing activities	$ 2,093,304	$ 2,082,486	$ 909,237

Non-financial KPIs

	2023	2022 (Restated)	2021 (Restated)
Key metrics			
Class A shares outstanding at period end	467,976,748	467,677,673	197,026,729
Class B shares outstanding at period end	1,642,233,575	1,642,233,575	35,377,866
Share price at period end[1]	$ 2.26	$ 5.31	N/A
Net loss per share (basic and diluted)	$ (0.57)	$ (0.24)	$ (0.51)
Equity ratio[2]	(30.63) %	(2.24) %	3.70 %
Global volumes[3]	54,626	51,549	28,592
Volume of external vehicles without repurchase obligations	49,809	48,575	23,841
Volume of external vehicles with repurchase obligations	2,859	1,344	2,836
Volume of internal vehicles	1,958	1,630	1,915
Markets[4]	27	27	19
Locations[5]	192	158	103
Service points[6]	1,149	1,116	811

1 - Represents PSNY share price at period end while publicly traded. The share price at December 31, 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.

Refer to the Financial Overview section for further discussion and analysis of these KPIs.

Strategy

The global car industry is undergoing a fundamental transformation and Polestar believes it is optimally positioned at the forefront of this change, with a strong and established market presence and a rapidly expanding model portfolio, including two SUVs which target one of the fastest growing segments in the global car market. Industry growth is driven by increasing consumer awareness of environmental impact, technological improvement and shifting consumer preference. Increasingly rigorous environmental regulation and expanded charging infrastructure will also drive adoption of electric vehicles.

Polestar intends to implement the following strategy to deliver on its business plan:

- *Richer product mix – a main driver of accelerated margin progression.* A model line-up expected to expand from 1 to 4 models by 2025, including more luxurious and exclusive cars such as Polestar 3, Polestar 4 and Polestar 5, which are expected to yield higher gross margins.
- *Increased build options and packs* - Polestar expects to monetise its rapidly growing luxury model line-up, by offering customers more flexibility and much greater customisation options.
- *More focused approach to market presence* - In Europe, Polestar intends to focus sales efforts and investments into markets that have the greatest potential for profitable growth. In China, Polestar's innovative JV model is expected to lead to higher sales and technological advances.
- *Improved profitability of the US business* - By diversifying its manufacturing footprint into the US and adding another production location outside China in Busan, South Korea, a portion of cars produced for the US market are expected to attract lower or no US tariffs. Polestar also plans to optimise its US marketing and dealer network.
- *Further product cost reduction opportunities* - By working closely with current manufacturing partners, Polestar expects to drive production costs down, while maintaining the high quality of its products.
- *Previously announced headcount reductions* - During 2023 a reduction in Polestar's workforce of approximately 300 personnel was made, with a hiring freeze that eliminated approximately 500 additional planned roles.
- *Resized and optimised advertising, selling and promotion spend* - Polestar intends to improve marketing efficiency by re-focusing its marketing budget as well as making improvements in its mix of sales channels.
- *Commercial digital efficiency* -Polestar intends to increase investment in digital tools and solutions to increase effectiveness of its customer engagement.

- *R&D efficiency* -Polestar is reviewing its research and development activities to ensure they operate efficiently and prioritise cost-effective product development.
- *Capital management* - Polestar intends to continue a disciplined approach to capital expenditure, for example from working capital optimisation through its China JV and pursuing more localised manufacturing.

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 factors on which it competes includes, but is 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 brand pillars of pure, progressive, performance and core pillars of design, innovation and sustainability alongside its established 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. Based on production numbers, Tesla is the world's leading manufacturer of premium electric vehicles, having brought desirable electric vehicles to mainstream consumers with the Model S in 2012. Since then, the brand has developed a model range of sedans and SUVs to become one of the leading producers of electric vehicles all over the world. The Tesla model 3 is a principal competitor to Polestar 2, with some cross-relevance in the Model Y, a crossover SUV based on the Model 3. Model Y has become more relevant with the launch of Polestar 4. Lucid, a US vertically integrated technology and automotive company headquartered in California, is a growing competitor. While Lucid is engaged in the design, engineering, and construction of electric vehicles, electric vehicle powertrains and battery systems, its Lucid Air sales only started at the end of October 2021. In addition, Lucid unveiled its first SUV, Lucid Gravity in November 2023 and plans to start production in late 2024.

Porsche is one of Polestar's core competitor brands from a driving experience and performance perspective. As one of the world's most renowned makers of "driver's cars," Porsche represents a strategic benchmark for Polestar. Although previously a manufacturer of solely internal combustion engine cars, Porsche has recently launched the Taycan electric vehicle which brings the brand's renowned dynamic experience to an electric vehicle for the first time. The forthcoming electric Macan is considered a key competitor to Polestar 4. Porsche is also a benchmark brand for future Polestar vehicles in terms of size and segments.

Other competition within the electric vehicle segment of the market, includes other pure play electric vehicle producers, such as Nio, Xpeng, Rivian and Fisker.

Recent developments

- On January 9, 2024, Polestar announced that its strategic relationship with Google continues. The latest innovations for cars with Google built-in are rolling out for Polestar cars, including new features – sending a planned route from mobile device to car and In-car browsing with Google Chrome that are available in Polestar 2.
- On January 11, 2024, Polestar announced global deliveries for the fourth quarter of 2023. Polestar delivered approximately 12,800 cars in the fourth quarter, including 880 Polestar 4 in China, taking its global deliveries for the year to approximately 54,600 cars, a growth of 6% compared to 2022.
- On January 11, 2024, Polestar also announced Board and management appointments. Winfried Vahland was appointed to the Board as a director. Per Ansgar was appointed Chief Financial Officer (CFO), and assumed responsibilities from Johan Malmqvist. Kristian Elvefors was appointed Global Head of Sales and assumed responsibilities from Mike Whittington. All three appointments were effective from January 15, 2024.
- On January 31, 2024, Polestar announced that following Polestar 4 start of production and first deliveries in China at the end of 2023, online sales commenced in Europe and Australia.
- On February 23, 2024, Volvo Cars announced a proposed distribution of 62.7% of its Polestar shareholding to its shareholders.

- On February 27, 2024, Polestar announced that production of Polestar 3 has started in Chengdu, China, with additional production expected to commence in South Carolina, USA, in summer 2024. The announcement also stated that production of an early test series in the American factory has been completed successfully.
- On February 28, 2024, Polestar announced that it has secured USD 950 million in external debt funding provided by 12 international banks including BNP Paribas, Natixis, Standard Chartered, BBVA, HSBC and SPDB, in the form of a three-year loan facility.
- On April 11, 2024, Polestar announced that it had delivered approximately 7,200 cars for the first quarter of 2024.
- On June 18, 2024, Polestar announced new Board Chair and strengthening of Board of Directors.
- On July 2, 2024, Polestar announced that it had delivered approximately 13,000 cars for the second quarter of 2024.
- On July 5, 2024, Polestar announced the first deliveries of Polestar 3.
- On August 14, 2024, Polestar announced that production of its luxury SUV, Polestar 3, has started in South Carolina, USA.
- On August 28, 2024 Polestar announced the appointment of Michael Lohscheller as Polestar CEO. Thomas Ingenlath, who has served as CEO since Polestar's inception and successfully positioned the brand for its next chapter, has resigned, with the change effective 1 October 2024.
- On September 3, 2024 Polestar announced the appointment of Jean-Francois Mady as CFO, effective 21 October 2024. Jean-Francois will assume responsibilities from Per Ansgar, who joined Polestar in January 2024 as CFO on a transitional basis.

Section 172 statement

The Board of Directors are required to explain how they have considered the section 172(a) to (f) of the Companies Act 2006 (the "Act") factors during the course of the financial year.

The Board confirms that, during the financial year, it has acted to promote the long-term success of the Company for the benefit of its shareholders, while having due regard to the matters set out in section 172(a) to (f) of the Act.

The Board has a defined framework for considering matters within its remit, with approved Charters for each of its committees and the Corporate Governance Guidelines, which are approved annually and available on the Company's website. These were last reviewed and approved in December 2023. Our Board has delegated matters to the CEO and management team in accordance with the Corporate Governance Guidelines.

All Directors have received training and documentation which covered the regulatory requirements of their role, including those set out under section 172 of the Act.

All decisions made by the Board are subject to the submission of quality, appropriate information by way of Board papers, provided to the Board in a timely manner. Our Board meetings are structured in such a way to allow sufficient time to dedicate to all topics. When making decisions, each Director ensures that they act in a way they consider, in good faith, would most likely promote the Company's success for the benefit of its shareholders, and has due regard (among other matters) to the factors set out below.

The likely consequence of any decision in the long term:
The Board understands that all decisions made today, affect the long-term success of the Company. During the year, the Board was mindful of the long-term success of the Company in all of its considerations. The Board approved a new, strengthened business plan during the year targeting an accelerated margin improvement over volume, and a reduction of the Company's total funding need to the point of cash flow break-even in 2025. The Board also approved the establishment of a joint venture with Xingji Meizu in China to accelerate the growth of the Company in China, combining Polestar's capabilities within design and performance with the software and consumer electronics hardware development expertise of Xingji Meizu.

More information on our strategy can be found on pages 6 to 10.

Interests of employees and other stakeholders:
As a Board, we understand the importance of a motivated workforce to the long-term success of our Company and the Group. When making decisions, we as a Board have had regard to the interest of the Company's employees, as well as the interests of wider stakeholder groups. In 2023 the Board approved the launch of a share matching plan for employees in Sweden, the UK, China, and the US – where most our employees are located – on a 1:1 matching basis. This programme further aligns the employees' interests with those of the Company.

As a Board, we consider stakeholder views to help us understand how our business impacts stakeholders. For more information on stakeholder engagement, see pages 12 to 14.

Impact on the environment
We recognise the importance of using business as a positive force for good, and to build ethical and sustainable business practices and operations. The Nominating and Governance Committee continually monitors the ESG strategy and oversees the progress of sustainability-related goals and commitments. For more information on our sustainability goals, see page 37, and information on how we have addressed our climate-related financial disclosures can be found on page 32-37.

High standards of business conduct
We acknowledge our responsibility for monitoring the culture, values, and reputation of the Company and the Group.

The Audit Committee received twice-annual in-depth compliance reports, including an update on whistleblowing cases and current focus of the Compliance and Ethics team. The Audit Committee reports to the Board and raises the most important topics. Ad hoc updates are also provided when necessary, both to the Audit Committee and the Board.

The Company's policies are reviewed by the Board according to a set schedule and to the external regulatory requirements warranting policy updates. This ensures that the Company implements processes and a culture aligned with high standard of governance.

Act fairly between members
During FY23, the CEO and CFO along with the Investor Relations team held regular meetings with investors and potential investors. These meetings gave potential investors the opportunity to discuss key topics, which are detailed on page 13 under our Stakeholder Engagement section.

The Board is mindful that any decision we make is in the interest of all our shareholders.

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 Board 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.

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 metrics for the annual bonus scheme. In 2023, the outcome of the customer experience metrics as measured against the target was 114%, 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, fortnightly pulse surveys , internal communication channels including an active intranet and regular Global townhall meetings, ongoing performance and development reviews, leadership training, health, and wellbeing activities. In light of the staff reductions in 2023, the employee engagement surveys were used to monitor what actions to prioritise to mitigate any risks. The survey is assessed from a team and function perspective, but also from market perspective to capture strengths and weaknesses in each respective site. Examples of direct results of assessing employee surveys were improvements regarding the expansion of office space in Sweden and the UK and enhanced clarity globally on strategy and objectives. To engage with employees and bring awareness of the business objectives and progress the company regularly answered all questions raised by employees in Townhalls in writing which were then published on the intranet. The Company's Board of Directors meetings were held in UK, US, and China in addition to the headquarters in Sweden to engage with the Company's local staff in different markets. Employees were further aligned with the success of the Company following with the launch of a share matching programme in 2023.

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

Suppliers

The Board recognises the value in maintaining strong relationships with all our suppliers and vendors and their 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; and
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 31 to 36.

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 environmental, social, and governance ("ESG") matters.

During 2023, the Investor Relations team conducted regular meetings with global investors and analysts. Key topics discussed included:

- Operational and financial performance including the business model, growth strategy and investment plans;
- Shareholder breakdown and free-float; protection of majority and minority investor interests;
- Strengthened business plan objectives, implementation and measuring progress;
- Funding needs and funding plan; and brand positioning and industry trends, especially the impacts of competitive pricing pressures, macro and geo-political pressures and energy transition.

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 with 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.

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.

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 Organisation'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. The hiring process is competence based and gives full and fair consideration to all applications for employment, including those from disabled persons. The hiring practices are designed to ensure that every candidate is evaluated based on their individual aptitudes and abilities, without discrimination. The Company carries out regular workplace assessments and provides occupational health care and advice to support both employees and line managers. Appropriate arrangements are made for the continued employment and career development of disabled persons based on individual needs. In the UK, the Company complies with the Disability Discrimination Regulations.

A breakdown of the Group's employment statistics as of 31 December 2023 is as follows:

As at 2023-12-31	Male	Female	Prefer not to say, or not disclosed	Total
Executive Director	1	0	0	1
Senior Managers	6	7	0	13
All Other Employees of the Group	1695	740	66	2,501
Non-executive directors	6	2	0	8
Total directors and Employees	**1,708**	**749**	**66**	**2,523**

Financial Overview

Comparison of the years ended December 31, 2023, 2022 and 2021

The following table summarises Polestar's historic Consolidated Statement of Loss for the years ended December 31, 2023, 2022 and 2021. All figures presented in the table below are in thousands of U.S. dollars unless otherwise stated. Additionally, certain 2021 and 2022 figures have been restated. Refer to *Note 31 - Restatement of prior period financial statements* in the accompanying Consolidated Financial Statements for details.

	For the year ended December 31,			2023 vs 2022 Variance		2022 vs 2021 Variance	
	2023	2022	2021	$	%	$	%
Revenue	2,378,562	2,444,105	1,346,347	(65,543)	(3)	1,097,758	82
Cost of sales	(2,791,643)	(2,343,302)	(1,336,688)	(448,341)	19	(1,006,614)	75
Gross (loss) profit	**$ (413,081)**	**$ 100,803**	**$ 9,659**	**$ (513,884)**	**(510)**	**$ 91,144**	**944**
Selling, general and administrative expense	(949,683)	(838,367)	(685,049)	(111,316)	13	(153,318)	22
Research and development expense	(158,406)	(174,916)	(234,019)	16,510	(9)	59,103	(25)
Other operating income and expenses, net	41,204	(305)	(50,716)	41,509	13,610	50,411	(99)
Listing expense	—	(372,318)	—	372,318	n/a	(372,318)	n/a
Operating loss	**$(1,479,966)**	**$(1,285,103)**	**$ (960,125)**	**$ (194,863)**	**15**	**$ (324,978)**	**34**
Finance income	69,454	8,552	32,970	60,902	712	(24,418)	(74)
Finance expense	(213,321)	(108,402)	(45,218)	(104,919)	97	(63,184)	140
Fair value change - Earn-out rights	443,168	902,068	—	(458,900)	(51)	902,068	n/a
Fair value change - Class C Shares	22,000	35,090	—	(13,090)	(37)	35,090	n/a
Share of losses in associates	(43,304)	—	—	(43,304)	n/a	—	n/a
Loss before income taxes	**$(1,201,969)**	**$ (447,795)**	**$ (972,373)**	**$ (754,174)**	**168**	**$ 524,578**	**(54)**
Income tax benefit (expense)	7,138	(29,660)	3,075	36,798	(124)	(32,735)	(1,065)
Net loss	**$ (1,194,831)**	**$ (477,455)**	**$ (969,298)**	**$ (717,376)**	**150**	**$ 491,843**	**(51)**

Revenues

Polestar's net Revenue for the year ended December 31, 2023 was $2,378.6 million, a decrease of $65.5 million, or 3% compared to $2,444.1 million for the year ended December 31, 2022. Revenue from related parties for the year ended December 31, 2023 was $142.7 million, an increase of $6.2 million, or 4% compared to $136.5 million for the year ended December 31, 2022

Polestar's Revenue for the year ended December 31, 2022 was $2,444.1 million, an increase of $1,097.8 million, or 82% compared to $1,346.3 million for the year ended December 31, 2021. Revenue from related parties for the year ended December 31, 2022 was $136.5 million, a decrease of $0.9 million, or 1% compared to $137.4 million for the year ended December 31, 2021.

The following table summarises changes in the components of Revenue and related changes between annual periods. All figures presented in the table below are in thousands of U.S. dollars unless otherwise stated. Additionally, certain 2021 and 2022 figures have been restated. Refer to *Note 31 - Restatement of prior period financial statements* in the accompanying Consolidated Financial Statements for details.

	For the year ended December 31,			2023 vs 2022 Variance		2022 vs 2021 Variance	
	2023	2022	2021	$	%	$	%
Revenues							
Sales of vehicles	2,319,947	2,386,454	1,299,196	(66,507)	(3)	1,087,258	84
Sales of software and performance engineered kits	18,994	21,308	25,881	(2,314)	(11)	(4,573)	(18)
Sales of carbon credits	1,452	10,984	6,299	(9,532)	(87)	4,685	74
Vehicle leasing revenue	17,421	16,719	6,217	702	4	10,502	169
Other revenue	20,748	8,640	8,754	12,108	140	(114)	(1)
Total	**$ 2,378,562**	**$ 2,444,105**	**$ 1,346,347**	**$ (65,543)**	**(3)**	**$ 1,097,758**	**82**

Sales of vehicles for the year ended December 31, 2023 were $2,319.9 million, a decrease of $66.5 million, or 3% compared to $2,386.5 million for the year ended December 31, 2022. The decrease was primarily driven by $116.6 million in discounts to fleet customers, offset by an increase in fleet vehicle sales volumes and an increase in per unit price of the PS2 model year 2023 and 2024 vehicles. Sales of vehicles for the year ended December 31, 2022 were $2,386.5 million, an increase of $1,087.3 million, or 84% compared to $1,299.2 million for the year ended December 31, 2021. The increase was driven by greater volumes of PS2 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 PS2 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 software and performance engineered kits for the year ended December 31, 2023 were $19 million, a decrease of $2.3 million, or 11% compared to $21.3 million for the year ended December 31, 2022. The decrease is a result of Polestar's continued emphasis on its own vehicles, coupled with a continued decline in Volvo Car's sales of Polestar's performance engineered kits. Sales of software and performance engineered kits for the year ended December 31, 2022 were $21.3 million, a decrease of $4.6 million, or 18% compared to $25.9 million for the year ended December 31, 2021. 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 carbon credits for the year ended December 31, 2023 were $1.5 million, a decrease of $9.5 million, or 87% compared to $11 million for the year ended December 31, 2022. This decrease is due to Polestar entering into fewer contracts to sell its excess carbon credits as compared to the previous year. Sales of carbon credits for the year ended December 31, 2022 were $11 million, an increase of $4.7 million, or 74% compared to $6.3 million for the year ended December 31, 2021. This increase is due to Polestar entering into a new agreement to sell its excess carbon credits to a third party during the year ended December 31, 2022.

Vehicle leasing revenue for the year ended December 31, 2023 was $17.4 million, an increase of $0.7 million, or 4% compared to $16.7 million for the year ended December 31, 2022. This increase is due to Polestar selling more vehicles with repurchase obligations. Vehicle leasing revenue for the year ended December 31, 2022 was $16.7 million, an increase of $10.5 million, or 169% compared to $6.2 million for the year ended December 31, 2021. 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.

Other revenue for the year ended December 31, 2023 was $20.7 million, an increase of $12.1 million, or 140% compared to $8.6 million for the year ended December 31, 2022. This increase is the result of (1) greater sales of Polestar's research and development services to Volvo Cars, (2) greater sales under Polestar's intellectual property license to Volvo Cars which grants Volvo Cars the rights to source and distribute parts and accessories for Polestar's vehicles to customers in exchange for sales-based royalties to us for $12.1 million, and (3) a one-time sale of know-how to Lotus for $4.6 million. Other revenue for the year ended December 31, 2022 was $8.6 million, a decrease of $0.1 million, or 1% compared to $8.7 million for the year ended December 31, 2021.

Cost of sales and Gross (loss) profit

Cost of sales for the year ended December 31, 2023 was $2,791.6 million, an increase of $448.3 million, or 19% compared to $2,343.3 million for the year ended December 31, 2022. This increase was primarily driven by CGU impairment of PS2 related PPE and Vehicles under operating leases of $94.2 million, CGU impairment of PS2 related intangible assets of $257.1 million, increased inventory impairment of $95.5 million, and increased materials cost due to rising raw material costs of $23.1 million. This activity is being partially offset by decreased warranty expenses of $36.3 million, and positive impacts of foreign currency effects due to an improved SEK/CNY foreign exchange rate. For further information, see *Note 15 - Intangible assets and goodwill*, *Note 16 - Property, plant and equipment* and Item 5.F "*Critical accounting estimates - impairment testing*" in the accompanying Consolidated Financial Statements.

Cost of sales for the year ended December 31, 2022 were $2,343.3 million, an increase of $1,006.6 million, or 75% compared to $1,336.7 million for the year ended December 31, 2021. This was primarily due to higher vehicle sales volumes during the year ended December 31, 2022, resulting in increased material costs of $945.1 million, combined with rising raw material costs commencing in the end of 2022. Additionally, increased freight and distribution costs of $72.8 million and increased warranty cost of $34.5 million, respectively, contributed to this overall increase. These higher costs, combined with a deteriorating SEK/CNY foreign exchange rate discussed in the Gross (loss) profit explanation below, have further contributed to the increase. The activity above was partially offset by decreased manufacturing related costs of $45.2 million primarily due to the conclusion of tooling and machinery depreciation related to PS1 in December 2021.

Gross (loss) profit for the year ended December 31, 2023 was a gross loss of $413.1 million, a decrease in gross result of $513.9 million, or 510% compared to a gross profit of $100.8 million for the year ended December 31, 2022. This decrease is attributed to inventory impairment costs of $95.5 million, net higher material cost of $23.1 million, CGU impairment of PS2 related intangible assets of $257.1 million and $94.2 million in cost as a result of the impairment of PS2 related PPE and vehicles under operating leases. The decrease is also attributed to decreased Revenue of $65.5 million as a result of (1) decreased revenue generated through sales of vehicles (2) decreased sales of software and performance engineered kits to Volvo Cars, (3) decreased sales of carbon credits, and (4) greater other revenue, partially offsetting all decreases to the other revenue streams. Refer to the explanation of the Revenue variances above for greater details. These unfavorable impacts were offset by decreased warranty expenses of $36.3 million and a 7.58% improvement in the SEK/CNY foreign exchange rate enabling greater purchasing power.

Gross (loss) profit for the year ended December 31, 2022 was a gross profit of $100.8 million, an increase of $91.1 million, or 944% compared to a gross profit of $9.7 million for the year ended December 31, 2021. This was primarily due to expanded production and commercialisation of PS2 vehicles, causing a higher fixed cost absorption when compared to previous periods. Additionally, greater volumes of PS2 sales resulted in greater revenues of $1,097.8 million. This increase was mainly offset by increased materials cost of $945.1 million , and an increase in freight and distribution costs of $72.8 million. The increase is also 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 since January 1, 2021. This trend impacts Polestar’s Gross (loss) 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.

Selling, general and administrative expenses

Selling, general and administrative expenses for the year ended December 31, 2023 were $949.7 million, an increase of $111.3 million, or 13% compared to $838.4 million for the year ended December 31, 2022. This increase was primarily due to higher advertising, sales, and promotion expenses of $67.9 million related to new video productions, marketing, and PR events for the PS3 and PS4 campaigns to expand Polestar's markets related to these vehicles. Additional increases were attributed to higher wages and salaries of $41.9 million, associated with headcount need to meet the demands of Polestar's growing business. Selling, general and administrative expenses for the year ended December 31, 2022 were $838.4 million, an increase of $153.3 million, or 22% compared to $685 million for the year ended December 31, 2021. This increase was primarily due to higher administration costs of $139.9 million related to higher wages and salaries associated with scaling headcount across Polestar global operations to meet the demands of the growing business.

Research and development expenses

Research and development expenses for the year ended December 31, 2023 were $158.4 million, a decrease of $16.5 million, or 9% compared to $174.9 million for the year ended December 31, 2022. This change was mainly driven by a decrease in the amortisation costs of $37.7 million due to internal development programs reaching development phase, therefore no longer being expensed. These decrease was partially offset by increased full time personnel cost of $18.3 million and $2.4 million in service purchased from related parties. Research and development expenses for the year ended December 31, 2022 were $174.9 million, a decrease of $59.1 million, or 25% compared to $234 million for the year ended December 31, 2021. This decrease was primarily due to a decrease in product development cost of $112.1 million mainly related to the conclusion of PS1 amortisation in December 2021. This activity was partially offset by increased R&D personnel costs of $57.5 million related to the development of future vehicles and electronic vehicles technologies.

Other operating income (expenses), net

Other operating income (expenses), net for the year ended December 31, 2023 were an income of $41.2 million, an increase of $41.5 million compared to an expense of $0.3 million for the year ended December 31, 2022. This increase was primarily driven by positive foreign exchange effects on working capital of $38.2 million, sales of plant operation services to a related party for $25.2 million, and sales of carbon credits to a related party for $5.6 million. These gains are partially offset by the costs of services provided to Polestar Technology for $27.6 million. Other operating income (expenses), net for the year ended December 31, 2022 was an expense of $0.3 million, an increase of $50.4 million to Other operating income (expenses), net compared to an expense of $50.7 million for the year ended December 31, 2021.This increase was primarily driven by lower negative foreign exchange effects of $48.6 million.

Finance income

Finance income for the year ended December 31, 2023 was $69.5 million, an increase of $60.9 million, or 712% compared to $8.6 million for the year ended December 31, 2022. This increase was primarily the result of a positive net foreign exchange effect related to financial items of $37.1 million and increased interest income on bank deposits of $24.6 million due to rising interest rates. Finance income for the year ended December 31, 2022 was $8.6 million, a decrease of $24.4 million or 74% compared to $33 million for the year ended December 31, 2021. This decrease was primarily the result of $31.6 million in negative net foreign exchange effect related to financial items partially offset by an increase of $6.3 million in interest income on bank deposits for the year ended December 31, 2022.

Finance expenses

Finance expenses for the year ended December 31, 2023 were $213.3 million, an increase of $104.9 million, or 97% compared to $108.4 million for the year ended December 31, 2022. This increase was primarily the result of an increase in interest expense on credit facilities and financing obligations and interest expense to related parties totaling $130.2 million and a loss on modification of debt of $6.8 million. These increases are partially offset by a decrease in foreign exchange losses on financial activities of $30.9 million. Finance expenses for the year ended December 31, 2022 were $108.4 million, an increase of $63.2 million, or 140% compared to $45.2 million for the year ended December 31, 2021. 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.

Fair value change - Earn out rights

As part of the capital reorganisation via the merger with GGI on June 23, 2022, Polestar issued earn-out rights. The gain on Fair value change - Earn-out rights for the year ended December 31, 2023 was $443.2 million, a decrease of $458.9 million or 51% compared to $902.1 million for the year ended December 31, 2022. This decrease is primarily attributable to changes in Polestar's share price from $5.31 at the year ended December 31, 2022, compared to $2.26 at the year ended December 31, 2023. Leveraging a benchmark of peers, the implied asset volatility used in the Monte Carlo simulation increased from 75% as of December 31, 2022, to 80% as of December 31, 2023. As the capital reorganisation occurred on June 23, 2022, 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 $902.1 million. These gains are primarily attributable to a decrease in Polestar's share price from $11.23 on June 23, 2022 (i.e., the 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 (i.e, Class C Shares) for the year ended December 31, 2023 was $22 million, a decrease of 13.1 million or 37% compared to $35.1 million for the year ended December 31, 2022. This change is primarily attributable to a change in the price of the Class C-1 Shares and the estimated value of the Class C-2 Shares by $0.88 or from $1.12 for the year ended December 31, 2022, to $0.24 for the year ended December 31, 2023. The gain on the fair value change of these warrants for the year ended December 31, 2022, was 35.1 million. 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, the implied volatility of Class C-1 Shares, and risk-free rate. During the year ended December 31, 2023, Polestar's share price decreased by $3.05, from $5.31 to $2.26, implied volatility of publicly traded Class C-1 Shares decreased from 89% to 88%, and risk-free rate decreased from 4.01% to 3.93% over the same period. During the year ended December 31, 2022, Polestar's share price decreased by $5.92 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.

Share of earnings in associate

During the year ended December 31, 2023, Polestar invested in Polestar Technology and owns 49% of Polestar Technology's equity. Related to its 49% ownership in Polestar Technology, Polestar recognised an expense of $43.3 million. As this was the first year Polestar invested in Polestar Technology, there is no comparable period information. Polestar's carrying value of its investment in Polestar Technology was reduced to zero as a result of its share of Polestar Technology's losses.

Income tax benefit (expense)

Income tax benefit (expense) for the year ended December 31, 2023 was a benefit of $7.1 million, an increase of $36.8 million, or 124% compared to an expense of $29.7 million for the year ended December 31, 2022. This was primarily driven by a decrease in deferred tax liabilities and an increase in deferred tax assets due to increased deductible temporary differences related to inventory and warranty, resulting in an increase in deferred tax benefit of $46.7 million in the Consolidated Statements of Loss and Comprehensive Loss. The deferred tax benefit for the year ended December 31, 2023 is $39.1 million. The current income tax decreased $4.7 million, resulting in current income tax expenses of $16.5 million in the Consolidated Statements of Loss and Comprehensive Loss. The expenses of foreign taxes increased

$14.7 million due to an increase in withholding tax expense on transactions incurred in China, resulting in foreign tax expenses of $15.6 million in the Consolidated Statements of Loss and Comprehensive Loss. Income tax benefit (expense) for the year ended December 31, 2022 was an expense of $29.7 million, a decrease of $32.7 million, or 1065% compared to a benefit of $3.1 million for the year ended December 31, 2021. This change was primarily driven by $17.7 million in increased income tax expenses due to higher earnings in jurisdictions in which we have taxable income and an increase of $16.5 million in income tax expenses related to recognition of deferred tax liabilities on taxable temporary differences. This was partially offset by a decrease in foreign taxes of $1.5 million.

B. Liquidity and capital resources

Polestar finances its operations primarily through the issuance of equity instruments, various short-term credit facilities, including working capital facilities, medium term loans with credit institutions and related parties, sale leaseback arrangements, inventory finance facilities and extended trade credit with related parties. Polestar anticipates it will continue to need to raise funding via these methods to meet the cash requirements to fulfill its obligations. The principal uses for liquidity and capital are funding operations, repayment of debt, market expansion, and investments in Polestar's future vehicles and automotive technologies.

Polestar continues to generate negative operating and investing cash flows as a result of scaling up commercialisation efforts globally, along with continuing capital expenditures for the PS2, PS3, PS4, PS5, and PS6. Polestar does not expect to achieve positive cash flow from operations until late 2025. Managing the company’s liquidity profile and funding needs remains one of management’s key priorities. Material uncertainty about Polestar's ability to continue as a going concern persists as timely realisation of financing endeavors is necessary to cover forecasted operating and investing cash outflow. Refer to *Note 2 - Significant accounting policies and judgements* in the accompanying Consolidated Financial Statements.

As of December 31, 2023 and 2022, Polestar had Cash and cash equivalents of $768.9 million and $973.9 million, respectively. Cash and cash equivalents consist of cash in banks with an original term of three months or less. As of December 31, 2023, the Group had restricted cash of $1.8 million which is presented as Other non-current assets in the Consolidated Statement of Financial Position. As of December 31, 2022, the Group did not have any restricted cash.

If Polestar’s cash resources are insufficient to finance its future cash requirements, Polestar will need to finance future cash needs through a combination of public and/or private equity offerings, debt financings, or other means. To the extent Polestar raises additional capital through the sale of equity or convertible debt securities, the ownership interest of its shareholders may be diluted, and the terms of such securities may include liquidation or other preferences that adversely affect the rights of its existing shareholders. Debt financing, if available, may involve agreements that include covenants limiting or restricting Polestar’s ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. Any financing arrangements may require the payment of higher interest or preferred dividends, which will impact cash retention. There can be no assurance Polestar will be able to obtain additional funds. 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, discontinue the production and sale of its vehicles as well as research and development and commercialisation efforts and may not be able to fund continuing operations, all of which could adversely impact Polestar's financial performance and position.

Polestar intends to continue developing its short and medium term financing relationships with European and Chinese banking partners and Polestar's related parties, including upsizing current facilities where applicable, while also continuing to explore potential equity or debt offerings.

Debt and equity financing

Equity

In March 2021, Polestar’s Board of Directors distributed 18,032,787 shares of newly authorized Class B Shares at $30.50 per share for proceeds of $550 million; related issuance costs amounted to $2.8 million. 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.

On June 23, 2022, the Former Parent consummated a reverse recapitalisation in which Polestar Holding AB and its subsidiaries became wholly owned subsidiaries of Polestar. 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 Polestar. Convertible notes, different classes of common stock, public warrants, and private warrants were converted into various equity instruments of Polestar. For additional information, see *Note 18 - Reverse recapitalisation* in the accompanying Consolidated Financial Statements.

Debt

Polestar enters into various debt arrangements with European and Chinese banking partners, related parties, and other financial institutions in the form of short-term and long-term funding to meet Polestar's capital needs.

Liabilities to Credit Institutions

During the periods presented in the accompanying Consolidated Financial Statements, Polestar utilised several short-term working capital loans, primarily originating from European and Chinese banking partners. These existing and developing relationships provide Polestar with a reliable source of short-term liquidity. All short-term working capital loans that have come due during the periods presented have been repaid on-time. Short-term working capital loans are primarily used for the purposes of achieving sales volumes.

Liabilities to credit institutions are in the form of loans from banks, loans from related parties, floor plan facilities, and sale leaseback facilities. As of December 31, 2023, total outstanding Liabilities to credit institutions was $2,023.6 million. Refer to *Note 25 - Liabilities to credit institutions* in the accompanying Consolidated Financial Statements for information on Polestar's working capital loans outstanding as of December 31, 2023.

During the year ended December 31, 2023, and 2022, respectively, Polestar had $553 million and $133 million in principal outstanding related to short-term working capital loans secured by our related party, Geely.

On February 27, 2023, Polestar amended its twelve-month €350 million uncommitted secured green trade finance facility together with an accordion facility of up to €250 million originally dated February 28, 2022, with Standard Chartered Bank, Nordea Bank ABP, Citibank Europe PLC and ING Belgium SA/NV to, among other things, extend the facility availability for a further twelve months. On June 1, 2023, Polestar exercised the one-time only accordion option, increasing the available credit under the facility to €600 million. The outstanding principal balance as of December 31, 2023 was $442.8 million. The initial facility carried interest at the three-month Euro Interbank Offering Rate plus 2.1%. Following the February 2023 amendment, the facility carries interest at three-month Euro Interbank Offering Rate plus 2.3% per annum. The facility has a repayment period of 90 days from drawdown of each loan under the facility.

As of December 31, 2023, and 2022, respectively, there was outstanding principal of $442.8 million and $288.7 million expiring in February 2024 and February 2023, respectively, related to this twelve-month uncommitted secured green trade finance facility. Outstanding principal is 100% secured by the new vehicle inventory financed via this facility in accordance with First-ranking English law.

Related Party financing

In July 2021, Geely and two other third-parties invested in non-interest-bearing convertible notes of $35.2 million from Polestar. Of the $35.2 million, $9.5 million is held by Geely. Polestar accounted for the convertible notes as Equity upon issuance and classified them within other contributed capital. As of December 31, 2022, all $35.2 million of the convertible notes have been converted into 4,306,466 Class A Shares.

On November 8, 2023, Polestar amended the eighteen-month $800 million term credit facility dated November 3, 2022, with one of its major shareholders, Volvo Cars, to increase the total borrowable amount under the facility to $1,000 million and extend the term until June 30, 2027. Polestar was originally required to repay all draws in full, eighteen months from the date of the term facility agreement. The term facility agreement has an interest rate of floating six-month Secured Overnight Financing Rate ("SOFR") plus 4.97% per annum. The rate of interest on each loan made under the credit facility is the aggregation of the SOFR rate plus 4.97% per annum for the six-month interest period set on the Quotation Day which is defined as two additional business days before the relevant interest period. Under this agreement, if Polestar announces an offering of shares of any class in the share capital, with a proposed capital raising of at least $350 million, and no fewer than five institutional investors participating in the offering, then Volvo Cars has the right to convert the principal amount of any outstanding loans into equity. As of December 31, 2023, the facility was fully drawn with an outstanding principal balance of $1,000 million.

On November 8, 2023, Polestar entered into an $250 million term facility agreement with Geely. The term facility agreement allows for multiple draws and Polestar is required to repay the loans in full on June 30, 2027. The term facility agreement has an interest rate of floating six-month SOFR plus 4.97% per annum. The rate of interest on each loan made under the Credit Facility is the aggregation of the SOFR rate and the 4.97% per annum for the six-month interest period set on the Quotation Day which is defined as two additional business days before the first day of the relevant interest period. Under this agreement, if Polestar announces an offering of shares of any class in the share capital, with a proposed capital raising of at least $350 million, and no fewer than five institutional investors participating in the offering, then Geely has the right to convert the principal amount of any outstanding loans into equity. As of December 31, 2023, the facility was fully drawn with an outstanding principal balance of $250 million.

On December 8, 2023, Polestar, Geely, and Volvo Cars entered into agreements where Polestar transferred legal ownership of its unique PS3 tooling and equipment ("PS3 Tooling and Equipment") to Geely for subsequent use by Volvo Cars in the manufacturing of the PS3, as governed by the manufacturing agreement between Polestar and Volvo Cars ("PS3 Manufacturing Agreement"). The total amount transferred to Polestar by Geely was $156.1 million (excluding value added tax) which consists of a base price for the transfer of the PS3 Tooling and Equipment (the "Base") and an additional sum for any costs related to future changes and modifications to the assets transferred (the "Cap"). Volvo Cars will pay Geely a fee calculated on the Base ("User Right Fee"), and per the terms of the PS3 Manufacturing Agreement Polestar will repay Volvo Cars for the User Right Fee through the piece price of each PS3 purchased. In the event the Cap is used, the amount of the utilisation will be added to the Base and therefore equivalently adjust both the User Right Fee and Polestar's piece price per PS3 to Volvo Cars.

Neither the Base nor the Cap carries interest or mark-up. This provides Polestar a benefit as the value of the Base plus Cap that Polestar receives is less than the value of the Base plus Cap Polestar must repay to Geely. For this reason, a portion of the purchase price Polestar received from Geely must be accounted for as a capital contribution. Had Polestar entered into a loan with a bank in China around the same time, a fair market interest rate would have been 5.2%. Therefore, Polestar recognised the present value of total obligation as $131.7 million by discounting the consideration received using 5.2%. The $25.6 million difference between the Base plus Cap received and the present value of Polestar's obligation is recognised as a component of Other contributed capital (i.e., a capital contribution from Geely to Polestar).

Floor plan 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. The facilities are partially secured by the underlying assets on a market-by-market basis. As of December 31, 2023 and 2022, the aggregate amount outstanding under these arrangements to external credit institutions was $122.8 million and $31.3 million, respectively. Polestar maintains a working capital loan with the related party Volvo Cars that is presented separately in Interest bearing current liabilities - related parties within the Consolidated Statement of Financial Position. The aggregated amount outstanding as of December 31, 2023 and 2022 to related parties amounted to $35.7 million and $11.7 million, respectively.

Sale leaseback facilities

Polestar has also entered into contracts to sell vehicles and then lease such vehicles back for a period of up to twelve months. At the end of the lease back period, Polestar is obligated to re-purchase the vehicles. Due to this repurchase obligation, these transactions are accounted for as financial liabilities. As such, consideration received for these transactions was recorded as a financing transaction. As of December 31, 2023 and December 31, 2022, $12.8 million and $11.7 million of this financing obligation was outstanding, respectively.

Cash flows

All figures presented in the table below are in thousands of U.S. dollars unless otherwise stated. Additionally, certain 2021 and 2022 figures have been restated. Refer to *Note 31 - Restatement of prior period financial statements* in the accompanying Consolidated Financial Statements for details.

	For the year ended December 31,		
	2023	2022	2021
Cash used for operating activities	(1,859,842)	(1,089,295)	(314,555)
Cash used for investing activities	(439,399)	(709,044)	(126,937)
Cash provided by financing activities	2,093,304	2,082,486	909,237

Cash used for operating activities

Cash used for operating activities for the year ended December 31, 2023 was $1,859.8 million, an increase of $770.5 million compared to $1,089.3 million 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, 2023. Negative changes in working capital which led to operating cash outflows in 2023 are largely attributable to increased Inventories, payments of Trade payables - primarily payments of related party trade payables to Volvo Cars, and higher interest payments related to Liabilities to credit institutions and overdue trade payables with Volvo Cars. These operating cash outflows were partially offset by operating cash inflows resulting from the collection of Trade receivables.

In 2023, cash outflows related to the change in Inventories were $358.4 million, primarily as an effect of a build-up in inventory. This is an increase of $172.0 million in cash outflow as compared to a cash outflow of $186.4 million for the year ended December 31, 2022.

Compared to 2022 cash used for changes in Trade payables, accrued expenses, and other liabilities for the year ended December 31, 2023 was a cash outflow of $459.0 million, an increase of $481.0 million compared to a cash inflow of $22.0 million for the year ended December 31, 2022. This was primarily the result of payments of related party trade payables to Volvo Cars of $589.7 million.

Cash used to pay interest for the year ended December 31, 2023 was $220.1 million, an increase of $152.0 million compared to $68.1 million for the year ended December 31, 2022. The change is primarily due to $147.4 million and $9.1 million in interest paid to credit institutions related to working capital loans and interest paid to Volvo Cars on past due payables, respectively.

Cash used for changes in Trade receivables, prepaid expenses, and other assets for the year ended December 31, 2023 was a cash outflow of $151.6 million, a decrease of $71.1 million compared to a cash outflow of $222.7 million for the year ended December 31, 2022. The change is primarily due to a decrease of $113.4 million in Trade receivables as a result of greater cash collections from both third and related parties, offset by an increase in related party trade receivables and accrued income from Volvo Cars of $44 million.

Cash used for operating activities for the year ended December 31, 2022 was $1,089.3 million, an increase of $774.6 million compared to $314.6 million for the year ended December 31, 2021. 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 for the year ended December 31, 2022 was a cash outflow of $222.7 million, a decrease of $279.8 million compared to cash inflow of $57.1 million for the year ended December 31, 2021. The change from a cash inflow to a cash outflow is primarily due to an increase of $84.8 million 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 $110.3 million.

In 2022, cash outflows related to the change in Inventories was $186.4 million, as an effect of build-up in inventory following a general ramp up in business and a readiness to deliver on orders in 2023. This is a decrease of $97.4 million in cash outflow as compared to a cash outflow of $283.8 million for the year ended December 31, 2021.

Cash used to pay interest for the year ended December 31, 2022 was $68.1 million, an increase of $55.5 million compared to $12.6 million for the year ended December 31, 2021. The change is primarily due to $25.4 million and $36.5 million in interest paid to credit institutions related to working capital loans and Volvo Cars on past due payables, respectively.

Compared to 2021, cash used for changes in Trade payables, accrued expenses, and other liabilities for the year ended December 31, 2022 was $22.0 million, a decrease of $474.8 million compared to $496.8 million for the year ended December 31, 2021, primarily due to lower repayments of trade payables with Volvo Cars during the year ended December 31, 2022.

Cash used for investing activities

Cash used for investing activities for the year ended December 31, 2023 was $439.4 million, a decrease of $269.6 million compared to $709 million for the year ended December 31, 2022. The change was primarily the result of less settlements with Volvo Cars and Geely for current and prior period investments in intellectual property related to the Polestar 2, Polestar 3, and Polestar 4, Additionally, in 2023, Polestar received proceeds from the disposal of assets classified as held for sale amounting to $153.6 million. This decrease in investing cash outflows was partially offset by a cash settlement of $137.4 million related to Property, plant, and equipment purchased mostly in the current year.

Cash used for investing activities for the year ended December 31, 2022 was $709 million, an increase of $582.1 million compared to $126.9 million for the year ended December 31, 2021. 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 $2.5 million 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 was $2,093.3 million for the year ended December 31, 2023 and $2,082.5 million for the year ended December 31, 2022. Liquidity provided through financing was the result of 15 short-term working capital loans and two long-term related party loans. Polestar's borrowings provided $4,670.1 million in gross cash proceeds during the period, of which $1,478.9 million was sourced from 15 short-term working capital facilities with Chinese and European banking partners, $1,500.4 million was sourced from a short-term green trade revolving credit facility with a syndicate of European banks, $1,407.3 million was sourced from long-term related party loans with Geely and Volvo Cars, and $283.5 million was sourced from multiple short-term 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 $2,553.0 million during the period, of which $1,004.8 million was used to settle eight short-term working capital facilities with Chinese and European banking partners, $1,354.1 million was used to settle amounts due on the green trade revolving credit facility, and $194.1 million was used to settle amounts due on the low-value floorplan and sale-leaseback facilities, including the credit facility with Volvo Cars.

Cash provided by financing activities for the year ended December 31, 2022 was $2,082.5 million, an increase of $1,173.2 million compared to $909.2 million for the year ended December 31, 2021. 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 $1,418.0 million 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 $1,418.0 million, of which $588.8 million was provided by Volvo Cars, $250.0 million was provided by PIPE investors, and $638.2 million was provided by transfer from GGI to the group at close, less transaction costs of $59.1 million. Polestar's borrowings provided $2,149.8 million in gross cash proceeds during the period, of which $1,021.9 million was sourced from seven short-term working capital facilities with Chinese banking partners, $966.9 million was sourced from a green trade revolving credit facility with a syndicate of European banks, and $161 million 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 $1,426.9 million during the period, of which $604.8 million was used to settle three short-term working capital facilities with Chinese banking partners, $669.6 million was used to settle amounts due on the green trade revolving credit facility, and $152.5 million was used to settle amounts due on the low-value floorplan and sale-leaseback facilities, including the credit facility with Volvo Cars.

Contractual obligations and commitments

Polestar is party to contractual obligations to make payments to third parties in the form of short-term credit facilities, sale leaseback arrangements, and various other leasing arrangements. Polestar has also entered into capital commitments to purchase property, plant and equipment and intellectual property. Refer to *Note 12 - Leases*, *Note 25 - Liabilities to credit institutions*, and *Note 29 - Commitments and contingencies* in the accompanying Consolidated Financial Statements for more detail on contractual obligations and commitments.

The following table summarises Polestar's estimated future cash expenditures related to contractual obligations and commitments as of December 31, 2023. All figures presented in the table below are in thousands of U.S. dollars unless otherwise stated. Additionally, certain 2021 and 2022 figures have been restated. Refer to *Note 31 - Restatement of prior period financial statements* in the accompanying Consolidated Financial Statements for details.

	Payments due by period			
	Total	Less than 1 year	Between 1-5 years	After 5 years
Contractual obligations and commitments				
Capital commitments[1]	775,819	679,528	84,209	12,082
Minimum purchase commitments[2]	496,167	382,680	105,987	7,500
Credit facilities, including sale leasebacks and floor plans[3]	2,023,583	2,023,583	—	—
Other liabilities, including floor plans - related parties[4]	1,424,314	57,704	1,366,610	—
Lease obligations including related parties[5]	146,045	31,627	98,960	15,458
Total	**$ 4,865,928**	**$ 3,175,122**	**$ 1,655,766**	**$ 35,040**

1. Capital commitments relate to Polestar's investment in PPE and intangible assets for the production of upcoming Polestar 3 models, Polestar 4, Polestar 5 and Polestar 6. Additionally, the remaining capital injections Polestar will provide Polestar Technology are included herein.
2. Minimum purchase commitments relate to contracts with certain suppliers including a non-cancellable commitment, an agreed minimum purchase volume, or an agreement minimum sales volume. In the event of a shortfall in purchases, a shortfall in sales, or Polestar´s decision to terminate such contracts, these suppliers are entitled to compensation from Polestar.
3. Refer to *Note 25 - Liabilities to credit institutions* for further details on Polestar's credit facilities including sale leasebacks and floor plans..
4. Refer to *Note 27 - Related party transactions* for further details.
5. Refer to *Note 12 - Leases* for further details.

Off-balance sheet arrangements

Other than the capital commitments mentioned in "*Contractual obligations and commitments*" in this "*Operating and Financial Review and Prospectus*," Polestar does not maintain any off-balance sheet activities, arrangements, or relationships with unconsolidated entities (e.g., special purpose vehicles and structured finance entities) or persons that have a material current effect, or are reasonably likely to have a material future effect, on Polestar's Consolidated Financial Statements.

C. Non-GAAP Financial 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, internal comparisons to historical performance, and other strategic and financial decision-making purposes. Polestar believes non-GAAP financial measures are helpful to investors as they provide useful perspective on underlying business trends and assist in period-on-period comparisons. These measures also improve the ability of management and investors to assess and compare the financial performance and position of Polestar with those of other companies.

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

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

Non-GAAP financial measures include adjusted operating loss, adjusted EBITDA, adjusted net loss, and adjusted 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 - Earn-out rights, Fair value change - Class C Shares, interest income, interest expense, Income tax benefit (expense), depreciation and amortisation, and the impairment of Property, plant and equipment, Vehicles under operating leases, and intangibles assets. 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 - Earn-out rights, Fair value change - 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.

Adjusted Free Cash Flow

Adjusted free cash flow is calculated as Cash used for operating activities, adjusted for cash flows used for property, plant and equipment 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

All figures presented in the tables below are in thousands of U.S. dollars unless otherwise stated. Additionally, certain 2021 and 2022 figures have been restated. Refer to *Note 31 - Restatement of prior period financial statements* in the accompanying Consolidated Financial Statements for details.

Adjusted Operating Loss

	For the year ended December 31,		
	2023	2022	2021
Operating loss	(1,479,966)	(1,285,103)	(960,125)
Listing expense	—	372,318	—
Adjusted operating loss	**$(1,479,966)**	**$ (912,785)**	**$ (960,125)**

Adjusted EBITDA

	For the year ended December 31,		
	2023	2022	2021
Net loss	(1,194,831)	(477,455)	(969,298)
Listing expense	—	372,318	—
Fair value change - Earn-out rights	(443,168)	(902,068)	—
Fair value change - Class C Shares	(22,000)	(35,090)	—
Interest income	(32,280)	(7,658)	(1,396)
Interest expenses	206,481	77,477	44,828
Income tax benefit (expense)	(7,138)	29,660	(3,075)
Depreciation and amortisation	115,010	142,991	217,841
Impairment of property plant and equipment, vehicles under operating leases, and intangible assets	351,241	—	—
Adjusted EBITDA	**$(1,026,685)**	**$ (799,825)**	**$ (711,100)**

Adjusted Net Loss

	For the year ended December 31,		
	2023	2022	2021
Net loss	(1,194,831)	(477,455)	(969,298)
Listing expense	—	372,318	—
Fair value change - Earn-out rights	(443,168)	(902,068)	—
Fair value change - Class C Shares	(22,000)	(35,090)	—
Adjusted net loss	**$(1,659,999)**	**$(1,042,295)**	**$ (969,298)**

Adjusted Free Cash Flow

	For the year ended December 31,		
	2023	2022	2021
Net cash used for operating activities	(1,859,842)	(1,089,295)	(314,555)
Additions to property, plant and equipment	(137,400)	(32,269)	(24,701)
Additions to intangible assets	(457,364)	(674,275)	(102,236)
Adjusted free cash flow	**$(2,454,606)**	**$(1,795,839)**	**$ (441,492)**

2024 Outlook

At the end of 2024, Polestar expects volume growth that supports the 2025 volume target of 155,000-165,000 cars and a double-digit gross profit margin. Volume and margin progression are expected to be weighted towards the second half of 2024, as the two SUVs reach full production and global distribution.

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 and 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, or 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 continued difficult 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 Polestar's 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 level; and
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 2023 most world economies continued to deteriorate, with Polestar, a premium electric vehicle company, exposed to increased costs and lower volumes, which adversely affects Polestar's 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 training of the organisation, 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. • By the end of 2023, the shareholder financing and liquidity package of $1.6bn initially set in place in November 2022, was upsized to a total of $2.1bn of which shareholder loan was $1.3bn falling due in mid-2027. . • 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. For example, the U.S. has announced its intention to increase tariffs on battery electric vehicles (BEVs) manufactured in China to 100% in 2024, and the E.U. has imposed provisional countervailing duties on imports of new BEVs originating in China as a result of its anti-subsidy investigation initiated in 2023 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. • Diversifying manufacturing footprint into the US and adding another production location outside China in Busan, South Korea.
Foreign exchange Polestar is exposed to currency transaction risk arising from future commercial transactions and settlement of recognised 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. • Utilising natural hedging, which consists of the currency exposures of the business operations of different entities partially offsetting each other at the Group level.

→: Stayed the same during 2023

Non-financial and sustainability 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. Details about Polestar's main sustainability targets, actions, and achievements on our road to truly sustainable mobility can be found in our Sustainability report 2023.

2023 Climate Footprint
This report has been prepared in accordance with the document "Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance" and the global standard Greenhouse Gas ("GHG") Protocol.

The table below shows emissions from the Polestar Group's operations, globally. Emissions are calculated based on the guidance of the Greenhouse Gas Protocol and include GHG emissions within our operational control 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 Scope 1 and Scope 2). The following categories have been excluded from the calculation: capital goods, processing of sold products, and investments.

Our Scope 1 and Scope 2, emissions, represents 0.6 percent of our total greenhouse gas emissions. The main contributors to our GHG emissions are the purchased goods for producing our cars, followed by the use of our cars by customers. Together, they make up 89% (2022: 88%) of our total GHG emissions.

In 2023, absolute GHG emissions across our value chain decreased by 5% to 1,779,692 tCO_2e. The emissions intensity, including Scope 1, 2 and 3, was 32.6[1] (2022: 37.1) tCO_2e per sold car, which is a decrease of 9% compared to 2022. The reason for this is, for example, the Polestar 2 MY upgrades that lower the emissions from material and that the use phase emissions per car have gone down, as electricity market emissions for some markets have decreased and the energy efficiency of our sold cars has improved.

The increase in market-based emissions is related to more electric company cars being operated compared to 2022.
The electricity for these vehicles is not known, resulting in a high emissions factor in the market-based calculation and an average emissions factor in the location-based calculation.

Total GHG emissions Scope 1, 2 and 3

	Base year 2020	2021	2022	2023	Change % 2022-2023
Scope 1 GHG emissions					
Gross Scope 1 GHG emissions (tCO2eq)	897	731	470	198	-58%
Percentage of Scope 1 GHG Emissions from regulated emission trading schemes (%)					
Scope 2 GHG emissions					
Gross location-based Scope 2 GHG emissions (tCO2eq)	4,175	9,646	6,065	7,401	22%
Gross market-based Scope 2 GHG emissions (tCO2eq)	1,136	9,252	8,630	10,234	19%
Significant scope 3 GHG emissions					
Total Gross indirect (Scope3) GHG emissions (tCO2eq)	422,673	1,116,445	1,866,772	1,769,260	-5%
1 - Purchased goods and services	292,406	730,966	1,231,193	1,128,429	-8%
3 - Fuel and energy-related Activities (not included in Scope 1 or Scope 2)	382	605	1,091	1,927	77%
4- Upstream transportation and distribution	45,931	84,582	119,753	144,533	21%
5 - Waste generated in operations	47	3	10	11	10%
6 - Business traveling	652	1,311	2,808	1,493	-47%
7 - Employee commuting	170	971	1,619	1,727	7%
8 - Upstream leased assets	0	0	0.0000	0	0
9 - Downstream transportation	0	0	0	0	0
10 - Processing of sold products	0	0	0	0	0
11 - Use of sold products	77,950	282,725	483,071	462,671	-4%
12 - End-of-life treatment of sold products	5,013	14,410	25,421	26,294	3%
13 - Downstream leased assets	0	0	0	0	0
14 - Franchises	122	872	1,806	2,175	20%
15 - Investments	0	0	0	0	0
Total GHG emissions					
Total GHG Emissions (location-based) (tCO2eq)	427,744	1,126,822	1,873,306	1,776,857	-5%
Total GHG Emissions (market-based) (tCO2eq)	424,705	1,126,428	1,875,872	1,779,692	-5%

[1] Since the publication of the Sustainability report 2023 we have updated our reporting principles to align with the financial reporting principles. This has had an effect on our 2023 intensity ratio.

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

GHG emissions	Share of total emissions					
Emissions source tonnes CO2e	2023	2023 %	2022	2021	2020	Change % 2022-2023
Overhead	**4,943**	**0%**	**5,302**	**2,718**	**937**	**-7%**
Manufacturing	**6,525**	**0%**	**9,078**	**16,762**	**16,518**	**-28%**
Transportation and logistics	**143,614**	**8%**	**119,537**	**84,398**	**45,931**	**20%**
of which inbound	25,932	1%	28,799	21,793	27,000	-10%
of which outbound	117,682	7%	90,738	62,605	18,931	30%
Purchased goods	**1,122,109**	**63%**	**1,222,572**	**715,109**	**277,090**	**-8%**
of which direct materials	1,095,640	62%	1,162,909	658,144	239,182	-6%
of which indirect materials	26,469	1%	59,663	56,965	37,908	-56%
Sales	**13,535**	**1%**	**10,891**	**10,306**	**1,266**	**24%**
Use of sold products	**462,672**	**27%**	**483,071**	**282,725**	**77,950**	**-4%**
of which EMEA	258,990	15%	212,246	125,175	N/A	22%
of which China	10,755	1%	23,254	59,830	N/A	-54%
of which APAC	88,427	5%	91,168	1,914	N/A	-3%
of which Americas	104,500	6%	156,403	95,806	N/A	-33%
End-of-life treatment of sold products	**26,294**	**1%**	**25,421**	**14,410**	**5,013**	**3%**
Total GHG emissions in Scope 1, 2 and 3	**1,779,692**	100%	**1,875,872**	**1,126,428**	**424,705**	-5%

In the UK, emissions in scope 1 comes from usage of our internal Polestar 1 cars. Emissions in scope 2 in the UK originate from the use of electricity in company owned cars, offices, and leased spaces. The scope 1 and 2 emissions in the UK make up 14% of our total scope 1 and 2 emissions.

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

Emission source (tonnes CO2e)	***2023***	***2022***
Estimated greenhouse gas emission from own activities including combustion of fuel and the operation of any facility. (Scope 1)	1.04	-
Estimated greenhouse gas emission from the purchase of electricity, heat, steam or cooling for own use. (Scope 2)	1,435	1,506
Total GHG emissions (Scope 1 and 2)	**1,436**	**1,506**
Indirect GHG emissions (Scope 3)	94,104	49,947
Total GHG emissions in Scope 1, 2 and 3	**95,540**	**51,453**

2023 Energy use and mix

Energy use is presented in two sections. This first section covers energy use within the organisation, i.e., where Polestar has operational control. This includes electricity and fuel from company-owned cars, and energy use (electricity and sometimes district heating or natural gas) in owned or controlled manufacturing plants, offices, and spaces. This includes the Chengdu plant. Energy data is collected locally in each market and consolidated for reporting at the group level. In case the actual data for the energy use was not available in time for the report, the energy use has been estimated. Compared to 2022, the energy use in this section has increased by 13% due to an increase in electricity and district heating usage as more offices and spaces had opened.

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

Energy at Chengdu plant, in company owned cars and Polestar operated offices and spaces

kWh	2023	2022	2021	2020	Change % 2022-2023
Electricity	30,530,000	26,443,000	29,511,000	9,144,000	15
District heating	2,303,000	1,546,000	1,587,000	786,000	49
Fuels					
Natural gas	1,005,000	1,880,000	2,980,000	3,918,000	-47
Petrol	48,000	9,000	65,000	65,000	433
Total non-renewable fuels	1,053,000	1,889,000	3,045,000	3,984,000	-44
Ethanol (admixture in petrol)	400	-	300	300	-
Total renewable fuels	400	-	300	300	-
Total energy	33,886,400	29,878,000	34,143,300	13,913,000	13

The second section covers energy outside the organisation, i.e., where Polestar does not have operational control. This includes energy use (electricity and sometimes district heating or natural gas) in manufacturing plants owned and operated by Volvo Cars or Geely and franchise or investor-owned and controlled spaces. Compared to 2022, the total energy use in this section has neither increased nor decreased but stayed at the same level between 2022 and 2023.

Energy at other manufacturing plants and in leased offices and locations not operated by Polestar

kWh	2023	2022	2021	2020	Change % 2022-2023
Electricity operations	43,175,000	45,396,000	35,505,000	19,940,000	-5%
District heating, operations	343,000	-	-	-	n/A
Natural gas operations	25,169,000	23,471,000	22,306,000	14,795,000	7%
Total energy	**68,687,000**	**68,867,000**	**57,811,000**	**34,735,000**	**0%**

In the UK we have energy use related to company owned cars, offices, and retail. The table below shows energy use from Polestar UK:

Energy consumption within the organisation, UK

kWh*	2023	2022
Offices		
Electricity use in offices	506,999	359,176
Retail and Marketing		
Electricity use in UK spaces	270,405	195,935
Electricity use in company owned cars	3,319,969	4,008,448
Total energy consumption	**4,097,373**	**4,563,559**

*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
(iii) the annual quantity of energy consumed resulting from the purchase of electricity, heat, steam, or cooling by the company for its own use.

Use phase energy and emissions

Polestar's highest sales volumes are in countries with a low-emission electricity grid mix. Increasing sales in markets such as China and the US will lead to increased emissions from the use of sold products (driving the cars). However, the general improvement of electricity emissions in these markets is bound to happen as the share of renewable electricity in the country mixes is increasing. Total electricity use in the use phase increased by 3% between 2022 and 2023 as the number of sold cars increased. Meanwhile, shifting away from Polestar 1, with an internal combustion engine, also means completely shifting away from petrol and ethanol.

Total energy consumption in the use-phase

kWh	2023	2022	2021	2020	Change % 2022-2023
Electricity	1,801,683,000	1,745,121,000	1,054,997,000	394,764,000	3%
Petrol	-	1,909,000	260,000	1,712,000	-100%
Ethanol (admixture in petrol)		65,000	9,000	58,000	-100%
Total energy	**1,801,683,000**	**1,747,095,000**	**1,055,266,000**	**396,534,000**	**3%**

Methodology and greenhouse gas reporting principles

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 minimise GHG emissions, please see Polestar's Sustainability Report 2023. 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. Emissions are reported in tonnes of carbon dioxide equivalents (CO_2e), thus accounting for all greenhouse gases. Emissions are reported using the operational control approach according to the Greenhouse Gas Protocol, to align with the Corporate Sustainability Reporting Directive and the European Sustainability Reporting Standards. The global warming potential ("GWP") rates from the IPCC's Fifth Assessment Report are used for all greenhouse gases included in Polestar's sustainability report. The baseline year for our climate targets and roadmap is 2020, marking the start of our greenhouse gas emission calculations and the development of the climate roadmap. For detailed information about the methodology used and scope of reporting, see page 70 in Polestar Sustainability report 2023.

Restatement of information

The result for manufacturing emissions for 2022 has been updated compared to the information published in the sustainability report in the previous year. This is due to a correction of emissions factor for waste treatment in operations. This correction also affects the total reported GHG emissions for 2022. The unit for energy consumption has been changed from MJ to MWh.

Updates have also been made to adapt the GHG accounting to comply with the new standard ESRS E1 by switching to operational control instead of financial control. This change increases the share of Scope 1 and 2 emissions. All previous years have been updated accordingly following the same methodology to enable comparison between years.

Climate-Related Financial Disclosures

Disclosures of material climate-related financial information can help support investment decisions. Polestar started presenting Climate-related financial disclosures in 2021 and has continued to expand and refine its approach, including updated assessment in 2023. This section presents Polestar's climate-related financial disclosures.

Governance

The Board of Directors sets high standards for the Company's employees, officers and directors. The overall purpose of corporate governance is to create a good foundation for active and responsible ownership and provide a structure within which our directors and management can effectively pursue Polestar's objectives for the benefit of our stockholders, including in relation to climate-related risks and opportunities.

The Board of Directors has established an Audit Committee. The Audit Committee has overall responsibility for Polestar's Enterprise Risk Management (ERM) system and Polestar's Risk Committee. The Risk Committee includes the CEO, CFO, Head of Operations and General Counsel.

Polestar's Head of Sustainability, a member of Polestar's Management Team, is directly responsible for assessing and managing climate-related issues, including incorporating the outputs from the climate-related risk & opportunity assessment (see Risk Management) into the company-wide ERM process (described on pages 29-31).

Following input from the Head of Sustainability (and other comparable roles across the business), Polestar's ERM team prepares the consolidated company-wide Risk Register. The final stage-gated review and approval process for the company-wide Risk Register includes Polestar Risk Committee, Polestar Management Team and Polestar Audit Committee.

The ERM assessment, review and approval process is conducted twice-annually.

The Board of Directors, sub-committees, and Management Team, consider Polestar's company-wide Risk Register when reviewing and guiding key strategic and investment decisions, including strategy formulation, and during standard business planning and budget cycles.

Risk management

To identify and assess Polestar's climate-related risks and opportunities, the company has:

- Developed an initial gross list of climate-related risks and opportunities (47), transition risks, physical risks, and opportunities and sub-categories. For example, policy and legal, technology, market, reputation, acute, and chronic physical risks, and markets and products opportunities. The gross list and broader risk assessment process included risks and opportunities across Polestar's value chain (direct operations, upstream, and downstream).
- Defined the likely potential financial impacts of each of these risks and opportunities for Polestar's business. For example, higher operating costs, higher capital expenditure, and access to capital.
- Conducted an initial risk assessment to identify and prioritise Polestar's most significant (material) climate-related risks and opportunities (10) in the short term of 2023–2025. Polestar's climate risk assessment framework is informed by Polestar's company-wide risk framework and comprises a three-point (low, medium, and high) likelihood and consequence scale, with the materiality determinations/threshold set as risks/ opportunities assessed as 'high' from likelihood and consequence perspectives.
- Conducted a company-wide climate-related scenario analysis to assess the possible changes in exposure to material short-term risks in the medium term (2026–2030) and longer term (2031–2050) compared with the short term (2023–2025) (see Box 1). In future years, Polestar intends to further expand this analysis to include new climate-related risks and opportunities that may emerge in the medium to longer term, but which are not material in the short term.
- Incorporated the outputs from the above into Polestar's biannual ERM process (refer to previous sub-section for details) from 2024 onwards.

The company-wide climate-related risk assessment, including climate-related scenario analysis, was facilitated by Polestar's sustainability team, with the support of an external consultant, and included input from senior representatives from across Polestar's business.

Box 1: Overview of Polestar's climate scenario analysis

Climate scenarios present plausible futures, not forecasts, based on different levels of climate change and associated policy responses. Polestar has undertaken a climate scenario analysis to assess potential impacts of climate change on our business, taking Polestar's value chain (upstream, direct operations & downstream) and existing mitigation strategies into account.

Time horizons:

The climate scenario analysis covered the following time horizons:

- Short-term: 2023-2025
- Medium-term: 2026-2030
- Long-term: 2031-2050

The time horizons were selected as they broadly align with Polestar's internal planning cycles. They are also broadly consistent with time horizons applied by other OEMs, enabling easier comparison across companies.

Climate scenarios:

Polestar selected the following two climate scenarios:

	Low-emissions scenario	High-emissions scenario
Scenario	Net Zero Emissions by 2050 scenario (NZE)	Representative Concentration Pathways 8.5 (RCP8.5) and Shared Socioeconomic Pathways 5-8.5 (SSP5-8.5)
	International Energy Agency (IEA)	Intergovernmental Panel on Climate Change (IPCC)
Purpose & application	To assess the **transition impacts** in a future state where the global economy transitions to a lower carbon world	To assess **physical impacts** in a future with limited policy changes to reduce emissions

As climate scenario analysis enables companies to better prepare for, and respond to, uncertainties of climate change, these scenarios were selected as they present the divergent views on the future levels of climate change and associated policy responses. Polestar selected two scenarios that represent distinctly different pathways and assumptions, allowing different plausible outcomes to be explored. The scenarios applied by Polestar align to the scenarios applied by several other OEMs and suggested, but not mandated, scenarios listed in the ESRS. As such, the scenarios applied in the Polestar analysis should support stakeholders to compare the climate resilience of Polestar compared to other OEMs.

Climate scenario analysis:

Transition risks were assessed by using the low-emission scenario, where the global economy transitions to mitigate global warming to a 1.5°C temperature rise. Physical risks were assessed by using the high-emission scenario, considering a future with limited policy changes to reduce emissions, where higher levels of physical risks are likely to occur as a result of climate change.

Polestar recognises that physical risks will be present in lower temperature rise scenarios, but at this stage the analysis is limited to focusing on a future with more severe potential physical impacts.

A scenario is a plausible description of how the future may develop based on a coherent and internally consistent set of assumptions (ESRS, Annex II). The assumptions used in the scenario analysis were consistent with the SSP5-8.5 and included but were not limited to qualitative narrative and/or quantitative indicators relating to: Drought, Flooding, Sea Level Rise, change in mean temperatures, changes in precipitation. The assumptions used in the scenario analysis were consistent with the IEA NZE scenario and included but were not limited to qualitative narrative and/or quantitative indicators relating to: Carbon Price, Technology Costs, Global Electricity Demand & Supply, Road Transport related assumptions such as update of EVs.

Strategy

In a world defined by uncertainty, volatility and complexity, Polestar strives to be the natural choice for people who want pure design, unfaltering performance, and uncompromising driving experience. We design and produce our cars using state-of-the-art technology, with the highest possible regard to the well-being of people and the environment - both upstream and downstream in our value chain. We believe that we can reform the way sustainability is seen in the automotive industry. Passenger cars account for about 15 percent of all global GHG emissions*. This means that our industry has an important role to play in living up to the Paris agreement. We are also aware of how individuals can contribute to the transition, and we'll continue doing our best to make our pure performance electric cars the most attractive possible alternative to internal combustion engine vehicles. Looking forward, our ambitions encompass design, innovation, and sustainability. Being a responsible business is a clear must-have for customers in the luxury segment. The speed of the transition to electric mobility can't be taken for granted right now. Many regulators and governments seem to be stuck in reverse gear, and they must join the collective effort and do more to enable this change. It's not about subsidies to stimulate electric car sales only, but rather making driving an electric car easy by facilitating faster development of charging infrastructure. Ultimately, a price needs to be put on CO_2. Emitting is, simply put, not expensive enough.

Polestar identified ten short-term material climate-related risks and opportunities, including transition risks (4), physical risks (4), and opportunities (2). The identified risks and opportunities, which take Polestar's value chain (updates, direct operations and downstream) and existing mitigation strategies into account, are presented in the table below:

Polestar completed a climate scenario analysis to assess the changing risk profile of Polestar's material short-term climate-related risks and opportunities in the medium-term (2026–2030) and long-term (2031–2050). These are presented in the table on the following page.

*https://www.iea.org/reports/energy-technology-perspectives-2020/technology-needs-in-long-distance-transport

Polestar’s material short-term climate-related risks and opportunities

Description of short-term risks		Change in risk exposure		
Transition risks (low-emission scenario)	Potential financial impact	Medium-term	Long-term	Impacts on the business model and strategy to mitigate risks
Changes in Polestar's external climate-related policy and/or legal operating environment, leading to increased carbon pricing through emissions trading schemes or other carbon pricing mechanisms	Higher operating costs	↗	↗	Our business model builds on sales of EVs and has established a progressive climate roadmap positioning us at the forefront in terms of cutting greenhouse gas emissions to mitigate the risk of greenhouse gas emission related costs.
Changes in Polestar's external climate-related policy environment, and particularly reduced incentives for EVs, leading to Polestar losing market share to non-EV competitors	Lower revenues Increased Revenues	↗	↘	We are working to set the right prices for each market and have implemented cost reduction programs for our cars. To have an attractive offer and a strong brand is a key priority for us together with a clear business plan regarding market expansion and sales. In addition, we work with advocacy around EVs and the need for support in terms of incentives.
Economy-wide and global transition to electrification leading to intermittent reduction(s) in Polestar's production capacity driven by energy rationing restrictions imposed on Polestar's direct operations	Lower revenues, Higher costs	→	↘	Energy management and efficiency is considered when establishing or choosing a new production site. The implementation of environmental certifications such as LEED and other standards confirm our work with efficient use of energy in existing plants. We also set requirements on suppliers to meet targets on energy source and energy efficiency management.
Polestar is perceived to be not sufficiently contributing to transition to a lower-carbon economy leading to Polestar losing key clients to competitors	Lower revenues	→	↘	We have established a progressive climate roadmap to reach our target of becoming climate neutral in 2040 and halve emissions per sold car by 2030. The company’s target to produce a climate neutral without offsets by 2030 is key strategic focus together with the detailed climate targets set for each car model produced. Through our public LCAs and PSD as well as our Sustainability report we ensure transparency towards our stakeholders regarding progress against our targets.
Physical risks (high-emission scenario)				
Increased severity of extreme weather events, leading to higher electricity prices	Higher operating costs, Lower revenues	→	↗	We have established a due diligence process for new markets/production facilities which includes consideration of climate-related physical risks. We keep an active dialogue with suppliers to manage the cost of goods and services.
Changes in precipitation patterns and variability in weather patterns leading to higher cost of raw materials from suppliers in affected regions	Higher costs	↗	↗	We have established a due diligence process for new markets/production facilities which includes consideration of climate-related physical risks. We keep an active dialogue with suppliers to manage the cost of goods and services.
Rising sea levels, leading to higher cost of raw materials from suppliers in affected regions	Higher costs	→	↗	We have established a due diligence process for new markets/production facilities which includes consideration of climate-related physical risks. We keep an active dialogue with suppliers to manage the cost of goods and services.
Rising mean temperatures, leading to reductions in Polestar's production capacity driven by heat-related interruptions to Polestar's production	Lower revenues, negative balance sheet impacts	↗	↗	We are encouraging key manufacturing business partners to adapt their sites to a changing climate, implement renewable energy and measures for energy efficiency and keeps an active dialogue to manage the cost of goods and services.

↗ Risk exposure increases → Risk exposure stable ↘ Risk exposure decreases

Description of short-term opportunities		Change over time		
Transition Opportunities (low-emission scenario)	Potential financial impact	Medium-term	Long-term	Impacts on business model and strategy
Changes in Polestar's external climate-related policy environment (for example emissions standards) leading to Polestar taking market share from traditional car brands	Increased Revenues	↗	↗	We are working to set the right prices for each market and have implemented cost reduction programs for our cars. To have an attractive offer and a strong brand is a key priority for us together with a clear business plan regarding market expansion and sales. In addition, we work with advocacy around EVs and the need for support in terms of incentives.
Polestar is perceived to be sufficiently contributing to transition to a lower-carbon economy leading to Polestar gaining market share from competitors	Increased revenues, ability to raise new loans or equity on (relatively) favourable terms	↗	↗	We have established a progressive climate roadmap to reach our target of becoming climate neutral in 2040 and halve emissions per sold car by 2030. The company's target to produce a climate neutral without offsets by 2030 is key strategic focus together with the detailed climate targets set for each car model produced. Through our public LCAs and PSD as well as our Sustainability report we ensure transparency towards our stakeholders regarding progress against our targets.

↗ Opportunity improves → Opportunity stable ↘ Opportunity decreases

Resilience against different climate scenarios
Polestar's business model is designed to accelerate the shift to sustainable mobility. With our climate targets, climate roadmap and the Polestar 0 project we have a strategy to be resilient against upcoming transition risks in a low-emission scenario such as increased carbon pricing or being perceived as not contributing to the transition to a lower-carbon economy.

As a light-asset company a key to gaining resilience against a high-emission scenario is for Polestar to engage with its suppliers and integrate climate risks into our due diligence process. We are encouraging key manufacturing business partners to adapt their sites to a changing climate, implement renewable energy and measures for energy efficiency and keep an active dialogue to manage the cost of goods and services. Overall, by proactively responding and adapting to climate-related transition risks & physical risks, Polestar's climate resilient business model & strategy is well placed to manage climate-related risks and realise the potential benefits from emerging climate related opportunities.

Metrics & Targets
Recognising the significance of climate-related risks and opportunities for Polestar's business, the broader economy and society as a whole, Polestar:

- Measures and publicly discloses its direct and indirect (Scope 1, 2 and 3) GHG emissions in accordance with the Greenhouse Gas Protocol;
- Has set ambitious climate-related targets, including:
  - Climate-neutral car by 2030,
  - Halve carbon intensity by 2030,
  - Climate-neutral company by 2040;
- Has completed transition planning to support meaningful progress towards these targets. More information about our climate roadmap is disclosed in Polestar's Sustainability Report 2023.

Targets used by Polestar to manage climate related risks & realise climate-related opportunities	Key performance indicators used to manage climate-related risks & realise climate-related opportunities	Results 2023
• Climate-neutral car by 2030	The actual outcomes of the Polestar 0 project are strictly confidential in order for us and our partners to develop them into real solutions. But the project constantly creates spinoff-effects meant to be used in our car programs or patented and shared with the industries to accelerate the transition towards a more sustainable world.	In 2023, the quest for net zero technologies materialised in founding Mission 0, a joint collaborative innovation forum. Since January 2024, nine industry partners, including Polestar, have been actively engaged in developing a proof of concept. This research is financed by private and public sectors, including Sweden's innovation agency Vinnova. For more information about Polestar 0 project, please read Polestar's Sustainability Report 2023 and read more about our partners on our website.
• Halve carbon intensity by 2030	• tCO2e per car sold	• 32.6 tonnes of CO2e per sold car
• Climate-neutral company by 2040	• Polestar's annual Scope 1, 2 & 3 GHG emissions (tCO2 e)	• 1,779,689 tonnes of CO2e

In 2023, absolute GHG emissions across our value chain decreased by 5% to 1,779,689 tCO_2e. The emissions intensity, including Scope 1, 2 and 3, was 32.6 (2022: 37.1) tCO_2 e per sold car, which is a decrease of 9% compared to 2022. Compared to the base year 2020, the emissions intensity decreased with 21%. The reason for this is, for example, the Polestar 2 LCA upgrades that lower the emissions from material and that the use phase emissions per car have gone down, as electricity market emissions for some markets have decreased and the energy efficiency of our sold cars has improved.

Detailed information in Polestar Sustainability report

Polestar publishes an annual sustainability report detailing the company's sustainability strategy, management, initiatives, and performance in environmental, social, and governance matters. The 2023 sustainability 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 statutory sustainability reports, and it details our disclosures in line with the mandatory Climate-related Financial Disclosures and the recommendations from 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.

The sustainability report, published on 16 April 2024, covers the fiscal year 2023 and has been prepared on a consolidated basis and includes all operations of Polestar Automotive Holding UK PLC and its subsidiaries. Polestar's previous sustainability report was published on April 3, 2023, and is available at polestar.com.

For a detailed presentation of Polestar's sustainability strategy, management, initiatives and performance on environmental, social and governance matters, go to Polestar Sustainability Report 2023.

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 2023.

ESG area	Material topic	Risk	Policy	Read more in Sustainability report 2023
Environment	**Climate change mitigation**	Raw material extraction and manufacturing of electric vehicles have an impact on the climate through the carbon emissions related to these processes. Also, the use-phase of the car has an impact, varying in size depending on the source of electricity used for charging the vehicles. An increased severity of extreme weather events due to climate change can lead to higher electricity prices and disrupted business contingency. Changes in precipitation patterns and variability in weather patterns can lead to higher costs of raw materials from suppliers in affected regions. Rising sea levels can lead to higher cost of raw materials from suppliers in affected regions.	Sustainability Policy Climate Position Paper Climate roadmap Circularity roadmap	Climate, pages 32-40 Climate Roadmap, pages 34-38
Environment	**Direct impact drivers of biodiversity loss and impacts on the state of species**	Biodiversity loss could impact operations by affecting access to vital resources and disrupting supply chains. It also poses acute threats to all life due to both physical and socio-economic impact. Our business, especially resource extraction and processing of materials: building and operating manufacturing plants; and value chain logistics risk impacting biodiversity negatively.	Sustainability Policy Circularity Position Paper Circularity roadmap Deep Sea Mining Position Paper	Circularity, pages 28-31 Biodiversity and ecosystems, page 76
Environment	**Resources inflows, including resource use**	Critical raw material scarcity creates price volatility of essential metals and minerals. Dependence on geopolitically sensitive regions for sourcing materials creates supply risk in addition to environmental degradation and human rights violation risks, creating reputational risk. Regulatory compliance challenges put pressure on prices and availability of sustainable materials. Our business, especially resource extraction and processing of materials, building and operating manufacturing plants and end-of-life of vehicles risk impacting resource flows in a negative way.	Sustainability Policy Circularity Position Paper Circularity roadmap Inclusion Position Paper Inclusion roadmap	Material circularity, page 29 Resource use and circular economy, page 77 Supply chain visibility, page 25 Materials Traceability, page 22 Human Rights in the supply chain, page 17
Environment	**Pollution of air, soil and water**	Pollutants from manufacturing processes could result in fines and direct and indirect health issues for employees and other stakeholders.	Sustainability Policy Circularity Position	Circularity, pages 28-31 Pollution, page 75

			Paper Circularity roadmap	
Environment	**Hazardous substances**	If not managed correctly, hazardous substances can pose a risk to human health and the environment during manufacturing, as well as having negative impact on customers, waste operators and the environment during the use phase and at end of life. Hazardous substances can also put Polestar's circularity ambitions at risk, as they might hinder recyclability and contaminate waste streams. Compliance with regulations could create recalls and fines, impact market access and severely hurt the business.	Sustainability Policy Circularity Position Paper Circularity roadmap	Circularity, pages 28-31 Pollution, page 75 Resource use and circular economy, page 77
Environment	**Energy**	The raw material extraction and manufacturing of electric vehicles as well as the charging of electric vehicles is dependent on energy consumption. An increased severity of extreme weather events can lead to higher electricity prices.	Sustainability Policy Climate Position Paper Climate roadmap	Climate roadmap – Use phase, page 37 Energy use and mix, page 64 Use phase energy and emissions, page 65
Environment	**Waste**	Regulatory compliance is becoming stricter in terms of waste from production and end-of-life, potentially raising costs for manufacturing and R&D. Our business, especially resource extraction and processing of materials; building and operating manufacturing plants; value chain logistics; and end-of-life comes with risks of high waste generation and landfill.	Sustainability Policy Circularity Position Paper Circularity roadmap Polymers Recycling Position Paper	Resource use and circular economy, pages 77-80
Environment	**Water management – Water discharges in water bodies and in the oceans, water withdrawals, water use**	The battery supply chain is water-intensive, and in regions with water scarcity using this water for battery minerals could create conflicts with local communities and restrictions on water use. Improper water treatment can result in fines and restrictions. Climate change impacts could also affect water availability, thus creating supply constraints. Sub-optimal design of and improper end-of-life management of EVs and batteries could create additional costs for recycling, thus affecting profitability, as well as increase risk of pollution from improper disposal of batteries, and increase resource scarcity for critical raw materials that do not end up being recycled, and thus create supply constraints.	Sustainability Policy Circularity Position Paper Circularity roadmap	Resource use and circular economy, page 80
Environment	**Resource outflows related to products and services**	Sub-optimal design of and improper end-of-life management of EVs and batteries could create additional costs for recycling, thus affecting profitability, as well as increase risk of pollution from improper disposal of batteries, and increase resource scarcity for critical raw materials that do not end up being recycled, and thus create supply constraints.	Sustainability Policy Circularity Position Paper Circularity roadmap End-of-life of Vehicle Recycling Strategy	Material circularity, page 29 Resource use and circular economy, page 77 Supply chain visibility, page 25 Materials Traceability, page 22
Environment	**Biodiversity – Impacts on the extent and condition of ecosystems and dependencies on ecosystem services**	The degradation of ecosystems can lead to supply chain disruptions due to regulatory restrictions, depletion of resources, or conflicts with local communities and indigenous peoples, causing price increases and supply constraints. Increasing attention to biodiversity conservation can create non-compliance issues and fines, increasing production costs.	Sustainability Policy Circularity Position Paper Circularity roadmap Deep Sea Mining Position Paper	Circularity, pages 28-31 Biodiversity and ecosystems, page 76
Environment	**Climate change adaptation**	Rising temperatures, extreme weather events, and sea-level rise could directly our operations, infrastructure, and/or supply chains. These risks include increased damage to property, disruptions in production, and increased costs for repairs and maintenance.	Sustainability Policy Climate Position Paper Climate roadmap	Climate, pages 32-40 Climate Roadmap, pages 34-38 Circularity, pages 28-31

Environment	**Pollution of living organisms & food resources**	Pollutants from manufacturing processes could result in fines and direct and indirect impact of living organisms and food resources. Pollution of living organisms and food resources could impact operations by affecting access to vital resources and disrupting supply chains. It also poses acute threats to all life due to both physical and socio-economic impact.	Sustainability Policy Circularity Position Paper Circularity roadmap	Climate, pages 32-40 Climate Roadmap, pages 34-38 Circularity, pages 28-31 Pollution, page 75
Social	**Working conditions and rights for value chain workers**	Key risks for violating working conditions and rights for value chain workers in the automotive industry include child labour and forced labour, not correct terms of employment, wages and overtime issues, health and safety hazards, lack of freedom of association and more. Violations can lead to reputational damage, loss of business partners, legal consequences and fines.	Sustainability Policy Code of Conduct Code of Conduct for Business Partners Inclusion Position Paper Inclusion roadmap	Human rights in the supply chain, page 17
Social	**Particular rights of affected indigenous communities**	Risk includes failure to respect land rights of indigenous people, especially down the supply and within raw material extraction such as mining. Activities may result in environmental damage to land or displacement of indigenous peoples with lack of consent that may cause conflict. Violating the rights of indigenous communities can lead to legal consequences, fines and reputational damage.	Sustainability Policy Code of Conduct for Business Partner Inclusion Position Paper Inclusion roadmap Climate Position Paper Climate roadmap	Workers in the value chain, pages 95-99
Social	**Affected communities' civil, political, economic, social and cultural rights**	Risk connected to communities along the value chain can for example be populations suffering impacts on their health and quality of life in a highly industrialised area, toxic waste and pollution from activities in the value chain, protest by affected communities met with violence. Failure to respect the rights of affected communities can lead to legal liabilities, lawsuits, fines, and sanctions as well as reputational damage and business partner loss.	Sustainability Policy Code of Conduct for Business Partner Inclusion Position Paper Inclusion roadmap Climate Position Paper Climate roadmap	Human Rights in the supply chain, page 17 Workers in the value chain, pages 94-98
Social	**Personal safety of consumers and/or end-users**	Polestar may, voluntarily or involuntarily, initiate a recall if any of its electric vehicles or components prove to be defective or noncompliant with applicable motor vehicle safety standards. If a large number of vehicles are the subject of a recall or if needed replacement parts are not in adequate supply, Polestar may be unable to service, and repair recalled vehicles for a significant period of time. Such recalls, whether caused by systems or components engineered or manufactured by Polestar or its suppliers, would involve significant expense and diversion of management's attention and other resources, which could adversely affect Polestar's brand image in its target market and its business, prospects, results of operations and financial condition.	Polestar Development System (PSDS) Supplier Management systems	Product Safety, page 100
Social	**Own workforce working conditions and equal treatment and opportunities for all**	Main risks include discrimination and failure to be a responsible employer, not achieving equal opportunities with fair wages, as well as protecting workers health and safety. Failing to promote diversity (including but limited gender, race, ethnicity, age, and disability) can hinder innovation and organisational success. It can have reputational damage and hinder the company from recruiting right competences.	Code of Conduct People Policy Responsible employer directive Work environment directive Diversity & Inclusion	Inclusive workplace, page 18 Own workforce, pages 82-94

			directive Discrimination, harassment & bullying directive Inclusion Position Paper Inclusion roadmap	
Governance	**Corruption and bribery**	Non-compliance with anti-corruption, anti-bribery, anti-money laundering or financial and economic sanctions laws could subject Polestar to whistleblower complaints, adverse media coverage, investigations and severe administrative, civil and criminal sanctions, collateral consequences, remedial measures and legal expenses, all of which could materially and adversely affect Polestar's business, reputation, financial condition and results of operations.	Anti-corruption Policy Conflict of Interest Policy Trade Sanctions and Export Control Policy Code of Conduct Code of Conduct for Business Partners Anti-corruption Directive Instruction on Gifts, Favours, Hospitality, Entertainment and Travel Instruction on Governmental Interactions	Ethical business practices, page 20 Sustainability policies, management and compliance, page 58 Business conduct, pages 103-108
Governance	**Protection of whistle-blowers**	Risk of employees or business partners to not report concerns, misconduct or unacceptable behaviours and demands in fear of retaliation.	Code of Conduct Code of Conduct for Business Partners Speak Up Policy	SpeakUp: our whistleblowing system, page 105 Business conduct, pages 103-108

The Strategic Report comprising pages 3 to 41 was approved by the Board and signed on its behalf by:

Håkan Samuelsson
Chair
10 September 2024

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 the year ending 2023.

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.

The year 2023 was the first full year as a listed company for Polestar. The Board and Management worked to continuously enhance governance a listed company and sustain the culture and behaviour required of the Company.

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
10 September 2024

Board of Directors

Håkan Samuelsson
Chair

Appointed: 23 June 2022
Nationality: Swedish
Age: 73
Other Committees: Nominating and Governance Committee

Skills and Experience:
Håkan Samuelsson has served as Chair of the Polestar since prior to listing, in 2020. 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.

Prof. Dr.hc Winfried Vahland
Independent Non-Executive Director

Appointed: 15 January 2024
Nationality: German

Age: 67
Other Committee: None

Winfried has 40 years of broad and international experience in the automotive industry, including time as CEO of Škoda, as well as various other executive positions within the Volkswagen Group.

Winfried served on the Volvo Cars Board from 2019 to 2024, and currently serves as Honorary Chairman of the Supervisory Board of EuroCar AG., as well as a Member of the Supervisory Board of Proton Holdings Berhad and Vibracoustic SE.

Pr. Dr.hc. Vahland holds a Master's Degree in Mechanical Engineering and Business Administration from Technical University THD Darmstadt, Germany, and a Master of Business Administration from GMI Engineering & Management Institute, Michigan, United States. He was decerned honorary doctor in Mechanical Engineering by the Dalian University of Technology in China, and in Economics by the University of Economics in Prague, Czech Republic.

Thomas Ingenlath
CEO
Appointed: 13 April 2022
Nationality: German
Age: 60

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: 56
Other Committees: Audit Committee **(Chair)**

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: 61
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 several private-equity and venture-capital funded companies in Silicon Valley, including Nauto.

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: 54
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., and Lotus Technology Inc. He is also a board member of Geely Automobile Holdings Limited, Volvo Cars Corporation, Saxo Bank A/S, Proton Holdings Berhad, Lynk & Co Investment Co., Ltd., and Aston Martin Lagonda Global Holdings plc.

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: 56
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: 53
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: 58
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 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: 63
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. Neumann also serves as a member of the Advisory Board of SK-On since February 2024.

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	Independant Non-executive Director	23 June 2022	N/A
Jim Rowan	Non-executive Director	23 June 2022	N/A
David Wei	Independant Non-executive Director	23 June 2022	N/A

Meeting Attendance

The following table sets out the number of meetings of the Board, excluding ad hoc meetings, and its committees from the 1 January 2023 to 31 December 2023 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	9/10	4/4	n/a	1/1
Thomas Ingenlath	10/10	n/a	n/a	
Carla De Geyseleer	8/10	n/a	10/10	N/A
Karen C. Francis	10/10	4/4	n/a	4/4
Daniel Li	10/10	4/4	n/a	2/4
Karl-Thomas Neumann	10/10	n/a	n/a	3/3
David Richter	10/10	n/a	8/10	N/A
Jim Rowan	10/10	4/4	n/a	N/A
David Wei	10/10	n/a	10/10	N/A

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 currently comprised of the Chief Executive Officer, the Chair and eight other Non-Executive Directors.

Karen Francis, Carla De Geyseleer, Karl-Thomas Neumann, David Richter, David Wei and Winfried Vahland 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 43-46 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.

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 and internal audit, 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, as well as the provision of additional services by the Auditors. 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 Compensation 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 42 to 50 was approved by the Board and signed on its behalf by:

Håkan Samuelsson
Chair
10 September 2024

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 2023. This is the Company's second report following our 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"); and
- Our Annual Report on Compensation detailing the outcomes from 2023 and how we intend to apply the policy in the next financial year.

The Directors' Remuneration Report is subject to a shareholder vote at the Annual General Meeting 2024.
Last year's Directors' Remuneration Report was approved by the Annual General Meeting 2023 with over 99,9% support (1,856,700,916 for; 446,908 against; 504,921 abstain).

Introduction

The Committee's key role is 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 (Chairperson), Daniel Li, Jim Rowan and Karl-Thomas Neumann. Monika Franke, Polestar's Head of HR, acts as Secretary of the Committee, and she and her team provide input to the Committee as required. The CEO, CFO and other members of the Executive Management Team may attend meetings by invitation to assist the Committee; however, they are not involved in discussions concerning their own compensation.

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.

More precisely the 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. The fees paid to Mercer in relation to advice provided to the Committee for FY2023 were $24,000.

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. Mercer Limited is a signatory to the Remuneration Consultants Group Code of Conduct and adheres to the Code's principles of independence and transparency. Mercer was selected as advisor based on their proven expertise within the area of Executive Compensation. Mercer Limited did not provide any other services to the Group; however, Mercer (Sweden) AB provided the Group with services related to the compensation and benefits of the wider workforce.

Key developments during the year

Having established a clear and market-aligned set of remuneration arrangements for the CEO, the Chairman and the Non-Executive Directors, the Committee and Board have kept these under review and determined that no changes are required at the present time. However, the Committee has introduced a Share ownership guideline for the CEO, and this is described in the Policy section below.

For the last five years (2019, 2020, 2021, 2022 and 2023), the CEO's annual bonus pay outcomes have 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. However, for 2023 the board decided to not allow for any cash bonus payout due to the current challenging financial situation. Instead, to support employee retention, a one-time, forward-looking share-based retention program will be introduced for all bonus eligible employees, including the CEO. A number of shares, corresponding to the employee's bonus eligibility, and target achievement will be granted during 2024 with a twelve-month holding period.

Year	Global Bonus fulfilment (of target)
2020	73%
2021	130%
2022	106%
2023	91%*

*The 2023 Polestar Bonus program had a target achievement of 91%, but due to the company's current challenging financial situation the board decided that there will be no cash bonus payout in 2023 bonus program.

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 Remuneration Policy and Annual Report on Compensation both received more than 99.9% support at the 2023 AGM and I thank our investors for their support.

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
10 September 2024

Chief Executive Compensation at a glance

Chief Executive Compensation at a glance	
Component	**1st January 2023 to 31st December 2023**
Fixed Pay	
Annual Base Salary	10,190,550 SEK
Benefits	Company Car and private medical insurance
Pension	Pension contributions according to the ITP 2 plan + 30% of base salary above 30 Swedish Income Base Amount
Annual Bonus	
Polestar Annual Bonus Program 2023	Target 75% of Annual Base Salary
	Max 150% of Annual Base Salary
	Measures:
	• Operational Growth 30% • Financial Growth 30% • Customer Satisfaction 25% • Quality 15%
Long Term Incentive	
LTI program 1 (2022-2024)	75% of annual 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, Program 1	Polestar value creation (TSR) versus peer group 25%, Cash flow 25%, CO_2 reduction 20%, Operational milestones 30%.
LTI program 2 (2023-2025)	100% of Annual Base Salary as of 1st of January 2023 at target (200% of Annual Base Salary at maximum. 3-year program, 100% Performance Share Units. Performance period 1st January 2023 – 31st of December 2025.
LTI performance measures, Program 2	Polestar value creation (TSR) versus peer group 25%, Cash flow 25%, CO2 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 full policy is available in the 2022 Annual Report. The Remuneration policy was adopted by the board on 29 March 2023 and approved at the Annual General Meeting in 2023 with over 99.9% support (1,856,545,413 for; 508,011 against; 599,321 abstain). The Directors' remuneration report for the year ended December 2022 was also approved at the Annual General Meeting in 2023, with over 99.9% support (1,856,700,916 for; 446,908 against; 504,921 abstain). All amounts in the Policy are stated in thousands of USD, unless otherwise stated.

No changes to the Remuneration Policy are proposed. However, the Committee has introduced a Share ownership guideline for the CEO and this is described in the tables below.

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 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	The Board of Directors believes that long-term share ownership is an important way to create alignment between the Executive Management team members and Polestar's shareholders. A Share ownership guideline for the CEO and the Executive Management Team has been introduced during 2023. The Board of Directors expects the CEO and other members of the Executive Management Team to accumulate personal holdings in shares with a market value corresponding to the value of 100 per cent of the Executive Management Team member's annual fixed base salary. It is expected that the personal holding of shares be established within five years from the listing of the Company and, for new hires, within five years from commencement of employment with the Group as CEO or other member of the Executive Management Team. The 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	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	The Board of Directors expects the CEO and other members of the Executive Management Team to accumulate personal holdings in shares with a market value corresponding to the value of 100 per cent of the Executive Management Team member's annual fixed base salary. It is expected that the personal holding of shares be established within five years from the listing of the Company and, for new hires, within five years from commencement of employment with the Group as CEO or other member of the Executive Management Team. 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 KPIs to be fulfilled to reach the target level. In order for the maximum vesting level to be reached, the KPIs 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. The 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. The Director's appointment letters are kept at the Company's subsidiary Polestar Performance AB (Assar Gabrielssons Väg 9, 405-31 Gothenburg, Sweden). The form of the appointment letters is also filed with the SEC.

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

*Additionally, Winfried Vahland was appointed on the board on the 15 of January 2024
** Directors having fulfilled their first 1-year term are now exercising a 3-year term

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 allowances for role, responsibilities and experience.

- When setting salary levels for the Executive Directors, 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 open 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.

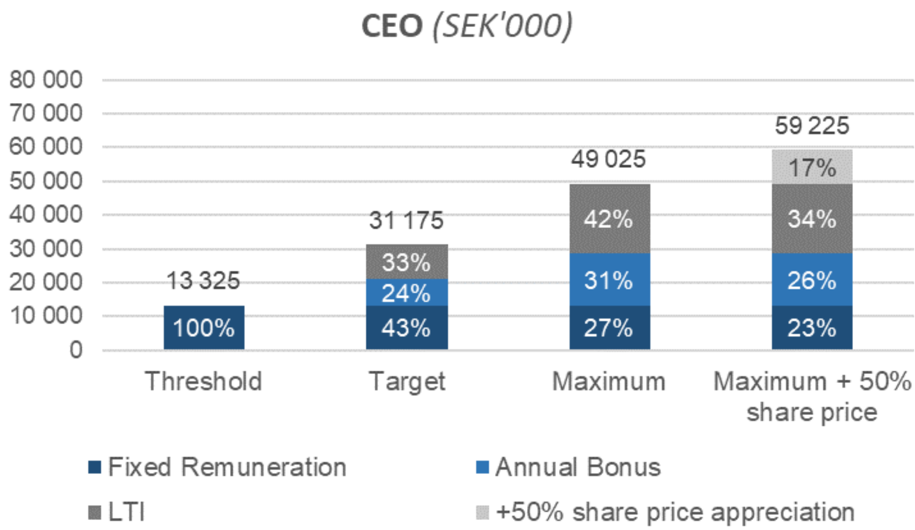
UK Corporate Governance Code considerations

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 second year in which the policy applies, 2024. 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 2024, value of benefits received in the year ended 31 December 2023, and the pension benefits to be accrued over the year ending 31 December 2024.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 Compensation

The Annual Report on Compensation sets out how we implemented our compensation in 2023 and how we intend to apply the Policy for the financial year ending 31 December 2024. It is divided into three sections:

Section 1: Single Figure Tables
Section 2: Further information on compensation for the year ended 31 December 2023
Section 3: Implementation of the compensation Policy in the year ended 31 December 2024

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 (audited)

The table below illustrates the compensation that was paid to the CEO, Thomas Ingenlath, during the period from 1 January 2023 to 31 December 2023. There were no other Executive Directors on the Board. Please note that the 2022 figures pertain to the period from listing, i.e., 24 June 2022 to 31 December 2022. pertain 2.

All amounts in SEK.

Director	Fee/Basic Salary[1]	Benefits [2]	Pension [3] (ITP, VMP)	Bonus[4]	LTI Cash[5]	LTI Shares[6]	Total fixed compensation	Total variable compensation	Total compensation
Thomas Ingenlath (2023)	10,190,550	124,006	2,957,000	0	1,050,000	974,157	13,271,556	2,024,157	15,295,713
Thomas Ingenlath (2022[7])	4,708,000	149,348	1,419,430	7,568,400	1,830,000	1,387,305	6,276,778	10,785,705	17,062,483

1. Basic salary refers to the base salary paid in the period from 1 January to 31st December 2023.
2. Benefits refers to the value of the benefits awarded to the CEO during 2023. These benefits are a company car and a private health insurance
3. Pension refers to the company pensions contributions according to the ITP2 plan and VMP Plan paid in the period from 1 January to 31st December 2023.
4. Polestar annual bonus program 2023, no cash bonus payout in this program.
5. LTI Cash refers to the Cash based LTI program 2019 (paid out 2022) and the 2020 program (paid out 2023)
6. LTI Shares refers to the vested part of the "At listing share based program", Restricted Share Units. Granted at $6,72, vested at $5,06 in 2022 and $3,53 in 2023.
7. All numbers referring to 2022 represent the period from the listing in June 2022 until year end.

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 2023, the Polestar Global Bonus Program was based on the following five KPIs: (i) operational growth and retail deliveries volume, measured as number of sold cars; (ii) financial growth, measured as EBIT in MUSD; (iii) customer experience, measured as Net promoter score combined of Test Drive, Purchase experience and Handover; and (iv) quality, measured as reduction of warranty repairs within the 3 first month of ownership. After the conclusion of the fiscal year 2023 performance period on December 31, 2023, the Board determined that the KPIs were achieved at 91% of target levels, however due to the current financial situation the board decided to not allow for any cash bonus payments.

Instead, to support employee retention, a separate one-time, forward-looking share-based retention program (RSU:s) was introduced for all bonus eligible employees, including the CEO. A number of shares, corresponding to the employee's bonus eligibility and target achievement was granted during 2024. The shares will be subject to a twelve-month holding period.

		Performance targets*					
Metric	**Weighting**	**Threshold**	**On target**	**Maximum**	**Actual**	**% Vesting**	**% Of max bonus opportunity**
Operational Growth (Sales volume)	30%	75%	100%	200%	0%	0%	0%
Financial Growth (EBIT)	30%	75%	100%	200%	106%	0%	0%
Customer Experience	25%	75%	100%	200%	114%	0%	0%
Quality	15%	75%	100%	200%	200%	0%	0%
Total						**0%**	**0%**

* due to the confidentiality of these targets they are not revealed in detail

Total Bonus outcomes for FY2023

	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	0%	0%	0%	0%	0

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 2020, before the listing of Polestar. This incentive program mirrors the Volvo Cars Long Term Variable Pay Program and is administered by Volvo Cars. The pay-out for the LTVP-programme depends on the development of the market value of Volvo Car Group as well as satisfaction of certain financial performance factors related to profit (EBIT) and revenue growth measured over the term of the programme, as established by the Board of Directors of Volvo Cars. A threshold and a maximum level are set for each performance factor. The target level in the 2020 Long Term Variable pay program for the CEO was 30% of the annual base salary.

Share based Long-term incentives

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 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 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 normal retirement age in the ITP 2 plan is 65 years.

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 (2023: 2 229 000 SEK) 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 USD, 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 0,0951792.

Element	Amount	Comment
Basic Salary	$969,928	Base salary paid in the period 1st Jan 2023 to 31 Dec 2023
Benefits	$11,803	Benefits paid in the period 1st Jan 2023 to 31 Dec 2023
Pension	$281,445	Pension contributions paid in the period 1st Jan 2023 to 31 Dec 2023
Bonus	$0	Bonus refers to the Polestar annual bonus program 2023, paid in April 2024
LTI	$192,658	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	$1,455,834	Sum of all compensation listed above

Non-Executive Director 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 during 2023, are detailed in the table below.

Director	Board fee 2023	Board fee 2022[1]	Committee fee 2023	Committee fee 2022[1]	Car benefit 2023	Car Benefit 2022[1]	Total fee 2023	Total fee 2022[1]
Håkan Samuelsson	$350,000	$175,000	$26,667	$20,000	$7,000	$3,500	$383,667	$198,500
Carla De Geyseleer	$200,000	$100,000	$20,000	$10,000	$7,000	$3,500	$227,000	$113,500
Karen C. Francis	$200,000	$100,000	$28,333	$10,000	$7,000	$3,500	$235,333	$113,500
Daniel Li	$200,000	$100,000	$20,000	$10,000	$7,000	$3,500	$227,000	$113,500
Karl-Thomas Neumann	$200,000	$100,000	$11,667	$0	$7,000	$3,500	$218,667	$103,500
David Richter	$200,000	$100,000	$10,000	$5,000	$7,000	$3,500	$217,000	$108,500
Jim Rowan	$200,000	$100,000	$20,000	$10,000	$7,000	$3,500	$227,000	$113,500
David Wei	$200,000	$100,000	$10,000	$5,000	$7,000	$3,500	$217,000	$108,500

1. **Board fees, committee fees and benefits 2022 refers to the period from the listing until year end**

Section 2: Further information on compensation for the year ended 31 December 2023 (audited)

Scheme interests awarded during the financial year (CEO):

	Post Listing Program 2
Type of Award	PSUs
Basis for Award	100% of annual base salary at target
Face Value of Award	$972,264 (value at grant date, based on share price at grant date)
Vesting at min performance	0%
Performance period	1st January 2023 to 31st Dec 2025
Performance Measures	• **Value Creation**, the target is positive relative market value development compared to a peer group of 9 other 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 2023-2025, • **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 6 Operational milestones driving Growth and Stand-alone capabilities
Share price at grant	$3,79 (Grant date 3rd April 2023)

Directors' interests (audited)

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 requested 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 2023.

The Directors' interests in the share capital of the Company per 31 December 2023 were as follows:

	Outstanding scheme interests as of 31 December 2023				**Beneficially owned shares**	**Total of all scheme interests and shareholding as of 31st December 2023**
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 2023**	
Thomas Ingenlath	314,760	26,396	0	341,156	361,239	702,395
Håkan Samuelsson	0	0	0	0	796,000	1,135,982
Carla De Geyseleer	0	0	0	0	196,750	196,750
Karen C. Francis	0	0	0	0	34,175	34,175
Daniel Li	0	0	0	0	7,000	7,000
Karl-T. Neumann	0	0	0	0	15,190	15,190
David Richter	0	0	0	0	144,455	144,455

James Rowan	0	0	0	0	135,357	135,357
Prof. Dr.hc Winfried Vahland	0	0	0	0	0	0
David Wei	0	0	0	0	24,900	24,900

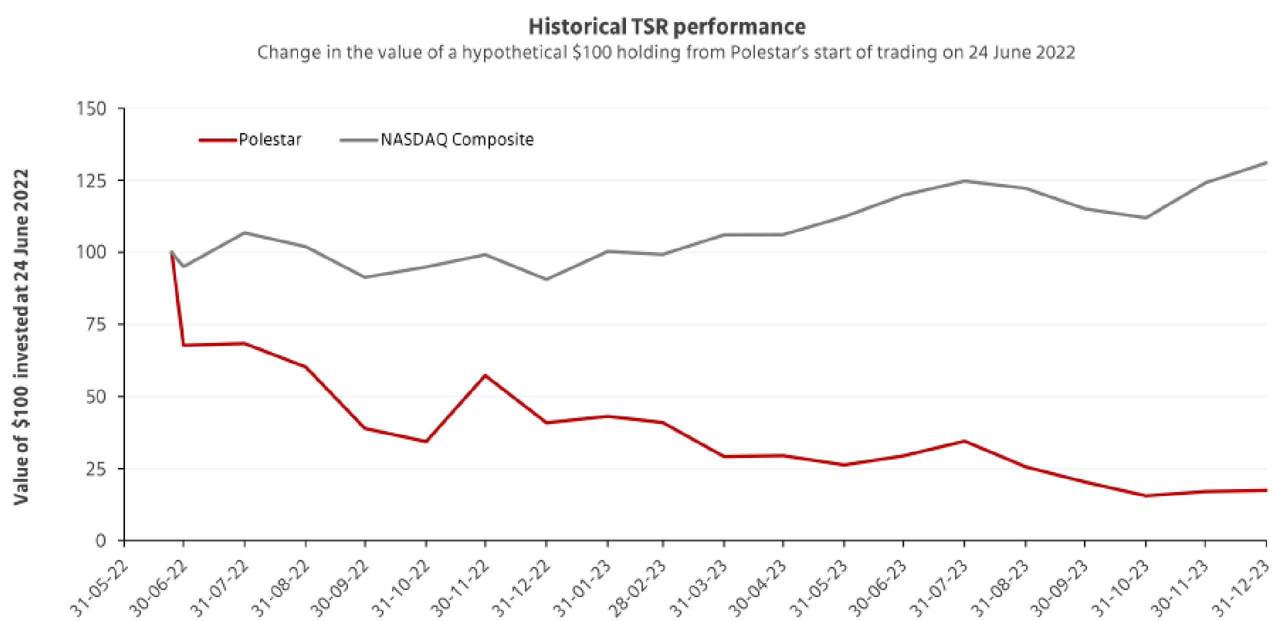
Between 1 January 2024 and 30 August 2024, the Executive was granted PSUs as part of the Long Term Incentive Program 3 and RSU:s as part of the One Time Share based retention program, and Non-Executive Directors' beneficial interests in the table above remained unchanged.

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 2022	Awarded 2023	Exercised	Lapsed	Number of Options / awards held as of 31 December 2023	Grant award price (USD)	Face value of awards (USD)
CEO									
At Listing Program	9 Sep 2022	2022-2024	77,635	0	51,239	0	26,396	6.72	$521,708
Post Listing Program 1	9 Sep 2022	2025	58,226	0	0	0	58,226	6.72	$391,279
Post Listing Program 2	3 Apr 2023	2026	0	256,534	0	0	256,534	3,79	$972,264

Comparison to Company Performance

The graph below illustrates the total shareholder return for the Company for the period from its listing to year end 2023, relative to NASDAQ composite index, as Polestar is listed on Nasdaq.



	24/06/22	30/06/22	31/12/22	30/06/23	31/12/23
Polestar	100.00	67.77	40.85	29.38	17.38
NASDAQ Composite	100.00	95.02	90.59	119.86	131.02

Historical compensation of the Chief Executive Officer

The table below sets out the total compensation delivered to the CEO during 2022 and 2023, 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]	17,062,483 SEK	53%	100%
2023	15,295,713 SEK	0%	100%

1. The figures 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 3 October 2022 and 33% of the total award vested on 24 June 2023.

Change in Compensation from 2022 to 2023

Director:							
Thomas Ingenlath	**Base salary**	**Benefits**	**Pension**	**Bonus**	**LTI cash**	**LTI shares**	**Total**
2023	10,190,550	124,006	2,957,000	0	1,050,000	974,157	**15,295,713**
2022	4,708,000	149,348	1,419,430	7,568,400	1,830,000	1,387,305	**17,062,483**
Compensation change in %	**116%**	**-17%**	**108%**	**-100%**	**-43%**	**-30%**	**-10%**

Director	Board fee 2023	Board fee 2022[1]	Change in %	Committee fee 2023	Committee fee 2022[1]	Change in %	Car benefit 2023	Car Benefit 2022[1]	Change in %	Total fee 2023	Total fee 2022[1]	Change in %
Håkan Samuelsson	$350,000	$175,000	100%	$26,667	$20,000	33%	$7,000	$3,500	100%	$383,667	$198,500	93%
Carla De Geyseleer	$200,000	$100,000	100%	$20,000	$10,000	100%	$7,000	$3,500	100%	$227,000	$113,500	100%
Karen C. Francis	$200,000	$100,000	100%	$28,333	$10,000	183%	$7,000	$3,500	100%	$235,333	$113,500	107%
Daniel Li	$200,000	$100,000	100%	$20,000	$10,000	100%	$7,000	$3,500	100%	$227,000	$113,500	100%
Karl-Thomas Neumann	$200,000	$100,000	100%	$11,667	$0	100%	$7,000	$3,500	100%	$218,667	$103,500	111%
David Richter	$200,000	$100,000	100%	$10,000	$5,000	100%	$7,000	$3,500	100%	$217,000	$108,500	100%
Jim Rowan	$200,000	$100,000	100%	$20,000	$10,000	100%	$7,000	$3,500	100%	$227,000	$113,500	100%
David Wei	$200,000	$100,000	100%	$10,000	$5,000	100%	$7,000	$3,500	100%	$217,000	$108,500	100%

1. The figures reflect the time period 24th June to 31st December 2022, including the STI and LTI for the full year 2022

The single figure remuneration table for the CEO on page 65 and the table of Board fees on page 62 show the remuneration received in 2022 and 2023, Because 2022 was not a full year, the percentage change in compensation is not a meaningful figure and any comparison to the wider workforce would be misleading.

Relative Importance of Spend on Pay

Year	Remuneration paid to employees (USD)	Dividends paid to share holders	Any other significant distribution
2023	282,623,000	0	0

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 FY2023.

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 Polestar's financial status.

Polestar wants to offer flexible compensation and 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 the UK, the CEO to employee pay ratio on base pay was 13:1 in 2023, and 26:1 on total pay. This ratio indicates that for every dollar earned by the CEO as base pay, 0.08 dollar was earned by the average employee. This ratio is expected to vary significantly 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 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, as defined in The Companies (Miscellaneous Reporting) Regulations 2018, to conduct the CEO pay ratio benchmark. We chose option A as we believe this is the simplest and most robust way to perform the analysis. The benchmark is based on the actual CEO pay for 2023 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	Option	25th percentile ratio	50th percentile ratio	75th percentile ratio
2023 Base pay	A	16:1	13:1	11:1
2022 Base pay	A	13:1	11:1	9:1
2023 Total pay ratio	A	31:1	26:1	22:1
2022 Total pay ratio	A	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 2023	Base salary (£000)	Total Pay (£000)
CEO Compensation	767	1711
UK colleague 25th percentile	47	54
UK colleague 50th percentile	59	67
UK colleague 75th percentile	69	78

CEO Base pay and Total pay for full year 2023 compared to all UK employees, data as of 31st December 2023. The exchange rate used to convert SEK to GBP is 0.0752. The difference between CEO pay and UK colleague pay has increased slightly due to the base salary increase for the CEO.

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 2023, our analysis of the raw gender pay gap showed that there 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 2023.

Table showing raw gender pay gap:

Country	Women's salary in relation to men's salary	% of Women employees	% of Men employees	Number of employees
Sweden 2023	90%	36%	62%	1,198
Sweden 2022	87%	36%	62%	1,150
UK 2023	84%	20%	80%	528
UK 2022	83%	18%	82%	522

Section 3 – Implementation of Compensation Policy in FY2024

The table below illustrates the remuneration planned for 2024

Component	From 1st January 2024
Fixed Pay	
Annual Base Salary	No changes planned to the CEO base pay in 2024
Benefits	No changes planned to the CEO benefits in 2024
Pension	No changes planned to the CEO pension benefit in 2024
Annual Bonus	
Opportunity	No changes planned to the CEO annual bonus opportunity in 2024
Measures	• Net income 30% • Cash flow 30% • Cost Management 30% • Customer Experience 10% Due to the potential impact on our commercial interests, annual bonus targets are considered commercially sensitive and therefore will be disclosed in the 2024 Compensation Report following the completion of the financial year.
	A one-time share-based retention program was installed during 2024 for all employees including the CEO. This is a one-time program, that was granted in June 2024 and with a planned vesting in May 2025. The CEO will be granted a number of shares corresponding to the bonus result in 2023 (91%).
Long Term Incentive	
Opportunity (Polestar LTI program)	No changes planned, target will remain at 100% of Annual Base Salary and Max at 200% of Annual Base Salary.
Measures and targets	Polestar value creation versus peer group 25% EBIT 25% CO2 reduction 20% Operational milestones 30%

2024 Chairman and Non-Executive Director Fees

The Chairman and non-executive director fees in 2024 will remain unchanged. However, the Audit Committee Chair fee and the Audit Committee member fee will be increased by 50%.

Role	2023 Fee (USD)	2024 Fee (USD)
Chairman	350,000	350,000 (0% increase)
Non-Executive Director	200,000	200,000 (0% increase)
Additional fee for Audit Committee Chair	20,000	30,000 (50% increase)
Additional fee for Compensation Committee Chair	20,000	20,000 (0% increase)
Additional fee for Audit committee Member	10,000	15,000 (50% increase)
Additional fee for Compensation committee Member	10,000	10,000 (0% increase)

The Directors' Remuneration Report comprising pages 51 to 67 was approved by the Board and signed on its behalf by:

Karen C. Francis

Karen Francis
Chair of the Compensation Committee
10 September 2024

Directors’ Report

The Directors of Polestar Automotive Holding UK PLC (registered in England and Wales: 13624182) (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 2023. All amounts are stated in thousands of USD, unless otherwise stated. Refer to Stakeholder Engagement on pages 12-14 for information relating to engagement with employees, suppliers, customers, and others. The composition of the Board during the reporting period is available in the Governance Report on page 47

Diversity of the Board
Polestar conducts annual reviews of 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 place to work for all while continuing to improve gender, 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 activities, risks and uncertainties are included in the Strategic Report on page 3 to 41.

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 3 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, CEO Statement and the Chair 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 2023 due to the early stage of development of the Company.

Political Donations
During the year ended 31 December 2021, 2022, and 2023, 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 22 to the consolidated accounts.

Employees
Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues, and the appropriate training is arranged. It is the policy of the Company that

the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer a disability. Consultation is undertaken on a regular basis with employees, so that their views can be taken into account in making decisions affecting their interests and that all employees are aware of the financial and economic performance of their departments and of the Company as a whole.

Employee Engagement

Details on employee engagement are found in the Stakeholder Engagement section, (under “Employees” and “Diversity and Inclusion”), on pages 12 and 14.

Engagement with suppliers, customers and others

Details on engagement with suppliers, customers and others are found in the Section 172 statement, (under “Customers” and “Suppliers”), on pages 12 and 13.

R&D Activities

Details on the Company’s and the group R&D activities are found in the Market Overview and Strategy section, on page 6.

Greenhouse Gas Emissions

Details on the Company’s greenhouse gas emissions are found in the Non-financial and sustainability information statement and Climate-Related Financial Disclosures sections, on page 32 to 34.

Energy Consumption

Details on the Company’s energy consumption are found in the Non-financial and sustainability information statement and Climate-Related Financial Disclosures sections, on page 34 to 35.

Substantial Shareholders

As at the date of this report, Company had received notification from financial institutions of their clients’ interest in the following disclosable holdings, which represent each beneficial owner of 5 percent or more of the voting rights of the issued share capital of the Company, each executive officer or director of the Company, and all of the Company’s executive officers and directors as a group:

Name of Beneficial Owner	Number of Shares	Approximate Percentage of Outstanding Shares
Executive Officers and Directors:		
Thomas Ingenlath	387,635(1)	*
Per Ansgar	164	—
Håkan Samuelsson	1,135,982	*
Carla De Geyseleer	200,127	*
Karen C. Francis	34,175(2)	*
Donghui (Daniel) Li	7,000	—
Dr. Karl-Thomas Neumann	15,190	—
David Richter	144,455	*
James Rowan	135,357	—
Zhe (David) Wei	24,900	—
Winfried Vahland	1,846	
All directors and executive officers as a group (eleven individuals)	2,086,831	*
Five Percent or More Holders:		
Li Shufu(3)(4)	1,725,733,592	81.8 %

* 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, which have all vested (and are accounted for in the above table). Mr. Ingenlath has also been granted 315,060 Performance

Stock Units as part of the Polestar Post Listing share programs, which have not yet vested, as well as 848,143 Restricted Stock Units as part of the one-time share based retention programme, which have not yet vested.

(2) Includes Class A ADSs that Ms. Francis has purchased as a PIPE Investor.

(3) 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, 3,573,007 Class A ADSs for which Northpole GLY 1 LP is the record holder, and 11,667,519 Class A ADSs for which GLY New Mobility 1. LP is the record holder. On November 22, 2023, PSD Investment Limited entered into a facility agreement. As security for its obligations under this agreement, PSD Investment Limited pledged 828,013,737 Class B ADSs. Li Shufu controls PSD Investment Limited and directly or indirectly owns approximately 91.9% of equity interests in Geely, which owns approximately 78.7% 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. 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 1,862,046,725 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.

(4) Volvo Cars has completed a distribution of 62.7% of Volvo Cars' shareholding in Polestar. Following completion of the distribution, Volvo Cars' shareholding in Polestar is approximately 18.0% of Polestar's total outstanding shares, with 380,322,995 Class A ADSs. PSD Investment Limited continues to have an ownership stake of approximately 39.2%, with 778,121,162 Class A ADSs and 49,892,575 Class B ADSs. Geely Sweden Holdings AB, an affiliate of Geely holds an ownership stake of approximately 23.8%, with 502,156,334 Class A ADSs.

Relationship agreements with major shareholders

The Company (and its predecessor Polestar Automotive Holding Limited, the "Former Parent") is party to an Acknowledgment Agreement to the Shareholder Agreement ("Shareholder Acknowledgement Agreement") which includes, amongst other things, its major shareholders Snita Holding BV and PSD Investment Limited. The Shareholder Acknowledgement Agreement provides 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, the Former Parent and the Former Parent's shareholders will not vote in favour of the removal of 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, the 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

The Directors have undertaken a comprehensive going concern review. 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 2024-2028 business plan.

Management assessed Polestar Group's ability to continue as a going concern and evaluated whether there are certain events or conditions, considered in the aggregate, that may cast material uncertainty about Polestar's ability to continue as a going concern. All information available to management, including cash flow forecasts, liquidity forecasts, and internal risk assessments, pertaining to the twelve-month period after the issuance date of these Consolidated Financial Statements was used in performing this assessment.

As a result of scaling up commercialisation and continued capital expenditures related to the PS2, PS3, PS4, PS5, and PS6, managing the Company's liquidity profile and funding needs remains one of management's key priorities. If Polestar is not able to raise the necessary funds through operations, equity raises, debt financing, or other means, the Group may be required to delay, limit, reduce, or, in the worst case, terminate research and development and commercialisation efforts. Since inception, Polestar Group has generated recurring net losses and negative operating and investing cash flows. Net losses for the years ended December 31, 2023, 2022, and 2021, amounted to $1,194,831, $477,455, and $969,298, respectively. Negative operating and investing cash flows for the years ended December 31, 2023, 2022, and 2021, amounted to $2,299,241, $1,798,339, and $441,492, respectively. Management's 2024-2028 business plan indicates that Polestar will generate negative operating cash flows in the near future and positive operating cash flows starting the second half of 2025; investing cash flows of Polestar will continue to be negative in the near and long-term future due to the nature of Polestar's business. Securing financing to support operating and development activities represents an ongoing challenge for Polestar Group.

Polestar Group primarily finances its operations through short-term working capital loan arrangements with credit institutions (i.e., 12 months or less), contributions from shareholders, extended trade credit from related parties, and long-term financing arrangements with related parties. Management's 2024-2028 business plan indicates that Polestar Group depends on additional financing that is expected to be funded via a combination of new short-term working capital loan arrangements, long-term loan arrangements, shareholder loans with related parties, and executing capital market transactions through offerings of debt and/or equity. The timely realisation 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.

During the year ended December 31, 2023, Polestar demonstrated efforts towards achieving liquidity targets in management's 2024-2028 business plan by:

- Renegotiating the terms of its convertible credit facility with Volvo Cars to extend the principal repayment date to June 30, 2027 and achieve an additional borrowing capacity;
- Securing long-term financing support from Geely in the form of various facilities; and
- Entering into multiple short-term working capital loan arrangements with banking partners in China.

Polestar is party to financing instruments during the 12 months following the reporting period that contain financial covenants with which Polestar must comply. A failure to comply with such covenants may result in an event of default that could have material adverse effects on the business. Due to the factors discussed above, there is material uncertainty as to whether Polestar will be able to comply with all covenants in future periods. Remedies to an event of default include proactively applying for a covenant waiver prior to such event of default occurring.

Based on these circumstances, management reasonably expects there to be sufficient liquidity in the twelve-month period after the issuance date of these Consolidated Financial Statements in order for Polestar to meet its cash flow requirements, but there is material uncertainty about Polestar's ability to continue as a going concern. There are ongoing efforts in place to mitigate the uncertainty.

Legal Proceedings

Details of any relevant legal proceedings are provided in Note 29 to the consolidated accounts.

Change of Control

Working capital loans and facility agreements

The Group has a number of working capital loans, trade and inventory finance facilities and a three-year term loan facility provided by various banks. In addition, the Company has entered into loan facilities agreements with Snita Holding B.V. and Geely Sweden Automotive Investment AB. 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.

Other arrangements

On November 22, 2023, PSD Investment Limited entered into a facility agreement. As security for its obligations under this agreement, PSD Investment Limited pledged the totality of its 828,013,737 Class B ADS'.

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 reviews 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.

Independent Auditor and Disclosure of Information to the independent auditor

Deloitte LLP have indicated a willingness to continue as auditors, and 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 68 to 72 was approved by the Board and signed on its behalf by:

Håkan Samuelsson
Chair
10 September 2024

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, and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

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:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements of the financial reporting framework are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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 73 was approved by the Board and signed on its behalf by:

Thomas Ingenlath
Chief Executive Officer
10 September 2024

Håkan Samuelsson
Chair
10 September 2024

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 2023 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 IFRS Accounting Standards 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
- 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 32 of the consolidated financial statements and notes 1 to 16 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 IFRS Accounting Standards. 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.

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 forecast, the Group and the parent company 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) • Revenue from the sales of vehicles • Inventories • Impairment of tangible and definite-lived intangible assets of the Polestar 2 Cash Generating Unit (''CGU'')
Materiality	The materiality that we used for the group financial statements was $18.9m 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 four components. These components represent the accounting locations for multiple subsidiaries and account for 93% of the Group's revenue and 94% of the Group's total assets.
Significant changes in our approach	Impairment of tangible and definite-lived intangible assets of the Polestar 2 CGU has been identified as a new key audit matter in the current year following the change in the Group's evaluation of its CGUs in the year as detailed in Note 2.

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 from the sales of vehicles

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 can direct the use of, and obtain the benefits from, the vehicle. As disclosed in note 4, during the year ended 31 December 2023, the Group recognized $2,320 million of revenue related to sales of vehicles (2022: $2,386 million). Revenue recognition is identified as a critical judgement and the underlying accounting policy is disclosed in note 2. 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 extensive audit effort due to the variation and complexity in terms found within contracts, the high degree of auditor judgment in determining the audit procedures and the nature and extent of evidence required to determine revenue recognition was appropriate.
How the scope of our audit responded to the key audit matter	Our audit procedures related to revenue recognised from 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, focusing on those that differed from standard frame agreements, we obtained the contract and assessed the contract for terms that could impact the appropriateness of revenue recognition not identified by management. For those contracts identified with complex terms, we evaluated whether the Company 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; and • 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 from the sales of vehicles.

Key observations	Based on the audit work performed, we identified a control deficiency over the revenue recognition process. • Recognition of vehicle revenue in accordance with IFRS 15 in regard to fleet customers', private individuals', dealers' and importers' sales of vehicles' revenue streams over the completeness and accuracy of data used in the controls, and fleet customers' and private individuals' sales of vehicles' revenue streams over the precision of review in management review controls.

5.2. Inventory

Key audit matter description	As disclosed in note 20, the Group had inventories of $939 million at 31 December 2023 (2022: $630 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 key 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 and because of the high degree of auditor's judgment and increased extent of effort required when performing audit procedures to evaluate the reasonableness of net realizable value of inventory.

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-back of balances, between the time of the inventory count and 31 December 2023, 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 evaluated the reasonableness of the Group's methodology and key assumptions and judgments the Group used to estimate the net realizable value of inventory by performing the following:
	    o We benchmarked selling prices to observable data to evaluate the impact of changes in the significant assumptions of net realizable value within the inventories to the carrying value.
	    o We performed corroborating inquiries with the personnel responsible for sales forecasting to evaluate the reasonableness of the product demand forecasts.
	    o We made inquiries of various personnel in the Group including, but not limited to, finance and operations personnel about the expected timing of the introduction of new products.
	    o We tested the mathematical accuracy of management's calculations; 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 and errors in inventory balances, including those related to the prior period. • Inventory Count: The Group's design of its control over inventory count did not fully address the existence and completeness of inventory. • Inventory Valuation: Deficiencies related to lack of capitalisation of indirect expenses for manufacturing (depreciation and amortisation related to tooling) and incorrect valuation of internal cars.

5.3. Impairment of tangible and definite-lived intangible assets of the Polestar 2 Cash Generating Unit (''CGU'')

Key audit matter description	The Group's evaluation of tangible and definite-lived intangible assets for impairment involves the comparison of the recoverable amount of each applicable CGU, to its carrying value on at least an annual basis, in line with International Accounting Standard 36 Impairment of Assets. An impairment loss is recognized if the recoverable amount is lower than the carrying value. The recoverable amount is determined based on the higher of value in use (VIU) and fair value less costs to dispose (FVLCD). As disclosed in note 6, the Group recorded an impairment of $351 million relating to the Polestar 2 CGU during the period. Management's value in use analysis is based on the 2024-2028 business plan. We identified the valuation of the Polestar 2 CGU as a key audit matter because of the significant estimates and assumptions management made in the value in use calculation related to future revenues, volumes, EBITDA margin, discount rate and change in net working capital. Auditing the significant judgements and assumptions required a high degree of auditor judgement and increased audit effort, including the need to involve our valuation specialists.

How the scope of our audit responded to the key audit matter	Our audit procedures related to tangible and intangible assets valuation included, but were not limited to:
	• We assessed the key assumptions used in calculating VIU including future revenue, volumes, EBITDA margins, and change in working capital by:
	  o comparing forecast vehicles volumes to industry analyst coverage.
	  o comparing the assumptions used in the forecasts to the Group's historical trends in forecast sales volume, revenue per car, gross profit (loss) per car and capital expenditure.
	  o comparing forecast revenue, profitability margin, and capital expenditure assumptions to preliminary recorded results from subsequent periods.
	• With the assistance of our valuation specialists, we evaluated the discount rate, including testing the underlying source information and the mathematical accuracy of the calculations, and developing a range of independent estimates and comparing those to the discount rate selected by management.

	• We evaluated management's ability to accurately forecast revenue, volumes, EBITDA margins, change in working capital by comparing actual results to management's historical forecasts, the Group's historical results, external analyst reports and internal communications to management and the board of directors. • With the assistance of our valuation specialists, we further evaluated the Group's sensitivity analysis by comparing to our own sensitivity analysis to corroborate the disclosures around assumptions that are most sensitive to a reasonably possible change that could cause the carrying amount to exceed its recoverable amount for a cash generating unit.
Key observations	Based on the audit work performed, we identified a number of control deficiencies over the Group's evaluation of tangible and definite-lived intangible assets for impairment. • Consideration of multiple cash generating units and changes in certain macroeconomics, industry, and market conditions related to the impairment test of intangible assets; and • Insufficient review controls over the completeness and accuracy of the data used in the impairment test.

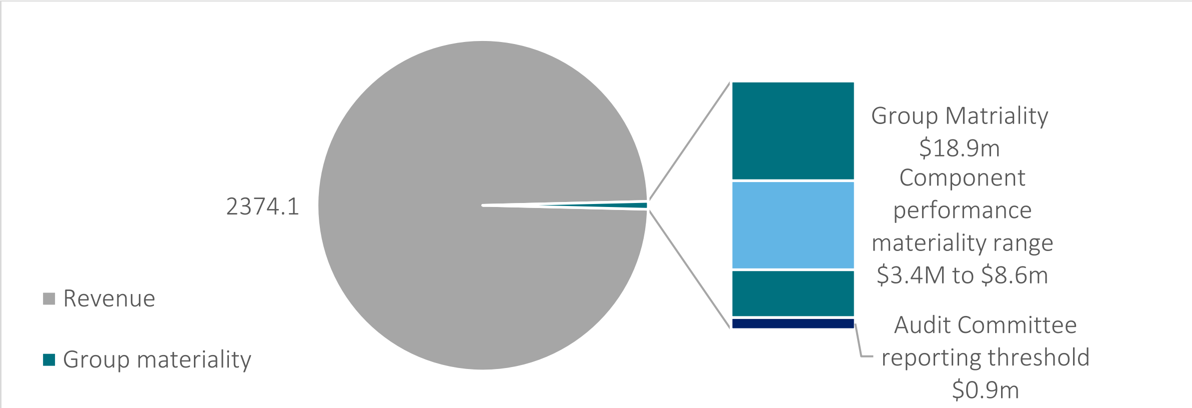
6. Our application of materiality

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	$18.9m (2023 - $18.7m)	$18.5m (2023 - $18.0m)
Basis for determining materiality	0.8% (2023 – 0.8%) of revenue	0.7% (2023 - 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 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	60% (2023 – 70%) of group materiality	60% (2023 – 70%) of parent company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: • Our risk assessment, including our assessment of the Group's overall control environment, including the weaknesses in the control environment discussed in section 7.2 below 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 (2023- $0.9m), 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. 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.

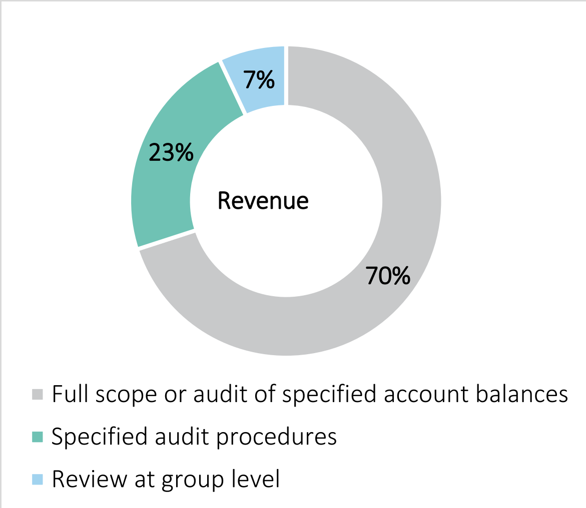
We identified components based on accounting locations, with the accounting and reporting for legal entities being centralised across 5 different accounting locations. We identified four of these locations to be significant components of the Group. These locations were the HQ/Sweden cluster, North America,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

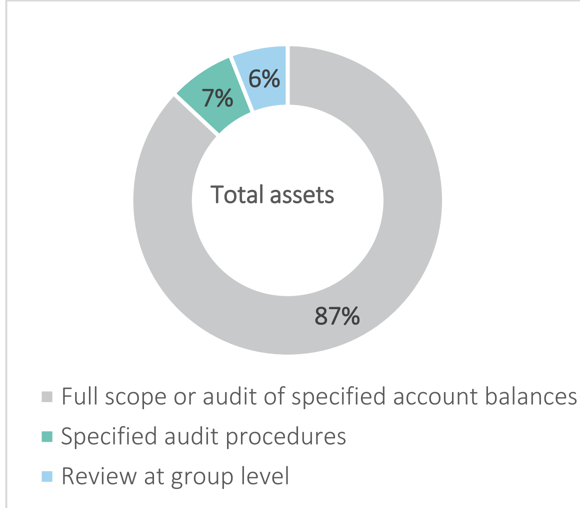
We determined that the four locations were significant components to the Group due to contribution to the total performance and position of the Group as well as considering the relevant risk in the region that the component operates in.

Based on this assessment, audit procedures were performed on four components which covered 93% (2023 – 90%) of revenue and 94% (2023 – 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 $3.4 million to $8.6 million (2023: $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 full scope audit, audit of specified account balances, or specified audit procedures.





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- 5.3, further deficiencies were also identified with the Group's controls.

Control Environment

- The finance function does not have fully formalized processes nor throughout the organization sufficient number of personnel within finance and operations with the appropriate accounting and SEC regulatory reporting expertise to perform appropriate and timely reviews of financial reporting matters, the financial statements and disclosure, key controls, and work performed by external advisors related to financial reporting and technical accounting.

Control Activities

Lack of effectively designed and implemented controls over:

- Segregating the function of recording and approving journal entries and the preparation and review of account reconciliations, and validating the completeness and accuracy of data used in the controls over reviewing journal entries.
- Recognition of vehicle revenue in accordance with IFRS 15 in regard to (i) fleet customers, private individuals, dealers' and importers' sales of vehicles' revenue streams over the completeness and accuracy of data used in the controls, and (ii) fleet customers and private individuals sales of vehicles' revenue streams over the precision of review in management review controls. Further, there were insufficient controls over the completeness and accuracy of data used in the calculations of deferred revenue associated with sales of vehicles. In addition, the Company's controls related to appropriately identifying and valuing the performance obligations to defer revenue related to sales of vehicles were not operating with the right precision.
- The existence, completeness, and valuation of inventory, including the net realizable value assessment.
- The completeness and accuracy of the data used in the existence, completeness and classification of current versus non-current liability to repurchase vehicles sold under its sales of vehicles with repurchase obligations arrangements.
- Consideration of multiple cash generating units and changes in certain macroeconomics, industry, and market conditions related to the impairment test of intangible assets. Further, there were insufficient review controls over the completeness and accuracy of the data used in the impairment test.

- The completeness and accuracy of accrued expenses and accounts payable as well as the precision in the review of certain accrued expenses.
- The completeness and accuracy of related party data used in the controls and the precision of review in management review controls over related party transactions.
- The completeness and accuracy of the input data of debt transactions and the precision of review of debt transactions.
- The review and approval of salary changes within the human resource system and the reconciliation of these changes to the salary system which is used in controls over salaries and bonuses in Europe.
- The application of technical accounting and the review of the accounting for complex and non-routine transactions.

Information and Communication

- Ineffective IT general controls were identified in the report obtained from an external service organization related to the systems used in: (i) warranty provisions, (ii) dealers' and importers' sales of vehicles' revenue streams, and (iii) inventory and ineffective IT general controls related to homegrown systems used in fleet customers and private individuals sales of vehicles' revenue streams.

Monitoring

- The Company did not perform sufficient ongoing evaluations to ascertain whether the components of internal control were present and functioning, and as a result, the inability to communicate all relevant internal control deficiencies in a timely manner to those parties responsible for taking corrective action..

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 pages 35 to 36 the Group has assessed the risks and opportunities relevant to climate change and whilst the Group has not identified a separate principal risk in relation to 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 2023.

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 from the sales of vehicles.

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 from the sale of vehicles 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.

Peter Gallimore FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, UK
10 September 2024

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	**2023**	**2022**	**2021**
			(Restated)[1]	**(Restated)[1]**
Revenue	4	2,378,562	2,444,105	1,346,347
Cost of sales	6	(2,791,643)	(2,343,302)	(1,336,688)
Gross (loss) profit		**(413,081)**	**100,803**	**9,659**
Selling, general and administrative expense	6	(949,683)	(838,367)	(685,049)
Research and development expense	6	(158,406)	(174,916)	(234,019)
Other operating income (expense), net	9	41,204	(305)	(50,716)
Listing expense	18	—	(372,318)	—
Operating loss		**(1,479,966)**	**(1,285,103)**	**(960,125)**
Finance income	11	69,454	8,552	32,970
Finance expense	11	(213,321)	(108,402)	(45,218)
Fair value change - Earn-out rights	18	443,168	902,068	—
Fair value change - Class C Shares	18	22,000	35,090	—
Share of losses in associates	10	(43,304)	—	—
Loss before income taxes		**(1,201,969)**	**(447,795)**	**(972,373)**
Income tax benefit (expense)	13	7,138	(29,660)	3,075
Net loss		**(1,194,831)**	**(477,455)**	**(969,298)**
Net loss per share (in U.S. dollars)	14			
Class A - Basic and Diluted		(0.57)	(0.24)	(0.51)
Class B - Basic and Diluted		(0.57)	(0.24)	(0.51)
Consolidated Statement of Comprehensive Loss				
Net loss		**(1,194,831)**	**(477,455)**	**(969,298)**
Other comprehensive (loss) income:				
Items that may be subsequently reclassified to the Consolidated Statement of Loss:				
Exchange rate differences from translation of foreign operations		(10,237)	180	(32,318)
Total other comprehensive (loss) income		**(10,237)**	**180**	**(32,318)**
Total comprehensive loss		**(1,205,068)**	**(477,275)**	**(1,001,616)**

1 - Refer to *Note 31 - Restatement of prior period financial statements* for reconciliations between originally reported and as revised annual amounts.

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

	Note	As of the year ended December 31, 2023	2022 (Restated)[1]
Assets			
Non-current assets			
Intangible assets and goodwill	15	1,412,729	1,394,282
Property, plant and equipment	12, 16	316,867	275,954
Vehicles under operating leases	12	67,931	97,186
Other non-current assets	17	7,212	5,306
Deferred tax assets	13	43,041	11,287
Other investments	17	2,414	2,333
Total non-current assets		**1,850,194**	**1,786,348**
Current assets			
Cash and cash equivalents	17	768,927	973,877
Trade receivables	19	126,205	239,578
Trade receivables - related parties	19, 27	61,026	79,225
Accrued income - related parties	27	152,605	49,060
Inventories	20	939,359	630,154
Current tax assets		9,270	7,184
Assets held for sale	28	—	56,001
Other current assets	21	204,142	112,983
Other current assets - related parties	27	9,576	—
Total current assets		**2,271,110**	**2,148,062**
Total assets		**4,121,304**	**3,934,410**
Equity			
Share capital		(21,168)	(21,165)
Other contributed capital		(3,615,187)	(3,584,232)
Foreign currency translation reserve		26,010	15,773
Accumulated deficit		4,872,644	3,677,813
Total equity	22	**1,262,299**	**88,189**
Liabilities			
Non-current liabilities			
Non-current contract liabilities	4	(63,063)	(49,018)
Deferred tax liabilities	13	(3,335)	(12,470)
Other non-current provisions	23	(104,681)	(75,362)
Other non-current liabilities	17	(73,149)	(27,859)
Earn-out liability	18	(155,402)	(598,570)
Other non-current interest-bearing liabilities	12, 17	(54,439)	(31,326)
Other non-current interest-bearing liabilities - related parties	27	(1,409,244)	(43,643)
Total non-current liabilities		**(1,863,313)**	**(838,248)**
Current liabilities			
Trade payables	17	(92,441)	(97,418)
Trade payables - related parties	17, 27	(275,704)	(935,161)
Accrued expenses - related parties	27	(450,000)	(157,426)
Advance payments from customers	17	(16,415)	(35,717)
Current provisions	23	(94,887)	(72,849)
Liabilities to credit institutions	25	(2,023,582)	(1,326,388)
Current tax liabilities		(12,812)	(14,394)
Interest-bearing current liabilities	12, 17	(19,547)	(11,935)
Interest-bearing current liabilities - related parties	27	(68,332)	(26,618)
Current contract liabilities	4	(112,062)	(45,119)
Class C Shares liability	18	(6,000)	(28,000)
Other current liabilities	24	(347,902)	(364,264)
Other current liabilities - related parties	27	(606)	(69,062)
Total current liabilities		**(3,520,290)**	**(3,184,351)**

Total liabilities	**(5,383,603)**	**(4,022,599)**
Total equity and liabilities	**(4,121,304)**	**(3,934,410)**

1 - Refer to *Note 31 - Restatement of prior period financial statements* for reconciliations between originally reported and as revised annual amounts.

Approved by the Board of Directors on September 10, 2024 and signed on its behalf by:

Håkan Samuelsson

Chair

10 September 2024

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, 2021 - (Restated)	**22**	**(1,318,752)**	**—**	**(16,365)**	**731,934**	**(603,183)**
Net loss - (Restated)		—	—	—	969,298	969,298
Other comprehensive loss - (Restated)		—	—	32,318	—	32,318
Total comprehensive loss - (Restated)		**—**	**—**	**32,318**	**969,298**	**1,001,616**
Issuance of Convertible Notes	22	—	(35,231)	—	—	(35,231)
Issuance of new shares	22	(547,157)	—	—	—	(547,157)
Balance as of December 31, 2021 - (Restated)		**(1,865,909)**	**(35,231)**	**15,953**	**1,701,232**	**(183,955)**
Net loss - (Restated)		—	—	—	477,455	477,455
Other comprehensive income - (Restated)		—	—	(180)	—	(180)
Total comprehensive loss - (Restated)		**—**	**—**	**(180)**	**477,455**	**477,275**
Merger with Gores Guggenheim Inc.	18					—
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	8, 22	(9)	(9,900)	—	—	(9,909)
Balance as of December 31, 2022 - (Restated)		**(21,165)**	**(3,584,232)**	**15,773**	**3,677,813**	**88,189**
Net loss		—	—	—	1,194,831	1,194,831
Other comprehensive loss		—	—	10,237	—	10,237
Total comprehensive loss		**—**	**—**	**10,237**	**1,194,831**	**1,205,068**
Equity-settled share-based payment	8, 22	(3)	(5,390)	—	—	(5,393)
Related party capital contribution	22, 27	**—**	(25,565)	—	—	(25,565)
Balance as of December 31, 2023		**(21,168)**	**(3,615,187)**	**26,010**	**4,872,644**	**1,262,299**

Consolidated Statement of Cash Flows
(in thousands of U.S. dollars unless otherwise stated)

	Note	2023	2022 (Restated)[1]	2021 (Restated)[1]
		For the year ended December 31,		
Cash flows from operating activities				
Net loss		(1,194,831)	(477,455)	(969,298)
Adjustments to reconcile net loss to net cash flows:				
Depreciation and amortisation expense	6	115,010	142,991	217,841
Warranty provisions	23	65,543	91,283	57,480
Impairment of inventory	6, 20	134,877	14,830	30,782
Impairment of property, plant, and equipment, vehicles under operating leases, and intangible assets	6, 12, 15, 16	351,241	—	—
Finance income	11	(69,454)	(8,552)	(32,970)
Finance expense	11	213,321	108,402	45,218
Fair value change - Earn-out rights	18	(443,168)	(902,068)	—
Fair value change - Class C Shares	18	(22,000)	(35,090)	—
Listing expense	18	—	372,318	—
Income tax benefit (expense)	13	(7,138)	29,660	(3,075)
Share of losses in associates	10	43,304	—	—
Gain on sale of asset grouping	28	(16,334)	—	—
Loss on derecognition and disposal of property, plant, and equipment and intangible assets	15, 16	10,892	11,036	—
Litigation provisions	23	35,676	—	—
Other provisions	23	19,890	23,367	11,560
Unrealized exchange (loss) gain on trade payables		26,787	(26,672)	9,876
Other non-cash expense and income		(8,510)	11,266	—
Change in operating assets and liabilities:				
Inventories	20	(358,392)	(186,393)	(283,776)
Contract liabilities	4	77,424	21,629	59,074
Trade receivables, prepaid expenses, and other assets	21, 26	(151,634)	(222,691)	57,119
Trade payables, accrued expenses, and other liabilities	24, 26	(459,002)	21,981	496,782
Interest received		32,280	8,552	1,396
Interest paid		(220,147)	(68,130)	(12,564)
Taxes paid		(35,477)	(19,559)	—
Cash used for operating activities		**(1,859,842)**	**(1,089,295)**	**(314,555)**
Cash flows from investing activities				
Additions to property, plant, and equipment	16, 26	(137,400)	(32,269)	(24,701)
Additions to intangible assets	15, 26	(457,364)	(674,275)	(102,236)
Additions to other investments		—	(2,500)	—
Proceeds from sale of property, plant, and equipment	16	1,779	—	—
Proceeds from sale of asset grouping	28	153,586	—	—
Cash used for investing activities		**(439,399)**	**(709,044)**	**(126,937)**
Cash flows from financing activities				
Change in restricted deposits		(1,906)	—	48,830
Proceeds from short-term borrowings	25, 26, 27	3,262,831	2,149,799	698,882
Proceeds from long-term borrowings	26, 27	1,381,738	—	—
Proceeds from related party capital contribution	22, 27	25,565	—	—
Proceeds from issuance of share capital and other contributed capital	18, 22	—	1,417,973	582,388
Repayments of borrowings	25, 26, 27	(2,553,008)	(1,426,935)	(411,950)
Repayments of lease liabilities	12, 26	(21,916)	(19,448)	(8,913)
Transaction costs	18	—	(38,903)	—
Cash provided by financing activities		**2,093,304**	**2,082,486**	**909,237**
Effect of foreign exchange rate changes on cash and cash equivalents	3	987	(66,947)	(27,492)
Net (decrease) increase in cash and cash equivalents		**(204,950)**	**217,200**	**440,253**
Cash and cash equivalents at the beginning of the period		**973,877**	**756,677**	**316,424**
Cash and cash equivalents at the end of the period		**768,927**	**973,877**	**756,677**

1 - Refer to *Note 31 - Restatement of prior period financial statements* for reconciliations between originally reported and as revised annual amounts.

Note 1 - Overview and basis of preparation

General information

Polestar Automotive Holding UK PLC (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, branding and marketing, and the commercialisation and selling of battery electric vehicles, and related technology solutions. Polestar Group's current lineup of battery electric vehicles consists of the Polestar 2 ("PS2"), a premium fast-back sedan, the Polestar 3 ("PS3"), a luxury aero sport-utility vehicle, the Polestar 4 ("PS4"), a premium sport utility vehicle, the Polestar 5 ("PS5"), a luxury sport grand-touring sedan, and the Polestar 6 ("PS6"), a luxury roadster. As of December 31, 2023, the PS2 and PS4 are in production while the remaining vehicles are under development. Operating sustainably is a critical priority of the Group; targeting climate neutrality by 2040, creating a climate neutral car (cradle-to-gate) by 2030, and halving the emission intensity per car sold by 2030. 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.

As of December 31, 2023, 2022, and 2021, related parties owned 88.3%, 89.2%, and 94.1% of the Group, respectively. The remaining 11.7%, 10.8%, and 5.9% of the Group at each respective year end was owned by external investors.

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, reorganisation 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 recapitalisation 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 canceled 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 recognised by GGI and deducted from the gross proceeds raised. The merger was accounted for as a reverse recapitalisation, in accordance with the IFRS. Refer to *Note 18 - Reverse recapitalisation* for additional information on the reverse recapitalisation.

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 was recast to retroactively reflect the shares issued by the parent to the Former Parent for December 31, 2022 and December 31, 2021. Refer to *Note 14 - Net loss per share* and *Note 22 - Equity* for additional information.

Basis of preparation

The Consolidated Financial Statements in this annual report of Polestar Group are prepared in accordance with the IFRS, issued by the IASB and UK-adopted international accounting standards. 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 2024-2028 business plan.

Management assessed Polestar Group’s ability to continue as a going concern and evaluated whether there are certain events or conditions, considered in the aggregate, that may cast material uncertainty about Polestar’s ability to continue as a going concern. All information available to management, including cash flow forecasts, liquidity forecasts, and internal risk assessments, pertaining to the twelve-month period after the issuance date of these Consolidated Financial Statements was used in performing this assessment.

As a result of scaling up commercialisation and continued capital expenditures related to the PS2, PS3, PS4, PS5, and PS6, managing the Company’s liquidity profile and funding needs remains one of management’s key priorities. If Polestar is not able to raise the necessary funds through operations, equity raises, debt financing, or other means, the Group may be required to delay, limit, reduce, or, in the worst case, terminate research and development and commercialisation efforts. Since inception, Polestar Group has generated recurring net losses and negative operating and investing cash flows. Net losses for the years ended December 31, 2023, 2022, and 2021, amounted to $1,194,831, $477,455, and $969,298, respectively. Negative operating and investing cash flows for the years ended December 31, 2023, 2022, and 2021, amounted to $2,299,241, $1,798,339, and $441,492, respectively. Management’s 2024-2028 business plan indicates that Polestar will generate negative operating cash flows in the near future and positive operating cash flows starting the second half of 2025; investing cash flows of Polestar will continue to be negative in the near and long-term future due to the nature of Polestar’s business. Securing financing to support operating and development activities represents an ongoing challenge for Polestar Group.

Polestar Group primarily finances its operations through short-term working capital loan arrangements with credit institutions (i.e., 12 months or less), contributions from shareholders, extended trade credit from related parties, and long-term financing arrangements with related parties. Management’s 2024-2028 business plan indicates that Polestar Group depends on additional financing that is expected to be funded via a combination of new short-term working capital loan arrangements, long-term loan arrangements, shareholder loans with related parties, and executing capital market transactions through offerings of debt and/or equity. The timely realisation 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.

During the year ended December 31, 2023, Polestar demonstrated efforts towards achieving liquidity targets in management's 2024-2028 business plan by:

- Renegotiating the terms of its convertible credit facility with Volvo Cars to extend the principal repayment date to June 30, 2027 and achieve an additional borrowing capacity;
- Securing long-term financing support from Geely in the form of various facilities; and
- Entering into multiple short-term working capital loan arrangements with banking partners in China.

Polestar is party to financing instruments during the 12 months following the reporting period that contain financial covenants with which Polestar must comply. A failure to comply with such covenants may result in an event of default that could have material adverse effects on the business. Due to the factors discussed above, there is material uncertainty as to whether Polestar will be able to comply with all covenants in future periods. Remedies to an event of default include proactively applying for a covenant waiver prior to such event of default occurring.

Based on these circumstances, management reasonably expects there to be sufficient liquidity in the twelve-month period after the issuance date of these Consolidated Financial Statements in order for Polestar to meet its cash flow requirements, but there is material uncertainty about Polestar'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.

Note 2 - Significant accounting policies and judgements

Adoption of new and revised standards

Effects of new and amended IFRS

The following new standards and amendments effective from January 1, 2023 were adopted by the Group for the preparation of these Consolidated Financial Statements. Management concluded the adoption of any of the below accounting pronouncements did not have a material impact on the Group's financial statements, unless otherwise noted.

In February 2021, the IASB issued amendments to IAS 1, *Presentation of Financial Statements* ("IAS 1") and IFRS Practice Statement 2, *Making Materiality Judgements* ("IFRS Practice Statement 2"), 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 for annual periods are effective beginning on or after January 1, 2023.

In June 2020, the IASB published amendments to IFRS 4, *Insurance Contracts* ("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, *Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 Comparative Information* ("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. These amendments for annual periods are effective beginning on or after January 1, 2023.

In February 2021, the IASB issued amendments to IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* ("IAS 8") which clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. These amendments for annual periods are effective beginning 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 for annual periods are effective beginning 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 for annual periods is effective beginning on or after January 1, 2023.

In May 2023, the IASB issued amendments to IAS 12, *International Tax Reform – Pillar Two Model Rules,* aimed at providing clarity regarding the application of IAS 12 to income taxes stemming from tax legislation put into effect or substantially enacted to execute the Organisation for Economic Co-operation and Development (OECD)/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) Pillar Two model rules (Pillar Two income taxes). These amendments introduce: (i) a compulsory temporary exemption concerning the accounting treatment of deferred taxes originating from the jurisdictional enforcement of the Pillar Two model rules, effective immediately upon the release of the amendment, and (ii) disclosure mandates for impacted entities, designed to aid users of financial statements in gaining a clearer understanding of an entity's exposure to Pillar Two income taxes due to that legislation, particularly preceding the effective date of the Pillar Two model rules. These rules are applicable for annual periods beginning on or after January 1, 2023, excluding any interim periods ending on or before December 31, 2023.

The Pillar Two model rules institute a minimum effective tax rate of 15 percent on a jurisdictional level for multinational enterprise groups and significant domestic groups with annual revenues of at least €750,000 in their consolidated financial statements for a minimum of two of the previous four fiscal years. Based on the information available to date, management does not expect any material impacts for the Group as a result of the legislation.

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 annual periods ended December 31, 2023, will not have a material impact on the Group's financial statements, unless otherwise noted.

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 September 2022, the IASB issued an amendment to IFRS 16, *Leases* ("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 for annual periods is effective beginning 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 for annual periods is effective beginning on or after January 1, 2024.

In May 2023, the IASB issued amendments to IAS 7, *Statement of Cash Flows* ("IAS 7") and IFRS 7, *Financial Instruments: Disclosures: Supplier Finance Arrangements* ("IFRS 7"), to implement new disclosure requirements to improve clarity and usefulness of information provided by entities concerning supplier finance arrangements. These changes aim to help users of financial statements understand the impact of supplier finance arrangements on an entity's liabilities, cash flows, and exposure to liquidity risk. The amendments for annual periods are effective beginning on or after January 1, 2024.

In June 2023, International Sustainability Standards Board ("ISSB") issued IFRS S1, *General Requirements for Disclosure of Sustainability-related Financial Information* ("IFRS S1"), and IFRS S2, *Climate-related Disclosures* ("IFRS S2"). IFRS S1 provides the basic requirements for sustainability disclosures, which should be used with IFRS S2 as well as the future Standards the ISSB releases. IFRS S2 has been developed specifically to capture climate-related risks and opportunities disclosure requirements. These standards for annual periods are effective beginning on or after January 1, 2024.

In April 2024, the IASB issued IFRS 18, *Presentation and Disclosure in Financial Statements* ("IFRS 18"), which outlines the requirements for the presentation and disclosure of information in financial statements. It includes the requirement to classify income and expenses into three new categories: operating, investing, and financing. IFRS 18 will replace IAS 1 and will be effective for annual periods beginning on or after January 1, 2027.

In May 2024, the IASB issued IFRS 19, *Subsidiaries without Public Accountability: Disclosures* ("IFRS 19"), which specifies reduced disclosure requirements that eligible entities can apply instead of the disclosure requirements in other IFRS accounting standards. This standard for annual periods is effective beginning on or after January 1, 2027.

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.

Restatement

In connection with the preparation of our consolidated financial statements as of and for the year ended December 31, 2023, management identified various misstatements in our previously issued 2021 and 2022 annual financial statements.

The prior period errors relate primarily to (i) accounting for Inventories, including the accounting treatment of certain launch costs, capitalizable expenses into inventory and valuation adjustments for internal use cars, (ii) accounting for accruals and deferrals, (iii) capitalisation of expenses, (iv) other errors relating to reclassifications between financial statement captions and (v) deferred taxes and income taxes.

Management has assessed the materiality of the misstatements on the 2021 and 2022 financial statements. Based on this, management concluded that the prior year financial statements should be corrected, even though such revision previously was and continues to be immaterial to the prior year financial statements. Accordingly, these misstatements have been corrected, including the previously recorded out of period adjustments, for all periods presented by revising the accompanying consolidated financial statements.

The accompanying notes to the consolidated financial statements reflect the impact of this revision. Refer to *Note 31 - Restatement of prior period financial statements* for reconciliations between originally reported and as revised annual amounts.

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 inter-group 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, 2023, 2022 and 2021, the Parent had thirty-three, thirty-three, and thirty-three fully consolidated subsidiaries, respectively. Additionally, the Group has an equity method investment in Polestar Technology (Shaoxing) Co., Ltd ("Polestar Technology"), where Polestar owns 49% of the Company's equity and 40% of the voting interest on Polestar Technology's Board of Directors.

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 recognised 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 recognised in the Consolidated Statement of Loss and Comprehensive Loss.

For more information about currency risk, see *Note 3 - 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 recognised 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 a margin method is used for determining the transaction price of performance obligations included with sales of vehicles and the delivery of the vehicle itself. The Company transitioned from the residual method to the expected cost plus a margin method, effective from the fourth quarter of the year ended December 31, 2023. Polestar determines the expected cost plus a margin by factoring internal cost data captured from the inventory net realizable value. This information is supported by vehicle sales data from the past four consecutive years. 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. – refer to *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 capitalised 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 capitalised in intangible assets. – refer to *Note 15 - Intangible assets and goodwill*.
- Impairment of intangible assets and goodwill – Polestar conducts routine evaluations of its 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 ("CGU") level. Polestar Group has 4 CGUs. – refer to *Note 15 - Intangible assets and goodwill*.
- A CGU is defined as the smallest identifiable group of assets that generates largely independent cash inflows. Determining the number of CGUs and composition of each CGU requires judgments to be made about the interdependence of Polestar's capital intensive (i.e., Property, plant, and equipment and Intangible assets) and working capital assets related to cash flow generation.
- Polestar conducts routine evaluations of its investment in associates to determine if there is objective evidence that the investment is impaired. Polestar will recognise an impairment loss when there is objective evidence of impairment as a result of events that have a negative impact on the estimated future cash flows generated by Polestar's investment in its associates – refer to *Note 10 - Investment in associates.*
- Impairment of inventory – Polestar conducts routine evaluations of its inventories to ensure that the carrying value of inventories does not exceed net realizable value ("NRV"). NRV is based on the estimated selling price of inventories less estimated costs of completion. If the carrying value of inventories exceeds NRV, the surplus is recognised within Cost of sales, writing down the value of inventories to establish a new cost basis. Polestar conducts routine analyses to determine if estimates (e.g., estimated selling prices and estimated costs) used in the NRV calculation require changes and if additional impairment adjustments to inventories are required – refer to *Note 20 – Inventories*.
- 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 13 - Income tax benefit (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 18 - Reverse recapitalisation*.
- 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 18 - Reverse recapitalisation*.

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

Climate change is a global challenge and emerging risk to businesses, people and the environment across the world. Although commitments we have made to date form part of the cash flow projections within our going concern and impairment assessments, the impact of climate change is not judged to have been a key driver in determining the outcomes of these exercises and is therefore not currently classified as a key source of estimation uncertainty. The Group will continue to review this classification as the assessment of the impacts, risk and opportunities presented by climate change and the Group’s commitments to address the challenges presented evolve over the coming years.

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). As of December 31, 2023 and 2022, the Group had no marketable securities.

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, 2023 the Group had restricted cash of $1,834 which is presented as Other non-current assets in the Consolidated Statement of Financial Position. As of December 31, 2022 the Group did not have any 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 the UK received government grants conditioned to be used for product development activities. Neither of these grants are tied to the future trends or performance of the Group and are not required to be refunded under any circumstance. For grants received related to assets the Group deducts the grant from the carrying value of the asset. The grant is then recognised in profit and loss over the life of the depreciable asset as a reduction of the depreciation expense. The amount of government grants received related to assets as of December 31, 2023 and 2022 was $4,223 and $3,745, respectively.

The Group's subsidiary based in Ireland received government grants related to incentivizing the use of zero emission vehicles. The incentive is given by the Sustainable Energy Authority of Ireland (SEAI) to support the switch to zero emission vehicles in Ireland. The Group's subsidiary based in Sweden received government grants related to incentivizing innovation and sustainable growth. This incentive is given by Vinnova - Sweden's innovation agency. Receipt of such grants is 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, 2023, 2022 and 2021 was $1,402, $59 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 recognised 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 a margin method 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 recognised on a straight-line basis over the contract period as a stand-ready obligation. The deferred revenue is presented as Current and Non-current contract liabilities, since the customers' payments are made before the services are transferred.

Polestar recognises 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 recognises revenue related to connected services on a straight-line basis over the 8-year period following initial recognition, consistent with the expected utilisation of the services.

The stand-alone selling price associated with the delivery of the vehicle is determined using an expected cost plus a margin method. Historically, Polestar used the residual method to determine the stand-alone selling price associated with the delivery of the vehicle. Effective from the fourth quarter of the year ended December 31, 2023, the Company transitioned from the residual method to the expected cost plus a margin method. Polestar transitioned away from the residual method as a result of new information leading to the refining of estimation techniques to provide a more relevant and appropriate estimate. Due to more experience, arising from four consecutive years of car sales and the availability of more accurate data, we have determined that the expected cost plus a margin method is more suitable. This change has been accounted for prospectively as a change in accounting estimate in accordance with IAS 8. The effect of this change in estimate when recalculating revenue and deferred revenue under the new approach is immaterial. The transaction price allocated to the delivery of the vehicle is recognised 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 stand-alone 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 commercialisation of Polestar vehicles commenced in the third quarter of 2020, the Group has not recognised 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, 2023 and 2022. Further, contracts with importers specify that 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 recognises 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 optimisations 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 recognises license revenue from sales-based royalties in the period in which Volvo Cars' sales of vehicles with the performance engineered kits occur.

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 recognised 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.

In certain jurisdictions, Polestar is unable to independently sell the carbon credits allocated to its vehicles due to the fact that the vehicles were not physically manufactured by Polestar. In this case, the legal manufacturer remits the full compensation received for the credit sold to Polestar where the legal manufacturer acts as a "pass through." The compensation received for these carbon credits is recognised within Other income on the Consolidated Statement of Loss and Comprehensive Loss.

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

Vehicle leasing revenue

During the years ended December 31, 2023 and December 31, 2022, 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 capitalised 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 recognised as non-current assets. Vehicle leasing revenue is recognised 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 and Other non-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. Other revenue also includes the sale of technology to other related parties.

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 recognised 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 and therefore has the ability to direct the use of, and obtain the benefits from, the license. The Group recognises license revenue from sales-based royalties in the period in which Volvo Cars’ sales of parts and accessories occur.

The performance obligation related to the sales of technology to other related parties is satisfied at the point in time the Group transfers the Intellectual property to the related party.

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 recognised when Polestar Group is obligated to transfer goods or services. 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 recognised, 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 recognise 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 recognise revenue over the 8-year period following initial recognition, consistent with the expected utilisation of the services. In the case of volume related discounts that are triggered over time, a short-term contract liability will also be recognised 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 recognise revenue on a straight-line basis, consistent with the terms of the contract.

Cost of sales

For the years ended December 31, 2023, 2022 and 2021, Cost of sales amounted to $2,791,643, $2,343,302, and $1,336,688, 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 assets, amortisation 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 capitalised 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 recognised in accordance with IAS 19, 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 recognised 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 organisation 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 recognised 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 recognised on the annual grant date, subsequently remeasured at the end of each 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 recognised 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 $4,532 are estimated to be paid to Alecta for the year ended December 31, 2023 related to ITP 2.

Polestar Group's share of the total savings premiums for ITP 2 in Alecta for the years ended December 31, 2023, 2022 and 2021, amounted to 0.31903%, 0.20597%, and 0.13056%, respectively. Further, Polestar Group's share of the total number of active policy holders as of December 31, 2023, 2022 and 2021, amounted to 0.08470%, 0.07340%, and 0.04485%, 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, 2023, 2022 and 2021, Alecta's surplus of consolidation level amounted to 158%, 172%, and 172%, 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 recognised 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 recognised in profit and loss. Equity-settled share-based payment awards are recognised in equity using the fair value as of the date of grant and not remeasured thereafter. The expense associated with share-based payments is recognised 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, 2023 the Group had granted equity settled share-based payments to the Executive Management Team ("EMT") (i.e., CEO, CFO, and COO[1]), and other key management members in the form of restricted stock units ("RSU"), and performance stock units ("PSU") through the 2022 Omnibus Incentive Plan. 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. During 2022, 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 18 - Reverse recapitalisation* for detail on the merger with GGI. Refer to *Note 8 - 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, 2023 and 2022, no material lease extension options existed.

At the lease commencement date, a Right of Use ("ROU") asset and a lease liability are recognised 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, except ROU assets that are used in the manufacturing of vehicles, which are depreciated on a production basis and capitalised into inventory. For more information regarding amortisation of the ROU asset, refer to *Note 12 - Leases*. The ROU asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

[1] From August 31, 2023 there is no longer a Chief Operating Officer, "COO", in the EMT.

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 recognise 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 recognised 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 Interest-bearing current 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, amortisation of the lease liability is presented as a cash flow from financing activities. Payments of interest, short-term leases and leases of low value are presented as cash flows from operating 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 recognised 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 recognised 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 capitalised and amortized on a straight-line method over the lease term. Liabilities related to repurchase obligations are recognised as other non-current and current liabilities. Following repurchase by Polestar, the vehicles are reclassified to Inventories.

Finance income and expense

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

Income tax benefit (expense)

Polestar Group's Income tax benefit (expense) consists of current tax and deferred tax. Taxes are recognised in the Consolidated Statement of Loss and Comprehensive Loss, except when the underlying transaction is recognised directly in equity, whereupon related taxation is also recognised 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 recognised to the extent it is probable that they will be utilised 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. Unrecognised Deferred tax assets are reassessed at each reporting date and recognised 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.

The assessment of the potential exposure to Pillar Two income taxes is based on the Group's consolidated financial statements for the current year. Based on the assessment performed, the transitional safe harbor relief applies for most jurisdictions and in the few jurisdictions where this relief does not apply, the full ETR calculation results in an effective tax rate above 15%. Management is not currently aware of any circumstances under which this might change. Therefore, the Group does not expect a potential exposure to Pillar Two top-up taxes.

Earnings per share

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

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

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

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

Intangible assets and goodwill

An intangible asset is recognised 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 patents, 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 amortisation 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 2024-2028 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 utilise such intangibles in accordance with the business plan and any related rights and obligations under its contractual agreements. The estimated useful life and amortisation 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

Polestar Group has entered into agreements with Volvo Car Group ("Volvo Cars") and Zhejiang Geely Holding Group Company Limited ("Geely"), related parties regarding manufacturing engineering for the development of Polestar's vehicles. Amortisation of manufacturing engineering is capitalised into inventory on a production basis.

Acquired IP

Polestar Group has entered into agreements with Volvo Cars and Geely, a related party, regarding patent rights, 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. During the fourth quarter of the year ended December 31, 2023, Polestar changed how it amortized its acquired IP related to the PS2. Historically, amortisation of acquired IP related to the PS1 and PS2 was included in Research and development expenses as it represented foundational IP that was leveraged across multiple vehicle models. However, in the fourth quarter of the year ended December 31, 2023, there was a change where the acquired IP related to the PS2 was no longer amortized into Research and development expenses and was instead capitalised into inventory. The change occurred due to changes in the way the PS2 acquired IP will be used in Polestar's other vehicle models. As a result, there was a change in estimate related to the method of depreciation used for the acquired IP from the straight-line method to the units of production method. Because of this change in use, it is more appropriate to use the units of production method over the remaining life-time units to be produced. This provides an accurate estimate of the per-unit cost attributable to the acquired IP. The total impact of these changes is a decrease in Research and development expenses of $12,485 and an increase to Inventories of $3,402. Amortisation of acquired IP related to the PS1 terminated in connection with the end of PS1 production as planned 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. Amortisation of internally developed IP is included in Research and development expenses and commences when the internally developed IP is ready for its intended use.

During the fourth quarter of the year ended December 31, 2023, Polestar changed how it amortized its internally developed IP related to the PS2. Historically, amortisation of internally developed IP related to the PS1 and PS2 was included in Research and development expenses as it represented foundational IP that was leveraged across multiple functions of the Group. However, in the fourth quarter of the year ended December 31, 2023, there was a change where the internally developed IP related to the PS2 was no longer amortized into Research and development expenses and was instead capitalised into inventory. As a result, there was a change in estimate related to the method of depreciation used for the acquired IP from the straight-line method to the units of production method. Because of this change in use, it is more appropriate to use the units of production method over the remaining life-time units to be produced. This provides an accurate estimate of the per-unit cost attributable to the acquired IP. The impact of these changes is immaterial.

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 capitalised 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 capitalised 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 recognised for the years ended December 31, 2023, 2022 and 2021, amounted to $158,406, $174,916, and $234,019, respectively. Research and development expense for the years ended December 31, 2023 and 2022 was substantially related to PS2 technology. Research and development expense recognised for the year ended December 31, 2021 was substantially related to the amortisation of PS1 technology with some amortisation related to PS2 technology.

Software

Software is a finite-lived intangible asset which is amortized over its estimated useful life of 3-8 years. Amortisation 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 recognised 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 15 - Intangible assets and goodwill*.

Property plant and equipment

Items of PPE are recognised 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 capitalised 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 capitalised before the building is ready for intended use, and other relevant costs. Buildings under development are not depreciated and are transferred to buildings when ready for the intended use.

Tooling

Polestar owns the unique tooling which is used in the manufacturing of its vehicles. Tooling is depreciated on a production basis and capitalised into inventory.

PPE, excluding tooling, 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 (excluding tooling)	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 derecognised 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 recognised 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). Prior to December 31, 2023, Polestar tested assets for impairment under a single CGU as all assets were concentrated around fewer product lines with largely the same assets in use to generate cash flows. Prior to the year ended December 31, 2023, Polestar's entire business constituted a single CGU. As the business has grown, the capital intensive assets used to generate each model have become largely independent and therefore generate independent cash flows. Polestar's evaluation of its CGUs changed during the year ended December 31, 2023, triggered by the commercialisation of the Polestar 4, production of the Polestar 3, and changes in the expected usage of intangible assets undergoing internal development. For the year ended December 31, 2023, Polestar has four cash generating units: (1) the Polestar 2, (2) the Polestar 3, (3) the Polestar 4, and (4) internal development projects, mainly the Polestar 5, Polestar 6, and PX2 powertrain. Any impairment recognised due to the change in Polestar's evaluation of its CGUs constitutes a change in accounting estimate.

Goodwill is allocated based on the nature of the transaction which gave rise to the Goodwill and the consequential synergies. Accordingly, Goodwill is not allocated to a specific CGU due to the nature of the transaction which generated such Goodwill. Similarly, the Polestar trademark is not allocated to a specific CGU. Goodwill and trademarks are tested for impairment at the corporate level which reflects all assets of the Company, as a whole.

In testing a CGU for impairment, Polestar compares the CGU’s carrying amount to its recoverable amount. Polestar calculates the recoverable amount using Level 3 measurement inputs because a quoted or observable price is not available in active markets related to the Group's CGUs. 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, 2023, this discounted cash flow was calculated based on estimations regarding future cash flows as seen in the 2024-2028 business plan. All CGUs use an after tax discount rate of 15.5%. 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 and an after-tax discount rate of 14.0%.

The terminal growth rate is for cash flows through the following 10 years. Polestar did not apply a terminal growth rate in calculating each CGU's cash flows when testing the CGUs for impairment for the year ended December 31, 2023. For the year ended December 31, 2022 a terminal growth rate of 2.0% for cash flows through the following 10 years was used.

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 recognised by first reducing the CGU’s goodwill and then reducing other assets in the CGU on a pro rata basis.

Mainly due to a decrease in forecasted demand for the assets generated through the PS2 CGU, Polestar impaired its PS2 CGU as of December 31, 2023. The recoverable amount of the PS2 CGU was $696,950, resulting in an impairment loss of $351,241. No impairment losses were recognised as of December 31 2022, and 2021.

Equity method investments

Polestar applies the equity method of accounting when it has an ownership interest that conveys significant influence over the associate, typically through interest in the voting stock of the associate of between 20% and 50%.

Under the equity method of accounting, at the date of acquisition, the investment is recorded at cost and the Group’s proportionate share of the unconsolidated associate’s net income or loss is included in the Consolidated Statement of Comprehensive Loss, adjusted to eliminate intercompany gains and losses.

The carrying amount of the Group’s investment is adjusted to recognise its share of realized profit or loss. If Polestar's share of realized losses exceeds the carrying amount of its investment, the investment balance will be written down to not less than zero. In future periods, when Polestar’s share of associate earnings returns to positive, the earnings will be netted against all previously unrecognised losses, providing recognised earnings.

Polestar eliminates its unrealized profit from downstream inventory transactions against the carrying amount of its investment. If the unrealized profit exceeds the balance of the investment, Polestar will reduce the carrying amount of its investment to zero. Any remaining portion of Polestar’s share of unrealized profit will not be eliminated.

Polestar conducts routine evaluations of its investment to determine if there are any indicators of impairment present and if there is subsequently objective evidence that the investment is impaired and will recognise an impairment loss when there is a decline in value below carrying value that is other than temporary.

As of December 31, 2023 Polestar has an equity method investment in Polestar Technology (Shaoxing) Co., Ltd ("Polestar Technology"), recognised within Investment in associates in the Consolidated Statement of Financial Position.

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 recognised 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 recognised 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 recognised 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 recognised 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 recognised in the Consolidated Statement of Loss and Comprehensive Loss when the financial assets carried at amortized cost are impaired or derecognised. Interest effects on the application of the effective interest method are also recognised 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 derecognised when the asset is settled or 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 recognised.

Financial assets and liabilities are presented separately in the Consolidated Statement of Financial Position except where there is a legally enforceable right to offset the recognised amounts and there is an intention of settling them on a net basis, to realize the assets and settle the liabilities simultaneously.

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 derecognised 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 18 - Reverse recapitalisation* 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 recognised 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, 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 recognised in an allowance account which decreases the amount of Trade receivables. The amount of the expected credit loss will be recognised as an expense in the Consolidated Statement of Loss and Comprehensive Loss. As of December 31, 2023 and 2022, the Group has recognised de minimis write-offs on receivables due from unrelated parties.

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 recognised 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, 2023, the fair value of the Class C-2 Shares was determined to equal $1,080 by leveraging the closing price of the Class C-1 Shares on the Nasdaq of $0.24 per share, an implied volatility of 88%, a risk-free rate of 3.9%, a dividend yield of $0, and a 1,000 time-steps for the binomial lattice option pricing model. 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%, a risk-free rate of 4.0%, a dividend yield of $0, and a 1,000 time-steps for the binomial lattice option pricing model. Refer to *Note 18 - Reverse recapitalisation* 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 3.98 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, 2023, the fair value of the earn-out was determined to equal $155,402 by leveraging an implied volatility of 80% and a risk-free rate of 3.9%. 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%. The implied volatility represents the most significant unobservable input utilised in this Level 3 valuation technique. The calculated fair value would increase (decrease) if the implied volatility were higher (lower). Refer to *Note 18 - Reverse recapitalisation* for more detail on the Former Parent's earn-out rights.

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

The fair value of the RSUs granted April 3, 2023 was determined by reference to the Group's closing share price of $3.79 on the business day immediately preceding the grant date (i.e., $3.79 per RSU). The fair value of the RSUs granted September 9, 2022 was determined by the reference Group's share price of $6.72 on the grant date. The fair value of PSUs granted April 3, 2023 and September 9, 2022 was determined by calculating the weighted-average fair value of the 368,732 and 241,705 respective units linked to market-based vesting conditions and the 1,106,195 and 644,116 respective units linked to non-market-based vesting conditions. The units linked to non-market-based vesting conditions were fair valued by reference to the Group's closing share price of $3.79 and $6.72 on the business day immediately preceding the grant date (i.e., $3.79 and $6.72 per unit) April 3, 2023 and September 9, 2022. 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.

For the shares granted April 3, 2023, the fair value per unit of the units linked to market-based vesting conditions was determined to be $3.33 by leveraging an implied volatility of 75%, a peer group historical average volatility of 63.5%, a risk-free rate of 3.8%, a simulation term of 2.7 years, a dividend yield of 0%, and 100,000 simulation iterations. As such, the weighted-average fair value per PSU was calculated to be $3.68. For the shares granted September 9, 2022, 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 8 - 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 utilised for a period of one year or less prior to sale. Inventories are measured at the lower of acquisition or manufacturing cost and NRV and consist primarily of finished goods as of December 31, 2023 and 2022. NRV 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, and certain costs related to IP. Costs for selling, administration and financial expenses are not included. For groups of similar products, a group valuation method is applied. The cost of similar assets is established using the first-in, first-out method (FIFO). The estimate of the provision for impairment of Inventories is determined for those assets that have lost their value.

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 recognised in equity.

Provisions and contingent liabilities

Provisions are recognised 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 recognised 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 recognised 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 recognised as a financial cost.

Warranty provisions

The 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 recognised at the time of the sale of vehicles. The initial calculations of the warranty provisions are based on historical warranty statistics, considering factors like known quality improvements and costs for remedying defaults. The warranty provisions are 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 recognised to the extent these are considered to be virtually certain, based on historical experience or agreements entered into with suppliers.

Employee benefits provisions

Employee benefits provisions comprise estimated costs related to short-term incentive programs, long-term incentive programs, and post-employment benefit programs. Estimates for these provisions primarily give consideration to employment agreements and regular internal determinations made by the Board's compensation committee regarding cash-based incentives for employees. Refer to the *Employee benefits* section elsewhere in this footnote for additional discussion on the Group's incentive and post-employment benefits programs.

Litigation provisions

Litigation provisions comprise estimated costs for advisors, settlements, and other legal costs associated with lawsuits under which the Group is a defendant or in circumstances where the Group has indemnified other parties subject to a lawsuit. Estimates for these provisions give consideration to advice from advisors, precedents set by outcomes from lawsuits of similar nature, legal budgets, and internal assessments of trial timing and risk. Refer to *Note 23 - Current and non-current provisions* for additional detail of individual litigation provisions for circumstances where the Group's exposure is deemed material.

Other provisions

Other provisions primarily comprise estimated costs for taxes and other miscellaneous items. Estimates for these provisions give 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.

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 3 - Financial risk management

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. The Group is primarily exposed to currency translation risk from subsidiaries with functional currencies in the Swedish Krona (“SEK”), the Euro (“EUR”) the Chinese yuan (“CNY”), and the Great British Pound ("GBP").

Transaction exposure risk

Currency transaction risk arises from commercial transactions and settlement of recognised assets and liabilities denominated in a currency that is not the functional currency of the relevant Group entity.

For example, Polestar purchases vehicles in CNY via a SEK denominated legal entity from Volvo Cars' Taizhou plant in China (see *Note 27 - 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, 2023, the SEK strengthened against the CNY by approximately 7.58%, from 0.66 SEK/CNY on January 1, 2023 to 0.71 SEK/CNY as of December 31, 2023. During the comparative period, 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 year ended December 31, 2023, the Group was primarily exposed to changes in CNY/SEK, GBP/SEK, USD/SEK, and AUD/SEK foreign exchange rates. The following table illustrates the estimated impact of a 10% change in these foreign exchange rates as of December 31, 2023 for net asset balances which could be impacted by movements in foreign exchange rates:

	Impact on loss before income taxes	
CNY/SEK exchange rate - increase/decrease 10%	-/+	14,248
GBP/SEK exchange rate - increase/decrease 10%	+/-	10,645
USD/SEK exchange rate - increase/decrease 10%	+/-	3,236
AUD/SEK exchange rate - increase/decrease 10%	+/-	2,264

During the year ended December 31, 2022, the Group was primarily exposed to changes in CNY/SEK, USD/SEK, EUR/SEK, and CNY/USD foreign exchange rates. The following table illustrates the estimated impact of a 10% change in these foreign exchange rates as of December 31, 2022 for net asset balances which could be impacted by movements in foreign exchange rates:

	Impact on loss before income taxes	
CNY/SEK exchange rate - increase/decrease 10%	-/+	60,213
USD/SEK exchange rate - increase/decrease 10%	+/-	15,133
EUR/SEK exchange rate - increase/decrease 10%	+/-	14,975
CNY/USD exchange rate - increase/decrease 10%	+/-	7,481

During the year ended December 31, 2021, the Group was primarily exposed to changes in the CNY/SEK, CNY/USD, USD/SEK, and EUR/SEK foreign exchange rate. The following table illustrates the estimated impact of a 10% change in these foreign exchange rates as of December 31, 2021 for net asset balances which could be impacted by movements in foreign exchange rates:

	Impact on loss before income taxes	
CNY/SEK exchange rate - increase/decrease 10%	-/+	60,598
CNY/USD exchange rate - increase/decrease 10%	+/-	24,957
USD/SEK exchange rate - increase/decrease 10%	+/-	14,888
EUR/SEK exchange rate - increase/decrease 10%	-/+	3,677

The Group’s overall transaction 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.

Translation exposure risk

Currency translation risk arises from the consolidation of subsidiaries with a functional currency other than USD (i.e., the functional currency of the Parent). Translation risk 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.

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 recognised 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 - Overview and basis of preparation* and *Note 18 - Reverse recapitalisation* 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			
	2023		2022	
Earn-out liability - increase 10%	+	32,137	+	60,531
Earn-out liability - decrease 10%	-	(43,341)	-	(55,828)

	Impact on loss before income taxes					
	Fair value change - Class C-1 Shares			Fair value change - Class C-2 Shares		
		2023	2022		2023	2022
Class C Shares liability - increase of 10%	+	640	800	+	360	450
Class C Shares liability - decrease of 10%	-	(640)	(960)	-	(360)	(540)

Interest rate risk

The Polestar Group's main interest rate risk arises from short-term Liabilities to credit institutions and long-term related party loans with variable rates, which exposes the Group to cash flow interest rate risk. As of December 31, 2023 and 2022, the nominal amount of Liabilities to credit institutions with floating interest rates are $1,923,755 and $819,390, respectively. Long-term related party loans with floating interest rates are $1,292,576, and $16,690 as of December 31, 2023 and 2022, 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 loans without fixed interest rates. 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 2023 and 2022.

	Impact on loss before income taxes			
	2023		2022	
Interest rates - increase/decrease by 1%	+/-	10,028	+/-	5,219

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 minimise 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, 2023 and 2022 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, 2023, two unrelated parties accounted for $23,635 (12.68%), and $19,205 (10.30%) of the Group's total Trade receivables (i.e., Trade receivables plus Trade receivables - related parties). As of December 31, 2022, an unrelated party accounted for $26,649 (13.10%) 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 17 - 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 from its loans from financial institutions as they are short-term in nature, typically with a credit term of one year or less. 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 27 - 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, 2023 and 2022, the Group held Cash and cash equivalents of $768,927 and $973,877, 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 25 - 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. As a Company which is quickly scaling, Polestar's treasury department regularly evaluates the cash needs of the Company and enters into debt arrangements with banks in Europe and China. 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, with an ultimate goal of striking a balance between capital generated through debt versus equity. Polestar's capital is summarised as follows:

	For the year ended December 31,	
	2023	**2022**
Share capital and Other contributed capital	3,636,355	3,605,397
Liabilities to credit institutions	2,023,582	1,326,388
Other non-current interest-bearing liabilities - related parties	1,409,244	43,643
Interest-bearing current liabilities - related parties	68,332	26,618
Total capital	**$ 7,137,513**	**$ 5,002,046**

As of December 31, 2023, Polestar's main sources of debt are working capital loans which are entered into with credit institutions and long-term related party loans. These obligations are reflected within Liabilities to credit institutions and

Interest-bearing current liabilities - related parties on the Consolidated Statement of Financial Position, respectively, with a weighted average cost of capital of 6.41% and 10.39%, respectively.

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,		
	2023	2022	2021
		(Restated)	(Restated)
Sales of vehicles[1]	2,319,947	2,386,454	1,299,196
Sales of software and performance engineered kits	18,994	21,308	25,881
Sales of carbon credits	1,452	10,984	6,299
Vehicle leasing revenue	17,421	16,719	6,217
Other revenue	20,748	8,640	8,754
Total	**$ 2,378,562**	**$ 2,444,105**	**$ 1,346,347**

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

For the years ended December 31, 2023, 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 and software performance upgrades.

For the year ended December 31, 2023, the Group's largest customer that is not a related party accounted for $372,597 (16%) of Revenue. For the years ended December 31, 2022 and December 31, 2021, no sole customer exceeded 10% of total Revenue. The Group’s two largest customers that are not related parties accounted for $156,400 (6%) and $135,544 (10%) of Revenue respectively, for the years ended December 31, 2022 and December 31, 2021. Refer to *Note 27 - Related party transactions* for further details on revenue 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, 2022 - (Restated)	**20,050**	**21,830**	**17,120**	**16,693**	**75,693**
Provided for during the year - (Restated)	70,896	31,648	16,058	18,902	137,504
Settled during the year - (Restated)	(77,667)	—	—	—	(77,667)
Released during the year - (**Restated**)	—	(12,807)	(2,889)	(22,512)	(38,208)
Effect of foreign currency exchange rate differences - (Restated)	(612)	(747)	(1,778)	(48)	(3,185)
Balance as of December 31, 2022 - (Restated)	**$ 12,667**	**$ 39,924**	**$ 28,511**	**$ 13,035**	**$ 94,137**
of which current - (Restated)	12,667	18,111	4,083	10,258	45,119
of which non-current - (Restated)	—	21,813	24,428	2,777	49,018
Provided for during the year	82,182	30,800	14,469	56,022	183,473
Settled during the year	(59,999)	—	—	—	(59,999)
Released during the year	—	(23,917)	(4,973)	(18,704)	(47,594)
Effect of foreign currency exchange rate differences	2,184	757	1,558	609	5,108
Balance as of December 31, 2023	**$ 37,034**	**$ 47,564**	**$ 39,565**	**$ 50,962**	**$ 175,125**
of which current	35,781	23,552	6,135	46,594	112,062
of which non-current	1,253	24,012	33,430	4,368	63,063

As of December 31, 2023, total contract liabilities amounted to $175,125, of which $37,034 was related to variable consideration payable to fleet customers in the form of volume related bonuses and $138,091 was related to remaining performance obligations associated with sales of vehicles and vehicle leasing revenue. As of December 31, 2022, the aggregate amount of the transaction price related to sales of vehicles allocated to the remaining performance obligations was $94,137.

Revenue recognised during the year ended December 31, 2023 related to contract liabilities outstanding as of January 1, 2023 was $32,452, and no Revenue was recognised during the period related to performance obligations fully (or partially) satisfied in prior periods. Revenue recognised during the year ended December 31, 2022 related to contract liabilities outstanding as of January 1, 2022 was $27,989, and no Revenue was recognised during the period related to performance obligations fully (or partially) satisfied in prior periods. Revenue recognised during the year ended December 31, 2021 related to contract liabilities outstanding as of January 1, 2021 was $4,648, and no Revenue was recognised during the period related to performance obligation fully or (partially) satisfied in prior periods.

Note 5 - Geographic information

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 commercializing and selling battery electric vehicles and related technologies. 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 organisation 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 (PPE, Vehicles under operating leases, and Intangibles and goodwill) by geographical location where the Polestar company recognizing the Revenue is located:

	For the year ended December 31,		
	2023	2022	2021
		(Restated)	(Restated)
Revenue			
United Kingdom	529,372	338,042	207,031
USA	393,614	515,711	250,853
Sweden	276,910	362,125	199,697
Germany	242,629	287,010	117,642
Canada	129,209	84,220	17,335
Belgium	111,829	88,823	53,411
Australia	103,288	64,547	—
Netherlands	98,405	111,316	132,547
Denmark	95,292	67,555	38,227
Norway	92,688	231,310	231,640
Korea	59,912	118,108	—
Finland	45,567	42,236	10,056
Switzerland	42,611	37,855	41,131
Italy	36,580	1,067	—
Austria	33,898	27,604	5,465
China	25,863	39,253	39,668
Other regions[1]	60,895	27,323	1,644
Total	**$ 2,378,562**	**$ 2,444,105**	**$ 1,346,347**

1 - Revenue: Other regions primarily consist of Spain,Ireland and Portugal in 2023. Other regions primarily consist of Singapore in 2022 and 2021.

	As of December 31,	
	2023	2022
		(Restated)
Non-current assets[2]		
Sweden	1,239,023	1,148,209
China	448,361	507,358
United Kingdom	32,342	35,334
Germany	27,058	31,005
USA	5,017	16,247
Other regions[3]	45,726	29,269
Total	**$ 1,797,527**	**$ 1,767,422**

2 - Non-current assets: excludes financial assets, Deferred tax assets, Other non-current assets, and Other investments.

3 - Other regions primarily consist of Switzerland, Belgium, Australia and Spain in 2023 and Canada and Netherlands in 2022.

Note 6 - Expenses by nature

The following table illustrates the Group's expenses for major functions by nature:

	For the year ended December 31,		
	2023	2022	2021
		(Restated)	(Restated)
Inventory costs	2,204,298	2,182,124	1,232,715
Impairment of property, plant and equipment, vehicles under operating leases, and intangible assets	351,241	—	—
Advertising, selling, and promotion costs	387,701	296,879	313,165
Professional services and consultant costs	262,212	276,373	200,045
Employee benefit costs	248,401	203,345	109,782
Impairment of inventory	134,877	14,830	30,782
Depreciation and amortisation expense	115,010	142,991	217,841
Warranties and costs associated with settling contract liabilities	90,931	131,486	63,457
Polestar Space investor remuneration costs	53,570	54,611	39,438
Maintenance and insurance service costs	21,844	15,901	22,117
Other costs	29,647	38,045	26,414
Total cost of sales, selling, general and administrative expense, and research and development expense	**$ 3,899,732**	**$ 3,356,585**	**$ 2,255,756**

Note 7 - Employee benefits

The total employee benefits costs for the Group (including key management personnel) during the periods presented were as follows:

	For the year ended December 31,		
	2023	2022	2021
		(Restated)	(Restated)
Wages, salaries, and other short-term benefits	201,195	154,929	92,233
Social security and other social benefits	46,905	30,216	8,228
Post-employment benefits	29,523	26,294	18,600
Share-based compensation	5,000	4,958	—
Total employee benefits	**$ 282,623**	**$ 216,397**	**$ 119,061**

Post-employment benefits primarily reflects those related to defined contribution plans for the years ended December 31, 2023, 2022 and 2021, inclusive of costs related to the ITP 2. Expenses related to defined contribution plans amounted to $21,125, $20,664 and $13,916 for the years ended December 31, 2023, 2022 and 2021, respectively.

The following table discloses total costs 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,		
	2023	2022	2021
Short-term employee benefits	6,205	8,486	5,094
Post-employment benefits	907	996	525
Other long-term benefits	—	228	417
Share-based compensation	1,829	1,294	—
Total benefits to key management personnel only	**$ 8,941**	**$ 11,004**	**$ 6,036**

The Group’s EMT has the authority and responsibility for planning, directing, and controlling the Polestar Group’s activities. The CEO has the ultimate authority for approval of actions proposed by each member of the EMT. As of December 31, 2023, the EMT consisted of the following individuals:

- Thomas Ingenlath (CEO); and
- Johan Malmqvist (Chief Financial Officer, “CFO”).

On August 31, 2023, Dennis Nobelius resigned as Chief Operating Officer (“COO”).

As of December 31, 2022 and 2021, the EMT consisted of the following individuals:

- Thomas Ingenlath (CEO);
- Johan Malmqvist (CFO); and
- Dennis Nobelius (COO).

The average monthly number of persons employed by the Group (including key management personnel) for the periods presented were as follows, in ones:

	For the year ended December 31,		
	2023	2022	2021
Sales and marketing	877	732	412
R&D, design, and digital	1,616	1,259	452
Manufacturing	156	171	198
Management, administration, and others	525	386	224
Total average monthly headcount of the Group	**3,174**	**2,548**	**1,286**

Directors' remuneration

The directors' remuneration analyzed under the headings required by Company law is set out below. Please note that the 2022 figures pertain to the period from listing, i.e., 24 June 2022 to 31 December 2022.

	For the year ended December 31,	
	2023	2022
Emoluments	3,355	2,569
Amounts receivable (other than shares and share options) under long-term incentives schemes	—	—
Company contributions to money purchase pension schemes	—	—
Compensation for loss of office	—	—
Sums paid to third parties in respect of directors' services	—	—
Excess retirement benefits of directors and past directors	—	—
Total Directors' Remuneration	**$ 3,355**	**$ 2,569**

	For the year ended December 31,	
The number of directors who:	**2023**	**2022**
Are members of a defined benefit pension scheme	1	1
Are members of a money purchase pension scheme	—	—
Exercised options over shares in the parents Company	—	—
Had awards receivable in the form of shares in the parent Company under a long-term incentive scheme	1	1
Total	**2**	**2**

Table in ones.

	For the year ended December 31,	
Remuneration of the highest paid director:	**2023**	**2022**
Emoluments	1,458	1,624
Company contributions to money purchase pension schemes	—	—
Total	**$ 1,458**	**$ 1,624**

Note 8 - Share-based payment

As noted in *Note 1 - Overview and basis of preparation*, 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, 2023:

	Number of PSUs	Number of RSUs	Number of Free Shares	Total
Outstanding as of January 1, 2023	858,821	458,620	4,222	1,321,663
Granted	1,378,621	530,424	—	1,909,045
Vested	—	(169,853)	(4,222)	(174,075)
Cancelled	(266,366)	(57,120)	—	(323,486)
Outstanding as of December 31, 2023	**1,971,076**	**762,071**	**—**	**2,733,147**

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**

The following table illustrates total share-based compensation expense, all of which was equity settled, for the years ended December 31, 2023, 2022 and 2021:

	For the year ended December 31,		
	2023	2022	2021
Selling, general and administrative expense	5,131	7,128	—
Research and development expense	262	2,781	—
Total	**$ 5,393**	**$ 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 33% of the RSUs vested on June 24, 2023. The remaining RSUs will vest in one installment, with the final 34% of awards vesting on June 24, 2024. In order for the RSUs to vest, the employee must remain employed with Polestar at the vesting date. The total number of RSUs granted in 2022 was 517,220, with a fair value of $3,476 as of the grant date. During 2023 the total numbers of awards vested was 169,853 with a fair value of $1,141. During 2022 the total number of awards vested was 170,683 with a fair value of $1,147. The total number of awards cancelled due to employees who left the company in 2023 amounted to 23,780 with a fair value of $160. During 2022 there were no changes to the number of awards 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 April 3, 2023 and are equity-settled with a three-year cliff vesting period, where the vesting commencement date was January 1, 2023 and final vesting date is April 3, 2026. Awards were also granted on September 9, 2022 with a three-year cliff vesting period, where the vesting start date is October 3, 2022 with a final vesting date of June 24, 2025. For the shares granted on September 9, 2022 the vesting commencement date 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 for the awards granted during 2022 and from 2023 – forecasted 2025 for the awards granted during 2023.
- 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.

During 2023, under the Post-listing plan, the Group granted 1,909,045 awards, of which 1,378,621 are PSUs, with a fair value of $5,073 as of grant date. The total number of RSUs granted was 530,424, with a fair value of $2,010 as of the grant date. Changes to numbers of awards granted during 2023 due to leavers amounted to 299,706, where the total number of PSUs was 266,366 with a fair value of $980 and RSUs was 33,340 with a fair value of $126. There were no changes to numbers of awards granted during the period due to any vesting/non-vesting conditions. During 2022, 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 in 2022 was 858,821, with a fair value of $6,031 as of the grant date. During 2022, 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. During 2022, 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. During 2023 the remaining free shares were vested with a fair value of $22. The fair value of the Free shares 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 the final vesting date of November 1, 2023. The grant date fair value of the marketing consulting agreement was $5,308 which was determined using the market value of the shares listed on the Nasdaq. Of the 500,000 Class A Shares granted, 375,000 Class A Shares with a fair value of $4,946 were vested as of December 31, 2022. As of December 31, 2023, the final 125,000 Class A shares were vested and the Group incurred a share-based compensation expense of $359.

Note 9 - Other operating income and expense

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

	For the year ended December 31,		
	2023	2022	2021
			(Restated)
Other operating income			
Net foreign exchange rate difference	38,240	—	—
Sales of plant operation services to a related party	25,202	—	—
Gain on asset grouping sold to a related party	16,334	—	—
Sales of carbon credits to a related party	5,628	—	—
Other operating income	15,773	4,723	1,520
Total	**$ 101,177**	**$ 4,723**	**$ 1,520**

	For the year ended December 31,		
Other operating expense	2023	2022	2021
		(Restated)	(Restated)
Transition services to Polestar Technology	27,630	—	—
Litigation expense, net of insurance	27,326	—	—
Non-income tax expense	669	1,083	1,064
Net foreign exchange rate difference	—	2,264	50,850
Other operating expenses	4,348	1,681	322
Total	**$ 59,973**	**$ 5,028**	**$ 52,236**

Refer to *Note 10 - Investment in associates* for further details on Transition services to Polestar Technology; *Note 27 - Related party transactions* for further details on sales of plant operation services and gain on Assets held for sale; and *Note 28 - Assets held for sale* for further details on gain on Assets held for sale.

Note 10 - Investment in associates

On June 19, 2023 Polestar entered into a strategic agreement with the technology company, Xingji Meizu, a limited liability company and subsidiary of DreamSmart Technology Pte. Ltd (“DreamSmart”), to combine Polestar’s capabilities of design and performance with the software and consumer electronics hardware development expertise of Xingji Meizu. Xingji Meizu and DreamSmart are related parties. The strategic agreement resulted in the inception of Polestar Technology (Shaoxing) Co., Ltd. ("Polestar Technology") which is incorporated in China and has its registered office in Zhejiang province. Polestar Technology engages in the sales and marketing of Polestar vehicles, DreamSmart smartphones, augmented reality glasses, and other technology products in China. Polestar Technology is not publicly listed.

Under the strategic agreement, Polestar and Xingji Meizu committed to invest $98,000 and $102,000, respectively, in Polestar Technology in stages; subject to the parties meeting certain conditions precedent to each contribution. In exchange for the investments, Polestar and Xingji Meizu were granted equity ownership, board seats, and a right to receive 50% of the undistributed profit in Polestar Technology, allocated by their equity ownership ratio, once Polestar Technology becomes profitable. The stages of agreed contributions were as follows:

- An initial contribution of $60,000, comprised of $29,400 from Polestar and $30,600 from Xingji Meizu (the "First Contributions"), subject to the signing of articles of association of Polestar Technology, Polestar Technology's receipt of government approvals and authorisations in China, Polestar Technology's establishment of bank accounts, Polestar's completion of an internal restructuring in China, and the signing of certain ancillary agreements between Polestar and Polestar Technology related to transition services, sales of vehicles, brand licensing, and a sale of operating assets.
- A second contribution or series of contributions, subject to each investor's preference, within six months of the completion of the First Contributions totaling $140,000, comprised of $68,600 from Polestar and $71,400 from Xingji Meizu (the "Remaining Contributions"). The timeframe for completion of the Remaining Contributions may be changed if mutually agreed upon by Polestar, Xingji Meizu, and Polestar Technology.

On December 20, 2023, all conditions precedent to Polestar's obligation to make its First Contribution to Polestar Technology were satisfied and an investment for $29,400 was initially recognised. However, due to Polestar Technology evaluating a change in province of registration in China, cash was not injected by Polestar and Xingji Meizu until subsequent to December 31, 2023. Refer to *Note 30 - Subsequent events* for further details.

As of December 31, 2023, Polestar owned 49% of Polestar Technology and the remaining 51% was owned by Xingji Meizu. Polestar and Xingji Meizu held 40% and 60%, respectively, of the voting interests in Polestar Technology by virtue of their board seats and associated rights. The Group accounts for its investment in Polestar Technology under the equity method.

Transition services

On June 19, 2023, Polestar began providing transition services to Polestar Technology to assist Polestar Technology through the start-up process. As the terms of the transition service agreement were not finalized and signed until December 20, 2023, these services were provided to Polestar Technology without an agreement of commercial and legal terms (i.e., a contract) between the Group and Polestar Technology; resulting in Polestar providing the transition services to Polestar Technology at its own risk and without rights to consideration from Polestar Technology prior to December 20, 2023. All related costs were expensed as incurred under their respective functional line items in the Consolidated Statement of Loss and Comprehensive Loss prior to signing and then reclassified to Other operating expenses at contract signing. Additionally, Polestar did not record an accrued asset and corresponding Other operating income associated with the right to receive payment for the transition services from Polestar Technology at contract signing because the probability of collecting consideration was deemed to be remote due to Polestar Technology's lack of available liquidity. Until facts and circumstances change such that it becomes probable Polestar will collect consideration under the terms of the agreement, Other operating income will be recognised if and when payment is received from Polestar Technology. During the year ended December 31, 2023, Polestar recognised $27,630 in expenses associated with providing transition services to Polestar Technology which are presented in Other operating income (expense), net in the Consolidated Statement of Loss and Comprehensive Loss.

Sales of vehicles

During the year ended December 31, 2023, Polestar and Polestar Technology entered into multiple vehicle sale and purchase agreements for Polestar to sell and deliver PS4s to Polestar Technology. Similar to transition services, the probability of collecting consideration under these agreements was deemed to be remote due to Polestar Technology's lack of available liquidity. As such, Polestar did not record an accrued asset and corresponding revenue associated with the right to receive payment for the vehicles. Until facts and circumstances change such that it becomes probable Polestar will collect consideration under the terms of the agreements, revenue will be recognised if and when payment is received from Polestar Technology. Additionally, despite Polestar Technology's lack of liquidity, physical possession and title to the vehicles are transferred to Polestar Technology without encumbrance or a right for Polestar to repossess the vehicles in the event Polestar Technology does not pay. This results in full recognition of inventory costs in Cost of sales in the Consolidated Statement of Loss and Comprehensive Loss upon delivery; offset only by an adjustment for the equity method elimination of downstream sales. During the year ended December 31, 2023, the total expense in Cost of sales for vehicles delivered where revenue was not recognised was $28,376, offset by adjustments for the elimination of downstream sales of $13,904.

Brand licensing

On November 15, 2023, Polestar licensed the use of the Polestar branding to Polestar Technology for use in its commercial operations in China in exchange for an annual royalty equal to 2% of Polestar Technology's net revenue each year. For the year ended December 31, 2023, no royalty revenue was recognised from Polestar Technology.

Sale of operating assets

On November 28, 2023, Polestar agreed to assign certain lease agreements and sell other related assets to Polestar Technology for their fair value of $8,159. This asset grouping was not classified as held for sale as of December 31, 2023 because Polestar deemed it unlikely that significant changes to the agreement would not occur or that the agreement would not be terminated after signing due to Polestar Technology's lack of liquidity and other unforeseen complexities.

The following table summarises the activity related to Polestar's investment in Polestar Technology:

Balance as of January 1, 2023	**—**
Investment in Polestar Technology	29,400
Elimination of effects of downstream sales	13,904
Recognised share of losses in Polestar Technology	(43,304)
Balance as of December 31, 2023	$ —

The following table summarises the activity related to Polestar's unrecognised losses in Polestar Technology:

Unrecognised balance as of January 1, 2023	—
Unrecognised share of losses in Polestar Technology	(1,407)
Unrecognised balance as of December 31, 2023	**$ (1,407)**

The following table provides summarised financial information from Polestar Technology's financial statements and a reconciliation to the carrying amount of Polestar's investment:

	For the year ended December 31,
	2023
Non-current assets	19,295
Current assets	95,770
Non-current liabilities	(8,774)
Current liabilities	(137,689)
Net liabilities	**$ (31,398)**
The Group's share of net liabilities	(15,385)
Elimination of effects of downstream sales	13,904
Unrecognised losses in Polestar Technology	1,407
Other reconciling items	74
Carrying amount of the Group's investment in Polestar Technology	**$ —**
Revenue	1,445
Net loss and total comprehensive loss	(91,247)
The Group's share of losses in Polestar Technology	**$ (44,711)**

Note 11 - Finance income and expense

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

	For the year ended December 31,		
Finance income	**2023**	**2022**	**2021**
Net foreign exchange rate gains on financial activities	37,125	—	31,574
Interest income on bank deposits	32,280	7,658	1,396
Other finance income	49	894	—
Total	**$ 69,454**	**$ 8,552**	**$ 32,970**

	For the year ended December 31,		
Finance expense	**2023**	**2022**	**2021**
		(Restated)	**(Restated)**
Interest expense on credit facilities and financing obligations	116,270	33,331	11,681
Interest expense to related parties	85,203	37,945	30,770
Loss on debt modification	6,829	—	—
Interest expense related to lease liabilities	5,008	6,201	2,377

Credit facility expenses	—	—	377
Other finance expenses	11	5	13
Net foreign exchange rate losses on financial activities	—	30,920	—
Total	**$ 213,321**	**$ 108,402**	**$ 45,218**

For the years ended December 31, 2023, 2022 and 2021, interest expense to related parties was comprised of interest on overdue Trade payables balances and interest on related party borrowings. For the year ended December 31, 2023, Loss on debt modification relates to loss incurred on Polestar's modification of its related party convertible instrument with Volvo Cars. Refer to *Note 27 - Related party transactions* for further discussion.

Note 12 - 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, 2022 - (Restated)	45,113	51,144	96,257
Additions - (Restated)	42,449	1,065	43,514
Reclassification to Assets held for sale	(4,975)	—	(4,975)
Cancellations - (Restated)	—	(157)	(157)
Effect of foreign currency exchange rate differences - (Restated)	(4,399)	(4,817)	(9,216)
Balance as of December 31, 2022	**$ 78,188**	**$ 47,235**	**$ 125,423**
Additions	49,807	4,762	54,569
Cancellations	(7,958)	(266)	(8,224)
Effect of foreign currency exchange rate differences	2,576	(1,298)	1,278
Balance as of December 31, 2023	**$ 122,613**	**$ 50,433**	**$ 173,046**
Accumulated depreciation			
Balance as of January 1, 2022 - (Restated)	(10,159)	(6,999)	(17,158)
Depreciation expense - (Restated)	(12,389)	(6,837)	(19,226)
Reclassification to Assets held for sale - (Restated)	430	92	522
Effect of foreign currency exchange rate differences - (Restated)	3,184	1,816	5,000
Balance as of December 31, 2022	**$ (18,934)**	**$ (11,928)**	**$ (30,862)**
Depreciation expense	(19,110)	(8,973)	(28,083)
Cancellations	4,318	—	4,318
Impairment loss	—	(20,145)	(20,145)
Effect of foreign currency exchange rate differences	(565)	509	(56)
Balance as of December 31, 2023	**$ (34,291)**	**$ (40,537)**	**$ (74,828)**
Carrying amount as of December 31, 2022 - (Restated)	**$ 59,254**	**$ 35,307**	**$ 94,561**
Carrying amount as of December 31, 2023	**$ 88,322**	**$ 9,896**	**$ 98,218**

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

	For the year ended December 31,		
	2023	**2022**	**2021**
		(Restated)	**(Restated)**
Income from sub-leasing right-of-use assets	1,729	1,415	—
Expense relating to short-term leases	(888)	(1,598)	(1,300)
Expense relating to lease of low value assets	(5)	—	—
Interest expense on leases	(5,008)	(6,201)	(2,377)

Effect of foreign currency exchange rate differences	—	—	(39)

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

	As of December 31,	
	2023	2022
		(Restated)
Current lease liability	19,547	11,935
Current lease liabilities - related parties	10,628	9,928
Non-current lease liability	54,439	31,326
Non-current lease liabilities - related parties	42,634	43,643
Total	**$ 127,248**	**$ 96,832**

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

	As of December 31,	
	2023	2022
		(Restated)
Within 1 year	31,627	22,384
Between 1 and 2 years	36,225	24,749
Between 2 and 3 years	31,487	20,739
Between 3 and 4 years	19,785	17,924
Between 4 and 5 years	11,463	5,987
Later than 5 years	15,458	29,613
Total	**$ 146,045**	**$ 121,396**

For the years ended December 31, 2023, 2022 and 2021, total cash outflows related to leases, inclusive of interest paid, amounted to $26,924, $25,649 and $11,290, respectively.

Polestar Group as lessor

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

	For the year ended December 31,		
	2023	2022	2021
Vehicle leasing revenue	17,421	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 at January 1, 2022 - (Restated)	**122,258**
Reclassification from inventories - (Restated)	52,686
Reclassification to inventories - (Restated)	(58,650)
Effect of foreign currency exchange rate differences - (Restated)	(2,680)
Balance as of December 31, 2022	**$ 113,614**
Reclassification from inventories	47,438
Reclassification from PPE	56,899
Reclassification to inventories	(82,222)
Effect of foreign currency exchange rate differences	5,719
Balance as of December 31, 2023	**$ 141,448**
Accumulated depreciation & impairment	
Balance at January 1, 2022 - (Restated)	**(4,822)**
Depreciation expense - (Restated)	(17,198)
Reclassification to inventories - (Restated)	4,743
Effect of foreign currency exchange rate differences - (Restated)	849
Balance at December 31, 2022	**$ (16,428)**
Depreciation expense	(6,773)

Impairment loss		(51,046)
Reclassification to inventories		12,476
Reclassification from PPE		(9,873)
Effect of foreign currency exchange rate differences		(1,873)
Balance as of December 31, 2023	**$**	**(73,517)**
Carrying amount as of December 31, 2022 - (Restated)	**$**	**97,186**
Carrying amount as of December 31, 2023	**$**	**67,931**

Note 13 - Income tax benefit (expense)

Income tax benefit (expense) recognised in the Consolidated Statement of Loss and Comprehensive Loss is as follows:

	For the year ended December 31,		
	2023	2022	2021
		(Restated)	(Restated)
Current income tax for the year	(16,356)	(21,058)	(3,337)
Deferred taxes	39,128	(7,619)	8,929
Withholding taxes	(15,634)	(983)	(2,517)
Total	**$ 7,138**	**$ (29,660)**	**$ 3,075**

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

	For the year ended December 31,		
	2023	2022	2021
		(Restated)	(Restated)
Loss before tax for the year	(1,201,969)	(447,795)	(972,373)
Tax according to the applicable tax rate[1]	282,703	85,081	160,441
Effect of different tax rates in other countries	(25,904)	16,528	62,523
Operating income/costs, non taxable[2]	19,934	85,861	(7,000)
Withholding tax	(15,634)	(983)	(2,517)
Not recognised tax losses carried forward	(212,003)	(188,351)	(213,928)
Non-recognition of deferred tax assets on other temporary differences	(40,585)	(12,185)	144
Recognition/derecognition of deferred taxes from previous year	368	(11,830)	3,412
Current tax related to previous year	(1,741)	(3,781)	—
Total	**$ 7,138**	**$ (29,660)**	**$ 3,075**

1 - 2023: 23.52% (UK rate), 2022: 19% (UK rate), 2021: 16.5% (Hong Kong rate).

2 - 2023: Main non-taxable income attributable to the fair value changes of the earn-out rights, corresponding tax $104,233. Within the group there are non-deductible expenses such as non-deductible interest expenses in the parent company of corresponding tax $15,300. Other nondeductible items net $68,999, including non-taxable income.

3 - 2022: 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 $14,792.

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 recognised Deferred tax assets is as follows:

	As of December 31,	
Specification of deferred tax assets	2023	2022
		(Restated)
Tax losses carried forward	25,530	47,898
Right-of use assets	29,077	24,615
Intangibles	—	—
Inventory	17,837	1,117
Accruals	25,865	13,808
Warranty	11,019	7,755
Tangible assets	612	—
Other temporary differences	1,436	—
Recognised value of deferred tax assets as of December 31	**$ 111,376**	**$ 95,193**

Netting of asset and liability tax positions	(68,335)	(83,906)
Deferred tax assets as of December 31	**$ 43,041**	**$ 11,287**

Information regarding the composition of recognised Deferred tax liabilities is as follows:

	As of December 31,	
Specification of deferred tax liabilities	**2023**	**2022**
		(Restated)
Intangible assets	23,825	39,546
Inventory	3,071	19,884
Accruals	13,008	11,393
Warranty	6,259	938
Lease liability	25,507	24,615
Other temporary differences	—	—
Recognised value of deferred tax liabilities as of December 31	**$ 71,670**	**$ 96,376**
Netting of asset and liability tax position	(68,335)	(83,906)
Deferred tax liability as of December 31	**$ 3,335**	**$ 12,470**

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, 2023, 2022, and 2021 respectively. Deferred taxes have been calculated by applying the tax rate per jurisdiction.

Information regarding unrecognised Deferred tax assets:

The Group recognises 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. Unrecognised Deferred tax assets are reassessed at each reporting date and recognised 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, 2023 and 2022, 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 carry forwards not being recognised amounting to $698,037 and $469,498 as of December 31, 2023 and 2022, respectively.

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

	As of December 31,	
	2023	**2022**
		(Restated)
2023	—	—
2024	—	67,221
2025	—	174,128
2026	169,970	131,524
2027	109,965	188,728
2028	147,666	215,925
2029 onwards	2,951,159	1,368,738
Tax loss carryforwards as of December 31	**$ 3,378,760**	**$ 2,146,264**

The increase in tax losses available for carryforward are mainly attributable to losses incurred as a consequence of the Group scaling its 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 $115,423 were attributable to the Chengdu facility which was held for sale. Refer to *Note 28 - Assets held for sale* for further details.

As of December 31, 2023, the Group had unused tax losses of $3,378,760, for which no deferred tax asset has been recognised due to unpredictability of future profit streams. As of December 31, 2023 and 2022, tax losses in Sweden of $2,815,756 and $1,573,484, respectively, have an indefinite carryforward period. As of December 31, 2023 and 2022, tax losses in China of $546,825 and $561,601, 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 $423,744 and $251,566 as of December 31, 2023 and 2022, respectively, where no Deferred tax assets have been recognised.

The Pillar Two legislation has been enacted or substantively enacted in several of the jurisdictions in which the Polestar Group operates. The legislation will be effective for the Group’s financial year beginning 1 January 2024. The Group is in scope of the enacted or substantively enacted legislation and has performed an assessment of the Group’s potential exposure to Pillar Two income taxes for the current year ending on 31 December 2023, had the legislation been effective for this year.

The assessment of the potential exposure to Pillar Two income taxes is based on the Group’s consolidated financial statements for the current year. Based on the assessment performed, the transitional safe harbor relief applies for most jurisdictions and in the few jurisdictions where this relief does not apply, the full ETR calculation results in an effective tax rate above 15%. Management is not currently aware of any circumstances under which this might change. Therefore, the Group does not expect a potential exposure to Pillar Two top-up taxes.

Note 14 - Net loss per share

For the year ended December 31, 2023, potentially dilutive instruments issued were unvested equity-settled payments discussed in *Note 8 - Share-based payment.* 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 18 - Reverse recapitalisation*, and unvested equity-settled payments discussed in *Note 8 - Share-based payment*. The Convertible Notes of the Former Parent were the only dilutive instrument outstanding prior to the reverse recapitalisation 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. 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 recapitalisation 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 22 - Equity* for further details. The following table presents the computation of basic and diluted Net loss per share for the years ended December 31, 2023, 2022, and 2021 when applying the exchange ratio:

	For the year ended December 31,		
	2023	**2022**	**2021**
		(Restated)	**(Restated)**
	Class A and B Common Shares		
Net loss attributable to common shareholders	**(1,194,831)**	**(477,455)**	**(969,298)**
Weighted-average number of common shares outstanding:			
Basic and diluted	**2,110,069**	**2,027,328**	**1,911,580**
Net loss per share (in ones):			
Basic and diluted	**(0.57)**	**(0.24)**	**(0.51)**

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, 2023, 2022, and 2021:

	For the year ended December 31,		
	2023	**2022**	**2021**
Earn-out Shares	158,177,609	158,177,609	—
Class C-1 Shares	20,499,965	15,999,965	—
Class C-2 Shares	4,500,000	9,000,000	—
PSUs	1,971,076	858,821	—
RSUs	762,071	458,620	—
Marketing consulting services agreement	—	125,000	—
Convertible Notes	—	—	4,306,466
Total antidilutive shares	**185,910,721**	**184,620,015**	**4,306,466**

Note 15 - Intangible assets and goodwill

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

	As of December 31,	
	2023	2022
		(Restated)
Intangible assets	1,362,281	1,345,515
Goodwill and trademarks	50,448	48,767
Total	**$ 1,412,729**	**$1,394,282**

Intangible assets were as follows:

	Internally developed IP	Software	Acquired IP	Total
Acquisition cost				
Balance as of January 1, 2022 - (Restated)	149,148	2,446	1,540,676	1,692,270
Additions[1] - (Restated)	89,744	1,039	215,532	306,315
Derecognition due to program changes	(10,007)	—	—	(10,007)
Effect of foreign currency exchange rate differences - (Restated)	(19,175)	(282)	(190,360)	(209,817)
Balance as of December 31, 2022 - (Restated)	**$ 209,710**	**$ 3,203**	**$ 1,565,848**	**$ 1,778,761**
Additions[1]	99,362	7,665	240,312	347,339
Derecognition due to program changes	(8,341)	—	—	(8,341)
Divestments and disposals	—	—	(12,347)	(12,347)
Effect of foreign currency exchange rate differences	12,214	512	41,905	54,631
Balance as of December 31, 2023	**$ 312,945**	**$ 11,380**	**$ 1,835,718**	**$ 2,160,043**
Accumulated amortisation and impairment				
Balance as of January 1, 2022 - (Restated)	(15,659)	(433)	(358,471)	(374,563)
Amortisation expense - (Restated)	(1,211)	(275)	(101,604)	(103,090)
Effect of foreign currency exchange rate differences - (Restated)	2,014	35	42,358	44,407
Balance as of December 31, 2022	**$ (14,856)**	**$ (673)**	**$ (417,717)**	**$ (433,246)**
Amortisation expense	(748)	(812)	(105,475)	(107,035)
Divestments and disposals	—	—	12,297	12,297
Impairment loss[2]	(2,693)	—	(254,374)	(257,067)
Effect of foreign currency exchange rate differences	(597)	(63)	(12,051)	(12,711)
Balance as of December 31, 2023	**$ (18,894)**	**$ (1,548)**	**$ (777,320)**	**$ (797,762)**
Carrying amount as of December 31, 2022 - (Restated)	**$ 194,854**	**$ 2,530**	**$ 1,148,131**	**$ 1,345,515**
Carrying amount as of December 31, 2023	**$ 294,051**	**$ 9,832**	**$ 1,058,398**	**$ 1,362,281**

1 - Of $347,339 in additions for the year ended December 31, 2023, $217,861 has been settled in cash. These $217,861 are included in the $457,364 cash used for investing activities related to additions to intangible assets, and the remaining $239,503 relates to decreases in Trade payables - related parties from prior years which were settled in cash during the year ended December 31, 2023. Of $306,315 in additions for the year ended December 31, 2022, $237,778 was settled in cash and included in cash used for investing activities related to additions to intangible assets.

2 - For the year ended December 31, 2023, Polestar 2 CGU was assessed for impairment, and impairment losses amounting to $257,067 were recognised related to Intellectual property, where 100% of the amount was recognised within Cost of sales.

For the year ended December 31, 2023, additions to internally developed IP are primarily related to the Polestar 5 and various other internal programs, such as model year changes. Additions of acquired IP during the year ended December 31, 2023 were related to acquisitions of the Polestar 2 and Polestar 3 IP from Volvo Cars and the acquisition of IP related to the Polestar 4 from Geely. Refer to *Note 27 - Related party transactions* for further details.

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

	Goodwill	Trademarks	Total
Balance as of January 1, 2022	53,282	2,647	55,929
Effect of foreign currency exchange rate differences	(6,822)	(340)	(7,162)
Balance as of December 31, 2022	**$ 46,460**	**$ 2,307**	**$ 48,767**
Effect of foreign currency exchange rate differences	1,601	80	1,681
Balance as of December 31, 2023	**$ 48,061**	**$ 2,387**	**$ 50,448**

Note 16 - Property, plant and equipment

As of December 31, 2023 and 2022, PPE has been reported in the Consolidated Statement of Financial Position with carrying amounts of $316,867 and $275,954, respectively. Of these amounts, $88,322 and $59,254 is related to ROU assets for leased buildings and land, and $9,896 and $35,307 is related to ROU assets for leased machinery and equipment, respectively. Refer to *Note 12 - 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, 2022 - (Restated)	52,230	137,476	27,666	217,372
Additions[1] - (Restated)	2,789	13,434	58,171	74,394
Divestments and disposals	(604)	(919)	—	(1,523)
Reclassifications[2] - (Restated)	(1,976)	53,477	33	51,534
Reclassified to Assets held for sale - (Restated)	(44,342)	(17,582)	—	(61,924)
Effect of foreign currency exchange rate differences - (Restated)	(4,027)	(10,202)	(1,976)	(16,205)
Balance as of December 31, 2022 - (Restated)	**$ 4,070**	**$ 175,684**	**$ 83,894**	**$ 263,648**
Additions[1]	4,699	81,253	42,419	128,371
Divestments and disposals	(313)	(47,419)	—	(47,732)
Reclassifications[2]	433	(27,606)	(29,726)	(56,899)
Effect of foreign currency exchange rate differences	27	(967)	(2,445)	(3,385)
Balance as of December 31, 2023	**$ 8,916**	**$ 180,945**	**$ 94,142**	**$ 284,003**
Depreciation and impairment				
Balance as of January 1, 2022 - (Restated)	(4,712)	(77,149)	—	(81,861)
Depreciation expense - (Restated)	(3,101)	(15,136)	—	(18,237)
Divestments and disposal	47	447	—	494
Reclassifications[2]	195	(195)	—	—
Reclassified to Assets held for Sale - (Restated)	5,623	4,753	—	10,376
Effect of foreign currency exchange rate differences - (Restated)	938	6,035	—	6,973
Balance as of December 31, 2022 - (Restated)	**$ (1,010)**	**$ (81,245)**	**$ —**	**$ (82,255)**
Depreciation expense	(1,715)	(13,736)	—	(15,451)
Divestments and disposal	25	45,206	—	45,231
Impairment loss[3]	—	(22,381)	(602)	(22,983)
Reclassifications[2]	(6)	9,879	—	9,873
Effect of foreign currency exchange rate differences	(3)	234	—	231
Balance as of December 31, 2023	**$ (2,709)**	**$ (62,043)**	**$ (602)**	**$ (65,354)**
Carrying amount at December 31, 2022 - (Restated)	**$ 3,060**	**$ 94,439**	**$ 83,894**	**$ 181,393**
Carrying amount at December 31, 2023	**$ 6,207**	**$ 118,902**	**$ 93,540**	**$ 218,649**

1 - Of $128,371 in additions for the year ended December 31, 2023, $109,141 has been settled in cash. These $109,141 are included in the $137,400 in the cash-flow from investing activities related to additions to Property, plant and equipment, and the remaining $28,259 relates to decreases in Trade payables from prior years which were settled in cash during the year ended December 31, 2023. Of $74,394 in additions for the year ended December 31, 2022, $30,881 was settled in cash. These $30,881 are included in the $32,269 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.

2 - For the year ended December 31, 2023, $47,026 is a reclassification from Property, plant and equipment to Assets under operating lease for vehicles that have been repurposed permanently and are currently in use for leasing business with customers. For the year ended December 31, 2022, $51,039 was a reclassification from Inventories to Property, plant and equipment for vehicles that were in the process of being repurposed permanently for leasing business with customers and were not sold during the year ended December 31, 2022.

3 - For the year ended December 31, 2023, Polestar 2 CGU was assessed for impairment, and impairment losses amounting to $22,983 were recognised in Cost of Sales. The impairment amount was allocated to Machinery and equipment, and Machinery under development.

Note 17 - 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:

Assets measured at FVTPL	As of December 31, 2023 Level 1	Level 2	Level 3	Total	As of December 31, 2022 Level 1	Level 2	Level 3	Total
Other investments	—	—	2,414	2,414	—	—	2,333	2,333
Total assets	**$ —**	**$ —**	**$ 2,414**	**$ 2,414**	**$ —**	**$ —**	**$ 2,333**	**$ 2,333**
Liabilities measured at FVTPL								
Earn-out rights	—	—	155,402	155,402	—	—	598,570	598,570
Class C-1 Shares	4,920	—	—	4,920	17,920	—	—	17,920
Class C-2 Shares	—	1,080	—	1,080	—	10,080	—	10,080
Total liabilities	**$ 4,920**	**$ 1,080**	**$ 155,402**	**$ 161,402**	**$ 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. During the year ended December 31, 2023, Polestar did not make any additional investments. The StoreDot investment made in the year ended December 31, 2022, is presented in Other investments in the Consolidated Statement of Financial Position and is valued at $2,414 as of December 31, 2023.

Refer to *Note 1 - Overview and basis of preparation* and *Note 18 - Reverse recapitalisation* 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,	
Financial assets	**2023**	**2022**
		(Restated)
Cash and cash equivalents	768,927	973,877
Trade receivables and trade receivables - related parties	187,231	318,803
Accrued income - related parties	152,605	49,060
Other current receivables and insurance recovery assets	25,920	10,840
Other non-current assets	7,212	5,306
Total	**$ 1,141,895**	**$ 1,357,886**
Financial liabilities		
Liabilities to credit institutions	2,023,582	1,326,388
Other non-current interest-bearing liabilities and other non-current liabilities - related parties	1,463,683	74,969
Accrued expenses and accrued expenses - related parties	593,056	332,046
Trade payables and trade payables - related parties	368,145	1,032,579
Interest-bearing current liabilities[1] and interest-bearing current liabilities - related parties	87,879	38,553
Other non-current liabilities and other non-current liabilities - related parties	73,149	27,859
Liabilities related to repurchase commitments	58,482	73,241
Advance payments from customers	16,415	35,717
Other current liabilities - related parties	606	69,062
Total	**$ 4,684,997**	**$ 3,010,414**

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 12 - Leases*.

Total interest income arising on financial assets measured at amortized cost related to Cash and cash equivalents as of December 31, 2023, 2022, and 2021, and amounted to $32,280, $7,658, and $1,396, 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, 2023 amounted to $206,481. 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, 2022, and 2021, and amounted to $77,477 and $44,828, respectively.

The following table shows the maturities for the Group's non-derivative financial assets and liabilities as of December 31, 2023:

	Due within 1 year	Due between 1 and 5 years	Due beyond 5 years	Total
Financial assets				
Trade receivables and trade receivables - related parties	187,231	—	—	187,231
Accrued income - related parties	152,605	—	—	152,605
Other current receivables and insurance recovery assets	25,920	—	—	25,920
Other non-current assets	—	7,212	—	7,212
Total	**$ 365,756**	**$ 7,212**	**$ —**	**$ 372,968**

Financial liabilities				
Liabilities to credit institutions	2,023,582	—	—	2,023,582
Accrued expenses and accrued expenses - related parties	593,056	—	—	593,056
Trade payables and trade payables - related parties	368,145	—	—	368,145
Interest-bearing current liabilities and interest-bearing current liabilities - related parties	87,879			87,879
Liabilities related to repurchase commitments	58,482	—	—	58,482
Advance payments from customers	16,415	—	—	16,415
Other current liabilities - related parties	606	—	—	606
Other non-current interest-bearing liabilities	—	1,452,212	11,471	1,463,683
Other non-current liabilities and other non-current liabilities - related parties	—	73,149	—	73,149
Total	**$ 3,148,165**	**$ 1,525,361**	**$ 11,471**	**$ 4,684,997**

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 (Restated)	318,803	—	—	318,803
Accrued income - related parties	49,060	—	—	49,060
Other current receivables	10,840	—	—	10,840
Other non-current assets	—	5,306	—	5,306
Total - (Restated)	**$ 378,703**	**$ 5,306**	**$ —**	**$ 384,009**
Financial liabilities				
Liabilities to credit institutions - (Restated)	1,326,388	—	—	1,326,388
Trade payables and trade payables - related parties (Restated)	1,032,579	—	—	1,032,579
Accrued expenses and accrued expenses - related parties (Restated)	332,046	—	—	332,046
Liabilities related to repurchase commitments - (Restated)	73,241	—	—	73,241
Other current liabilities - related parties (Restated)	69,062	—	—	69,062
Interest-bearing current liabilities and interest-bearing current liabilities - related parties (Restated)	38,553	—	—	38,553
Advance payments from customers - (Restated)	35,717	—	—	35,717
Other non-current interest-bearing liabilities and other non-current interest-bearing liabilities - related parties (Restated)	—	64,185	10,784	74,969
Other non-current liabilities - (Restated)	—	27,859	—	27,859
Total - (Restated)	**$ 2,907,586**	**$ 92,044**	**$ 10,784**	**$ 3,010,414**

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 - Overview and basis of preparation* and *Note 18 - Reverse recapitalisation* for more details on the financial liabilities related to the Class C Shares and the Earn-out rights.

Polestar's material financial instruments measured at FVTPL are its derivative financial liabilities for the Earn-out rights and Class C Shares. For the year ended December 31, 2023 and 2022, respectively, Polestar recognised $465,168 and $937,158, in gains for these financial instruments measured at FVTPL.

Note 18 - Reverse recapitalisation

As previously outlined in *Note 1 - Overview and basis of preparation*, Polestar underwent a reverse recapitalisation 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, *Business Combination* ("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 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*,* and 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 recognised in the Consolidated Statement of Loss and Comprehensive Loss at each reporting date.

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

	As of December 31, 2023		As of December 31, 2022	
	Liability Fair Value	Number Outstanding	Liability Fair Value	Number Outstanding
Class C-1 Shares	4,920	20,499,965	17,920	15,999,965
Class C-2 Shares	1,080	4,500,000	10,080	9,000,000
Total	**$ 6,000**	**24,999,965**	**$ 28,000**	**24,999,965**

	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**
Class C-2 Shares converted to Class C-1 Shares	3,285
Change in fair value measurement	(16,285)
As of December 31, 2023	**$ 4,920**

	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**
Class C-2 Shares converted to Class C-1 Shares	(3,285)
Change in fair value measurement	(5,715)
As of December 31, 2023	**$ 1,080**

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

	For the year ended December 31,		
	2023	2022	2021
Fair value change - Class C-1 Shares	13,000	22,400	—
Fair value change - Class C-2 Shares	9,000	12,690	—
Fair value change - Class C Shares	**$ 22,000**	**$ 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 rights 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 recognised 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.

The contingent earn-out rights require a valuation approach leveraging Level 3 inputs. Refer to *Note 1 - Overview and basis of preparation* for further details on the valuation methodology utilised 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**
Change in fair value measurement	(443,168)
As of December 31, 2023	**$ 155,402**

The fair value change of earn-out rights are as follows:

	For the year ended December 31,		
	2023	2022	2021
Fair value change - Earn-out rights	443,168	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 realisation 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 recognised 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 19 - 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
2023					
Gross trade receivables, external	62,916	49,670	7,842	5,777	126,205
Trade receivables - related parties	52,313	7,474	1,204	35	61,026
Net trade receivables	**$ 115,229**	**$ 57,144**	**$ 9,046**	**$ 5,812**	**$ 187,231**
2022 - (Restated)					
Gross trade receivables, external	124,189	93,371	19,034	2,984	239,578
Trade receivables - related parties	65,522	12,786	519	398	79,225
Net trade receivables	**$ 189,711**	**$ 106,157**	**$ 19,553**	**$ 3,382**	**$ 318,803**

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. As of December 31, 2023 and 2022, the Group has written off a de minimis amount of receivables.

Further information on credit risks for Trade receivables is included in *Note 3 - Financial risk management*.

Note 20 - Inventories

The Group’s inventory primarily consisted of vehicles as follows:

	As of December 31,	
	2023	**2022**
		(Restated)
Work in progress	32	1,387
Finished goods and goods for resale	1,070,897	664,789
Provision for impairment	(131,570)	(36,022)
Total	**$ 939,359**	**$ 630,154**

Inventories recognised as an expense during the years ended December 31, 2023, 2022 and 2021 amounted to $2,204,298, $2,182,124 and $1,232,715, respectively, and were included in Cost of sales in the Consolidated Statement of Loss and Comprehensive Loss.

As of December 31, 2023, 2022, and 2021 write-downs of Inventories to net realizable value amounted to $134,877, $14,830 and $30,782 respectively. The write down was recognised as an expense during the years ended December 31, 2023, 2022, and 2021 and was included in Cost of sales in the Consolidated Statement of Loss and Comprehensive Loss.

Inventories have been pledged as security for liabilities. Refer to *Note 25 - Liabilities to credit institutions* for further details.

Note 21 - Other current assets

Other current assets for the Group were as follows:

	As of December 31,	
	2023	2022
		(Restated)
Value added tax receivables	124,906	66,354
Prepaid expenses and accrued income	36,864	32,452
Advances to suppliers	16,452	3,337
Other current receivables	17,570	10,840
Insurance recovery assets	8,350	—
Total	**$ 204,142**	**$ 112,983**

As of December 31, 2023, prepaid expenses and accrued interest income consisted primarily of prepaid insurance expenses. As of December 31, 2022, prepaid expenses and accrued interest income consisted primarily of prepaid insurance and accrued income related to carbon credits.

Note 22 - Equity

Changes in the Group's equity during the years ended December 31, 2023, 2022, and 2021 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, 2021	**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)**
Equity-settled share-based payment	299,075	—	(3)	(5,390)
Related party capital contribution[2]	—	—	—	(25,565)
Balance as of December 31, 2023	**467,976,748**	**1,642,233,575**	**$ (21,168)**	**$ (3,615,187)**

1 - The Volvo Cars Preference Shares subsequently converted into Class A shares following the merger with GGI on June 23, 2022.
2 - Refer to the *Other financing instruments* section of *Note 27 - Related party transactions* for more details.

Pre-closing of the merger with GGI

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 18 - Reverse recapitalisation* for more details on the merger with GGI.

Post-closing of the merger with GGI

Following the merger with GGI, 174,075 and 501,451 Class A Shares were issued to employees of the Group as of December 31, 2023 and 2022 under the Omnibus Plan, respectively. 125,000 and 375,000 Class A Shares were issued in exchange for marketing services as of December 31, 2023, and 2022, respectively. Refer to *Note 8 - Share-based payment* for additional details. As of December 31, 2023, there were an additional 4,532,023,252 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, 2023:

- 467,976,748 Class A Shares with a par value of $0.01, of which 220,918,695 were owned by related parties;
- 1,642,233,575 Class B Shares with a par value of $0.01, of which all were owned by related parties;
- 20,499,965 Class C-1 Shares with a par value of $0.10;
- 4,500,000 Class C-2 Shares with a par value of $0.10; and
- 50,000 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 18 - Reverse recapitalisation* for additional information on the Class C Shares which are accounted for as derivative financial liabilities in accordance with IAS 32 and IFRS 9.

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 23 - Current and non-current provisions

Changes in the Group's current and non-current provisions were as follows:

	Warranties	Employee benefits	Litigation	Other	Total
Balance as of January 1, 2022 - (Restated)	58,453	7,628	—	11,038	77,119
Additions - (Restated)	106,680	14,590	—	8,986	130,256
Utilisation - (Restated)	(25,239)	(8,608)	—	(10,431)	(44,278)
Reversals - (Restated)	(10,785)	(192)	—	(17)	(10,994)
Unwinding of discount and effect in changes due to discount rate - (Restated)	(3,892)	—	—	—	(3,892)
Balance as of December 31, 2022 - (Restated)	**$ 125,217**	**$ 13,418**	**$ —**	**$ 9,576**	**$ 148,211**
of which current - (Restated)	53,595	13,322	—	5,932	72,849
of which non-current - (Restated)	71,622	96	—	3,644	75,362
Balance as of January 1, 2023	125,217	13,418	—	9,576	148,211
Additions	93,609	3,333	35,676	20,043	152,661
Utilisation	(44,995)	(11,704)	—	(13,053)	(69,752)
Reversals	(17,091)	(1,825)	—	(1,661)	(20,577)
Unwinding of discount and effect in changes due to discount rate	(10,975)	—	—	—	(10,975)
Balance as of December 31, 2023	**$ 145,765**	**$ 3,222**	**$ 35,676**	**$ 14,905**	**$ 199,568**
of which current	44,581	2,139	35,676	12,491	94,887
of which non-current	101,184	1,083	—	2,414	104,681

GGI litigation

Per the terms of the BCA governing the merger with GGI discussed in *Note 1 - Overview and basis of preparation*, Polestar is obligated to indemnify directors, officers, and employees of GGI for six years following the Closing of the merger. In August 2023, former public stakeholders of GGI filed a legal claim against certain directors, officers, and employees of GGI; alleging certain misconduct by these individuals with respect to their duties to GGI's stakeholders during and prior to GGI's merger with Polestar. As of December 31, 2023, Polestar maintains a provision for $35,676 relating to its indemnification obligation towards the defendants. Polestar's directors and officers insurance policy applies to the legal claim and provides coverage for up to $10,000 of costs after $5,000 has been paid by Polestar. However, as of December 31, 2023, only $8,350 has been recognised and included in Other current assets on the Consolidated Statement of Financial Position as a virtually certain offsetting recovery. As the outcome of the litigation includes inherent uncertainty, the direct result of the litigation may not be known until late 2025 when trial is scheduled. Polestar's estimates of its obligation could change in the future if new facts and circumstances arise as the legal proceedings continue to develop.

Note 24 - Other current liabilities

Other current liabilities for the Group were as follows:

	As of December 31,	
	2023	2022
		(Restated)
Accrued expenses	134,818	172,006
Liabilities related to repurchase commitments	58,482	73,241
Accrued interest	8,238	2,614
Personnel related liabilities	37,518	28,816
VAT liabilities	88,520	78,942
Other liabilities	20,326	8,645
Total	**$ 347,902**	**$ 364,264**

Accrued expenses were mainly related to marketing and product development; personnel related liabilities consisted of wages, salaries, and other benefits payable.

Note 25 - Liabilities to credit institutions

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

	As of December 31,	
	2023	2022
Liabilities to credit institutions		(Restated)
Working capital loans from banks	1,923,755	1,300,108
Floorplan facilities	87,039	14,561
Sale-leaseback facilities	12,788	11,719
Total	**$ 2,023,582**	**$ 1,326,388**

Since Liabilities to credit institutions are short-term with a duration of twelve months or less, the carrying amount of each contract is deemed to be a reasonable approximation of fair value. The Group's risk management policies related to Liabilities to credit institutions and other debt instruments are further detailed in *Note 3 - Financial risk management* of the Consolidated Financial Statements, as of, and for the year ended, December 31, 2023.

The Group had the following working capital loans outstanding as of December 31, 2023:

Currency	Term	Security	Interest	Nominal amount in respective currency (thousands)	Amount in USD (thousands)
EUR	February 2023 - February 2024	Secured[1]	3 month EURIBOR[2] plus 2.30% and an arrangement fee of 0.15%	400,104	442,795
USD	March 2023 - March 2024	Unsecured[3]	7.35% per annum, settled quarterly	100,000	100,000
CNY	March 2023 - March 2024	Unsecured[3]	12 month LPR[4] plus 0.05%, settled quarterly	260,000	36,617
CNY	April 2023 - April 2024	Unsecured[3]	12 month LPR[4] plus 0.05%, settled quarterly	11,430	1,610
CNY	May 2023 - May 2024	Unsecured[3]	12 month LPR[4] plus 0.45%, settled quarterly	231,000	32,533
CNY	June 2023 - June 2024	Unsecured[3]	12 month LPR[4] plus 1.3%, settled monthly	310,000	43,659
USD	August 2023 - August 2024	Unsecured[3]	3 month SOFR[5] plus 2.30%, settled quarterly	402,000	402,000
USD	August 2023 - August 2024	Secured[6]	12 month SOFR[5] plus 0.9%, settled quarterly	320,000	320,000
USD	August 2023 - August 2024	Unsecured[3]	12 month SOFR[5] plus 1.1%, settled quarterly	82,000	82,000
CNY	September 2023 - September 2024	Unsecured[3]	12 month LPR[4] plus 0.25%, settled quarterly	500,000	70,417
USD	September 2023 - September 2024	Unsecured[3]	12 month SOFR[5] plus 0.65%, settled quarterly	118,000	118,000
USD	September 2023 - September 2024	Secured[6]	12 month SOFR[5] plus 1.11%, settled semi-annual	100,000	100,000
CNY	October 2023 - October 2024	Unsecured[3]	12 month LPR[4] plus 0.15%, settled quarterly	200,000	28,167
CNY	December 2023 - December 2024	Unsecured[3]	12 month LPR[4] plus 1.05%, settled quarterly	92,000	12,957
USD	December 2023 - December 2024	Secured[6]	12 month SOFR[5] plus 1.70%, settled semi-annual	133,000	133,000
Total					**$ 1,923,755**

1 - New vehicle inventory financed via this facility is pledged as security for 100% of the outstanding principal under the facility, via first-ranking English law security over vehicles and transport documents, until repaid. This facility consists of individual loans that have a repayment period of 90 days, and includes a covenant tied to the Group's liquidity levels.
2 - Euro Interbank Offered Rate ("EURIBOR").
3 - Letters of keep well from both Volvo Cars and Geely.
4 - People's Bank of China ("PBOC") Loan Prime Rate ("LPR").
5 - Secured Overnight Financing Rate ("SOFR").
6 - Secured by Geely.

The Group had the following working capital loans outstanding as of December 31, 2022:

Currency	Term	Security	Interest	Nominal amount in respective currency (thousands)	Amount in USD (thousands)
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 financed via this facility is pledged as security for 100% of the outstanding principal under the facility, via first-ranking English law security over vehicles and transport documents, until repaid. This facility consists of individual loans that have a repayment period of 90 days, and includes a covenant tied to the Group’s liquidity levels.
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.

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, 2023 and December 31, 2022, the aggregate amount outstanding under these arrangements was $122,786 and $31,251, respectively.

The Group maintains one such facility with the related party Volvo Cars Financial Services UK 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, 2023 and December 31, 2022 due to related parties amounted to $35,747 and $16,690, respectively. Refer to *Note 27 - Related party transactions* for further details.

Sale-leaseback facilities

Polestar has also entered into contracts to sell vehicles and then lease such vehicles back for a period of up to twelve months. At the end of the leaseback period, Polestar is obligated to repurchase the vehicles. Accordingly, the consideration received for these transactions was recorded as a financing transaction. As of December 31, 2023 and December 31, 2022, the aggregate amount outstanding under these arrangements was $12,788 and $11,719, respectively.

Note 26 - Supplemental cash flow information

The Group's non-cash investing and financing activities were as follows:

	For the year ended December 31,		
	2023	2022	2021
		(Restated)	(Restated)
Purchases of intangible assets in trade payables - related parties and accrued expenses - related parties	129,478	74,781	357,760
Initial recognition of ROU assets and lease liabilities	54,569	43,514	13,039
Purchases of property, plant and equipment in trade payables	19,230	47,156	18,611
Prepaid assets and warrant liabilities assumed upon closing of the merger with GGI	—	57,040	—
Issuance of Earn-out rights upon closing of the merger with GGI	—	1,500,638	—
Initial recognition of investment in associates	29,400	—	—

Changes in the Group's current and non-current liabilities arising from financing activities were as follows:

	Liabilities to credit institutions	Convertible liabilities	Other financing liabilities	Earn-out and Class C Shares liabilities	Lease liabilities	Total
Balance as of January 1, 2022	642,644	—	7,192	—	77,523	727,359
of which outstanding principal	642,339	—	7,069	—	—	649,408
of which accrued interest	305	—	123	—	—	428
Changes from financing cash flows						
Proceeds from short-term borrowings	2,059,298	—	90,501	—	—	2,149,799
Repayments of borrowings	(1,347,392)	—	(79,543)	—	—	(1,426,935)
Repayments of lease liabilities	—	—	—	—	(19,448)	(19,448)
Total changes from financing cash flows	**$ 711,906**	**$ —**	**$ 10,958**	**$ —**	**$ (19,448)**	**$ 703,416**
Changes from other items						
Initial recognition of lease liabilities	—	—	—	—	43,514	43,514
Cancellation of lease liabilities	—	—	—	—	(157)	(157)
Interest expense	27,179	—	511	—	6,201	33,891
Interest paid	(24,822)	—	(627)	—	(6,201)	(31,650)
Issuance of Earn-out rights and assumption of warrant liabilities upon closing of the merger with GGI	—	—	—	1,563,728	—	1,563,728
Total changes from other items	**$ 2,357**	**$ —**	**$ (116)**	**$ 1,563,728**	**$ 43,357**	**$ 1,609,326**
Changes from effects of foreign exchange rates	(27,905)	—	(1,344)	—	(4,600)	(33,849)
Changes from effects of fair value measurement	—	—	—	(937,158)	—	(937,158)
Balance as of December 31, 2022	**$ 1,329,002**	**$ —**	**$ 16,690**	**$ 626,570**	**$ 96,832**	**$ 2,069,094**
of which outstanding principal	1,326,388	—	16,690	—	—	1,343,078
of which accrued interest	2,614	—	—	—	—	2,614
Balance as of January 1, 2023	1,329,002	—	16,690	626,570	96,832	2,069,094
of which outstanding principal	1,326,388	—	16,690	—	—	1,343,078
of which accrued interest	2,614	—	—	—	—	2,614
Changes from financing cash flows						
Proceeds from short-term borrowings	3,174,669	—	88,162	—	—	3,262,831
Proceeds from long-term borrowings		1,250,000	131,738	—	—	1,381,738
Repayments of borrowings	(2,482,674)	—	(70,334)	—	—	(2,553,008)
Repayments of lease liabilities	—	—	—	—	(21,916)	(21,916)
Total changes from financing cash flows	**$ 691,995**	**$ 1,250,000**	**$ 149,566**	**$ —**	**$ (21,916)**	**$ 2,069,645**
Changes from other items						
Initial recognition of lease liabilities	—	—	—	—	54,569	54,569
Cancellation of lease liabilities	—	—	—	—	(3,067)	(3,067)
Interest expense	110,097	60,325	2	—	5,008	175,432
Interest paid	(104,762)	(42,620)	(2)	—	(5,008)	(152,392)
Total changes from other items	**$ 5,335**	**$ 17,705**	**$ —**	**$ —**	**$ 51,502**	**$ 74,542**
Changes from effects of foreign exchange rates	5,488	—	1,229	—	830	7,547
Changes from effects of fair value measurement	—	6,829	—	(465,168)	—	(458,339)
Balance as of December 31, 2023	**$ 2,031,820**	**$ 1,274,534**	**$ 167,485**	**$ 161,402**	**$ 127,248**	**$ 3,762,489**
of which outstanding principal	2,023,582	1,256,829	167,485	—	—	3,447,896
of which accrued interest	8,238	17,705	—			25,943

Note 27 - Related party transactions

Related parties are as follows:

- A person, or a close family member of such person, that has control, joint control or significant influence over a Polestar entity. Due to the Group's ownership structure, Li Shufu is the person who effectively controls the Group and its entities;
- A person who is a member of the key management of the Group, or a close family member of such person. Key management of the Group includes EMT consisting of the Chief Executive Officer (“CEO”) and the Chief Financial Officer (“CFO”) and Managing Directors;
- A legal entity, controlled by a person mentioned in either of the previous two bullets, that can exercise significant influence over the Group;
- A legal entity that is a parent company, subsidiary, joint venture, associate or other company where Li Shufu has significant influence of the company; or
- A legal entity whose key management personnel provide services to an entity within the 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 Li Shufu. Geely, through a combination of wholly owned and partially owned entities, owns a controlling number of equity interests in Volvo Cars. Therefore, Li Shufu, as a controlling equity interest holder in Geely, effectively controls Geely and Volvo Cars. All transactions with Geely and Volvo Cars are related party transactions.

Unless specifically detailed in this footnote, all transactions with related parties are on an arm’s length basis. During the years ended December 31, 2023, 2022, and 2021, the Group had related party transactions 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. Major product development agreements Polestar entered into with related parties during the years ended December 31, 2023, 2022, and 2021 are as follows:

Product	Agreements
PS2	• On November 9, 2022 and December 27, 2022, Polestar entered into amendment agreements related to the service and joint development agreements with Volvo Cars regarding the PS2 model year updates entered on April 13, 2021. The amendment agreements added the specific fee for model year 2022 and 2023 updates. The fee Polestar agreed to pay Volvo Cars for model year 2022 and 2023 updates was \$39,623. The fee Polestar agreed to pay Volvo Cars for model year 2021 updates was amended to \$54,684 from \$31,366. • On June 23, 2021, Polestar entered into a supplement agreement to the PS2 car model assignment and license agreement to reconcile the actual development cost incurred by Volvo Cars and the category of technology developed for Polestar throughout 2020. The fee Polestar agreed to pay Volvo Cars under the agreement was \$31,554. • On April 13, 2021, Polestar entered into service and joint development agreements with Volvo Cars related to development of model year updates throughout the life-time of the PS2. The fee for these services is dependent on actual development costs incurred by Volvo Cars and the category of technology developed for Polestar. The fee Polestar agreed to pay Volvo Cars for model year 2021 updates was \$31,366 and costs related to future model year updates are based on actual hours incurred by Volvo Cars through a cost-plus methodology.
PS3	• No material agreements were signed in the years ended December 31, 2023, 2022, and 2021.
PS4	• On March 4, 2022, Polestar entered into two technology license agreements related to the right to use Geely's PMA-1 platform and GEEA2.0 electrical architecture for the PS4 in and outside of China. Under these agreements, Polestar agreed to pay Geely a monthly license royalty fee based on the net revenue of PS4s sold each month during the vehicle's lifecycle. The agreements also include a minimum sales volume commitment for sales inside and outside of China each year during the vehicle's lifecycle. Polestar is required to pay Geely compensation for any deficit between the actual volume sold and the minimum sales volume commitment each year. Polestar also entered into a third technology license agreement with Zhejiang Zeekr Automobile Research and Development Co., Ltd ("Zeekr"), an entity controlled by Geely, related to the right to use Zeekr carry-over tophat technology in the PS4 in China. Polestar agreed to pay Zeekr a monthly license royalty fee based on the net revenue of PS4s sold each month in China during the vehicle's lifecycle. The agreement also includes a minimum sales volume commitment for China for each year during the vehicle's lifecycle. Polestar is required to pay Zeekr compensation for any deficit in China between the actual volume sold and the minimum sales volume commitment each year. • On December 30, 2021, Polestar entered into a technology license agreement with Zeekr related to the right to use certain Zeekr carry-over tophat technology in the PS4 outside of China. This agreement has terms similar to those included in the agreement signed with Zeekr on March 4, 2022 regarding Zeekr technology used in the PS4 in China, except the minimum sales volume commitment thresholds are different and pertain to sales outside of China. • On December 28, 2021, Polestar entered into a R&D service agreement for the development phase of the PS4 beginning after the program confirmation milestone; ending with the final status report from Geely in 2025. The service charges are required to be paid in eight installments through 2025, based on predefined project milestones, and was calculated based on time and materials estimated to be incurred by Geely through 2025 under a cost-plus methodology. The total fee Polestar agreed to pay Geely through 2025 was \$368,718. • On January 18, 2021, Polestar entered into a R&D service agreement for the concept phase of the PS4; ending at the program confirmation milestone. The service charge was a fixed price compensation dependent on the hours and resources required for the services to be performed by Geely throughout 2021, based on predefined project milestones. The total fee Polestar agreed to pay Geely throughout 2021 was \$23,718.
PS5	• On September 28, 2023, Polestar entered into a technology license agreement with Geely related to the right to use Zeekr's ZEEA2.5 and Geely's GEEA2.0 electrical architectures for the PS5. The total license fee of \$31,245 is required to be paid in two installments: a payment of \$14,011 that occurred in October 2023 and a payment of \$17,234 in December 2024.

PS6	• No material agreements were signed in the years ended December 31, 2023, 2022, and 2021.

Refer to *Note 29 - Commitments and contingencies* for details on commitments and contingencies related to product development of Polestar vehicles.

Procurement

The Group has entered into service agreements with Geely and Volvo Cars regarding the procurement of direct materials for production and the indirect procurement of material, IT and other general services not related to car components. The joint sourcing of indirect procurement activities and direct material for the Group, Volvo Cars, and Geely has allowed the 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 Volvo Cars and Geely. Manufacturing engineering includes activities related to the development of the production process (i.e., deciding which manufacturing equipment should be utilised and where equipment should be situated to ensure an efficient production process), rather than development of the vehicle itself. Logistics engineering includes activities related to the determination of how different components are delivered to the production sites. The Group outsourced the manufacturing and logistics engineering for the production processes of the PS1, PS2, and PS3 to Volvo Cars and for the production processes of the PS4 to Geely.

Tool sharing occurs when the Group purchases production tools, together with Volvo Cars or Geely, to obtain synergies in the manufacturing processes by utilizing the same or similar tools. Polestar also enters into machinery and equipment lease arrangements as well as certain building lease agreements with Geely and Volvo Cars. Refer to *Note 12 - Leases* for more information on Polestar's leasing arrangements.

Major manufacturing agreements Polestar entered into with related parties during the years ended December 31, 2023, 2022, and 2021 are listed below.

Product	Agreements
PS2	• No material agreements were signed in the years ended December 31, 2023, 2022, and 2021.
PS3	• On December 8, 2023, Polestar entered into an asset transfer agreement with Geely under which Polestar agreed to sell Polestar unique tooling and equipment that will be used in the manufacturing of the PS3 to Geely in exchange for $156,056. This agreement was accounted for as a financing transaction instead of a sale due to the terms of the agreement and the terms of other agreements with Volvo Cars and Geely that were signed on January 8, 2024 and March 3, 2024. Refer to the *Financing* section of this footnote and *Note 30 - Subsequent events* for more details. • On March 17, 2021 and March 23, 2021, Polestar entered into two financial undertaking agreements with Volvo Cars related to investments required prior to production of the PS3 in Volvo Cars' plant in South Carolina. Under the first agreement, Volvo Cars agreed to invest $49,969 in common equipment that will be utilised in the production of both the PS3 and certain Volvo Cars branded vehicles and Polestar committed to pay Volvo Cars for its share of use of the common equipment via piece price of each PS3 produced. Under the second agreement, Volvo Cars agreed to invest $40,451 in PS3 unique equipment that will be utilised in the production of only the PS3 and Polestar committed to pay Volvo Cars for use of the PS3 unique equipment via piece price of each PS3 produced. Both agreements subject Polestar to making a lump sum payment to Volvo Cars in the event that Volvo Cars' investment costs are not recovered prior to the end of production of the PS3.
PS4	• On November 9, 2023, Polestar entered into a framework agreement with Geely and Renault Korea Motors Co., Ltd .("RKM") related to the production of the PS4 in RKM's plant in Busan, South Korea for sale in South Korea, Canada, and the United States. Under the agreement, Polestar agreed to pay RKM per vehicle produced based on a cost-plus methodology inclusive of cost components such as bill of materials, manufacturing service, long-lived asset, and outbound logistics fees. The agreement includes purchase volume commitments for each year during the vehicle's lifecycle and Polestar is required to pay RKM compensation each year if the purchase volume commitment is not met. Between signing of the agreement and 2026, Polestar, Geely, and RKM are committed to invest approximately $242,000 to prepare the plant for production of the PS4. Polestar's share of the commitments that are required to be paid outside of piece price of each PS4 produced total approximately $200,000 and approximately $38,000 are required to be paid in piece price. The remaining commitment will be paid by Geely. • On July 17, 2023 and July 24, 2023, Polestar entered into two manufacturing and vehicle supply agreements with Geely related to production of the PS4 in Geely's plant in Hangzhou, China for sale in and outside of China. Under the agreements, Polestar agreed to pay Geely per vehicle produced based on a cost-plus methodology inclusive of cost components such as bill of materials, manufacturing service, and outbound logistics fees. The agreements include purchase volume commitments for each year during the vehicle's lifecycle. Polestar is required to pay Geely compensation for the deficit between the actual volume purchased during the year and 90% of Polestar's fixed reserved volume for the year. Polestar's fixed reserve volume for each year is negotiated and agreed upon in November of the year prior. • On January 17, 2022, Polestar entered into a tooling and equipment agreement with Geely related to PS4 unique equipment, tooling, and launch costs related to the manufacturing of the PS4. Under the agreement, Geely agreed to invest a total of $60,948 for PS4 unique equipment, tooling, and launch costs on behalf of Polestar and Polestar agreed to pay Geely in seven installments at certain pre-defined milestones between contract signing and February 2024. The cost to Polestar for PS4 unique equipment and tooling is $39,371 and $21,577 for PS4 launch costs. • On December 23, 2021, Polestar entered into a unique vendor tooling agreement with Geely related to PS4 unique vendor tooling related to the manufacturing of the PS4. Under the agreement, Geely agreed to invest a maximum of $83,646 for PS4 unique vendor tooling on behalf of Polestar and Polestar agreed to pay Geely monthly as costs are incurred.

PS5	• On July 26, 2022, Polestar entered into a vehicle supply agreement with Asia Europe New Energy Vehicle Manufacturing (Chongqing) Co., Ltd. ("AECQ"), a subsidiary of Geely, related to the production of PS5 prototypes. Under the agreement, AECQ agreed to manufacture and sell Polestar prototypes of the PS5 for a total cost of $25,398 that was determined under a cost-plus methodology. On February 3, 2023, the agreement was amended to change the timing and composition of prototypes, including adding production for spare parts and components, and increased the total cost to $25,783. On December 1, 2023, the agreement was amended again for similar reasons and increased the total cost to $27,290.

Refer to *Note 29 - Commitments and contingencies* for details on commitments and contingencies related to manufacturing of Polestar vehicles.

Production of the PS5 and PS6

Production of the PS5 and PS6 is intended to occur in a manufacturing plant owned by Geely, via its AECQ subsidiary, in Chongqing, China. During the year ended December 31, 2021, Polestar and Geely established a steering committee to oversee decisions relevant to the plant, including planning, design, construction, engineering management of the plant. Following the establishment of the steering committee, Polestar began providing digital, human resources, indirect procurement, finance, logistics, plant management, blue collar launch, product launch, and plant launch services (collectively, the "Plant Operation Services") related to the setup of Geely's plant. Since the year ended December 31, 2021 and prior to December 20, 2023, these services were provided to Geely without an agreement of commercial and legal terms (i.e., a contract) between Polestar and Geely; resulting in Polestar providing the Plant Operation Services to Geely at its own risk and without rights to consideration from Geely. All costs incurred by Polestar during the years ended December 31, 2023, 2022, and 2021 that were associated with providing the Plant Operation Services were expensed as incurred under their respective functional line items in the Consolidated Statement of Loss and Comprehensive Loss.

On December 20, 2023, Polestar and Geely entered into an agreement under which Geely agreed to compensate Polestar for the Plant Operation Services provided by Polestar during the years ended December 31, 2023, 2022, and 2021. The consideration received by Polestar upon signing of the service agreement amounted to $25,202 and was calculated utilizing a cost-plus methodology. The consideration received was recognised in Other operating income (expense), net in the Consolidated Statement of Loss and Comprehensive Loss for the year ended December 31, 2023.

Sales and distribution

For the years ended December 31, 2023, 2022, and 2021, the Group sold software technology, vehicles, prototype engines and carbon credits to Geely and Volvo Cars. 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. In 2023, the Group had new agreements in place to begin selling vehicles and services to Polestar Technology, a strategic joint venture for the China market with the technology company Xingji Meizu. Polestar leverages Xingji Meizu software and consumer electronics hardware development to strengthen Polestar's offer in the China market. Refer to *Note 10 - Investment in associates* for more information regarding the agreements with Polestar Technology.

The Group sells vehicles to Volvo Cars and end customers while end customers can choose to finance the vehicles via Polestar's related party, Volvofinans Bank AB (“Volvofinans Bank”).

Polestar 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 agreed to provide such protection as a service for a fee.

Information technology

While Polestar 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. 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, legal, accounting, and logistics. Human resources 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 support services include statutory finance administration, accounting, and financial reporting for sales units.

Polestar outsources inbound and outbound logistics related to the PS2 to Volvo Cars, since the PS2 is manufactured at Volvo Cars' Taizhou plant. Inbound logistics relate to supplier shipments to various production sites; outbound logistics relate to the transport of vehicles to end customers. Polestar outsources inbound logistics related to the PS4 to Geely, since the

PS4 is manufactured at Geely's Hangzhou Bay plant. The Group outsources customs handling to Volvo Cars as it does not currently have its own customs department. Warranty claims handling is also outsourced to Volvo Cars.

Financing

Working capital loans

In May 2021, the Group entered into a working capital credit facility with Volvo Cars Financial Services UK. The credit facility is renewed each 12-month period and is denominated in GBP. Interest is calculated at the floating Bank of England ("BoE") base rate plus 2-2.5%, settled monthly. The facility is partially secured by the underlying assets. As of December 31, 2023 and 2022, $35,747 and $16,690 of this financing arrangement remained outstanding, respectively, which is included in Interest-bearing current liabilities - related parties on the Consolidated Statement of Financial Position.

Convertible instruments

On November 3, 2022 the Group entered into a credit facility agreement with Volvo Cars providing available credit of up to $800,000; originally terminating on May 3, 2024. The credit facility can be drawn upon once a month and is utilizable for general corporate purposes. Interest is calculated at the floating six-month SOFR rate plus 4.9% per annum. Prior to June 30, 2027, 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 (1) whether or not the Group conducts a qualified equity offering to investors at a market discount and (2) the time-value of money associated with settlement of the liability earlier than June 30, 2027. As such, the financial liability related to Volvo Cars' conversion right is carried at fair value with subsequent changes in fair value recognised in the Consolidated Statement of Loss and Comprehensive Loss at each reporting date. On November 8, 2023, the credit facility agreement was amended to increase the overall credit capacity to $1,000,000 and extend the termination date to June 30, 2027. As a result of the amended terms, Polestar recalculated the carrying amount of the liability as the present value of the modified contractual cash flows and recognised a modification loss of $6,829 within Finance expense. As of December 31, 2023 and 2022, the Group had principal draws of $1,000,000 and $0 respectively, outstanding under the facility and the fair value of the financial liability related to Volvo Cars' conversion right was $0 and $0, respectively. The modified carrying value of the liability as of December 31, 2023 was $1,006,829.

On November 8, 2023, the Group entered into a credit facility agreement with Geely providing available credit of up to $250,000; terminating on June 30, 2027. Other than the amount of credit available, the credit facility agreement with Geely maintains terms that are identical to the amended credit facility agreement with Volvo Cars. As of December 31, 2023 the Group had principal draws of $250,000 outstanding under the facility and the fair value of the financial liability related to Geely's conversion right was $0.

As of December 31, 2023 the total principal balance outstanding under the facilities with Volvo Cars and Geely is reflected within Other non-current interest-bearing liabilities - related parties.

Of the $35,231 in Convertible Notes issued on July 28, 2021, $9,531 was issued to various entities affiliated with 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. Refer to *Note 1 - Overview and basis of preparation* and *Note 22 - Equity* for further details.

Other financing instruments

On December 8, 2023, Polestar and Geely entered into an asset transfer agreement which, when considered together with certain other agreements not signed until after December 31, 2023, was designed to provide financing to Polestar in exchange for Polestar transferring legal ownership of certain Polestar unique tooling and equipment that will be used in the manufacturing of the PS3 (the "PS3 Tooling and Equipment") to Geely. The agreements were as follows:

- Polestar and Geely entered into an asset transfer agreement on December 8, 2023 under which Geely agreed to purchase the PS3 Tooling and Equipment for $156,056. The PS3 Tooling and Equipment sold to Geely included (1) tooling and equipment at certain vendors' premises and (2) unique type bound tooling and equipment located in Volvo Cars' plant. The purchase price was comprised of (1) Polestar's book value of the PS3 Tooling and Equipment equal to $149,470 (the "Base") and (2) an estimate of the cost to Polestar for future changes or modifications to the PS3 Tooling and Equipment equal to $6,586 (the "Cap"). The amount of the Cap not utilised by Polestar must be repaid by Polestar to Geely at the end of the useful life of the PS3. During and at the end of the useful life of the PS3, Polestar has the right to repurchase the PS3 Tooling and Equipment at Geely's book value. In the event the user right agreement (discussed below) is terminated, Polestar is obligated to repurchase the PS3 Tooling and Equipment at the amount not reimbursed to Geely under the user right agreement.

- Polestar, Geely, and Volvo Cars were committed to enter into a user right agreement under which Geely will grant Volvo Cars the right to use to PS3 Tooling and Equipment to manufacture the PS3 for Polestar in exchange for an annual user right fee from Volvo Cars equal to the Base divided by the estimated useful life of the PS3 (i.e., 6 years). In the event Polestar utilises the Cap in the future, the numerator of the annual user right fee calculation will be adjusted by Geely to add the amount of the Cap utilised by Polestar. The user right fee does not carry interest or a mark-up.
- Polestar and Volvo Cars were committed to enter into a manufacturing agreement under which Volvo Cars will manufacture the PS3 in its plant in Chengdu, China. Per the pricing terms of the manufacturing agreement, Polestar will repay Volvo Cars for the annual user right fee paid to Geely in the piece price of each PS3 purchased (i.e., the annual user right fee divided by the annual manufacturing volume of PS3s).

In accounting for the asset transfer agreement, the Group applied the guidance in IFRS 15, IFRS 16, and IFRS 9. Under IFRS 15 and IFRS 16, the transfer of the PS3 Tooling and Equipment failed to meet the definition of a sale because the PS3 Tooling and Equipment is (1) unique to Polestar and the manufacturing of the PS3, (2) Polestar maintains a right to repurchase the PS3 Tooling and Equipment during and at the end of the useful life of the PS3, and (3) Polestar has a contingent obligation to repurchase the PS3 Tooling and Equipment at a value equal to Geely's purchase price less the total amount of the user right fee paid to Geely in the event the user right agreement is terminated. Further, since Polestar is required to (1) pay Volvo Cars in PS3 piece price for the annual user right fee Volvo Cars is required to pay Geely and (2) pay Geely at the end of the useful life of the PS3 for any unused amount of the Cap, the agreements together form a failed sale and lease-back transaction. In accordance with IFRS 16, the PS3 Tooling and Equipment was not derecognised from PPE and Polestar's obligation to repay the purchase price from Geely was accounted for under IFRS 9. Per the terms of the agreement, Polestar's long-term obligation to repay Geely through Volvo Cars does not include any interest or mark-up (i.e., the amount borrowed is the exact amount which will be repaid). This transfer of proceeds from Geely did not factor for the time-value of money (e.g., in a manner similar to a discount on a bond that a third party investor would require), so the transaction was not at arm's length in accordance with IAS 24, *Related Party Disclosures* ("IAS 24"), resulting in a portion of the purchase price from Geely being accounted for as a capital contribution instead of a financial liability. Accordingly, Polestar's obligation to Geely was recognised at the present value of $131,737, determined utilizing an estimated market interest rate in China of 5.2%, and the difference between the present value of Polestar's obligation and the purchase price from Geely of $25,565 was recognised as a component of Other contributed capital.

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 technology and performance engineered kits, sales of carbon credits and sales of prototype engines. The total revenue recognised from each related party is shown in the table below:

	For the year ended December 31,		
	2023	2022	2021
		(Restated)	(Restated)
Volvo Cars	90,114	68,076	82,090
Volvofinans Bank AB	46,683	68,391	52,973
Geely	5,895	—	2,347
Total	**$ 142,692**	**$ 136,467**	**$ 137,410**

For the year ended December 31, 2023, revenue from related parties amounted to $142,692 (6%) of total Revenue. For the year ended December 31, 2022, revenue from related parties amounted to $136,467 (5.6%) of total Revenue. For the year ended December 31, 2021, revenue from related parties was $137,410 (10.2%) 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 Cars' factory in Taizhou, China and Polestar 4 vehicles purchased from Geely's Hangzhou Bay factory in Ningbo, 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,		
	2023	2022	2021
		(Restated)	(Restated)
Volvo Cars	2,345,639	2,219,169	560,451
Geely	260,103	249,108	1,200,295
Volvofinans Bank AB	463	1,003	5,748
Total	**$ 2,606,205**	**$ 2,469,280**	**$ 1,766,494**

Cost of R&D and intellectual property

Polestar 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 recognised asset reflects the relevant proportion of Polestar Group's interest. The recognised asset associated with these agreements as of December 31, 2023 was $1,058,398, of which acquisitions attributable to 2023 were $240,312. As of December 31, 2022, the recognised asset associated with these agreements was $1,148,131, of which acquisitions attributable to 2022 were $215,532.

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 from Volvo Cars and Geely.

	As of December 31,	
	2023	2022
Trade payables – related parties, accrued expenses, and other current liabilities to related parties		(Restated)
Volvo Cars	499,480	1,089,144
Geely	224,808	71,116
Volvofinans Bank AB	2,022	1,389
Total	**$ 726,310**	**$ 1,161,649**

	As of December 31,	
Interest-bearing current liabilities - related parties	2023	2022
Volvo Cars	10,628	9,928
Geely	21,956	—
Volvo Car Financial Services UK	35,748	16,690
Total	**$ 68,332**	**$ 26,618**

	As of December 31,	
Other non-current interest-bearing liabilities - related parties	2023	2022
Volvo Cars	1,049,463	43,643
Geely	359,781	—
Total	**$ 1,409,244**	**$ 43,643**

The Group's interest expense related to related party liabilities is as follows:

	For the year ended December 31,		
	2023	2022	2021
		(Restated)	(Restated)
Interest expense - related parties	92,033	37,924	30,832

Amounts due from related parties

Amounts due from related parties include transactions related to the sales of products and related goods and services, sales of software technology and performance engineered kits, sales of carbon credits and sales of prototype engines discussed above.

	As of December 31,

	2023	2022
Trade receivables – related parties, accrued income – related parties, and other current assets - related parties		**(Restated)**
Volvo Cars	168,523	124,531
Geely	53,730	3
Volvofinans Bank AB	954	3,751
Total	**$ 223,207**	**$ 128,285**

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 Limited 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 Limited 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 Limited directly on the open market. The purchased shares were subject to a 180 days' lock-up period.

Refer to *Note 7 - Employee benefits* for details on compensation to the EMT and managing directors at the Group's sales units.

Asset disposals

In December 2022, Polestar committed to a plan to sell, to Geely, its Chengdu manufacturing plant held by Polestar New Energy Vehicle Co. LTD. ("PSNEV"). Prior to the sale, there was a change in the grouping of assets classified as held for sale to include additional assets and immaterial liabilities. The inclusion of these additional assets and immaterial liabilities formed a group of assets and did not meet the definition of a business as defined by IFRS 3. The sale of PSNEV represented a common control transaction because (1) PSNEV did not meet the definition of a business at the time of the transaction, (2) the ultimate control of PSNEV was the same before and after the transaction, and (3) control of PSNEV was not transitory (i.e., organized to effect a 'grooming' transaction.) The resulting gain on the sale was $16,334. Refer to *Note 28 - Assets held for sale* for additional details.

Note 28 - Assets held for sale

In December 2022, the Group committed to a plan to sell, to Geely, its Chengdu manufacturing plant held by the Group subsidiary, PSNEV, that was previously used to manufacture the Polestar 1 and special edition Polestar 2 BST 270. Accordingly, the Chengdu plant and certain related assets were presented as a disposal group held for sale. The assets related to the Chengdu Plant which were classified as held for sale amounted to $56,001 as of December 31, 2022. The cumulative foreign exchange losses related to exchange rate differences from translation of the disposal group that were included in other comprehensive income as of December 31, 2022 amounted to $1,392. In July 2023, there was a change in the asset grouping classified as held for sale to include an immaterial amount of Other current assets and liabilities along with $85,542 of accounts receivable. The accounts receivable was an intercompany receivable, held by PSNEV, which was not settled prior to the sale of the asset group. Geely agreed to purchase the intercompany receivable as part of the sale, resulting in a change in the asset grouping.

On August 1, 2023, the Group completed the sale of the asset group to Geely. Upon disposal of the asset group, cumulative foreign exchange losses of $6,636 were reclassified from equity to profit or loss as part of the gain on disposal. The derecognition of the asset group previously classified as held for sale, including the modification to include accounts receivable, resulted in a total gain of $16,334. The gain is reflected within Other operating income (expense) on the

Consolidated Statement of Loss and Comprehensive Loss. Refer to *Note 27 - Related party transactions* for additional details.

Note 29 - Commitments and contingencies

Commitments

As of December 31, 2023, commitments to acquire PPE and intangible assets were $334,482 and $162,529, respectively. As of December 31, 2022, commitments to acquire PPE and intangible assets were $179,690 and $216,572, respectively. These commitments are contractual obligations to invest in PPE, intangible assets for the production of upcoming vehicle models Polestar 3, Polestar 4, Polestar 5 and Polestar 6. As of December 31, 2023, Polestar also has a capital injection commitment related to the investment in Polestar Technology amounting to $68,600. Refer to *Note 10 - Investment in associates* for more details on the investment in Polestar Technology.

Polestar has signed contracts with certain suppliers including a non-cancellable commitment, an agreed minimum purchase volume, or an agreed minimum sales volume. In the event of a shortfall in purchases, a shortfall in sales, or Polestar´s decision to terminate such contracts, these suppliers are entitled to compensation from Polestar. The amounts in the table below represent Polestar´s future commitments as of December 31, 2023:

	Total	Less than 1 year	Between 1-5 years	After 5 years
PS2 battery purchase volume commitments	19,448	19,448	—	—
Logistics service commitments	57,108	57,108	—	—
PS3 and PS4 purchase volume commitments[1]	277,496	277,496	—	—
PS4 sales volume commitments	83,842	14,903	61,439	7,500
Other commitments	5,463	5,463	—	—
Total	**$ 443,357**	**$ 374,418**	**$ 61,439**	**$ 7,500**

1 - The PS3 manufacturing agreement with Volvo Cars was signed on January 8, 2024, however commitments related to the agreement existed as of December 31, 2023 based on the terms in the agreement governing Polestar's sale of PS3 Tooling and Equipment to Geely that was signed on December 8, 2023. Refer to *Note 27 - Related party transactions* and *Note 30 - Subsequent events* for further details.

Contingencies

In the normal course of business, the Group is subject to contingencies related to legal proceedings, claims, and other assessments that cover a wide range of matters. Liabilities for such contingencies are not recorded until it is probable that a present obligation exists and the amount of the obligation can be estimated reliably. However, contingencies are disclosed when the potential financial effect could be material. As of December 31, 2023 and 2022, the Group did not have any material contingencies.

Note 30 - Subsequent events

Management has evaluated events subsequent to December 31, 2023 and through September 10, 2024, the date these Consolidated Financial Statements were authorized for issuance by the Board of Directors. The following events which occurred subsequent to December 31, 2023 merited disclosure in these Consolidated Financial Statements. Management determined that no adjustments were required to the figures presented as a result of these events.

On January 3, 2024, Polestar's investee in China, Polestar Technology (Shaoxing) Co., Ltd., selected Nanjing as its final province of registration. The investee was renamed Polestar Times Technology (Nanjing) Co., Ltd ("Polestar Times Technology"). Subsequently, on February 29, 2024, Polestar Times Technology, Polestar, Xingji Meizu, and Nanjing Jiangning Economic and Technological Development Zone Industrial Equity Investment Partnership (the "Nanjing Investor") entered an agreement for Polestar Times Technology to receive an additional $60,360 in capital from the Nanjing Investor over four installments in exchange for equity; subject to Polestar Times Technology achieving certain increased paid-in capital and invoiced sales thresholds in Nanjing province. In the event Polestar Times Technology achieves these thresholds and secures the investment installments from the Nanjing Investor, Polestar's ownership in Polestar Times Technology will decrease from 49% to 37.6% over time. As of the date these Consolidated Financial Statements were authorized for issuance, Polestar has injected total cash of $34,300 into Polestar Times Technology and maintains 46.2% ownership.

On January 8, 2024, Polestar and Zhongjia Automobile Manufacturing (Chengdu) Co. Ltd., a Volvo Cars subsidiary, entered into an agreement for the manufacturing of Polestar 3 vehicles in Volvo Cars' Chengdu plant for sale outside of China. Under this agreement, Polestar is committed to purchase certain volumes of Polestar 3 vehicles between 2025 and 2030. In the event that Polestar´s actual volumes purchased during the production period are lower than the agreed volumes, Polestar is obligated to compensate Volvo Cars for fixed costs related to the lost capacity. On January 12, 2024, Polestar entered into a similar agreement with the same Volvo Cars subsidiary, inclusive of similar volume commitment terms, governing the manufacturing of Polestar 3 vehicles in Volvo Cars' Chengdu plant for sale in China. These manufacturing agreements also represent those related to Polestar's sale of PS3 Tooling and Equipment discussed in *Note 27 - Related party transactions*.

On February 22, 2024, Polestar entered into a syndicated multicurrency green trade facility with BNP Paribas, Natixis, Hong Kong Branch, Standard Chartered Bank, the Hongkong and Shanghai Banking Corporation Limited, Banco Bilbao Vizcaya Argentaria, S.A., London Branch, Shanghai Pudong Development Bank Co., Ltd., Credit Agricole Corporate and Investment Bank, China Bohai Bank Co., Ltd. Shanghai Free Trade Zone Branch, Mizuho Bank, Ltd., MUFG Bank, Ltd. Hong Kong Branch, Citigroup Global Markets Asia Limited, and China Zheshang Bank Co., Ltd. with Standard Chartered Bank acting as agent and security agent. Total principal available for utilisation under the arrangement is divided into two facilities where Facility A is EUR denominated at €340,000 and Facility B is USD denominated at $583,500. Facility A utilisations carry interest at the relevant EURIBOR plus 2.85%. Facility B utilisations carry interest at the Chicago Mercantile Exchange Term SOFR plus 3.35%. Both facilities have a 36-month repayment period with repayment of utilisations due in full at the end of the period, including any unpaid interest and other fees. The facilities are secured by interest reserve accounts pledges with an aggregate of three months interest deposited upon utilisation of available credit. As of February 28, 2024, Polestar had drawn the entire borrowing capacity available under both facilities. Simultaneously with the signing of the syndicated multicurrency green trade facility on February 22, 2034, Polestar and Geely entered into a subordination deed with Standard Chartered Bank, making Polestar's $250,000 credit facility with Geely entered into on November 8, 2023, as discussed in *Note 27 - Related party transactions*, subordinated to the syndicated multicurrency green trade facility. By the terms of the subordination deed, no payment to Geely of principal or interest will be made until all amounts due under the syndicated multicurrency green trade facility have been paid in full.

On February 27, 2024, Polestar agreed to a one-year extension of the green trade revolving credit facility with Standard Chartered Bank, Nordea Bank ABP, Citibank Europe PLC, ING Belgium SA/NV, and Barclays Bank Ireland PLC with an aggregate principal amount available of €470,000. Utilisations of this facility carry interest at the relevant interbank offered rate plus 2.3% per annum and have a repayment period of 90 days.

On March 3, 2024, Polestar, Zhongjia Automobile Manufacturing (Chengdu) Co. Ltd., a Volvo Cars subsidiary, and Chengdu Jisu New Energy Vehicle Co., Ltd, a Geely subsidiary, entered into the user right agreement related to Polestar's sale of PS3 Tooling and Equipment discussed in *Note 27 - Related party transactions*. Under the user right agreement, Geely granted Volvo Cars the right to use PS3 Tooling and Equipment to manufacture the PS3 for Polestar in exchange for an annual user right fee from Volvo Cars.

On March 11, 2024, Polestar entered into a 12-month working capital loan for ¥177,000 with East Asia Bank. This loan carries an interest rate of 4.5% per annum due quarterly. This loan benefits from letters of comfort from Volvo Cars and Geely.

On April 30, 2024, Polestar entered into a 12-month working capital loan for ¥473,000 with Bank of China Shanghai Branch. This loan carries an interest rate of 12-month LPR plus 0.35% due quarterly. This loan benefits from letters of comfort from Geely.

On May 31, 2024, Polestar entered into a 12-month working capital loan for ¥88,000 with Bank of China Shanghai Branch. This loan carries an interest rate of 12-month LPR plus 0.35% due quarterly. This loan benefits from letters of comfort from Geely.

On June 13, 2024, Polestar entered into a 12-month working capital loan for ¥231,000 with East Asia Bank. This loan carries an interest rate of 4.3% per annum due quarterly. This loan benefits from letters of comfort from Volvo Cars and Geely.

On June 28, 2024, Polestar entered into a non-recourse trade receivables factoring agreement with BNP Paribas Fortis Factor N.V. ("BNP Paribas Fortis Factor") whereby BNP Paribas Fortis Factor agreed to purchase up to €120,000 in eligible trade receivables from Polestar. Polestar pays a factoring fee calculated as a specified base rate plus an applicable margin. Additionally, Polestar continues to service collection of the trade receivables. As of the date these financial statements were ready for issuance, Polestar has received €45,000 for the sale of trade receivables to BNP Paribas Fortis Factor.

On August 2, 2024, Polestar entered into a 12-month working capital loan for $196,000 with China CITIC Bank Hangzhou Branch. This loan carries an interest rate of 7.8% per annum due quarterly. This loan benefits from letters of comfort from Geely.

On August 20, 2024, Polestar entered into a 12-month revolving credit facility with Standard Chartered Bank (Hong Kong) Limited ("SCB") for an aggregate principal amount of up to $300,000. Each draw of this facility carries interest at a rate of the 3-month SOFR + 1% per annum or 12-month SOFR + 1.15% per annum and has a repayment period of 3 months or 12 months, respectively. On August 23, 2024 and September 9, 2024, Polestar borrowed $100,000 and $100,000, respectively, under the facility. Both draws carry interest at the 12-month SOFR + 1.15% per annum and have a repayment period of 12 months. All draws under this revolving credit facility are secured by Geely.

On August 21, 2024, Polestar entered into an amended facilities agreement (“Second Amended Agreement”) with Volvo Cars pertaining to the credit agreement signed on November 3, 2022 (“Original Agreement”) and amended on November 8, 2023 (“Amended Agreement”). Under the Original Agreement, Polestar had $800,000 in borrowing capacity and under the Amended Agreement, Polestar was provided an additional $200,000 line of credit. As of the date these financial statements were ready for issuance, Polestar had drawn down on all $1,000,000 of available credit. The Second Amended

Agreement extends the loan’s maturity date from June 30, 2027 to December 29, 2028. Interest will be calculated using the floating six-month SOFR rate plus 4.9% per annum.

On August 27, 2024, Polestar entered into a 12-month working capital loan for $320,000 with PingAn Bank. This loan carries an interest rate of 12-month SOFR plus 0.55% due quarterly. This loan is secured by Geely.

On August 28, 2024, Polestar entered into a 12-month working capital loan for $82,000 with PingAn Bank. This loan carries an interest rate of 12-month SOFR plus 0.55% due quarterly. This loan benefits from letters of comfort from Geely.

On August 28, 2024, Polestar Automotive Holding UK PLC (the “Company”) issued a press release announcing that Michael Lohscheller will become the Company’s next Chief Executive Officer, effective October 1, 2024. Mr. Thomas Ingenlath, current CEO, will step down at that time.

On September 3, 2024, Polestar issued a press release announcing the appointment of Jean-Francois Mady as Chief Financial Officer (CFO), effective October 21, 2024. Jean-Francois will assume responsibilities from Per Ansgar, who joined Polestar in January 2024 as CFO on a transitional basis.

On September 6, 2024, Polestar and Volvo Car USA LLC., a Volvo Cars subsidiary, entered into an agreement for the manufacturing of Polestar 3 vehicles in Volvo Cars' Charleston plant. Under this agreement, Polestar is committed to purchase certain volumes of Polestar 3 vehicles between 2025 and 2031. In the event that Polestar’s actual volumes purchased during the production period are lower than the agreed volumes, Polestar is obligated to compensate Volvo Cars for fixed costs related to the lost capacity.

Note 31 - Restatement of prior period financial statements

In connection with the preparation of our consolidated financial statements as of and for the year ended December 31, 2023, management identified various misstatements in our previously issued 2021 and 2022 annual financial statements. Management has assessed the materiality of the misstatements on the 2021 and 2022 financial statements. Based on this, management concluded that the prior year financial statements should be corrected, even though such revision previously was and continues to be immaterial to the prior year financial statements. Accordingly, these misstatements have been corrected, including the previously recorded out of period adjustments, for all periods presented by revising the accompanying consolidated financial statements. The errors relate to the following categories of misstatements:

(i) **Inventories**

The errors identified in the Inventories category encompass errors relating to incorrect valuation, classification, recognition, and allocation of costs associated with inventory. The most significant errors in this category include the incorrect treatment of certain launch costs, capitalisation of inventory cost allocation, failed sale/lease transactions, and vehicles with repurchase obligations. The net impact of the inventory related error corrections on the Consolidated Statements of Loss and Comprehensive Loss was a reduction of the loss of $16,539 and $16,491 in 2022 and 2021, respectively.

(ii) **Accruals and Deferrals**

The errors identified in the Accruals and Deferrals category encompass errors relating to the recognition and measurement of accruals and deferrals. These errors include both the understatement and overstatement of accruals and deferrals before the issuance of the financial statements, despite the availability of accurate information. The most significant transactions in this category include incorrect warranty accrual release, over accrual of operating expenses in North America and timing of revenue recognition and deferred revenue related to vehicle subscription services. The net impact of the accrual and deferral related error corrections on the Consolidated Statements of Loss and Comprehensive Loss was an increase of the loss by $6,688 in 2022 and a reduction of the loss of $20,090 in 2021.

(iii) **Capitalisation of expenses**

The errors identified in the Capitalisation of Expenses category encompass errors relating to expenses that were erroneously capitalised as an asset and vice-versa as of and for the years ended December 31, 2022 and December 31, 2021. The most significant transactions in this category include incorrect recognition of certain assets in China, and the incorrect capitalisation of manufacturing engineering expenses as an intangible asset related to services provided to certain contract manufacturing facilities. The net impact of the capitalisation related error corrections on the Consolidated Statements of Loss and Comprehensive Loss was an increase in the loss of $8,187 and $1,837 in 2022 and 2021, respectively.

(iv) **Other - Reclassifications**

The errors identified in the Other - Reclassifications category encompass errors arising from misallocations of assets and liabilities between different financial statement captions and misallocations of assets and liabilities between current and non-current. The most significant adjustments in this category include non-current reclassification misstatements related to certain buyback liabilities, an error in lease asset and liability in the United Kingdom, and overstatement of advances from customers and accounts receivable in Germany. There is a marginal impact to the Consolidated Statements of Loss and Comprehensive Loss for the twelve months ended December 31, 2021, and December 31, 2022, due to reclassifications relating to lease expense reversals upon the reclassification of a lease liability to a financing obligation in Korea. Furthermore, related party balances from Other non-current interest-bearing liabilities and Interest-bearing current liabilities have been reclassified to respective related party line items on the Consolidated Statements of Financial Position as of December 31, 2021, and December 31, 2022, to maintain consistency with the Consolidated Statement of Financial Position as of December 31, 2023.

(v) **Deferred Taxes and Income Taxes**

The errors identified in the Deferred Taxes and Income Taxes category encompass errors relating to the recognition, measurement, and reporting of the Group's Deferred tax assets, Deferred tax liabilities, and income tax expenses as of and for the years ended December 31, 2022 and December 31, 2021. These errors include improper estimation of deferred tax amounts, errors in tax calculations, and errors pertaining to the treatment of value added tax. The most significant transactions in this category include incorrect recognition of Deferred tax assets and deferred liabilities at the Sweden tax rate, instead of the local market rate, and incorrect recording of Deferred taxes and Income tax expense in North America resulting from the other misstatement categories explained. The tax impact of all misstatement corrections has also been recognised. The net impact of the tax related error corrections and the tax effect of the other error corrections on the Consolidated Statements of Loss and Comprehensive Loss was an increase in the loss of $12,876 in 2022 and a reduction of the loss of $3,411 in 2021, respectively.

The tables below present the effect of the correction of the misstatements and the revision on the Consolidated Statements of Loss and Comprehensive Loss, Consolidated Statements of Financial Position and Consolidated Statements of Cash Flows as of and for the years ended December 31, 2022, and December 31, 2021. The adjustments identified related to the Consolidated Statements of Cash Flows for the years ended December 31, 2022, and December 31, 2021 only impact the classifications between cash flows (used in)/from operating, investing and financing, and do not result in a change in Cash and cash equivalents as of December 31, 2022 and December 31, 2021, from the originally reported amounts.

Consolidated Statement of Loss and Comprehensive Loss for the year ended December 31, 2022

Particulars	Originally Reported Amounts	Adjustments	Restated Amounts	Restatement Reference
Revenue	2,461,896	(17,791)	2,444,105	(i),(ii),(iv)
Cost of sales	(2,342,453)	(849)	(2,343,302)	(i),(ii),(iii),(iv)
Gross profit	**$ 119,443**	**$ (18,640)**	**$ 100,803**	
Selling, general and administrative expense	(864,598)	26,231	(838,367)	(i),(ii),(iii),(iv)
Research and development expense	(167,242)	(7,674)	(174,916)	(i),(ii),(iii)
Other operating expense, net	(1,565)	1,260	(305)	(i)
Listing expense	(372,318)	—	(372,318)	
Operating loss	**$ (1,286,280)**	**$ 1,177**	**$ (1,285,103)**	
Finance income	8,552	—	8,552	
Finance expense	(108,435)	33	(108,402)	(i)
Fair value change - Earn-out rights	902,068	—	902,068	
Fair value change - Class C Shares	35,090	—	35,090	
Loss before income taxes	**$ (449,005)**	**$ 1,210**	**$ (447,795)**	
Income tax expense	(16,784)	(12,876)	(29,660)	(v)
Net loss	**$ (465,789)**	**$ (11,666)**	**$ (477,455)**	
Net loss per share (in U.S. dollars)				
Class A - Basic and Diluted	(0.23)	(0.01)	(0.24)	
Class B - Basic and Diluted	(0.23)	(0.01)	(0.24)	
Consolidated Statement of Comprehensive Loss				
Net loss	**(465,789)**	**(11,666)**	**(477,455)**	
Other comprehensive income:				
Items that may be subsequently reclassified to the Consolidated Statement of Loss:				
Exchange rate differences from translation of foreign operations	4,519	(4,339)	180	(i), (ii), (iii), (iv), (v)
Total other comprehensive income	**$ 4,519**	**$ (4,339)**	**$ 180**	
Total comprehensive loss	**$ (461,270)**	**$ (16,005)**	**$ (477,275)**	

Consolidated Statement of Financial Position as of December 31, 2022

Particulars	Originally Reported Amounts	Adjustments	Restated Amounts	Restatement Reference
Assets				
Non-current assets				
Intangible assets and goodwill	1,396,477	(2,195)	1,394,282	(i), (iii)

Property, plant and equipment	258,048	17,906	275,954	(i), (iii), (iv)
Vehicles under operating leases	92,198	4,988	97,186	(i), (iv)
Other non-current assets	5,306	—	5,306	
Deferred tax asset	7,755	3,532	11,287	(v)
Other investments	2,333	—	2,333	
Total non-current assets	**$ 1,762,117**	**$ 24,231**	**$ 1,786,348**	
Current assets				
Cash and cash equivalents	973,877	—	973,877	
Trade receivables	246,107	(6,529)	239,578	(i), (iv)
Trade receivables - related parties	74,996	4,229	79,225	(iv)
Accrued income - related parties	49,060	—	49,060	
Inventories	658,559	(28,405)	630,154	(i), (iv)
Current tax assets	7,184	—	7,184	
Assets held for sale	63,224	(7,223)	56,001	(iv)
Other current assets	107,327	5,656	112,983	(iii), (v)
Total current assets	**$ 2,180,334**	**$ (32,272)**	**$ 2,148,062**	
Total assets	**$ 3,942,451**	**$ (8,041)**	**$ 3,934,410**	
Equity				
Share capital	(21,165)	—	(21,165)	
Other contributed capital	(3,584,232)	—	(3,584,232)	
Foreign currency translation reserve	12,265	3,508	15,773	(i), (ii), (iii), (iv), (v)
Accumulated deficit	3,726,775	(48,962)	3,677,813	(i), (ii), (iii), (iv), (v)
Total equity	**$ 133,643**	**$ (45,454)**	**$ 88,189**	
Liabilities				
Non-current liabilities				
Non-current contract liabilities	(50,252)	1,234	(49,018)	(i)(v)
Deferred tax liabilities	(476)	(11,994)	(12,470)	(v)
Other non-current provisions	(73,985)	(1,377)	(75,362)	(i), (iv)
Other non-current liabilities	(14,753)	(13,106)	(27,859)	(i)
Earn-out liability	(598,570)	—	(598,570)	
Other non-current interest-bearing liabilities	(85,556)	54,230	(31,326)	(iv)
Other non-current interest-bearing liabilities - related parties	—	(43,643)	(43,643)	(i), (iv)
Total non-current liabilities	**$ (823,592)**	**$ (14,656)**	**$ (838,248)**	
Current liabilities				
Trade payables	(98,458)	1,040	(97,418)	(i)
Trade payables - related parties	(957,497)	22,336	(935,161)	(i)
Accrued expenses - related parties	(164,902)	7,476	(157,426)	(i), (ii)
Advance payments from customers	(40,869)	5,152	(35,717)	(iv)
Current provisions	(74,907)	2,058	(72,849)	(i), (ii)
Liabilities to credit institutions	(1,328,752)	2,364	(1,326,388)	(iv)
Current tax liabilities	(10,617)	(3,777)	(14,394)	(v)
Interest-bearing current liabilities	(21,545)	9,610	(11,935)	(iv)
Interest-bearing current liabilities - related parties	(16,690)	(9,928)	(26,618)	(i), (iv)
Current contract liabilities	(46,217)	1,098	(45,119)	(i), (ii)
Class C Shares liability	(28,000)	—	(28,000)	
Other current liabilities	(393,790)	29,526	(364,264)	(i), (ii), (iii)
Other current liabilities - related parties	(70,258)	1,196	(69,062)	(i), (iv)
Total current liabilities	**$(3,252,502)**	**$ 68,151**	**$(3,184,351)**	
Total liabilities	**$(4,076,094)**	**$ 53,495**	**$(4,022,599)**	
Total equity and liabilities	**$(3,942,451)**	**$ 8,041**	**$(3,934,410)**	

Consolidated Statement of Cash Flows as for the year ended December 31, 2022

Particulars	**Originally Reported Amounts**	**Adjustments**	**Restated Amounts**	**Restatement Reference**
Cash flows from operating activities				
Net loss	(465,789)	(11,666)	(477,455)	(i), (ii), (iii), (iv), (v)

Adjustments to reconcile net loss to net cash flows:				
Depreciation and amortisation	158,392	(15,401)	142,991	(i), (iii)
Warranties	84,992	6,291	91,283	(i), (ii)
Impairment of inventory	27,877	(13,047)	14,830	(i), (iv)
Finance income	(8,552)	—	(8,552)	
Finance expense	108,435	(33)	108,402	(i)
Fair value change - Earn-out rights	(902,068)	—	(902,068)	
Fair value change - Class C Shares	(35,090)	—	(35,090)	
Listing expense	372,318	—	372,318	
Income tax expense	16,784	12,876	29,660	(iv), (v)
Disposals and derecognition of property plant and equipment and intangible assets	—	11,036	11,036	(iv)
Other provisions	—	23,367	23,367	(iv)
Unrealised Exchange Gain/Loss Operating Payables	—	(26,672)	(26,672)	(iv)
Other non-cash expense and income	18,997	(7,731)	11,266	(iv)
Change in operating assets and liabilities:				
Inventories	(226,638)	40,245	(186,393)	(i), (iii), (iv)
Contract liabilities	13,373	8,256	21,629	(i), (ii), (iv)
Trade receivables, prepaid expenses and other assets	(220,118)	(2,573)	(222,691)	(i), (ii), (iii), (iv)
Trade payables, accrued expenses and other liabilities	52,801	(30,820)	21,981	(i), (ii), (iii), (iv),
Interest received	8,552	—	8,552	
Interest paid	(68,130)	—	(68,130)	
Taxes paid	(19,559)	—	(19,559)	
Cash used for operating activities	**$(1,083,423)**	**$ (5,872)**	**$ (1,089,295)**	
Cash flows from investing activities				
Additions to property, plant and equipment	(32,269)	—	(32,269)	
Additions to intangible assets	(681,204)	6,929	(674,275)	(iii)
Additions to other investments	(2,500)	—	(2,500)	
Cash used for investing activities	**$ (715,973)**	**$ 6,929**	**$ (709,044)**	
Cash flows from financing activities				
Proceeds from short-term borrowings	2,149,799	—	2,149,799	
Principal repayments of short-term borrowings	(1,426,935)	—	(1,426,935)	
Principal repayments of lease liabilities	(18,905)	(543)	(19,448)	(i), (iv)
Proceeds from the issuance of share capital and other contributed capital	1,417,973	—	1,417,973	
Transaction costs	(38,903)	—	(38,903)	
Cash provided by financing activities	**$ 2,083,029**	**$ (543)**	**$ 2,082,486**	
Effect of foreign exchange rate changes on cash and cash equivalents	(66,433)	(514)	(66,947)	(i), (ii), (iii), (iv), (v)
Net increase in cash and cash equivalents	**$ 217,200**	**$ —**	**$ 217,200**	
Cash and cash equivalents at the beginning of the period	**$ 756,677**	**$ —**	**$ 756,677**	
Cash and cash equivalents at the end of the period	**$ 973,877**	**$ —**	**$ 973,877**	

Consolidated Statement of Loss and Comprehensive Loss for the year ended December 31, 2021

Particulars	**Originally Reported Amounts**	**Adjustments**	**Restated Amounts**	**Restatement Reference**
Revenue	1,337,181	9,166	1,346,347	(i),(ii)
Cost of sales	(1,336,321)	(367)	(1,336,688)	(i),(ii),(iii)
Gross profit	**$ 860**	**$ 8,799**	**$ 9,659**	
Selling, general and administrative expense	(714,724)	29,675	(685,049)	(i),(ii)

Research and development expense	(232,922)	(1,097)	(234,019)	(iii)
Other operating expense, net	(48,053)	(2,663)	(50,716)	(i)
Operating loss	**$ (994,839)**	**$ 34,714**	**$ (960,125)**	
Finance income	32,970	—	32,970	
Finance expense	(45,249)	31	(45,218)	(i)
Loss before income taxes	**$ (1,007,118)**	**$ 34,745**	**$ (972,373)**	
Income tax benefit (expense)	(336)	3,411	3,075	(v)
Net loss	**$ (1,007,454)**	**$ 38,156**	**$ (969,298)**	
Net loss per share (in U.S. dollars)				
Class A - Basic and Diluted	(0.53)	0.02	(0.51)	
Class B - Basic and Diluted	(0.53)	0.02	(0.51)	
Consolidated Statement of Comprehensive Loss				
Net loss	**(1,007,454)**	**38,156**	**(969,298)**	
Other comprehensive loss:				
Items that may be subsequently reclassified to the Consolidated Statement of Loss:				
Exchange rate differences from translation of foreign operations	(33,149)	831	(32,318)	(i), (ii), (iii), (iv), (v)
Total other comprehensive loss	**$ (33,149)**	**$ 831**	**$ (32,318)**	
Total comprehensive loss	**$ (1,040,603)**	**$ 38,987**	**$ (1,001,616)**	

Consolidated Statement of Cash Flows as for the year ended December 31, 2021

Particulars	Originally Reported Amounts	Adjustments	Restated Amounts	Restatement Reference
Cash flows from operating activities				
Net loss	(1,007,454)	38,156	(969,298)	(i), (ii), (iii), (iv), (v)
Adjustments to reconcile net loss to net cash flows:				
Depreciation and amortisation	239,164	(21,323)	217,841	(i), (iii), (iv)
Warranties	63,114	(5,634)	57,480	(ii)
Impairment of inventory	31,984	(1,202)	30,782	(i)
Finance income	(32,969)	(1)	(32,970)	(iv)
Finance expense	45,249	(31)	45,218	(i)
Income tax benefit (expense)	336	(3,411)	(3,075)	(iv), (v)
Other provisions	—	11,560	11,560	(iv)
Unrealised Exchange Gain/Loss Operating Payables	—	9,876	9,876	(iv)
Other non-cash expense and income	11,560	(11,560)	—	(iv)
Change in operating assets and liabilities:				
Inventories	(290,442)	6,666	(283,776)	(i), (iii), (iv)
Contract liabilities	70,220	(11,146)	59,074	(i), (ii)
Trade receivables, prepaid expenses and other assets	48,574	8,545	57,119	(i), (ii)
Trade payables, accrued expenses and other liabilities	519,676	(22,894)	496,782	(i), (ii), (iv)
Interest received	1,396	—	1,396	
Interest paid	(12,564)	—	(12,564)	
Cash used for operating activities	**$ (312,156)**	**$ (2,399)**	**$ (314,555)**	
Cash flows from investing activities				
Additions to property, plant and equipment	(24,701)	—	(24,701)	
Additions to intangible assets	(104,971)	2,735	(102,236)	(iii)
Cash used for investing activities	**$ (129,672)**	**$ 2,735**	**$ (126,937)**	

Cash flows from financing activities							
Change in restricted deposits		48,830		—		48,830	
Proceeds from short-term borrowings		698,882		—		698,882	
Principal repayments of short-term borrowings		(411,950)		—		(411,950)	
Principal repayments of lease liabilities		(8,578)		(335)		(8,913)	(i)
Proceeds from the issuance of share capital and other contributed capital		582,388		—		582,388	
Transaction costs		—		—		—	
Cash provided by financing activities	**$**	**909,572**	**$**	**(335)**	**$**	**909,237**	
Effect of foreign exchange rate changes on cash and cash equivalents		(27,491)		(1)		(27,492)	(i), (ii), (iii), (v)
Net increase in cash and cash equivalents	**$**	**440,253**	**$**	**—**	**$**	**440,253**	
Cash and cash equivalents at the beginning of the period	**$**	**316,424**	**$**	**—**	**$**	**316,424**	
Cash and cash equivalents at the end of the period	**$**	**756,677**	**$**	**—**	**$**	**756,677**	

Note 32 - Auditor Remuneration

Audit and other fees charged in the income statement concerning the statutory auditor of the consolidated financial statements, Deloitte AB, were as follows:

	For the year ended December 31,	
	2023	**2022**
Fees payable to the company's auditor and its associates for the audit of the parent company and consolidated financial statements	15,720	11,159
Total audit fees	**15,720**	**11,159**
Audit related assurance services	268	412
Other assurance services	—	—
Total audit-related assurance services	**268**	**412**
Total audit and audit-related assurance services	**15,988**	**11,571**
Tax services	3	—
Other non-audit services	10	—
Total non-audit services	**13**	**—**
Total audit, audit-related, and non-audit fees	**16,001**	**11,571**

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	**Note**	**For the year ended December 31, 2023**	**For the period September 15, 2021 to December 31, 2022**
			(Restated)
Selling, general and administrative expense		(39,433)	(27,971)
Other operating (expense) income	5	(22,984)	6,538
Listing expense	1	—	(372,318)
Operating loss		**(62,417)**	**(393,751)**
Finance income	6	5,522	7,868
Finance expense	6	(77,383)	(10,627)
Fair value change - Earn-out rights	7	443,168	902,068
Fair value change - Class C Shares	7	22,000	35,090
Dividend income	14	440,000	—
Impairment losses	8	(365,267)	—
Income before tax		**405,623**	**540,648**
Income tax benefit (expense)	13	2,897	(2,529)
Net income		**408,520**	**538,119**
Other comprehensive income		**—**	**—**
Total comprehensive income		**408,520**	**538,119**

Parent Statement of Financial Position

		As of December 31,	
	Note	2023	2022
			(Restated)
Assets			
Non-current assets			
Investments in subsidiaries	7, 8	4,608,338	3,783,605
Deferred tax asset	13	3,905	—
Total non-current assets		**4,612,243**	**3,783,605**
Current assets			
Cash and cash equivalents	7	74,418	122,437
Other current receivables - subsidiaries	7, 14	7,245	8,488
Other current assets	9	8,438	7
Total current assets		**90,101**	**130,932**
Total assets		**4,702,344**	**3,914,537**
Equity			
Share capital	10	(21,168)	(21,165)
Other contributed capital	10	(3,588,127)	(3,582,737)
Accumulated deficit	10	553,999	962,519
Total equity	10	**(3,055,296)**	**(2,641,383)**
Liabilities			
Non-current liabilities		—	—
Other non-current interest-bearing liabilities - related parties	7, 14	(1,256,829)	—
Earn-out liability	7	(155,402)	(598,570)
Total non-current liabilities		**(1,412,231)**	**(598,570)**
Current liabilities			
Current provisions	11	(35,679)	(86)
Current tax liabilities	13	—	(2,529)
Interest-bearing current liabilities - subsidiaries	7, 14	(139,147)	(579,147)
Class C Shares liability	7	(6,000)	(28,000)
Other current liabilities	12	(6,469)	(5,907)
Other current liabilities - subsidiaries	7, 14	(29,817)	(58,915)
Other current liabilities - related parties	14	(17,705)	—
Total current liabilities		**(234,817)**	**(674,584)**
Total liabilities		**(1,647,048)**	**(1,273,154)**
Total equity and liabilities		**(4,702,344)**	**(3,914,537)**

Approved by the Board of Directors on September 10, 2024 and signed on its behalf by:

Håkan Samuelsson
Chair
10 September 2024

Parent Statement of Changes in Equity

	Note	Share capital	Other contributed capital	Accumulated deficit	Total
Balance as of September 15, 2021	10	—	—	—	—
Net income - (Restated)		—	—	(538,119)	(538,119)
Other comprehensive income		—	—	—	—
Total comprehensive income		**—**	**—**	**(538,119)**	**(538,119)**
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	10	(9)	(9,900)	—	(9,909)
Balance as of December 31, 2022 - (Restated)		**(21,165)**	**(3,582,737)**	**962,519**	**(2,641,383)**
Net income				(408,520)	(408,520)
Other comprehensive income		—	—	—	—
Total comprehensive income		**—**	**—**	**(408,520)**	**(408,520)**
Equity-settled share-based payment	8	(3)	(5,390)	—	(5,393)
Balance as of December 31, 2023		**(21,168)**	**(3,588,127)**	**553,999**	**(3,055,296)**

Parent Statement of Cash Flows

	Note	For the year ended December 31, 2023	For the period September 15, 2021 to December 31, 2022 (Restated)
Cash flows from operating activities			
Net income		408,520	538,119
Adjustments to reconcile net income to net cash flows:			
Finance income	6	(5,522)	(7,868)
Finance expense	6	77,383	10,627
Fair value change - Earn-out rights	7	(443,168)	(902,068)
Fair value change - Class C Shares	7	(22,000)	(35,090)
Listing expense	1	—	372,318
Income tax (benefit) expense		(2,897)	2,529
Dividend income		(440,000)	—
Impairment losses		365,267	—
Litigation provisions	11	35,676	—
Other non-cash expense and income		(3,466)	1,633
Change in operating assets and liabilities:			
Trade receivables, prepaid expenses and other assets		1,636	(8,104)
Trade payables, accrued expenses and other liabilities		(81,453)	23,341
Interest received		5,522	7,868
Taxes paid		(3,537)	—
Cash provided by (used for) operating activities		**(108,039)**	**3,305**
Cash flows from investing activities			
Additions to investments in subsidiaries	8	(1,190,000)	(1,361,916)
Cash used for investing activities		**(1,190,000)**	**(1,361,916)**
Cash flows from financing activities			
Proceeds from long-term borrowings	12	1,250,000	—
Proceeds from short-term borrowings		—	579,147
Proceeds from the issuance of equity securities	10	—	901,916
Cash provided by financing activities		**1,250,000**	**1,481,063**
Effect of foreign exchange rate changes on cash and cash equivalents		20	(15)
Net increase (decrease) in cash and cash equivalents		**(48,019)**	**122,437**
Cash and cash equivalents at the beginning of the period		**122,437**	**—**
Cash and cash equivalents at the end of the period		**74,418**	**122,437**

Note 1 - Overview and basis of preparation

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, branding and marketing, and the commercialization and selling of battery electric vehicles, and related technology solutions. Polestar Group's current lineup of battery electric vehicles consists of the Polestar 2 ("PS2"), a premium fast-back sedan, the Polestar 3 ("PS3"), a luxury aero sport-utility vehicle, the Polestar 4 ("PS4"), a premium sport utility vehicle, the Polestar 5 ("PS5"), a luxury sport grand-touring sedan, and the Polestar 6 ("PS6"), a luxury roadster. As of December 31, 2023, the PS2 and PS4 are in production while the remaining vehicles are under development. Operating sustainably is a critical priority of the Group; targeting climate neutrality by 2040, creating a climate neutral car (cradle-to-gate) by 2030, and halving the emission intensity per car sold by 2030. 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.

As of December 31, 2023 and 2022, related parties owned 88.3% and 89.2% of the Group, respectively. The remaining 11.7% and 10.8% of the Group at each respective year end was owned by external investors.

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;

i. 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 canceled 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 18 - Reverse recapitalization* of the Polestar Group Consolidated Financial Statements ("Consolidated Financial Statements") 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.

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.

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.

Going Concern

The Parent Financial Statements are prepared on the going concern basis as set out in Note 1 - Overview and basis of preparation of the Consolidated Financial Statements.

Note 2 - Significant accounting policies and judgements

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 Investments 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. The recoverable amount is the higher of the fair value less costs to sell and value in use. The primary method used to assess if the investment is impaired is to evaluate against the Group’s valuation on the basis of overall market capitalization. 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 - refer to *Note 8 - Investments in subsidiaries*.

- 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 13 - Income tax benefit (expense)* of the Polestar Group Consolidated Financial Statement.

- 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 18 - 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 18 - 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, 2023 the Group had granted equity settled share-based payments to Executive Management Team ("EMT") (i.e., CEO, CFO, and COO[2]), and other key management member in form of restricted stock units (“RSU”) and performance stock units (“PSU”) through the 2022 Omnibus Incentive Plan for the At-listing Plan, Post-listing Plan, and the Free Share Plan.

As of December 31, 2022, the Parent recognized the granted equity settled share-based payments to employees in the form of restricted stock units (“RSU”) and performance stock units (“PSU”) within equity through the 2022 Omnibus Incentive Plan for the At-listing Plan, Post-listing Plan, and the Free Share Plan. 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.

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 Parent recorded a corresponding amount to Other operating income and Other current receivables - subsidiaries.

Refer to *Note 4 - Share-based payment* and *Note 14 - Related party transactions* for more detail on the 2022 Omnibus Incentive Plan and marketing service agreement.

[2] From August 31, 2023 there is no longer a Chief Operating Officer, “COO”, in the EMT.

Income tax expense

The Group's Income tax expense consists of current tax and deferred tax. Taxes are recognized in the Statement of Income and Comprehensive Income, 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 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.

Investments 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.

Restatement

In connection with the preparation of the Polestar Group Consolidated Financial Statements as of and for the year ended December 31, 2023, we identified misstatements in our previously issued 2022 Parent Financial Statements.

The prior period errors impacting the Parent Financial Statements relate to (i) income tax expense on Class C Shares that was not previously recorded and (ii) recognition of a Selling, general, and administrative expense that was previously recorded as prepaid expense at a subsidiary. The impact of the restatement is as follows:

i. Income tax benefit (expense) and Current tax liabilities increased by $2,529 for the period September 15, 2021 to December 31, 2022.

ii. Selling, general and administrative expense and Other current liabilities - subsidiaries increased by $2,184 for the period September 15, 2021 to December 31, 2022.

We have assessed the materiality of the misstatements on the 2022 Parent Financial Statements and concluded that the prior year Parent Financial Statements should be corrected to align with the Group Consolidated Financial Statement presentation, even though such revisions previously were and continue to be immaterial to the prior year Parent Financial Statements. Accordingly, these misstatements have been corrected, including the previously recorded out of period adjustments, for all periods presented by revising the accompanying Parent Financial Statements and notes to the Parent Financial Statements.

Note 3 - Employee benefits

The total employee benefits expense for the Parent (including key management personnel) during the periods presented were as follows:

	For the year ended December 31,	For the period September 15, 2021 to December 31,
	2023	2022
Wages, salaries, and other short-term benefits	2,601	586
Social security and other social expenses	459	138
Post-employment benefits	309	61
Share-based compensation	467	3,243
Total employee benefits	**$ 3,836**	**$ 4,028**

Post-employment benefits expense reflects those related to defined contribution plans for the year ended December 31, 2023, and for the period September 15, 2021 to December 31, 2022.

The average monthly number of persons employed by the Parent (including key management personnel) for the periods presented were as follows:

	For the year ended December 31,	For the period September 15, 2021 to December 31,
	2023	2022
Sales & Marketing	10	4
R&D, design and digital	1	1
Manufacturing	0	0
Management, administration & others	4	1
Total	**15**	**6**

Note 4 - Share-based payment

As noted in Note 1 - Overview and basis of preparation 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 14 - Related party transactions* for additional detail.

As noted in Note 8 - 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. For the year ended December 31, 2023, the share-based compensation expense was offset directly through equity at the Parent. For the period September 15, 2021 to December 31, 2022, 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, all of which was equity settled, for the year ended December 31, 2023 and for the period September 15, 2021 to December 31, 2022:

	For the year ended December 31,	For the period September 15, 2021 to December 31,
	2023	2022
Selling, general and administrative expense	798	8,189
Total	**$ 798**	**$ 8,189**

Of the total $798 share-based compensation expense for the year ended December 31, 2023, $439 and $359 related to the 2022 Omnibus Incentive Plan and marketing consulting services agreement, respectively.

Of the total $8,189 share-based compensation expense for the period September 15, 2021, to December 31, 2022, $3,243 and $4,946 related to the 2022 Omnibus Incentive Plan and marketing consulting services agreement, respectively.

Refer to *Note 8 - Share-based payment* of the Polestar Group Consolidated Financial Statements for additional details on the 2022 Omnibus Incentive Plan.

Note 5 - Other operating (expense) income

The following table details the Parent's other operating income:

Other operating (expense) income	For the year ended December 31, 2023	For the period September 15, 2021 to December 31, 2022
Services provided to subsidiaries	4,257	6,482
Net foreign exchange rate differences	85	56
Litigation insurance recovery	8,350	—
Litigation provision	(35,676)	
Total	**$ (22,984)**	**$ 6,538**

For the year ended December 31, 2023 and for the period from September 15, 2021 to December 31, 2022, 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 14 - Related party transactions* for further discussion. For the year ended December 31, 2023, Other operating (expense) income also include a litigation provision expense and related litigation insurance recovery. See Note 11 - Current provisions within for further discussion.

Note 6 - Finance income and expense

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

Finance income	For the year ended December 31, 2023	For the period September 15, 2021 to December 31, 2022
Interest income - subsidiaries	698	4,520
Interest income on bank deposits	4,824	3,348
Total	**$ 5,522**	**$ 7,868**

Finance expense	For the year ended December 31, 2023	For the period September 15, 2021 to December 31, 2022
Interest expense - subsidiaries	10,183	10,612
Interest expense - related parties	60,391	—
Loss on debt modification	6,829	—
Net foreign exchange rate losses on financial activities	(20)	15
Total	**$ 77,383**	**$ 10,627**

For the year ended December 31, 2023 and for the period from September 15, 2021 to December 31, 2022, interest income - subsidiaries was comprised of interest from a loan issued to a subsidiary. Interest expense - related parties was comprised of interest on borrowings from related parties. For the year ended December 31, 2023, loss on debt modification relates to loss incurred on Polestar's modification of its related party convertible instrument with Volvo Cars. Refer to *Note 14 - Related party transactions* for further discussion.

Note 7 - 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, 2023				As of December 31, 2022			
Liabilities measured at FVTPL	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Earn-out rights	—	—	155,402	155,402	—	—	598,570	598,570
Class C-1 Shares	4,920	—	—	4,920	17,920	—	—	17,920
Class C-2 Shares	—	1,080	—	1,080	—	10,080	—	10,080
Total liabilities	**$ 4,920**	**$ 1,080**	**$ 155,402**	**$ 161,402**	**$ 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, 2023 and December 31, 2022 at $155,402 and $598,570, respectively, resulting in a total gain related to the change in fair value of $443,168 and $902,068, respectively.

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. The Class C-2 Shares are not publicly traded and require a valuation approach leveraging Level 2 inputs. Refer to *Note 1 - Overview and basis of preparation* within the Polestar Group Consolidated Financial Statements for further details on the valuation methodology utilized to determine the fair value of the Class C-2 Shares upon initial recognition and subsequently thereafter. On March 22, 2023, 4,500,000 Class C-2 Shares with a fair value of $3,285 were converted to 4,500,000 Class C-1 Shares with the same fair value following the election by the respective holders of the Class C-2 Shares and approval from the Board of Directors.

The change in Class C Shares is as follows:

	As of December 31, 2023		As of December 31, 2022	
	Liability Fair Value	**Number Outstanding**	**Liability Fair Value**	**Number Outstanding**
Class C-1 Shares	4,920	20,499,965	17,920	15,999,965
Class C-2 Shares	1,080	4,500,000	10,080	9,000,000
Total	**$6,000**	**24,999,965**	**$28,000**	**24,999,965**

Note share counts are not in thousands

	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**
Class C-2 Shares converted to Class C-1 Shares	3,285
Change in fair value measurement	(16,285)
As of December 31, 2023	**$ 4,920**

	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**
Class C-2 Shares converted to Class C-1 Shares	(3,285)
Change in fair value measurement	(5,715)
As of December 31, 2023	**$ 1,080**

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

	As of December 31,	
	2023	**2022**
Financial assets		**(Restated)**
Investments in subsidiaries	4,608,338	3,783,605
Cash and cash equivalents	74,418	122,437
Other current receivables - subsidiaries	7,245	8,488
Total	**$ 4,690,001**	**$ 3,914,530**
Financial liabilities		
Interest-bearing current liabilities - subsidiaries	139,147	579,147
Other current liabilities - subsidiaries	29,817	58,915
Other non-current interest-bearing liabilities - related parties	1,256,829	—
Total	**$ 1,425,793**	**$ 638,062**

Total interest income arising on financial assets measured at amortized cost amounted to $5,522 for the year ended December 31, 2023 as compared 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 $70,574 for the year ended December 31, 2023 as compared 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, 2023 and December 31, 2022:

	As of December 31, 2023			
	Due within 1 year	Due between 1 and 5 years	Due beyond 5 years	Total
Financial assets				
Investments in subsidiaries	—	—	4,608,338	4,608,338
Cash and cash equivalents	74,418	—	—	74,418
Other current receivables - subsidiaries	7,245	—	—	7,245
Total	**$ 81,663**	**$ —**	**$ 4,608,338**	**$ 4,690,001**
Financial liabilities				
Interest-bearing current liabilities - subsidiaries	139,147	—	—	139,147
Other current liabilities - subsidiaries	29,817	—	—	29,817
Other non-current interest-bearing liabilities - related parties	—	1,256,829	—	1,256,829
Total	**$ 168,964**	**$ 1,256,829**	**$ —**	**$ 1,425,793**

	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				
Interest-bearing current liabilities - subsidiaries	579,147	—	—	579,147
Other current liabilities - subsidiaries - (Restated)	58,915	—	—	58,915
Total	**$ 638,062**	**$ —**	**$ —**	**$ 638,062**

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 is uncertain and any cash flow impacts cannot be forecasted in a useful manner. Refer to *Note 18 - 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 8 - 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
Balance as of December 31, 2022	**$ 3,783,605**
Additions	1,190,000
Impairment losses	(365,267)
Balance as of December 31, 2023	**$ 4,608,338**

As of December 31, 2023, Investments in subsidiaries include the subsidiary Polestar Holding AB, with a cost of $4,388,409, and Gores Guggenheim, Inc., with a cost of $219,929. The additions in Investments in subsidiaries are on account of cash injections of $1,190,000 in Polestar Holding AB and an impairment loss on Gores Guggenheim, Inc. of $365,267, reducing its carrying value to $219,929. The impairment loss was recognized as a result of a dividend distribution, further detailed in Note 14 - Related party transactions.

For the year ended December 31, 2023, an impairment was recorded against the Group cash generating unit, which indicated there may be an impairment of the investment in the Polestar Holding AB subsidiary. Polestar has therefore performed an impairment test to determine whether the recoverable amount exceeded the asset's carrying amount. The recoverable amount is established through a calculation of the fair value less costs of disposal based on the Group's market capitalization, a Level 1 fair value input. This resulted in a recoverable amount exceeding the cost of investment in Polestar Holding AB and is consistent with management's expectation of the future recoverability of the Group. As the fair value less costs of disposal exceed cost, no separate value in use calculation was undertaken and no impairments were recorded.

As of December 31, 2022, Investments in subsidiaries include the subsidiary Polestar Holding AB, with a cost of $3,198,409, and the subsidiary Gores Guggenheim, Inc., with a cost of $585,196. The additions in Investments in subsidiaries are on account of (1) the reverse recapitalization transaction pursuant to which Polestar Holding AB and the subsidiary Gores Guggenheim, Inc. 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 2 - Significant accounting policies and judgements within the Polestar Group Consolidated Financial Statements for more details. There were no impairments recorded against the Investments in subsidiaries for the period September 15, 2021 to December 31, 2022.

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 (China) Group 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%
Polestar Automotive (Singapore) Investment Pte Ltd	Singapore	100%

Note 9 - Other current assets

The following table details the Parent's other current assets:

	As of December 31,	
Other current assets	**2023**	**2022**
Litigation insurance recovery	8,350	—
Other	88	7
Total	**$ 8,438**	**$ 7**

As of December 31, 2023, other current assets were mainly comprised of an expected insurance recovery from Polestar's directors and officers insurance policy. See Note 11 - Current provisions within the for more details.

Note 10 - Equity

Changes in the Parent's equity during the year ended December 31, 2023 and 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)**
Equity-settled share-based payment	299,075	—	(3)	(5,390)
Balance as of December 31, 2023	**467,976,748**	**1,642,233,575**	**$ (21,168)**	**$ (3,588,127)**

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 - Overview and basis of preparation*, Note 18 - Reverse recapitalization and Note 22 - 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 18 - Reverse recapitalization* of the Polestar Group's Consolidated Financial Statements for further information on the Earn-out rights.

Note 11 - Current provisions

The following table details the Parent's current provisions:

	As of December 31,	
Current provisions	**2023**	**2022**
Litigation	35,676	—
Other	3	86
Total	**$ 35,679**	**$ 86**

GGI litigation

Per the terms of the BCA governing the merger with GGI discussed in Note 1 - Overview and basis of preparation of the Consolidated Financial Statements, Polestar is obligated to indemnify directors, officers, and employees of GGI for six years following the Closing of the merger. In August 2023, former public stakeholders of GGI filed a legal claim against certain directors, officers, and employees of GGI; alleging certain misconduct by these individuals with respect to their duties to GGI's stakeholders during and prior to GGI's merger with Polestar. As of December 31, 2023, Polestar maintains a provision for $35,676 relating to its indemnification obligation towards the defendants. Polestar's directors and officers insurance policy applies to the legal claim and provides coverage for up to $10,000 of costs after $5,000 has been paid by Polestar. However, as of December 31, 2023, only $8,350 has been recognized and included in Other current assets on the Parent Statement of Financial Position as a virtually certain offsetting recovery. As the outcome of the litigation includes inherent uncertainty, the direct result of the litigation may not be known until late 2025 when trial is scheduled. Polestar's estimates of its obligation could change in the future if new facts and circumstances arise as the legal proceedings continue to develop.

Note 12 - Other current liabilities

Other current liabilities for the Parent were as follows:

	As of December 31,	
	2023	**2022**
Personnel related liabilities	245	108
Accrued expenses	6,193	5,772
Other liabilities	31	27
Total	**$ 6,469**	**$ 5,907**

Accrued expenses consist of audit fees, lawyer fees, and other consultant fees. The Auditor's remuneration for audit and other services is disclosed in the Director's report. Refer to the Director's Report for more information.

Note 13 - Income taxes

Income tax benefit (expense) recognized in the Parent Statement of Income and Comprehensive Income is as follows:

	For the year ended December 31,	For the period September 15, 2021 to December 31,
	2023	**2022**
		(Restated)
Current income tax for the year	(630)	(2,529)
Deferred taxes	3,905	—
Withholding taxes	(378)	—
Total	**$ 2,897**	**$ (2,529)**

Information regarding current year income tax benefit (expense) is based on the applicable tax rates are as follows:

	For the year ended December 31,	For the period September 15, 2021 to December 31,
	2023	2022
		(Restated)
Income before tax for the year	405,623	540,648
Tax according to the applicable tax rate[1]	(95,403)	(102,723)
Operating income, non-taxable[2]	(4,092)	100,194
Dividends received[3]	103,400	—
Withholding tax	(378)	—
Current tax related to previous year	(630)	—
Total	**$ 2,897**	**$ (2,529)**

1 – 2023: 23,52% (UK rate), 2022: 19% (UK rate).

2 – 2023: Main item being non-taxable income is attributable to the fair value changes of the earn-out rights, corresponding tax $100,979. Non-deductible expenses primarily attributable to write-down of participation in group companies and negative net interest, corresponding tax $85,911, and $15,300, respectively.

2 – 2022: Main item attributable to non-deductible interest, corresponding tax $171,393 and share based expenses being non-deductible expenses, corresponding tax $71,232.

3 – 2023: Attributable to dividends received, corresponding tax $103,400.

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

	As of December 31,	
	2023	2022
Tax losses carried forward	3,779	—
Accruals	126	—
Deferred tax assets	**$ 3,905**	**$ —**

All changes in deferred tax assets have been reported in the Parent Statement of Income and Comprehensive Income for the year ended December 31, 2023. Deferred taxes have been calculated by applying the tax rate of the UK.

As of December 31, 2023, the Parent had unused tax losses of $15,117 for which deferred tax assets have been recognized. The tax losses carried forward do not have a due date.

Note 14 - Related party transactions

Refer to *Note 27 - Related party transactions* and *Note 7 - Employee benefits* of the Polestar Group Consolidated Financial Statements for further discussion of related parties and benefits to key management, respectively. Unless specifically detailed in this footnote, all transactions with related parties are on an arm's length basis.

The following related party balances existed with Group companies:

	As of December 31,	
	2023	2022
Other current receivables - subsidiaries		(Restated)
Share-based compensation recharges	5,734	7,523
Salaries recharges	1,180	674
Other non-interest-bearing short-term receivables	220	215
Other accrued income	111	76
Total	**$ 7,245**	**$ 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,	
	2023	2022
Liabilities		(Restated)
Other non-current interest-bearing liabilities - related parties	1,256,829	—
Other current liabilities - related parties	17,705	—
Interest-bearing current liabilities - subsidiaries	139,147	579,147
Other current liabilities - subsidiaries	29,817	58,915
Total	**$ 1,443,498**	**$ 638,062**

Other non-current interest-bearing liabilities - related parties and Interest-bearing current liabilities consist of financing agreements with related parties and subsidiaries, discussed further below. Other current liabilities - related parties consisted of $17,705 of accrued interest payable on loans with related parties as of December 31, 2023.

As of December 31, 2023, Other current liabilities - subsidiaries consisted of $13,895 of accrued expenses related to accounting services and employee costs, and $15,922 of accrued interest payable on loans with subsidiaries. As of December 31, 2022, Other current liabilities - subsidiaries consisted of $46,119 of other accrued expenses related to transaction costs owed to subsidiaries by the Parent and $10,612 of accrued interest payable on loans with subsidiaries.

The following related party transactions took place during the year with subsidiaries:

	For the year ended December 31,	For the period September 15, 2021 to December 31,
Subsidiary income	**2023**	**2022**
Services provided to subsidiaries	4,257	6,482
Interest income - subsidiaries	698	4,520

Refer to *Note 5 - Other operating (expense) income* for a description of services provided to subsidiaries. Refer to *Note 6 - Finance income and expense* for a description of the Parent's interest income from subsidiaries.

	For the year ended December 31,	For the period September 15, 2021 to December 31,
Subsidiary expense	**2023**	**2022**
Services provided from subsidiaries	11,784	6,523
Interest expense - subsidiaries	10,183	10,612
Interest expense - related parties	60,391	—

Services provided from subsidiaries consisted of recharges of accounting service and employee costs for the year ended December 31, 2023 and are included in Selling, general and administrative expense within the Parent Statement of Income and Comprehensive Income. Services provided from subsidiaries consisted of recharges of transaction costs related to the BCA for the period September 15, 2021 to December 31, 2022, and are included in Selling, general and administrative expense within the Parent Statement of Income and Comprehensive Income. Refer to *Note 6 - Finance income and expense* for a description of the Parent's interest expense to a subsidiary and interest expense to related parties.

Financing with related parties

Borrowings from related parties were as follows:

	As of December 31,	
	2023	**2022**
Interest-bearing current liabilities - subsidiaries	139,147	579,147
Other non-current interest-bearing liabilities - related parties	1,256,829	—
Total	**$ 1,395,976**	**$ 579,147**

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 5.16% since inception. During the year ended December 31, 2023, the Parent reduced the carrying amount by $440,000 from dividend distributions that reduced the loan payable to arrive at $139,147, reflected in Interest-bearing current liabilities - subsidiaries. Accrued interest related to this loan of $10,183 is reflected in Other current liabilities - subsidiaries. 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.

Convertible instruments with Volvo Cars and Geely

On November 3, 2022 the Parent entered into a credit facility agreement with Volvo Cars providing available credit of up to $800,000; originally terminating on May 3, 2024. On November 8, 2023, the credit facility agreement was amended to increase the overall credit capacity to $1,000,000 and extending the termination date to June 30, 2027. The credit facility can be drawn upon once a month and is utilizable for general corporate purposes. Interest is calculated at the floating six-month SOFR rate plus 4.9% per annum. Prior to June 30, 2027, 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 (1) whether or not the Group conducts a qualified equity offering to investors at a market discount and (2) the time-value of money associated with settlement of the liability earlier than June 30, 2027. 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, 2023 and 2022, the Parent had principal draws of $1,000,000 and $0 respectively, outstanding under the facility and the fair value of the financial liability related to Volvo Cars' conversion right was $0 and $0, respectively.

On November 8, 2023, the credit facility agreement was amended to increase the overall credit capacity to $1,000,000 and extend the termination date to June 30, 2027. As a result of the amended terms, Polestar recalculated the carrying amount of the liability as the present value of the modified contractual cash flows and recognized a modification loss of $6,829 within Finance expense.

As of December 31, 2023 and 2022, the Group had principal draws of $1,000,000 and $0 respectively, outstanding under the facility and the fair value of the financial liability related to Volvo Cars' conversion right was $0 and $0, respectively. The modified carrying value of the liability is $1,006,829.

On November 8, 2023, the Parent entered into a credit facility agreement with Geely Sweden Automotive Investment AB ("Geely") providing available credit of up to $250,000; terminating on June 30, 2027. Other than the amount of credit available, the credit facility agreement with Geely maintains terms that are identical to the amended credit facility agreement with Volvo Cars. As of December 31, 2023 the Group had principal of $250,000 outstanding under the facility and the fair value of the financial liability related to Geely's conversion right was $0.

As of December 31, 2023 the total principal balance outstanding under the facilities with Volvo Car, for $1,006,829, and Geely, for $250,000, totaled $1,256,829 and is reflected within Other non-current interest-bearing liabilities - related parties.

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 4 - 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, 2023 and 2022, the Recharge Arrangement generated Other current receivables - subsidiaries of $5,734 and $2,580, respectively with an offset to income within Other operating income and expense of $867 and $865, respectively and equity of $309 and $1,715, respectively.

As part of the marketing consulting services agreement, the Parent granted shares for services provided to a Group subsidiary. For the year ended December 31, 2023, the share-based compensation expense related to the shares issued was offset directly to equity. As of December 31, 2023, the associated expense was $359. For the period September 15, 2021 to December 31, 2022, 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. As of December 31, 2022, 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 15 - Commitments and contingencies

Commitments

The Parent did not have any commitments as of December 31, 2023 and 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, 2023 and 2022.

Note 16 - Subsequent events

Management has evaluated events subsequent to December 31, 2023 and through September 10, 2024, the date these Parent Financial Statements were authorized for issuance by the Board of Directors. The following events which occurred subsequent to December 31, 2023 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 22, 2024, as referred to in Note 30 – Subsequent Events of the Polestar Group Consolidated Financial Statements, Polestar Group entered into a syndicated multicurrency green trade facility. Simultaneously with the signing of the syndicated multicurrency green trade facility on February 22, 2034, Polestar and Geely entered into a subordination deed with Standard Chartered Bank, making Polestar's $250,000 credit facility with Geely entered into on November 8, 2023, as discussed in Note 14 - Related party transactions, subordinated to the syndicated multicurrency green trade facility. By the terms of the subordination deed, no payment to Geely of principal or interest will be made until all amounts due under the syndicated multicurrency green trade facility have been paid in full.

On August 20, 2024, Polestar entered into a 12-month revolving credit facility with Standard Chartered Bank (Hong Kong) Limited ("SCB") for an aggregate principal amount of up to $300,000. Each draw of this facility carries interest at a rate of the 3-month SOFR + 1% per annum or 12-month SOFR + 1.15% per annum and has a repayment period of 3 months or 12 months, respectively. On August 23, 2024 and September 9, 2024, Polestar borrowed $100,000 and $100,000, respectively, under the facility. Both draws carry interest at the 12-month SOFR + 1.15% per annum and have a repayment period of 12 months. All draws under this revolving credit facility are secured by Geely.

On August 21, 2024, Polestar entered into an amended facilities agreement (“Second Amended Agreement”) with Volvo Cars pertaining to the credit agreement signed on November 3, 2022 (“Original Agreement”) and amended on November 8, 2023 (“Amended Agreement”). Under the Original Agreement, Polestar had $800,000 in borrowing capacity and under the Amended Agreement, Polestar was provided an additional $200,000 line of credit. As of the date these financial statements were ready for issuance, Polestar had drawn down on all $1,000,000 of available credit. The Second Amended Agreement extends the loan’s maturity date from June 30, 2027 to December 29, 2028. Interest will be calculated using the floating six-month SOFR rate plus 4.9% per annum.

On August 28, 2024, Polestar Automotive Holding UK PLC (the “Company”) issued a press release announcing that Michael Lohscheller will become the Company’s next Chief Executive Officer (“CEO”), effective October 1, 2024. Mr. Thomas Ingenlath, current CEO, will step down at that time.

On September 3, 2024, Polestar issued a press release announcing the appointment of Jean-Francois Mady as Chief Financial Officer (“CFO”), effective October 21, 2024. Jean-Francois will assume responsibilities from Per Ansgar, who joined Polestar in January 2024 as CFO on a transitional basis.

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" means Private Investment in Public Entity.

"*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 Reorganisation 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 organised 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

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