

Polestar Automotive Denmark ApS

Vandtårnsvej 62, 1., 2860 Søborg

CVR no. 42 09 25 33

Annual report 2021

(As of the establishment of the Company 15 January - 31 December 2021)

Approved at the Company's annual general meeting on 19 July 2022

Chair of the meeting:

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Johan Malmqvist

JM

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Statement by the Board of Directors and the Executive Board

Today, the Executive Board has discussed and approved the annual report of Polestar Automotive Denmark ApS for the financial year as of the establishment of the Company 15 January - 31 December 2021.

The annual report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2021 and of the results of the Company's operations for the financial year as of the establishment of the Company 15 January - 31 December 2021.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the results of the Company's operations and financial position.

We recommend that the annual report be approved at the annual general meeting.

Gladsaxe, 18 July 2022
Executive Board:



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Henrik Bang
Managing director



.....
Michael Kevin Whittington
Director



.....
Jan Mikael Alkmark
Director

Independent auditor's report

To the shareholder of Polestar Automotive Denmark ApS

Opinion

We have audited the financial statements of for the financial year 15.01.2021 - 31.12.2021, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at and of the results of its operations for the financial year 15.01.2021 - 31.12.2021 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We refer to note 2 "Going concern" in the financial statements, which describes that Polestar Automotive Denmark ApS is dependent on Polestar Group for its funding requirements via transfer pricing arrangements with the Polestar Group. Polestar Group depends on additional financing that is expected to be loans and if not sufficient Polestar Group will seek additional funding e.g. issuing new shares of equity or issuing bonds. As stated in note 2, this indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines 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, Management is responsible for assessing the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to 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 and the additional requirements applicable in Denmark 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 the financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

Independent auditor's report

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the Management's commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

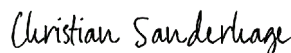
Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Copenhagen, 18 July 2022

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR no. 33 96 35 56



CHRISTIAN SANDERHAGE
State Authorised Public Accountant
mne23347



Brian Schmit Jensen
State Authorised Public Accountant
mne40050

Management's review

Company details

Name Polestar Automotive Denmark ApS
Address, Postal code, City Vandtårnsvej 62, 1., 2860 Søborg

CVR no. 42 09 25 33
Established 15 January 2021
Registered office Gladsaxe
Financial year 15 January - 31 December 2021

Executive Board Henrik Bang, Managing director
Michael Kevin Whittington, Director
Jan Mikael Alkmark, Director

Auditors Deloitte
Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6, 2300 København

Management's review

Financial highlights

DKK'000	2021
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Key figures

Revenue	250,319
Gross profit	8,866
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	2,329
Operating profit/loss	2,329
Net financials	-89
Profit for the year	1,744

Total assets	115,426
Investments in property, plant and equipment	0
Equity	1,784

Financial ratios

Operating margin	0.9%
Gross margin	3.5%
EBITDA-margin	0.9%
Return on assets	2.0%
Current ratio	103.6%
Equity ratio	1.5%
Return on equity	97.8%

Average number of full-time employees	8
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For terms and definitions, please see the accounting policies.

Management's review

Business review

Polestar Automotive Denmark ApS (hereafter referred to as Polestar Denmark), based in Soborg, is a subsidiary company of Polestar Performance AB (hereafter referred to as "PPAB"), Gothenburg, Sweden. Polestar Denmark is a truly integrated part of the Polestar Performance Group. As a result, strategy, risk management and governance policies are determined on a central level in the Polestar Performance group and where applicable implemented in Polestar Denmark.

As a sales company, it is focused on online sales of premium cars and accessories to end customers. The vehicles are being purchased on the basis of transfer price agreement from Polestar Performance AB and then sold in Denmark. Between Polestar Performance AB and Polestar Automotive Denmark, all transactions are made at an arm's length. Polestar Denmark has three categories of customers: end-customers and fleet customers to whom Polestar sells cars and the financial service providers in their turn having the contractual relationship with end customer. The seat of the board is in Vandtårnsvej 62B, 2860, Denmark.

Polestar Automotive Denmark is 100% owned by Polestar Performance AB (PPAB) with headquarters in Gothenburg, which in turn is a subsidiary of Polestar Automotive (Singapore) Pte. Ltd based in Singapore. Polestar Automotive (Singapore) Pte. Ltd is in turn a subsidiary of Polestar Holding AB based in Sweden which in turn is a subsidiary of the ultimate parent company, Polestar Automotive Holding Limited, based in Hong Kong. This parent company prepares consolidated accounts for the Polestar Group.

Financial review

The income statement for 2021 shows a profit of DKK 1,744 thousand, and the balance sheet at 31 December 2021 shows equity of DKK 1,784 thousand.

The development of the automotive industry in fiscal year 2021 in Denmark can be described as turbulent due to Covid-19 effects. Despite this, the effect for Polestar Denmark have been limited since the company started its operation during 2021. Since the company started its operations in 2021, there are no data for comparison.

Polestar Denmark is growing and is contributing to the global establishment of the Swedish brand in the financial year 2021. 704 of these sales were made by Polestar Denmark. There are currently only two models (Polestar 1 and Polestar 2), and in Polestar Denmark all of the sales in 2021 were based on both models. The business development in 2021 can be considered positive from a management point of view due to market share gains and sales growth. The turnover of Polestar Automotive Denmark in 2021 has been TDKK 250,340.

Corporate income tax in 2021 is DKK 496 thousand resulting in an annual profit of DKK 1,744 thousand. The equity ratio as of reporting date is 1,4%. The commercial liabilities with Group companies are DKK 79,483 thousand and are mainly due to the purchase of the vehicles from Polestar Performance AB. Financial liabilities with Group companies are DKK 45,044 thousand. At the end of the financial year, the cash at bank amounted to DKK 36.044 thousand. No dividend was proposed up to 31 December 2021.

Covid-19

During the year, the Covid-19 pandemic continued to have an impact on people, societies and businesses. Due to the spread of Omicron, restrictions were tightened again around the world. The pandemic has resulted in the imposition of travel bans and restrictions, quarantines, shelter-in-place and stay-at-home orders and business shutdowns. These measures pose various operational risks and logistical challenges to Polestar's business.

As a result of the COVID-19 pandemic, Polestar has modified its business practices, including the implementation of work-from-home arrangements for employees able to perform their duties remotely and limiting the number of employees allowed to be in the office at once to uphold safe social distancing protocols. While the pandemic has not resulted in an apparent slowdown in Polestar's operating activities, it may have impacted the ability of customers to access Polestar Locations and test drive vehicles. The Polestar sales model via the Polestar App and website helps mitigate the risk of COVID-19, as customers configure and order their vehicles online. Because Polestar's commercialization phase commenced in the midst of COVID-19, distinguishing consequences of COVID-19 versus consequences of other, external factors is difficult as there is no pre-COVID-19, comparative historical performance. Therefore, Polestar cannot determine the independent impact of COVID-19 on its overall financial performance.

Management's review

Financial risks and use of financial instruments

General uncertainties are future economic conditions and their impact on demand for cars and their related services and products. In its operations, Polestar Denmark is exposed to various types of risks such as market risk and financial risks.

Market Risks

Polestar Performance group, including Polestar Denmark has an ambitious goal in introducing new BEV models, and entering new markets, as set-out in the Polestar business plan. As a new brand in the automotive business, brand awareness is crucial to ensure successful market launches. Successful strategic advertising and sales promotion is critical to achieve brand awareness. Securing funding and liquidity is of highest importance in order to execute on the business plan. Therefore, Polestar is continuously looking at a diversified funding, partly via debt and partly via equity.

Customer perception of range and performance of Polestar cars are critical to sales success. This is monitored carefully via Polestar Performance group's R&D activities and operational controlling. Sourcing of batteries at a competitive price level and in line with sustainability targets is also crucial to support supply of cars that address customer requirements. Polestar engages in strategic discussions with key suppliers to help ensuring sourcing is sufficient. Other factors, to some extent outside Polestar control, are also critical to ensure customer satisfaction. One of them is customer access to charging infrastructure. Polestar monitors the charging market, aiming to identify solutions to facilitate customers BEV charging. Another factor is semi-conductor shortage, creating a risk for reduced production levels. During the financial year and up until signing of the annual report, semi-conductor shortages have only had a limited effect on Polestar production levels.

Credit Risks

Polestar's credit risk can be divided in financial credit risk and operational credit risk. Credit risk on financial transactions is the risk that Polestar will incur losses as a result of non-payment by counterparties related to the Group's bank accounts, bank deposits and other liquid assets. As per year-end 2021, Polestar Denmark does not have any external loans. However, to mitigate this risk on group level Polestar Group, is only having well-established banks as counterparties, reducing the financial credit risk substantially.

The operational credit risk arises from accounts receivable. Polestar Denmark has two categories of customers. The first one being end customers who pay up-front, so Polestar does not take any credit risk. The second being fleet customers, where a credit risk review is performed prior to entering into sales agreements. The maximum amount exposed to credit risk is the carrying amount of accounts receivable, see Balance sheet: page 13, for further information.

Currency Risks

PS Denmark is not considered to be exposed to currency risk, since the entity is both purchasing and selling cars in the same currency, Danish Kroner (DKK).

Management's review

Liquidity and Funding risk

Liquidity risk is the risk that Polestar is unable to meet ongoing financial obligations on time. Polestar Performance group including Polestar Denmark prepares short-term and Long- term planning in order to mitigate the liquidity and funding risk. As Polestar Denmark is an integrated part of the Polestar Performance Group Business Plan (PPAB), liquidity and funding is secured by PPAB.

Financial and non-financial performance indicators

The sales and the number of vehicles sold, are important financial performance indicators. Market share, customer satisfaction and the quality of the vehicles are important non-financial performance indicators. An increase in market share is also expected in the future, in particular through further model launches. Customer satisfaction and the quality of the vehicles is regularly measured in the Polestar Performance Group and also through independent surveys and tests positive.

Impact on the external environment

Sustainability lies at the heart of Polestar. Polestar is a performance brand, determined to improve the society by accelerating the transition to a fully electric, climate-neutral future. The brand has set itself the "Moonshot goal" of creating a truly climate neutral vehicle by 2030. Polestar Group has prepared a separate 2021 sustainability report published at the Polestar webpage:

https://reports.polestar.com/media/etekhahn/polestar_sustainabilityreport_2021.pdf

Corporate Governance

Corporate governance consists of the rules and structure imposed to guide and steer the operations of Polestar with effective control. Polestar is governed by applicable corporate governance laws, Polestar Performance group business governance as well as policies adopted by the executive board. The executive board of Polestar Denmark has adopted a Code of Conduct and corporate policies within areas such as anti-corruption, conflict of interest, trade sanctions and export control, data protection, competition law, intellectual property, and internal reporting, applicable to all employees of the Polestar group and regularly reviewed.

Events after the balance sheet date

Due to current Covid-19 pandemic situation in China, we have seen quarantines and lockdowns. As a result, the pandemic has periodically disrupted the manufacturing operations of Polestars vehicle manufacturers and their suppliers. Any such disruptions to Polestar or to its suppliers could result in delays and could negatively affect its production volume. The severity, magnitude and duration of the COVID-19 pandemic and its economic and regulatory consequences are rapidly changing and uncertain. Accordingly, Polestar cannot predict the ultimate impact of the COVID-19 pandemic on its business, financial condition and results of operations as of the date of authorization of the financial statements.

In June 2022, Polestar Group finalized a reverse capitalization, which resulted in a change of the ultimate parent company from Polestar Automotive Holding Limited, to Polestar Automotive Holding UK PLC. Following the closing of the transaction, Polestar Automotive Holding UK PLC began trading on the National Association of Securities Dealers Automated Quotations ("Nasdaq").

In February 2022, Russia invaded Ukraine. As the Russian and Ukrainian markets are not current or planned Polestar markets, there has been no direct impact to the Polestar Group hence no effect on Polestar Denmark. However, uncertain geopolitical conditions, sanctions, and other potential impacts on the global economic environment resulting from Russia's invasion of Ukraine could weaken demand for Polestar's vehicles, which could make it difficult for Polestar Denmark to forecast its financial results. The uncertainty surrounding these conditions and the current, and potentially expanded, scope of international sanctions against Russia could cause unanticipated changes in customers' buying patterns, adversely impact operations of Polestar's suppliers, or interrupt Polestar's ability to source products from these regions. Polestar will continue to closely monitor the effect of the conflict between Russia and Ukraine.

No other events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report

Management's review

Unusual matters having affected the financial statements

Going concern to annual report FY2021

Polestar Denmark's financial statements have been prepared on a basis that assumes Polestar Denmark will continue as a going concern and the ordinary course of business will continue in alignment with Group management's 2022-2025 business plan.

Polestar Denmark is dependent on Polestar group for its funding requirements via transfer pricing arrangements with the Polestar group. Taking into account these funding requirements, management have a reasonable expectation that Polestar Denmark has adequate resources to continue to trade for the foreseeable future, being a period of at least 12 months from the balance sheet date and approving these financial statements. Accordingly, management have continued to adopt the going concern basis when preparing this Annual Report and Financial Statements.

However, attention is drawn to the Consolidated financial statements and annual report for Polestar Group, ultimate parent for Polestar Denmark for the period ended 31 December 2021 in which the group's executive directors describe 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, private equity contributions from shareholders, and the successful public listing in the United States from a merger with a special purpose acquisition company ("SPAC") that was completed in the first half of 2022. The timely realization of these financing endeavors is crucial for Polestar Group's ability to continue as a going concern. If Polestar Group 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). Group's management has no certainty that Polestar Group will be successful in securing the funds necessary to continue operating and development activities as planned. This consequently impacts the earnings, sales via the transfer pricing arrangements and liquidity of PS Denmark given its reliance on Polestar Group for its funding requirements.

Considering substantial doubt about Polestar Group's ability to continue as a going concern, management is of the opinion that substantial doubts exist at Polestar Denmark level in its ability to continue as going concern. Polestar Group has ongoing efforts in place at to mitigate the uncertainty. The financial statements of Polestar Group and Polestar Denmark do not include any adjustments to factor for the going concern uncertainty.

Outlook

Polestar continues to market and sell Polestar cars in the Denmark market in accordance with the Polestar business plan. Polestar Automotive Denmark plans to continue to grow and contribute to Polestar Performance group growth in 2022. The short-term goal is to significantly increase the sales in 2022, compared to 2021 and increase the market share in the Danish market. Outlook for 2022 is however dampen due to the continued Covid pandemic and the release of EV SUV from the competition which is not yet in Polestar product portfolio

For Polestar Automotive Denmark the sales delivery volume target in 2022, is 1,868 units. The volume projection for 2022, is anticipated to be on the same level as in 2021 due to upcoming changes in government support of electrical vehicles, which is expected to result in an estimated increase in sales pace of EV in the fourth quarter of 2022.

Polestar 3 model will be launched in 2023 and the long-term delivery volume target for PS Denmark is to increase the sales more than the anticipated development of the electric vehicle market; hence the ambition is to increase the segment share year over year.

The current number of head counts employed by PS Denmark is projected in two years to increase of around 19 FTEs (full-time equivalent), primarily related to resources within the sales organization.

No additional investments that would be subject to be capitalized in 2022 and 2023 are planned for. In 2022 the current financing of Polestar Denmark is expected to be unchanged compared to the current status.

Financial statements for the period 15 January - 31 December 2021

Income statement

Note		2021 DKK'000
	Revenue	250,319
	Cost of sales	-198,131
	Other external expenses	-43,322
	Gross profit	8,866
3	Staff costs	-6,537
	Profit before net financials	2,329
	Financial income	1
4	Financial expenses	-90
	Profit before tax	2,240
5	Tax for the year	-496
	Profit for the year	1,744

Financial statements for the period 15 January - 31 December 2021

Balance sheet

Note	2021 DKK'000
ASSETS	
Non-fixed assets	
Inventories	
Finished goods and goods for resale	32,207
	<u>32,207</u>
Receivables	
Trade receivables	42,130
6 Deferred tax assets	1,441
Other receivables	984
7 Prepayments	2,620
	<u>47,175</u>
Cash	36,044
Total non-fixed assets	<u>115,426</u>
TOTAL ASSETS	<u>115,426</u>

Financial statements for the period 15 January - 31 December 2021

Balance sheet

Note		2021 DKK'000
	EQUITY AND LIABILITIES	
	Equity	
8	Share capital	40
	Retained earnings	1,744
	Total equity	1,784
	Liabilities other than provisions	
9	Non-current liabilities other than provisions	
10	Deferred income	2,229
		2,229
	Current liabilities other than provisions	
9	Short-term part of long-term liabilities other than provisions	1,284
	Prepayments received from customers	3,216
	Trade payables	4,644
	Payables to group enterprises	79,483
	Corporation tax payable	1,937
	Other payables	20,849
		111,413
	Total liabilities other than provisions	113,642
	TOTAL EQUITY AND LIABILITIES	115,426

- 1 Accounting policies
- 2 Going concern uncertainties
- 10 Deferred income
- 11 Contractual obligations and contingencies, etc.
- 12 Collateral
- 13 Related parties
- 14 Appropriation of profit

Financial statements for the period 15 January - 31 December 2021

Statement of changes in equity

Note	DKK'000	Share capital	Retained earnings	Total
	Cash payments concerning formation of enterprise	40	0	40
14	Transfer, see "Appropriation of profit"	0	1,744	1,744
	Equity at 31 December 2021	40	1,744	1,784

Financial statements for the period 15 January - 31 December 2021

Notes to the financial statements

1 Accounting policies

The annual report of Polestar Automotive Denmark ApS for 2021 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to medium-sized reporting class C entities.

Omission of a cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are reflected in the consolidated cash flow statement for the higher-ranking parent company Polestar Automotive Holding Limited.

Basis of recognition and measurement

Assets are recognized in the balance sheet when, as a result of an earlier event, future economic benefits are likely to accrue to the company and the value of the asset can be measured reliably.

Liabilities are recognized in the balance sheet when, as a result of an earlier event, the company has a legal or constructive obligation and it is probable that the future economic benefits will flow from the company and the value of the liability can be measured reliably.

At initial recognition, assets and liabilities are measured at cost. Measurement after initial recognition takes place as described for each individual item below.

Recognition and measurement take into account predictable risks and losses that arise before the annual report is presented and which confirm or invalidate circumstances that existed at the balance sheet date.

Income is recognized in the income statement as it is earned, while costs are recognized in the amounts relating to the financial year.

Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

Foreign currency translation

Foreign currency transactions are initially valued at the exchange rate on the transaction date. Receivables, payable and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are valued at the exchange rate at the balance sheet date. Exchange rate differences arising between the exchange rate on the transaction date and the exchange rate on the date of payment and the balance sheet date, respectively, are recognized in the income statement as financial items. Tangible and intangible assets, inventories and other non-monetary assets purchased in foreign currencies are valued at historical rates.

Income statement

Revenue

Revenue from the sale of merchandise and finished goods is recognized in the income statement when delivery and risk transfer to the buyer have taken place. Revenue is recognized exclusive of VAT, taxes and discounts in connection with the sale and is measured at the sales value of the stipulated consideration.

Financial statements for the period 15 January - 31 December 2021

Notes to the financial statements

1 Accounting policies (continued)

Cost of sales

Cost of sales includes the cost of goods used in generating the year's revenue.

Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

Financial income and expenses

Other financial income comprises interest income, including interest income on receivables from group enterprises, exchange gains on transactions in foreign currencies and tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, exchange losses on transactions in foreign currencies and tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax

Taxes are calculated on the result as disclosed in the income statement based on current tax rates, allowing for tax-exempt items and cost items which are non-deductible, either in whole or in part.

Tax assets and liabilities are netted if the general conditions for offsetting are met.

Balance sheet

Leases

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other rent agreements are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under "Contingent liabilities".

Inventories

Inventories are measured at cost, calculated according to the FIFO method, or net realizable value, where this is lower. The cost price for merchandise comprises the purchase price plus home delivery costs.

The net realizable value of inventories is calculated as the expected sales price less completion costs and costs to be incurred to affect the sale.

Receivables

Receivables are measured at amortized cost, which usually corresponds to nominal value, less any write-downs to meet expected losses.

Financial statements for the period 15 January - 31 December 2021

Notes to the financial statements

1 Accounting policies (continued)

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Cash

Cash and bank include bank deposits.

Income taxes and deferred taxes

Current tax liabilities or current tax receivable are recognized in the balance sheet as calculated tax on the year's taxable income, which is regulated for paid tax amount.

Deferred tax is recognized on all temporary differences between the accounting and tax values of assets and liabilities, where the tax value of the assets is calculated on the basis of the planned use of the individual asset.

Deferred tax assets, including the tax value of taxable loss carryforwards, are recognized in the balance sheet at the value that the asset is expected to be realized, either by off-set against deferred tax liabilities or as net tax assets.

Other payables

Other financial liabilities are measured at amortized cost, which usually corresponds to nominal value.

Deferred income

Deferred income recognised as a liability comprises payments received concerning income in subsequent financial reporting years.

Financial statements for the period 15 January - 31 December 2021

Notes to the financial statements

1 Accounting policies (continued)

Financial ratios

The financial ratios stated under "Financial highlights" have been calculated as follows:

Operating profit/loss	Profit/loss before financial items adjusted for other operating income and other operating expenses
Operating margin	$\frac{\text{Operating profit (EBIT)} \times 100}{\text{Revenue}}$
Gross margin	$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$
EBITDA-margin	$\frac{\text{Earnings before interest, taxes and amortisations (EBITDA)} \times 100}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit/loss from operating activities} \times 100}{\text{Average assets}}$
Current ratio	$\frac{\text{Current assets} \times 100}{\text{Current liabilities}}$
Equity ratio	$\frac{\text{Equity, year-end} \times 100}{\text{Total equity and liabilities, year-end}}$
Return on equity	$\frac{\text{Profit/loss after tax} \times 100}{\text{Average equity}}$

Financial statements for the period 15 January - 31 December 2021

Notes to the financial statements

2 Going concern uncertainties

Polestar Denmark's financial statements have been prepared on a basis that assumes Polestar Denmark will continue as a going concern and the ordinary course of business will continue in alignment with Group management's 2022-2025 business plan.

Polestar Denmark is dependent on Polestar group for its funding requirements via transfer pricing arrangements with the Polestar group. Taking into account these funding requirements, management have a reasonable expectation that Polestar Denmark has adequate resources to continue to trade for the foreseeable future, being a period of at least 12 months from the balance sheet date and approving these financial statements. Accordingly, management have continued to adopt the going concern basis when preparing this Annual Report and Financial Statements.

However, attention is drawn to the Consolidated financial statements and annual report for Polestar Group, ultimate parent for Polestar Denmark for the period ended 31 December 2021 in which the group's executive directors describe 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, private equity contributions from shareholders, and the successful public listing in the United States from a merger with a special purpose acquisition company ("SPAC") that was completed in the first half of 2022. The timely realization of these financing endeavors is crucial for Polestar Group's ability to continue as a going concern. If Polestar Group 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). Group's management has no certainty that Polestar Group will be successful in securing the funds necessary to continue operating and development activities as planned. This consequently impacts the earnings, sales via the transfer pricing arrangements and liquidity of PS Denmark given its reliance on Polestar Group for its funding requirements.

Considering substantial doubt about Polestar Group's ability to continue as a going concern, management is of the opinion that substantial doubts exist at Polestar Denmark level in its ability to continue as going concern. Polestar Group has ongoing efforts in place at to mitigate the uncertainty. The financial statements of Polestar Group and Polestar Denmark do not include any adjustments to factor for the going concern uncertainty.

Financial statements for the period 15 January - 31 December 2021

Notes to the financial statements

	2021 DKK'000
3 Staff costs and incentive programmes	
Wages/salaries	5,962
Pensions	504
Other social security costs	26
Other staff costs	45
	<u>6,537</u>
Average number of full-time employees	<u>8</u>
Total remuneration to Management: TDKK 1.912.	
Incentive programmes	
All employees of Polestar, including each of executive officers, participate in the Polestar Bonus Program, a short-term cash incentive program, which is approved by the Polestar Board annually. Under the Polestar Bonus Program, employees are eligible to receive an annual cash bonus based on global Polestar KPIs applicable for all markets and all employees.	
For fiscal year 2021, the Polestar Bonus Program was based on the following KPIs:	
<ul style="list-style-type: none"> • operational growth and retail deliveries volume • financial growth • customer experience • implementation of the Company's sustainability action plans on all department levels 	
The Polestar Board determined a level of achievement of 130% in respect of such KPIs for fiscal year 2021, resulting in a payout equal to 130% of target bonus levels.	
4 Financial expenses	
Interest expenses, group entities	53
Other interest expenses	35
Exchange losses	1
Other financial expenses	1
	<u>90</u>
5 Tax for the year	
Estimated tax charge for the year	1,937
Deferred tax	-1,441
	<u>496</u>

Financial statements for the period 15 January - 31 December 2021

Notes to the financial statements

	2021 DKK'000
6 Deferred tax	
Deferred tax adjustment for the year	-1,441
Deferred tax at 31 December	-1,441
Deferred tax relates to:	
Inventories	-102
Receivables	320
Liabilities	-1,659
	-1,441

It is the management's estimation that the deferred tax asset of DKK 1,441 thousand is expected to be utilized within the next 3 years.

7 Prepayments

Prepayments include accrual of expenses relating to subsequent financial years, including advertising, DKK 2,620 thousand.

	2021 DKK'000
8 Share capital	
Analysis of the share capital:	
400 shares of DKK 100.00 nominal value each	40
	40

The Company's share capital has remained DKK 40 thousand since the establishment.

9 Non-current liabilities other than provisions

DKK'000	Total debt at 31/12 2021	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Deferred income	3,513	1,284	2,229	0
	3,513	1,284	2,229	0

10 Deferred income

Deferred income, DKK 3,513 thousand, consists of payments received from customers regarding service agreements that may not be recognised until the subsequent financial years.

Financial statements for the period 15 January - 31 December 2021

Notes to the financial statements

11 Contractual obligations and contingencies, etc.

Other financial obligations

Other rent liabilities:

	2021 DKK'000
Rent liabilities	152

Rent and lease liabilities include a rent obligation totalling DKK 152 in interminable rent agreements with remaining contract terms of 3 months.

12 Collateral

The Company has not provided any security or other collateral in assets at 31 December 2021.

13 Related parties

Polestar Automotive Denmark ApS' related parties comprise the following:

Parties exercising control

Related party	Domicile	Basis for control
Polestar Performance AB	Götebrog, Sweden	Direct Parrent Company
Polestar Automotive (Singapore) Pte. Ltd.	Singapore, Singapore	Parrent Company
Polestar Automotive Holding Limited	Hong Kong, Hong Kong	Ultimate parrent company
Li Shufu	Taizhou City, China	Direct owner

Information about consolidated financial statements

Parent	Domicile
Polestar Automotive Holding Limited	Hong Kong, Hong Kong

Related party transactions

The Company solely discloses related party transactions that have not been carried out on an arm's length basis, cf. section 98c(7) of the Danish Financial Statements Act.

All transactions have been carried out on an arm's length basis.

	2021 DKK'000
14 Appropriation of profit	
Recommended appropriation of profit	
Retained earnings	1,744
	1,744