

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(MARK ONE)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended September 30, 2024

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from to

Commission File Number: 001-39408

Lucid Group, Inc.

(Exact name of registrant as specified in its charter)

Delaware

85-0891392

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

7373 Gateway Boulevard, Newark, CA 94560

(Address of principal executive offices) (Zip code)

(510) 648-3553

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Class A Common Stock, \$0.0001 par value per share	LCID	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	<input checked="" type="radio"/>	Accelerated Filer	<input type="radio"/>
Non-accelerated Filer	<input type="radio"/>	Smaller Reporting Company	<input type="radio"/>
		Emerging Growth Company	<input type="radio"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

Number of shares of the registrant's common stock outstanding at November 1, 2024: 3,011,686,560

## INDEX TO FORM 10-Q

	<u>Page</u>
<u>PART I. FINANCIAL INFORMATION</u>	
<a href="#">Cautionary Note Regarding Forward-Looking Statements</a>	3
<a href="#">Frequently Used Terms</a>	4
Item 1. <a href="#">Condensed Consolidated Financial Statements (Unaudited)</a>	6
<a href="#">Condensed Consolidated Balance Sheets as of September 30, 2024 and December 31, 2023 (Unaudited)</a>	6
<a href="#">Condensed Consolidated Statements of Operations and Comprehensive Loss for the Three and Nine Months Ended September 30, 2024 and 2023 (Unaudited)</a>	7
<a href="#">Condensed Consolidated Statements of Redeemable Convertible Preferred Stock and Stockholders' Equity for the Three and Nine Months Ended September 30, 2024 and 2023 (Unaudited)</a>	8
<a href="#">Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2024 and 2023 (Unaudited)</a>	10
<a href="#">Notes to Condensed Consolidated Financial Statements (Unaudited)</a>	12
Item 2. <a href="#">Management's Discussion and Analysis of Financial Condition and Results of Operations</a>	40
Item 3. <a href="#">Quantitative and Qualitative Disclosures About Market Risk</a>	54
Item 4. <a href="#">Controls and Procedures</a>	55
<u>PART II. OTHER INFORMATION</u>	
Item 1. <a href="#">Legal Proceedings</a>	56
Item 1A. <a href="#">Risk Factors</a>	56
Item 5. <a href="#">Other Information</a>	105
Item 6. <a href="#">Exhibits</a>	105
<u>SIGNATURES</u>	107

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains statements that express our opinions, expectations, beliefs, plans, objectives, assumptions or projections regarding future events or future results and therefore are, or may be deemed to be, “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 (the “Securities Act”), and Section 21E of the Securities and Exchange Act of 1934 (the “Exchange Act”). Forward-looking statements may be identified by the use of words such as “estimate,” “plan,” “project,” “forecast,” “intend,” “will,” “shall,” “expect,” “anticipate,” “believe,” “seek,” “target,” “continue,” “could,” “may,” “might,” “possible,” “potential,” “predict,” “scheduled” or other similar expressions that predict or indicate future events or trends or that are not statements of historical matters. They appear in a number of places throughout this Quarterly Report on Form 10-Q and include, but are not limited to, statements regarding our intentions, beliefs or current expectations concerning, among other things, results of operations, financial condition, liquidity, capital expenditures, prospects, growth, production volumes, strategies and the markets in which we operate, including expectations of financial and operational metrics, projections of market opportunity, market share and product sales, expectations and timing related to commercial product launches, future strategies and products, including with respect to energy storage systems and automotive partnerships, technology, manufacturing capabilities and facilities, studio openings, sales channels and strategies, future vehicle programs, expansion and the potential success of our direct-to-consumer strategy, our financial and operating outlook, future market launches and international expansion, including our manufacturing facility in Saudi Arabia and related timing and value to us, and our needs for additional financing. Such forward-looking statements are based on available current market material and our current expectations, beliefs and forecasts concerning future developments. Factors that may impact such forward-looking statements include:

- changes in domestic and foreign business, market, financial, political and legal conditions, including government closures of banks and liquidity concerns at other financial institutions, a potential global economic recession or other downturn and global conflicts or other geopolitical events;
- risks related to changes in overall demand for our products and services and cancellation of orders for our vehicles;
- risks related to prices and availability of commodities, our supply chain, logistics, inventory management and quality control, and our ability to complete the tooling of our manufacturing facilities over time and scale production of the Lucid Air and other vehicles;
- risks related to the uncertainty of our projected financial and operational information;
- risks related to the timing of expected business milestones and commercial product launches;
- risks related to the expansion of our manufacturing facility, the construction of new manufacturing facilities and the increase of our production capacity;
- our ability to manage expenses and control costs;
- risks related to future market adoption of our offerings;
- the effects of competition and the pace and depth of electric vehicle adoption generally on our business;
- changes in regulatory requirements, governmental incentives and fuel and energy prices;
- our ability to rapidly innovate;
- our ability to enter into or maintain partnerships with original equipment manufacturers, vendors and technology providers, including our ability to realize the anticipated benefits of our transaction with Aston Martin;
- our ability to effectively manage our growth and recruit and retain key employees, including our chief executive officer and executive team;
- risks related to potential vehicle recalls;
- our ability to establish and expand our brand, and capture additional market share, and the risks associated with negative press or reputational harm;
- risks related to the issuance and sale of shares of our Redeemable Convertible Preferred Stock;
- our ability to effectively utilize zero emission vehicle credits and obtain and utilize certain tax and other incentives;
- our ability to conduct equity, equity-linked, or debt financing in the future;
- our ability to pay interest and principal on our indebtedness;
- future changes to vehicle specifications which may impact performance, pricing, and other expectations;
- the outcome of any potential litigation, government and regulatory proceedings, investigations and inquiries; and
- other factors disclosed in this Quarterly Report on Form 10-Q or our other filings with the Securities and Exchange Commission (the “SEC”).

The forward-looking statements contained in this Quarterly Report on Form 10-Q are based on our current expectations and beliefs concerning future developments and their potential effects on our business. There can be no assurance that future developments affecting our business will be those that we have anticipated. These forward-looking statements involve a number of risks, uncertainties (some of which are beyond our control) or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements. These risks and uncertainties include, but are not limited to, those factors described under the heading "Risk Factors" in Part II, Item 1A. Should one or more of these risks or uncertainties materialize, or should any of the assumptions prove incorrect, actual results may vary in material respects from those projected in these forward-looking statements. There may be additional risks that Lucid currently does not know or that Lucid currently believes are immaterial that could also cause actual results to differ from those contained in the forward-looking statements. In addition, forward-looking statements reflect our expectations, plans or forecasts of future events and views as of the date of this Quarterly Report on Form 10-Q. We do not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws. The forward-looking statements should not be relied upon as representing our assessments as of any date subsequent to the date of this Quarterly Report on Form 10-Q.

### **Frequently Used Terms**

Unless otherwise stated in Item 1. Financial Statements and accompanying footnotes, or the context otherwise requires, references in this Quarterly Report on Form 10-Q to:

"2026 Notes" are to the 1.25% Convertible Senior Notes due 2026;

"AMP-1" are to our Advanced Manufacturing Plant-1 in Casa Grande, Arizona;

"AMP-2" are to our planned Advanced Manufacturing Plant-2 in Saudi Arabia, which consists of a semi knocked-down ("SKD") portion that has been completed and a completely-built-up ("CBU") portion that will be constructed;

"Ayar" are to Ayar Third Investment Company, an affiliate of PIF and the controlling stockholder of the Company;

"Board" or "Board of Directors" are to the board of directors of Lucid Group Inc., a Delaware corporation;

"Certificate of Designations" refers to Series A Certificate of Designations and Series B Certificate of Designations, together;

"Churchill" or "CCIV" are to Churchill Capital Corp IV, a Delaware corporation and our predecessor company prior to the consummation of the Transactions, which changed its name to Lucid Group, Inc. following the consummation of the Transactions, and its consolidated subsidiaries;

"Churchill IPO" are to the initial public offering by Churchill which closed on August 3, 2020;

"Closing" are to the consummation of the Transactions;

"Closing Date" are to July 23, 2021, the date on which the Transactions were consummated;

"common stock" are to the Class A common stock of Lucid Group, Inc., par value \$0.0001 per share;

"ESG" are to Environmental, Social and Governance;

"EV" are to electric vehicle;

"Investor Rights Agreement" are to the Investor Rights Agreement, dated as of February 22, 2021 and as amended from time-to-time, by and among the Company, the Sponsor, Ayar and certain other parties thereto;

"Legacy Lucid" are to Atieva, Inc., d/b/a Lucid Motors, an exempted company incorporated with limited liability under the laws of the Cayman Islands, and its consolidated subsidiaries before the Closing Date;

"LPM-1" are to our Lucid Powertrain Manufacturing Plant-1 in Casa Grande, Arizona;

"Merger" are to the merger of a merger subsidiary of Churchill and Atieva, Inc., with Atieva, Inc. surviving such merger as a wholly owned subsidiary of Churchill;

"Merger Agreement" are to that certain Agreement and Plan of Merger, dated as of February 22, 2021, by and among Churchill, Legacy Lucid and Air Merger Sub, Inc., a Delaware corporation and a direct, wholly-owned subsidiary of Churchill, as the same has been or may be amended, modified, supplemented or waived from time-to-time;

"PIF" are to the Public Investment Fund, the sovereign wealth fund of Saudi Arabia;

"Private Placement Warrants" are to Churchill's warrants issued to the Sponsor in a private placement simultaneously with the closing of the Churchill IPO;

"Redeemable Convertible Preferred Stock" are to the Series A Convertible Preferred Stock and Series B Convertible Preferred Stock, together;

"Series A Redeemable Convertible Preferred Stock" are to the Series A Convertible Preferred Stock of Lucid Group, Inc., par value \$0.0001 per share;

"Series A Subscription Agreement" refers to the subscription agreement entered into on March 24, 2024, by the Company and Ayar to purchase from the Company 100,000 shares of its Series A Convertible Preferred Stock;

"Series B Redeemable Convertible Preferred Stock" are to the Series B Convertible Preferred Stock of Lucid Group, Inc., par value \$0.0001 per share;

"Series B Subscription Agreement" refers to the subscription agreement entered into on August 4, 2024, by the Company and Ayar to purchase from the Company 75,000 shares of its Series B Convertible Preferred Stock;

"Sponsor" are to Churchill Sponsor IV LLC, a Delaware limited liability company and an affiliate of M. Klein and Company;

"Transactions" are to the Merger, together with the other transactions consummated under the Merger Agreement and the related agreements; and

"Warrant Agreement" are to the Warrant Agreement, dated July 29, 2020, entered into in connection with the Churchill IPO by and between Continental Stock Transfer & Trust Company and Churchill.

Unless the context otherwise requires, all references in this section to "Lucid," the "Company," "we," "us," "our," and other similar terms refer to Legacy Lucid and its subsidiaries prior to the Closing, and Lucid Group, Inc., a Delaware corporation, and its subsidiaries after the Closing.

**PART I – FINANCIAL INFORMATION**

**Item 1. Financial Statements.**

**LUCID GROUP, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**(Unaudited)**  
**(in thousands, except share and per share data)**

	September 30, 2024	December 31, 2023
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,893,638	\$ 1,369,947
Short-term investments (including \$15,000 and nil associated with a related party as of September 30, 2024 and December 31, 2023, respectively)	1,578,283	2,489,798
Accounts receivable, net (including \$70,846 and \$35,526 from a related party as of September 30, 2024 and December 31, 2023, respectively)	98,243	51,822
Inventory	506,842	696,236
Prepaid expenses	62,210	69,682
Other current assets	107,795	79,670
Total current assets	4,247,011	4,757,155
Property, plant and equipment, net	3,222,098	2,810,867
Right-of-use assets	220,616	221,508
Long-term investments	555,521	461,029
Other noncurrent assets	198,277	180,626
Investments in equity securities of a related party	45,660	81,533
<b>TOTAL ASSETS</b>	<b>\$ 8,489,183</b>	<b>\$ 8,512,718</b>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 139,187	\$ 108,724
Accrued compensation	138,882	92,494
Finance lease liabilities, current portion	6,921	8,202
Other current liabilities (including \$70,495 and \$92,258 associated with related parties as of September 30, 2024 and December 31, 2023, respectively)	861,074	798,990
Total current liabilities	1,146,064	1,008,410
Finance lease liabilities, net of current portion	75,027	77,653
Common stock warrant liability	32,819	53,664
Long-term debt	2,000,847	1,996,960
Other long-term liabilities (including \$120,286 and \$178,311 associated with related parties as of September 30, 2024 and December 31, 2023, respectively)	558,525	524,339
Derivative liabilities associated with redeemable convertible preferred stock (related party)	932,025	—
Total liabilities	4,745,307	3,661,026
Commitments and contingencies (Note 12)		
<b>REDEEMABLE CONVERTIBLE PREFERRED STOCK</b>		
Preferred stock 10,000,000 shares authorized as of September 30, 2024 and December 31, 2023, Series A redeemable convertible preferred stock, par value \$0.0001; 100,000 and 0 shares issued and outstanding as of September 30, 2024 and December 31, 2023, respectively (related party)	591,897	—
Preferred stock 10,000,000 shares authorized as of September 30, 2024 and December 31, 2023, Series B redeemable convertible preferred stock, par value \$0.0001; 75,000 and 0 shares issued and outstanding as of September 30, 2024 and December 31, 2023, respectively (related party)	468,259	—
Total redeemable convertible preferred stock	1,060,156	—
<b>STOCKHOLDERS' EQUITY</b>		
Common stock, par value \$0.0001; 15,000,000,000 shares authorized as of September 30, 2024 and December 31, 2023; 2,338,376,367 and 2,300,111,489 shares issued and 2,337,518,542 and 2,299,253,664 shares outstanding as of September 30, 2024 and December 31, 2023, respectively	234	230
Additional paid-in capital	15,206,764	15,066,080
Treasury stock, at cost, 857,825 shares at September 30, 2024 and December 31, 2023	(20,716)	(20,716)
Accumulated other comprehensive income	12,914	4,850
Accumulated deficit	(12,515,476)	(10,198,752)
Total stockholders' equity	2,683,720	4,851,692
<b>TOTAL LIABILITIES, REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY</b>	<b>\$ 8,489,183</b>	<b>\$ 8,512,718</b>

The accompanying notes are an integral part of these condensed consolidated financial statements.





**LUCID GROUP, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**  
(Unaudited)  
(in thousands, except share and per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Revenue (including \$45,588 and \$4,980 from a related party for the three months ended September 30, 2024 and 2023, and \$133,424 and \$4,980 for the nine months ended September 30, 2024 and 2023, respectively)	\$ 200,038	\$ 137,814	\$ 573,359	\$ 438,120
<b>Costs and expenses</b>				
Cost of revenue	412,544	469,722	1,287,695	1,526,051
Research and development	324,371	230,758	896,168	694,035
Selling, general and administrative	233,585	189,691	657,062	556,209
Restructuring charges	76	518	20,304	24,546
Total cost and expenses	970,576	890,689	2,861,229	2,800,841
Loss from operations	(770,538)	(752,875)	(2,287,870)	(2,362,721)
<b>Other income (expense), net</b>				
Change in fair value of common stock warrant liability	(13,748)	60,316	20,845	61,647
Change in fair value of equity securities of a related party	(8,836)	—	(38,159)	—
Change in fair value of derivative liabilities associated with redeemable convertible preferred stock (related party)	(240,250)	—	(137,250)	—
Interest income	50,017	66,064	155,201	145,594
Interest expense	(8,478)	(3,340)	(22,652)	(17,138)
Other expense, net	(155)	(763)	(6,229)	(1,024)
Total other income (expense), net	(221,450)	122,277	(28,244)	189,079
Loss before provision for income taxes	(991,988)	(630,598)	(2,316,114)	(2,173,642)
Provision for income taxes	487	296	610	1,012
<b>Net loss</b>	(992,475)	(630,894)	(2,316,724)	(2,174,654)
Accretion of redeemable convertible preferred stock (related party)	42,838	—	(107,924)	—
<b>Net loss attributable to common stockholders, basic and diluted</b>	<u>\$ (949,637)</u>	<u>\$ (630,894)</u>	<u>\$ (2,424,648)</u>	<u>\$ (2,174,654)</u>
Weighted-average shares outstanding attributable to common stockholders, basic and diluted	2,323,971,541	2,284,446,783	2,312,249,333	2,010,916,100
Net loss per share attributable to common stockholders, basic and diluted	\$ (0.41)	\$ (0.28)	\$ (1.05)	\$ (1.08)
<b>Other comprehensive income (loss)</b>				
Net unrealized gains on investments, net of tax	\$ 11,891	\$ 1,554	\$ 7,672	\$ 2,590
Foreign currency translation adjustments	5,182	(1,967)	392	(1,381)
Total other comprehensive income (loss)	17,073	(413)	8,064	1,209
<b>Comprehensive loss</b>	(975,402)	(631,307)	(2,308,660)	(2,173,445)
Accretion of redeemable convertible preferred stock (related party)	42,838	—	(107,924)	—
<b>Comprehensive loss attributable to common stockholders</b>	<u>\$ (932,564)</u>	<u>\$ (631,307)</u>	<u>\$ (2,416,584)</u>	<u>\$ (2,173,445)</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

**LUCID GROUP, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY**  
**(Unaudited)**  
**(in thousands, except share data)**

Three Months Ended September 30, 2024	Redeemable Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Treasury Stock	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount					
Balance as of June 30, 2024	100,000	\$ 651,311	2,318,685,904	\$ 232	\$15,063,541	\$ (20,716)	\$ (4,159)	\$ (11,523,001)	\$ 3,515,897
Net loss	—	—	—	—	—	—	—	(992,475)	(992,475)
Other comprehensive income	—	—	—	—	—	—	17,073	—	17,073
Tax withholding payments for net settlement of employee awards	—	—	—	—	(3,190)	—	—	—	(3,190)
Issuance of common stock upon vesting of employee RSUs	—	—	18,034,831	2	(2)	—	—	—	—
Issuance of common stock upon exercise of stock options	—	—	797,807	—	935	—	—	—	935
Issuance of Series B redeemable convertible preferred stock, net of derivative liability and issuance costs (related party)	75,000	451,683	—	—	—	—	—	—	—
Accretion of redeemable convertible preferred stock (related party)	—	(42,838)	—	—	42,838	—	—	—	42,838
Stock-based compensation	—	—	—	—	102,642	—	—	—	102,642
Balance as of September 30, 2024	175,000	\$1,060,156	2,337,518,542	\$ 234	\$15,206,764	\$ (20,716)	\$ 12,914	\$ (12,515,476)	\$ 2,683,720

Three Months Ended September 30, 2023	Common Stock		Additional Paid-In Capital	Treasury Stock	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount					
Balance as of June 30, 2023	2,282,278,815	\$ 228	\$14,904,370	\$ (20,716)	\$ (9,950)	\$ (8,914,092)	\$ 5,959,840
Net loss	—	—	—	—	—	(630,894)	(630,894)
Other comprehensive loss	—	—	—	—	(413)	—	(413)
Tax withholding payments for net settlement of employee awards	—	—	(4,327)	—	—	—	(4,327)
Issuance of common stock upon vesting of employee RSUs	5,172,059	1	(1)	—	—	—	—
Issuance of common stock upon exercise of stock options	1,825,636	—	2,214	—	—	—	2,214
Stock-based compensation	—	—	79,595	—	—	—	79,595
Balance as of September 30, 2023	2,289,276,510	\$ 229	\$14,981,851	\$ (20,716)	\$ (10,363)	\$ (9,544,986)	\$ 5,406,015

The accompanying notes are an integral part of these condensed consolidated financial statements.

**LUCID GROUP, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY -**  
**continued**  
**(Unaudited)**  
**(in thousands, except share data)**

Nine Months Ended September 30, 2024	Redeemable Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Treasury Stock	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount					
Balance as of January 1, 2024	—	\$ —	2,299,253,664	\$ 230	\$15,066,080	\$ (20,716)	\$ 4,850	\$ (10,198,752)	\$ 4,851,692
Net loss	—	—	—	—	—	—	—	(2,316,724)	(2,316,724)
Other comprehensive income	—	—	—	—	—	—	8,064	—	8,064
Tax withholding payments for net settlement of employee awards	—	—	—	—	(8,502)	—	—	—	(8,502)
Issuance of common stock upon vesting of employee RSUs	—	—	30,766,957	4	(4)	—	—	—	—
Issuance of common stock under employee stock purchase plan	—	—	4,601,557	—	11,104	—	—	—	11,104
Issuance of common stock upon exercise of stock options	—	—	2,896,364	—	3,246	—	—	—	3,246
Issuance of Series A redeemable convertible preferred stock, net of derivative liability and issuance costs (related party)	100,000	500,549	—	—	—	—	—	—	—
Issuance of Series B redeemable convertible preferred stock, net of derivative liability and issuance costs (related party)	75,000	451,683	—	—	—	—	—	—	—
Accretion of redeemable convertible preferred stock (related party)	—	107,924	—	—	(107,924)	—	—	—	(107,924)
Stock-based compensation	—	—	—	—	242,764	—	—	—	242,764
<b>Balance as of September 30, 2024</b>	<b>175,000</b>	<b>\$1,060,156</b>	<b>2,337,518,542</b>	<b>\$ 234</b>	<b>\$15,206,764</b>	<b>\$ (20,716)</b>	<b>\$ 12,914</b>	<b>\$ (12,515,476)</b>	<b>\$ 2,683,720</b>

Nine Months Ended September 30, 2023	Common Stock		Additional Paid-In Capital	Treasury Stock	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount					
Balance as of January 1, 2023	1,829,314,736	\$ 183	\$11,752,138	\$ (20,716)	\$ (11,572)	\$ (7,370,332)	\$ 4,349,701
Net loss	—	—	—	—	—	(2,174,654)	(2,174,654)
Other comprehensive income	—	—	—	—	1,209	—	1,209
Tax withholding payments for net settlement of employee awards	—	—	(14,705)	—	—	—	(14,705)
Issuance of common stock upon vesting of employee RSUs	11,607,793	2	(2)	—	—	—	—
Issuance of common stock under employee stock purchase plan	2,287,592	—	15,089	—	—	—	15,089
Issuance of common stock upon exercise of stock options	6,827,738	—	7,321	—	—	—	7,321
Issuance of common stock under Underwriting Agreement, net of issuance costs	173,544,948	17	1,184,207	—	—	—	1,184,224
Issuance of common stock under 2023 Subscription Agreement to a related party, net of issuance costs	265,693,703	27	1,812,614	—	—	—	1,812,641
Stock-based compensation	—	—	225,189	—	—	—	225,189
<b>Balance as of September 30, 2023</b>	<b>2,289,276,510</b>	<b>\$ 229</b>	<b>\$14,981,851</b>	<b>\$ (20,716)</b>	<b>\$ (10,363)</b>	<b>\$ (9,544,986)</b>	<b>\$ 5,406,015</b>

The accompanying notes are an integral part of these condensed consolidated financial statements.



**LUCID GROUP, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Unaudited)**  
**(in thousands)**

	Nine Months Ended September 30,	
	2024	2023
<b>Cash flows from operating activities:</b>		
Net loss	\$ (2,316,724)	\$ (2,174,654)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	204,494	166,033
Amortization of insurance premium	25,959	30,242
Non-cash operating lease cost	22,997	18,871
Stock-based compensation	208,803	193,432
Inventory and firm purchase commitments write-downs	416,098	734,495
Change in fair value of common stock warrant liability	(20,845)	(61,647)
Change in fair value of equity securities of a related party	38,159	—
Change in fair value of derivative liabilities associated with redeemable convertible preferred stock (related party)	137,250	—
Net accretion of investment discounts/premiums	(59,580)	(74,928)
Other non-cash items	4,766	27,938
Changes in operating assets and liabilities:		
Accounts receivable (including \$(35,320) and \$(5,533) from a related party for the nine months ended September 30, 2024 and 2023, respectively)	(46,601)	(3,778)
Inventory	(221,392)	(575,933)
Prepaid expenses	(18,487)	(43,062)
Other current assets	(27,481)	13,680
Other noncurrent assets	(14,895)	(113,790)
Accounts payable	42,564	(114,810)
Accrued compensation	46,388	(1,781)
Other current liabilities	(9,297)	(61,505)
Other long-term liabilities	101,297	25,993
Net cash used in operating activities	(1,486,527)	(2,015,204)
<b>Cash flows from investing activities:</b>		
Purchases of property, plant and equipment (including \$(56,679) and \$(66,877) from a related party for the nine months ended September 30, 2024 and 2023, respectively)	(592,206)	(638,002)
Purchases of investments (including \$(15,000) and nil from a related party for the nine months ended September 30, 2024 and 2023, respectively)	(2,374,220)	(3,585,254)
Proceeds from maturities of investments	3,251,400	2,480,570
Proceeds from sale of investments	5,000	148,388
Other investing activities	—	(4,827)
Net cash provided by (used in) investing activities	289,974	(1,599,125)
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of common stock under Underwriting Agreement, net of issuance costs	—	1,184,224
Proceeds from issuance of common stock under 2023 Subscription Agreement to a related party, net of issuance costs	—	1,812,641
Proceeds from issuance of Series A redeemable convertible preferred stock to a related party	1,000,000	—
Proceeds from issuance of Series B redeemable convertible preferred stock to a related party	750,000	—
Payments of issuance costs for Series A redeemable convertible preferred stock	(2,343)	—
Payments of issuance costs for Series B redeemable convertible preferred stock	(250)	—
Payment for credit facility issuance costs (including \$(5,625) and nil to a related party for the nine months ended September 30, 2024 and 2023, respectively)	(6,058)	—
Payment for finance lease liabilities	(2,632)	(4,534)
Proceeds from borrowings from a related party	—	42,920
Repayment of borrowings from a related party	(25,856)	—
Proceeds from exercise of stock options	3,246	7,321
Proceeds from employee stock purchase plan	11,104	15,089
Tax withholding payments for net settlement of employee awards	(8,502)	(14,705)
Net cash provided by financing activities	1,718,709	3,042,956
Net increase (decrease) in cash, cash equivalents, and restricted cash	522,156	(571,373)
Beginning cash, cash equivalents, and restricted cash	1,371,507	1,737,320
Ending cash, cash equivalents, and restricted cash	\$ 1,893,663	\$ 1,165,947

The accompanying notes are an integral part of these condensed consolidated financial statements.

LUCID GROUP, INC.  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS - continued  
(Unaudited)  
(in thousands)

	Nine Months Ended September 30,	
	2024	2023
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for interest, net of amounts capitalized	\$ 12,843	\$ 7,933
Cash paid for taxes	\$ 42	\$ 37
<b>Supplemental disclosure of non-cash investing and financing activity:</b>		
Increases in purchases of property, plant and equipment included in accounts payable and other current liabilities	\$ 57,627	\$ 77,844
Government grant (related party) reflected in property, plant and equipment	\$ (62,471)	\$ (63,995)
Property, plant and equipment and right-of-use assets obtained through leases	\$ 22,846	\$ 26,572

The accompanying notes are an integral part of these condensed consolidated financial statements.



**LUCID GROUP, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**  
**September 30, 2024**

**NOTE 1 – DESCRIPTION OF BUSINESS**

**Overview**

Lucid Group, Inc. ("Lucid") is a technology company focused on designing, developing, manufacturing, and selling the next generation of electric vehicles ("EV"), EV powertrains, and battery systems.

Throughout the notes to the condensed consolidated financial statements, unless otherwise noted, the "Company," "we," "us" or "our" and similar terms refer to Legacy Lucid and its subsidiaries prior to the consummation of the Merger, and Lucid and its subsidiaries after the consummation of the Merger.

**Liquidity**

The Company devotes its efforts to business planning, selling and servicing of vehicles, providing technology access, research and development, construction and expansion of manufacturing facilities, expansion of retail studios and service center capacities, recruiting of management and technical staff, acquiring operating assets, and raising capital.

From inception through September 30, 2024, the Company has incurred operating losses and negative cash flows from operating activities. For the nine months ended September 30, 2024 and 2023, the Company has incurred net losses of \$2,316.7 million and \$2,174.7 million, respectively. The Company had an accumulated deficit of \$12.5 billion as of September 30, 2024.

The Company completed the first phase of the construction of its Advanced Manufacturing Plant-1 in Casa Grande, Arizona ("AMP-1") in 2021, transitioned general assembly to the AMP-1 phase 2 manufacturing facility and completed the semi knocked-down ("SKD") portion of its Advanced Manufacturing Plant-2 in Saudi Arabia ("AMP-2") in September 2023. The Company further completed the paint shop and stamping portions of the AMP-1 phase 2 manufacturing facility during the three months ended September 30, 2024. The Company began commercial production of its first vehicle, the Lucid Air, in September 2021 and delivered its first vehicles in late October 2021. The Company continues to expand AMP-1, construct the completely-built-up ("CBU") portion of AMP-2, and build a network of retail sales and service locations. The Company has plans for continued development of additional vehicle model types for future release. The aforementioned activities will require considerable capital, which is above and beyond the expected cash inflows from the initial sales of the Lucid Air. As such, the future operating plan involves considerable risk if secure funding sources are not identified and confirmed.

The Company's existing sources of liquidity include cash, cash equivalents, investments, and credit facilities. The Company funded operations primarily with issuances of common stock, convertible preferred stock and convertible notes.

In 2022, the Company entered into a loan agreement with the Saudi Industrial Development Fund ("SIDF") with an aggregate principal amount of up to approximately \$1.4 billion, a five-year senior secured asset-based revolving credit facility ("ABL Credit Facility") with an initial aggregate principal commitment amount of up to \$1.0 billion and revolving credit facilities (the "GIB Facility Agreement") with Gulf International Bank ("GIB") in an aggregate principal amount of approximately \$266.1 million. The GIB Facility Agreement provided for two committed revolving credit facilities, of which \$173.0 million was available as a bridge financing (the "Bridge Facility") and \$93.1 million was for general corporate purposes (the "Working Capital Facility").

In March 2023, the Company amended the GIB Facility Agreement (together with the GIB Facility Agreement, the "Amended GIB Facility Agreement") to combine the Bridge Facility and the Working Capital Facility into a committed \$266.6 million revolving credit facility (the "GIB Credit Facility"), which bears interest at a rate of 1.40% per annum over SAIBOR (based on the term of borrowing) and associated fees. See Note 6 "Debt" for more information.

In August 2024, the Company entered into a \$750.0 million five-year unsecured delayed draw term loan credit facility (the "DDTL Credit Facility") with Ayar Third Investment Company, the controlling stockholder of the Company ("Ayar"). See Note 6 "Debt" for more information.

In November 2022, the Company entered into an equity distribution agreement (the "Equity Distribution Agreement") with BofA Securities, Inc., Barclays Capital Inc. and Citigroup Global Markets Inc., under which the Company could offer and sell shares of its common stock having an aggregate offering price up to \$600.0 million (the "At-the-Market Offering"). On November 8, 2022, the Company also entered into a subscription agreement (the "2022 Subscription Agreement") with Ayar, pursuant to which Ayar agreed to purchase from the Company up to \$915.0 million of shares of its common stock in one or more private placements through March 31, 2023. In December 2022, the Company completed its At-the-Market Offering program pursuant to the Equity Distribution Agreement for net proceeds of \$594.3 million after deducting commissions and other issuance costs and also consummated a private placement of shares to Ayar pursuant to the 2022 Subscription Agreement for \$915.0 million. No shares remain available for sale under the Equity Distribution Agreement.

In May 2023, the Company entered into an underwriting agreement (the "Underwriting Agreement") with BofA Securities, Inc. (the "Underwriter"), under which the Underwriter agreed to purchase from the Company shares of the Company's common stock in a public offering for aggregate net proceeds to the Company of \$1.2 billion. In May 2023, the Company also entered into a subscription agreement (the "2023 Subscription Agreement") with Ayar, pursuant to which Ayar agreed to purchase from the Company shares of the Company's common stock in a private placement for aggregate net proceeds of \$1.8 billion. In June 2023, the Company completed the public offering pursuant to the Underwriting Agreement for aggregate net proceeds of \$1.2 billion and also consummated the private placement to Ayar pursuant to the 2023 Subscription Agreement for aggregate net proceeds of \$ 1.8 billion. See Note 16 "Related Party Transactions" for more information.

In March 2024, the Company entered into a subscription agreement (the "Series A Subscription Agreement") with Ayar. Pursuant to the Series A Subscription Agreement, Ayar agreed to purchase from the Company 100,000 shares of its Series A convertible preferred stock, par value \$ 0.0001 per share (the "Series A Redeemable Convertible Preferred Stock"), for an aggregate purchase price of \$1.0 billion in a private placement. Subsequently, in March 2024, the Company issued the shares to Ayar pursuant to the Series A Subscription Agreement and received aggregate gross proceeds of \$1.0 billion. In August 2024, the Company entered into a subscription agreement (the "Series B Subscription Agreement") with Ayar. Pursuant to the Series B Subscription Agreement, Ayar agreed to purchase from the Company 75,000 shares of its Series B convertible preferred stock, par value \$0.0001 per share (the "Series B Redeemable Convertible Preferred Stock"), for an aggregate purchase price of \$ 750.0 million in a private placement. Subsequently, in August 2024, the Company issued the shares to Ayar pursuant to the Series B Subscription Agreement and received aggregate gross proceeds of \$750.0 million. See Note 8 "Redeemable Convertible Preferred Stock" for more information.

The Series A Redeemable Convertible Preferred Stock and the Series B Redeemable Convertible Preferred Stock (the "Redeemable Convertible Preferred Stock") are convertible at the option of the holder (i) at any time the closing price per share of the common stock on the trading date immediately preceding the date on which the holder delivers the relevant notice of conversion is at least a certain price threshold as noted in the certificate of designations of Series A Redeemable Convertible Preferred Stock (the "Series A Certificate of Designations") and in the certificate of designations of the Series B Redeemable Convertible Preferred Stock (the "Series B Certificate of Designations") of the Company or (ii) during specified periods preceding a fundamental change or optional redemption by the Company under the terms of the Redeemable Convertible Preferred Stock. See Note 8 "Redeemable Convertible Preferred Stock" for more information.

On October 16, 2024, the Company entered into an underwriting agreement (the "2024 Underwriting Agreement") with the Underwriter, and also into a subscription agreement with Ayar (the "2024 Subscription Agreement"). See Note 17 "Subsequent Events" for more information.

### **Certain Significant Risks and Uncertainties**

The Company's current business activities consist of (i) generating sales from the deliveries and service of vehicles, (ii) research and development efforts to design, engineer and develop high-performance fully electric vehicles and advanced electric vehicle powertrain components, including battery pack systems, (iii) further construction of AMP-1 phase 2 in Casa Grande, Arizona, (iv) construction of the CBU portion of AMP-2 in Saudi Arabia, (v) expansion of its retail studios and service centers capabilities throughout North America and across the globe, and (vi) providing its technology access to third parties. The Company is subject to the risks associated with such activities, including the need to further develop its technology, its marketing, and distribution channels; the need to further develop its supply chain and manufacturing; and the need to hire additional management and other employees. Successful completion of the Company's development program and, ultimately, the attainment of profitable operations are dependent upon future events, including our ability to access potential markets, and secure long-term financing on commercially reasonable terms.

The Company participates in a dynamic high-technology industry. Changes in any of the following areas could have a material adverse impact on the Company's future financial position, results of operations, and/or cash flows: changes in the overall demand for its products and services; advances and trends in new technologies; competitive pressures; acceptance of the Company's products and services; litigation or claims against the Company based on intellectual property (including patents), regulatory, or other factors; and the Company's ability to attract and retain employees necessary to support its business operations.

A global economic recession or other downturn, whether due to inflation, global conflicts or other geopolitical events, public health crises, interest rate increases or other policy actions by major central banks, government closures of banks and liquidity concerns at other financial institutions, or other factors, may have an adverse impact on the Company's business, prospects, financial condition and results of operations. Adverse economic conditions as well as uncertainty about the current and future global economic conditions may cause the Company's customers to defer purchases or cancel their orders in response to higher interest rates, availability of consumer credit, decreased cash availability, fluctuations in foreign currency exchange rates, and weakened consumer confidence. Reduced demand for the Company's products may result in significant decreases in product sales, which in turn would have a material adverse impact on the Company's business, prospects, financial condition and results of operations. Because of the Company's premium brand positioning and pricing, an economic downturn is likely to have a heightened adverse effect on the Company compared to many of its electric vehicle and traditional automotive industry competitors, to the extent that consumer demand for luxury goods is reduced in favor of lower-priced alternatives. In addition, any economic recession or other downturn could also cause logistical challenges and other operational risks if any of the Company's suppliers, sub-suppliers or partners become insolvent or are otherwise unable to continue their operations, fulfill their obligations to the Company, or meet the Company's future demand. In addition, the deterioration of conditions in the broad financing markets may limit the Company's ability to obtain external financing to fund its operations and capital expenditures on terms favorable to the Company, if at all. See "Risk Factors" in Part II, Item 1A of this Quarterly Report on Form 10-Q (the "Quarterly Report") for more information regarding risks associated with a global economic recession, including under the caption *"A global economic recession, government closures of banks and liquidity concerns at other financial institutions, or other downturn may have a material adverse impact on our business, prospects, results of operations and financial condition."*

In the current circumstances, any impact on the Company's financial condition, results of operations or cash flows in the future continues to be difficult to estimate and predict, as it depends on future events that are highly uncertain and cannot be predicted with accuracy.

## **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Basis of Presentation and Principles of Consolidation**

The accompanying unaudited condensed consolidated financial statements included herein have been prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP") and applicable rules and regulations of the U.S. Securities and Exchange Commission (the "SEC") regarding interim financial reporting. Certain information and disclosures normally included in the financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes included in the Company's Form 10-K filed with the SEC on February 27, 2024.

In management's opinion, these unaudited condensed consolidated financial statements have been prepared on the same basis as the annual financial statements and reflect all adjustments, which include normal recurring adjustments, necessary for the fair statement of the Company's financial position as of September 30, 2024 and the results of operations for the three and nine months ended September 30, 2024 and 2023. The results of operations for the three and nine months ended September 30, 2024 are not necessarily indicative of the results to be expected for the full year ending December 31, 2024 or any other future interim or annual period.

The condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

### **Use of Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Significant estimates, assumptions and judgments made by management include, among others, inventory valuation, warranty reserve, useful lives of property, plant and equipment, fair value of common stock warrants, fair value of derivative liabilities associated with the Redeemable Convertible Preferred Stock, estimates of residual value guarantee ("RVG") liability, deferred revenue related to technology access fees and over-the-air ("OTA") software updates, sales return reserves, assumptions used to measure stock-based compensation expense, and estimated incremental borrowing rates for assessing operating and finance leases. These estimates and assumptions are based on management's best estimates and judgment. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, which management believes to be reasonable under the circumstances. The Company adjusts such estimates and assumptions when facts and circumstances dictate. Changes in those estimates resulting from continuing changes in the economic environment will be reflected in the financial statements in future periods.

### **Reclassifications**

Certain prior-period amounts have been reclassified in the accompanying condensed consolidated financial statements and notes thereto in order to conform to the current period presentation.

### Cash, Cash Equivalents and Restricted Cash

The Company considers all highly liquid investments with an original maturity at the date of purchase of three months or less to be cash equivalents.

Restricted cash in other current assets is primarily related to letters of credit issued to the landlords for certain of the Company's leased facilities.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash to amounts shown in the statements of cash flows (in thousands):

	September 30, 2024	December 31, 2023
Cash and cash equivalents	\$ 1,893,638	\$ 1,369,947
Restricted cash included in other current assets	14	1,560
Restricted cash included in other noncurrent assets	11	—
Total cash, cash equivalents, and restricted cash	<u>\$ 1,893,663</u>	<u>\$ 1,371,507</u>

### Accounts Receivable, Net

Accounts receivable consists of receivables from our customers and from financial institutions offering financing products to our customers for the sale of vehicles, sales of powertrain kits, services, and regulatory credits. The Company provides an allowance against accounts receivable for any potential uncollectible amounts. The Company recorded immaterial allowance for uncollectible amounts as of September 30, 2024 and December 31, 2023.

### Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentration of credit risk consist of cash, cash equivalents, investments and accounts receivable. The Company places its cash primarily with domestic financial institutions that are federally insured within statutory limits, but its deposits exceed federally insured limits. As of September 30, 2024 and December 31, 2023, accounts receivable from the EV purchase agreement with the Government of Saudi Arabia, a related party of the Public Investment Fund ("PIF"), which is an affiliate of Ayar, as represented by the Ministry of Finance (the "EV Purchase Agreement"), represented 72.1% and 68.5% of the total accounts receivable balance, respectively. See Note 16 "Related Party Transactions" for more information.

### Concentration of Supply Risk

The Company is dependent on its suppliers, the majority of which are single-source suppliers, and the inability of these suppliers to deliver necessary components of its products according to the schedule and at prices, quality levels and volumes acceptable to the Company, or its inability to efficiently manage these components, could have a material adverse effect on the Company's results of operations and financial condition.

### Revenue from Contracts with Customers

#### Vehicle Sales

##### *Vehicle Sales without Residual Value Guarantee*

Vehicle sales revenue is generated from the sale of electric vehicles to customers. There are two performance obligations identified in vehicle sale arrangements. These are the vehicle including an onboard advanced driver assistance system ("ADAS"), and the right to unspecified OTA software updates to be provided as and when available over the term of the basic vehicle warranty, which is generally 4 years. Payment is typically received at the time of delivery or shortly after delivery of the vehicle to the customer, except for vehicle sales under the EV Purchase Agreement. The Company recognizes revenue related to the vehicle when the customer obtains control of the vehicle which occurs at a point in time either upon completion of delivery to the agreed upon delivery location or upon pick up of the vehicle by the customer. As the unspecified OTA software updates are provided when-and-if they become available, revenue related to OTA software updates is recognized ratably over the basic vehicle warranty term, commencing when control of the vehicle is transferred to the customer.

At the time of revenue recognition, the Company reduces the transaction price and records a sales return reserve against revenue for estimated variable consideration related to future product returns. Return rate estimates are based on historical experience and sales return reserve balance was not material as of September 30, 2024 and December 31, 2023.

### *Vehicle Sales with Residual Value Guarantee*

The Company provides an RVG to its commercial banking partners in connection with its vehicle leasing program. Vehicle sales with RVG totaled \$116.6 million and \$307.5 million during the three and nine months ended September 30, 2024, respectively, and \$ 56.5 million and \$112.0 million for the same periods in the prior year, respectively. Under the vehicle leasing program, the Company generally receives payment for the vehicle sales price at the time of delivery or shortly after the delivery. The Company recognizes revenue when control transfers upon delivery when the consumer-lessee takes physical possession of the vehicle, and bifurcates the RVG at fair value and accounts for it as a guarantee liability. The remaining amount of the transaction price is allocated among the performance obligations, including the vehicle, the right to unspecified OTA software updates, and remarketing activities, in proportion to the standalone selling price of the Company's performance obligations. The guarantee liability represents the estimated amount the Company expects to pay at the end of the lease term. The Company is released from residual risk upon either expiration or settlement of the RVG. The Company evaluates variables such as third-party residual value publications, risk of future price deterioration due to changes in market conditions and reconditioning costs to determine the estimated RVG liability. As of September 30, 2024, the Company recorded \$41.8 million of RVG liabilities. The RVG liabilities were not material as of December 31, 2023.

As of September 30, 2024 and December 31, 2023, the Company recorded \$ 46.3 million and \$28.7 million of total deferred revenue from all vehicle sales primarily related to OTA and remarketing activities for vehicle sales, respectively. The Company recorded \$13.7 million and \$7.7 million of the total deferred revenue within other current liabilities and the remaining \$32.6 million and \$21.0 million within other long-term liabilities in the condensed consolidated balance sheets as of September 30, 2024 and December 31, 2023, respectively. Revenue recognized during the three and nine months ended September 30, 2024 and 2023 from the prior period deferred revenue balances was not material.

### *Vehicle Operating Lease Revenue*

The Company accounts for sales of vehicles with repurchase obligations as operating leases. The Company sells vehicles primarily to rental companies with an obligation to repurchase the vehicles at an agreed upon repurchase price. The Company records the difference between the proceeds received and the agreed upon repurchase price as vehicle leasing revenue on a straight-line basis over the term of the lease. Deferred leasing revenue and repurchase obligation were recorded in other current liabilities and other long-term liabilities in the condensed consolidated balance sheets, and were not material as of September 30, 2024 and December 31, 2023. The operating lease revenue was not material for the three and nine months ended September 30, 2024, and nil for the same periods in the prior year.

### *Other*

Other consists of revenue from non-warranty after-sales vehicle services, sales of battery pack systems, powertrain kits, retail merchandise, and regulatory credits.

The disaggregation of the Company's revenue by geographic area based on the location where the sales originated was as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
North America	\$ 147,408	\$ 120,615	\$ 417,254	\$ 406,899
Middle East	49,651	12,832	144,882	19,582
Other international	2,979	4,367	11,223	11,639
Total Revenue	<u>\$ 200,038</u>	<u>\$ 137,814</u>	<u>\$ 573,359</u>	<u>\$ 438,120</u>

### **Redeemable Convertible Preferred Stock**

Accounting for the redeemable convertible preferred stock requires an evaluation to determine if liability classification is required under ASC 480-10. Liability classification is required for freestanding financial instruments that are (1) subject to an unconditional obligation requiring the issuer to redeem the instrument by transferring assets, such as those that are mandatorily redeemable, (2) instruments other than equity shares that embody an obligation of the issuer to repurchase its equity shares, or (3) certain types of instruments that obligate the issuer to issue a variable number of equity shares.

Securities that do not meet the scoping criteria to be classified as a liability under ASC 480 are subject to redeemable equity guidance, which prescribes securities that may be subject to redemption upon an event not solely within the Company's control to be classified as temporary equity. Securities classified in temporary equity are initially measured at the proceeds received, net of issuance costs and excluding the fair value of bifurcated embedded derivatives, if any. Subsequent measurement of the carrying value of the redeemable convertible preferred stock is required as the instrument is probable of becoming redeemable. The Company accretes the redeemable convertible preferred stock to its redemption value. In certain circumstances, the redemption price may vary based on changes in stock price, in which case the Company recognizes changes in the redemption value immediately as they occur and adjust the carrying value of the security to equal the then current maximum redemption value at the end of each reporting period.

#### **Derivative Liabilities**

The Company evaluates all of its financial instruments, including convertible notes and redeemable convertible preferred stock, to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. The Company applies significant judgment to identify and evaluate complex terms and conditions in these contracts and agreements to determine whether embedded derivatives exist. Embedded derivatives must be separately measured from the host contracts if all the requirements for bifurcation are met. The assessment of the conditions surrounding the bifurcation of embedded derivatives depends on the nature of the host contract. Bifurcated embedded derivatives are recognized at fair value, with changes in fair value recognized in the condensed consolidated statements of operations and comprehensive loss at each reporting period end. Bifurcated embedded derivatives are classified as a separate liability in the condensed consolidated balance sheet.

The Company's derivative liabilities are related to the conversion features embedded in the Redeemable Convertible Preferred Stock. See Note 8 "Redeemable Convertible Preferred Stock" for more information.

Except for the policies described above, there have been no significant changes to accounting policies during the three and nine months ended September 30, 2024.

#### **Recently Issued Accounting Pronouncements Not Yet Adopted**

In November 2023, the Financial Accounting Standards Board ("FASB") issued ASU No. 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, which requires incremental segment information disclosure on an annual and interim basis. This amendment includes disclosure of significant segment expenses which are regularly provided to the CODM and included within each reported measure of segment profit or loss; other segment items by reportable segment and a description of its composition; reportable segment's profit or loss and assets; additional measures of segment profit or loss if the CODM uses more than one measure of a segment's profit or loss in assessing segment performance, and the title and position of the entity's CODM and how the CODM uses the reported measures of segment profit or loss in assessing segment performance and determining resource allocation. The Company with a single reportable segment is required to provide all the disclosures from this amendment. The guidance is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted, and should be applied retrospectively. The Company is evaluating the impact of this amendment to the related financial statement disclosures and expects to adopt them for the year ended December 31, 2024.

In December 2023, the FASB issued ASU No. 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures, which requires incremental annual income tax disclosures. This amendment includes disclosures of specific categories in the rate reconciliation and additional information for reconciling items that meet a quantitative threshold; income taxes paid (net of refunds received) disaggregated by federal, state, and foreign taxes, and also disaggregated by individual jurisdictions that meet a quantitative threshold; income (or loss) from continuing operations before income tax expenses (or benefit) disaggregated between domestic and foreign; and income tax expense (or benefit) from continuing operations disaggregated by federal, state and foreign. The guidance is effective for annual periods beginning after December 15, 2024. Early adoption is permitted and should be applied prospectively (with retrospective application permitted). The Company is evaluating the impact of this amendment to the related financial statement disclosures.

In March 2024, the SEC issued its final rule that requires certain climate-related disclosures in annual reports, including governance, oversight, and risk management processes on material climate-related risks; material impact of climate risks on the Company's strategy, business model, and outlook; material climate targets and goals; and material financial statements impacts due to severe weather events and other natural conditions. This SEC rule provides phased effective dates, starting with fiscal years beginning on or after January 1, 2025. The SEC rule is currently stayed pending the outcome of litigation, and the Company is evaluating the impact of this rule on its annual reports.

In November 2024, the FASB issued ASU No. 2024-03, Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses, which requires disclosure of specified information about certain costs and expenses (such as purchases of inventory, employee compensation, depreciation, and amortization) within the relevant expense captions presented on the face of the statements of operations and comprehensive loss. The guidance is effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. Early adoption is permitted, and should be applied either prospectively or retrospectively. The Company is evaluating the impact of this amendment to the related financial statement disclosures.

The Company has considered all other recently issued accounting pronouncements and does not believe the adoption of such pronouncements will have a material impact on its financial statements or notes thereto.

### NOTE 3 - RESTRUCTURING

On May 24, 2024, the Company announced a restructuring plan (the “2024 Restructuring Plan”) intended to optimize operating expenses in response to evolving business needs and productivity improvement through a reduction in workforce. The Company substantially completed the 2024 Restructuring Plan in the third quarter of 2024.

During the three and nine months ended September 30, 2024, the Company recorded restructuring charges of \$ 0.1 million and \$20.3 million, respectively, related to the 2024 Restructuring Plan within restructuring charges in the condensed consolidated statements of operations and comprehensive loss. The restructuring charges were primarily related to severance payments, employee benefits, employee transition and stock-based compensation, net of a reversal of previously recognized stock-based compensation expense.

On March 28, 2023, the Company announced a restructuring plan (the “2023 Restructuring Plan”) intended to reduce operating expenses in response to evolving business needs and productivity improvement through a reduction in workforce. The Company completed the 2023 Restructuring Plan during the first quarter of 2024. During the three and nine months ended September 30, 2023, the Company recorded restructuring charges of \$0.5 million and \$24.5 million, respectively, and recorded no restructuring charges for the same periods in the current year related to the 2023 Restructuring Plan. The restructuring charges were primarily related to severance payments, employee benefits, employee transition and stock-based compensation, net of a reversal of previously recognized stock-based compensation expense.

A summary of restructuring liabilities associated with the restructuring plans was as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
<b>Restructuring liabilities - beginning of period</b>	\$ 17,567	\$ 1,705	\$ 54	\$ —
Restructuring charges excluding non-cash items <sup>(1)(2)</sup>	76	518	21,784	25,989
Cash payments	(16,405)	(1,846)	(20,600)	(25,612)
<b>Restructuring liabilities - end of period</b>	<u>\$ 1,238</u>	<u>\$ 377</u>	<u>\$ 1,238</u>	<u>\$ 377</u>

<sup>(1)</sup> Excluded non-cash items of \$1.5 million for the nine months ended September 30, 2024 related to the 2024 Restructuring Plan, which was net of accelerated stock-based compensation expense of \$3.2 million and a reversal of \$4.7 million related to previously recognized stock-based compensation expenses for unvested restricted stock awards.

<sup>(2)</sup> Excluded non-cash items of \$1.4 million for the nine months ended September 30, 2023 related to the 2023 Restructuring Plan, which was net of accelerated stock-based compensation expense of \$3.4 million and a reversal of \$4.8 million related to previously recognized stock-based compensation expenses for unvested restricted stock awards.

As of September 30, 2024, the restructuring liabilities of \$ 1.2 million associated with the 2024 Restructuring Plan were included in accrued compensation in the condensed consolidated balance sheet. There were no restructuring liabilities associated with the 2023 Restructuring Plan as of September 30, 2024. Restructuring liabilities associated with the 2023 Restructuring Plan were immaterial as of December 31, 2023.

## NOTE 4 – BALANCE SHEETS COMPONENTS

### Inventory

Inventory as of September 30, 2024 and December 31, 2023 was as follows (in thousands):

	September 30, 2024	December 31, 2023
Raw materials	\$ 212,397	\$ 210,283
Work in progress	70,250	53,227
Finished goods	224,195	432,726
Total Inventory	<u>\$ 506,842</u>	<u>\$ 696,236</u>

Inventory as of September 30, 2024 and December 31, 2023 was comprised of raw materials, work in progress related to the production of vehicles for sale and SKD units for final assembly in Saudi Arabia, and finished goods inventory including new vehicles available for sale, vehicles in transit to fulfill customer orders, and internally used vehicles which the Company intends to sell. The Company recorded write-downs of \$154.9 million and \$446.9 million for the three and nine months ended September 30, 2024, respectively, and \$230.8 million and \$752.8 million for the same periods in the prior year, respectively, to reduce its inventories to its net realizable values and for any excess or obsolete inventories, as well as losses from firm purchase commitments.

### Property, plant and equipment, net

Property, plant and equipment, net as of September 30, 2024 and December 31, 2023 was as follows (in thousands):

	September 30, 2024	December 31, 2023
Land and land improvements	\$ 70,967	\$ 69,718
Building and improvements <sup>(1)</sup>	888,633	576,097
Machinery, tooling and vehicles <sup>(2)</sup>	1,379,141	1,045,485
Computer equipment and software	88,068	74,336
Leasehold improvements	253,657	221,619
Furniture and fixtures	49,772	45,315
Finance leases	88,847	94,285
Construction in progress	1,102,833	1,185,413
Total Property, plant and equipment	3,921,918	3,312,268
Less accumulated depreciation and amortization	(699,820)	(501,401)
Property, plant and equipment, net	<u>\$ 3,222,098</u>	<u>\$ 2,810,867</u>

<sup>(1)</sup> As of September 30, 2024 and December 31, 2023, \$125.1 million and \$120.2 million of capital expenditure support received from Ministry of Investment of Saudi Arabia ("MISA") was primarily recorded as a deduction to the AMP-2 building balance, respectively. See Note 16 "Related Party Transactions" for more information.

<sup>(2)</sup> Included \$35.9 million and \$32.5 million of service loaner vehicles as of September 30, 2024 and December 31, 2023, respectively.

Construction in progress represents the costs incurred in connection with the construction of buildings or new additions to the Company's plant facilities, including tooling with outside vendors. Costs classified as construction in progress include all costs of obtaining the asset, installation of the asset, and bringing it to the location and the condition necessary for its intended use. No depreciation is provided for construction in progress until such time as the asset is completed and is ready for its intended use. Construction in progress consisted of the following (in thousands):

	September 30, 2024	December 31, 2023
Machinery and tooling	\$ 834,806	\$ 728,751
Construction of AMP-1 and AMP-2 <sup>(1)</sup>	230,627	430,878
Leasehold improvements and other	37,400	25,784
Total construction in progress	<u>\$ 1,102,833</u>	<u>\$ 1,185,413</u>

<sup>(1)</sup> As of September 30, 2024 and December 31, 2023, \$69.7 million and \$12.1 million, of capital expenditure support received from MISA was recorded primarily as a deduction to the AMP-2 facility construction in progress balance, respectively. See Note 16 "Related Party Transactions" for more information.



Depreciation and amortization expense was \$ 69.5 million and \$204.5 million for the three and nine months ended September 30, 2024, respectively, and \$60.8 million and \$166.0 million for the same periods in the prior year, respectively. The amount of interest capitalized on construction in progress related to significant capital asset construction was immaterial for the three and nine months ended September 30, 2024 and 2023.

#### **Other current liabilities**

Other current liabilities as of September 30, 2024 and December 31, 2023 were as follows (in thousands):

	September 30, 2024	December 31, 2023
Engineering, design, and testing accrual	\$ 72,365	\$ 42,176
Construction in progress	138,220	156,414
Accrued purchases <sup>(1)</sup>	25,016	44,957
Retail leasehold improvements accrual	1,875	6,005
Third-party services accrual	32,844	41,478
Tooling liability	141,819	49,925
Short-term borrowings	46,649	72,533
Operating lease liabilities, current portion	34,801	28,431
Reserve for loss on firm inventory purchase commitments	145,617	143,566
Accrued warranty	13,809	22,677
Other current liabilities	208,059	190,828
Total other current liabilities	<u>\$ 861,074</u>	<u>\$ 798,990</u>

<sup>(1)</sup> Primarily represent accruals for inventory related purchases and transportation charges that had not been invoiced.

#### **Other long-term liabilities**

Other long-term liabilities as of September 30, 2024 and December 31, 2023 were as follows (in thousands):

	September 30, 2024	December 31, 2023
Operating lease liabilities, net of current portion	\$ 240,008	\$ 244,122
Other long-term liabilities <sup>(1)(2)</sup>	318,517	280,217
Total other long-term liabilities	<u>\$ 558,525</u>	<u>\$ 524,339</u>

<sup>(1)</sup> As of December 31, 2023, \$62.5 million of capital expenditure support received from MISA was recorded as deferred liability within other long-term liabilities in the consolidated balance sheet. See Note 16 "Related Party Transactions" for more information.

<sup>(2)</sup> As of September 30, 2024 and December 31, 2023, \$112.0 million and \$107.8 million of deferred revenue was recorded within other long-term liabilities in the condensed consolidated balance sheets, respectively, in connection with the strategic technology and supply arrangement, and integration and supply arrangements with Aston Martin Lagonda Global Holdings plc (together with its subsidiaries, "Aston Martin"). See Note 16 "Related Party Transactions" for more information.

#### **Accrued warranty**

Accrued warranty activities consisted of the following (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Accrued warranty - beginning of period <sup>(2)</sup>	\$ 78,496	\$ 62,186	\$ 46,076	\$ 22,949
Warranty costs incurred	(10,204)	(13,929)	(46,090)	(33,759)
Provision for warranty <sup>(1)</sup>	10,570	7,054	78,876	66,121
Accrued warranty - end of period <sup>(2)</sup>	<u>\$ 78,862</u>	<u>\$ 55,311</u>	<u>\$ 78,862</u>	<u>\$ 55,311</u>

<sup>(1)</sup> Provision for warranty for the three and nine months ended September 30, 2024 and 2023 included estimated costs related to the recalls identified and/or special campaigns to repair or replace items under warranties. During the three and nine months ended September 30, 2024, the Company recorded nil and \$41.5 million provision associated with a special warranty campaign, respectively.

<sup>(2)</sup> Accrued warranty balance of \$13.8 million and \$22.7 million was recorded within other current liabilities, and \$65.1 million and \$23.4 million was recorded within other long-term liabilities, in the condensed consolidated balance sheets as of September 30, 2024 and December 31, 2023, respectively.

## NOTE 5 - FAIR VALUE MEASUREMENTS AND FINANCIAL INSTRUMENTS

The accounting standard for fair value measurements provides a framework for measuring fair value and requires expanded disclosures regarding fair value measurements. Fair value is defined as the price that would be received for an asset or the "exit price" that would be paid to transfer a liability in the principal or most advantageous market in an orderly transaction between independent market participants on the measurement date. The Company measures certain financial assets and liabilities at fair value at each reporting period using a fair value hierarchy, which requires the Company to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument classification within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. This hierarchy prioritizes the inputs into three broad levels as follows:

- **Level 1**—Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2**—Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- **Level 3**—Inputs that are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. Factors used to develop the estimated fair value are unobservable inputs that are not supported by market activity. The sensitivity of the fair value measurement to changes in unobservable inputs may result in a significantly higher or lower measurement.

Cash, cash equivalents and investments are reported at their respective fair values on the Company's condensed consolidated balance sheets. The Company's short-term and long-term investments are classified as available-for-sale securities. Carrying amounts of accounts receivables, accounts payable, and other current liabilities approximate their estimated fair values.

The following table sets forth the Company's financial assets subject to fair value measurements on a recurring basis by level within the fair value hierarchy as of September 30, 2024 and December 31, 2023 (in thousands):

	September 30, 2024						
	Amortized cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Reported As:		
					Cash and cash equivalents	Short-Term Investments	Long-Term Investments
Cash	\$ 755,638	\$ —	\$ —	\$ 755,638	\$ 755,638	\$ —	\$ —
Level 1:							
Money market funds	743,253	—	—	743,253	743,253	—	—
U.S. Treasury securities	1,794,352	6,453	(91)	1,800,714	300,286	1,064,049	436,379
Subtotal	2,537,605	6,453	(91)	2,543,967	1,043,539	1,064,049	436,379
Level 2:							
Certificates of deposit	3,000	2	—	3,002	3,002	—	—
Time deposits <sup>(1)</sup>	305,000	—	—	305,000	60,000	245,000	—
Commercial paper	72,321	48	(1)	72,368	24,299	48,069	—
Corporate debt securities	345,110	2,370	(13)	347,467	7,160	221,165	119,142
Subtotal	725,431	2,420	(14)	727,837	94,461	514,234	119,142
Total	<u>\$ 4,018,674</u>	<u>\$ 8,873</u>	<u>\$ (105)</u>	<u>\$ 4,027,442</u>	<u>\$ 1,893,638</u>	<u>\$ 1,578,283</u>	<u>\$ 555,521</u>

<sup>(1)</sup> Included \$15.0 million of time deposit with GIB in short-term investments. GIB is a related party of PIF, which is an affiliate of Ayar. See Note 16 "Related Party Transactions" for more information.

December 31, 2023							
	Amortized cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Reported As:		
					Cash and cash equivalents	Short-Term Investments	Long-Term Investments
Cash	\$ 516,673	\$ —	\$ —	\$ 516,673	\$ 516,673	\$ —	\$ —
Level 1:							
Money market funds	698,702	—	—	698,702	698,702	—	—
U.S. Treasury securities	2,033,711	2,480	(2,073)	2,034,118	104,572	1,638,537	291,009
Subtotal	2,732,413	2,480	(2,073)	2,732,820	803,274	1,638,537	291,009
Level 2:							
Certificates of deposit	105,993	97	(22)	106,068	—	106,068	—
Time Deposits	50,000	—	—	50,000	50,000	—	—
Commercial paper	299,248	191	(8)	299,431	—	299,431	—
Corporate debt securities	615,350	1,101	(669)	615,782	—	445,762	170,020
Subtotal	1,070,591	1,389	(699)	1,071,281	50,000	851,261	170,020
Total	\$ 4,319,677	\$ 3,869	\$ (2,772)	\$ 4,320,774	\$ 1,369,947	\$ 2,489,798	\$ 461,029

During the three and nine months ended September 30, 2024 and 2023, there were immaterial gross realized gains or losses on the sale of available-for-sale securities. Accrued interest receivable excluded from both the fair value and amortized cost basis of the available-for-sale securities was \$11.4 million and \$11.1 million as of September 30, 2024 and December 31, 2023, respectively, and was recorded in other current assets on its condensed consolidated balance sheets. As of September 30, 2024 and December 31, 2023, no allowance for credit losses was recorded related to an impairment of available-for-sale securities.

The following table summarizes our available-for-sale securities by contractual maturity:

	September 30, 2024	
	Amortized cost	Estimated Fair Value
Within one year	\$ 1,575,513	\$ 1,578,283
After one year through three years	549,608	555,521
Total	\$ 2,125,121	\$ 2,133,804

On November 6, 2023, the Company received 28,352,273 ordinary shares of Aston Martin with an initial fair value of \$ 73.2 million. The Company remeasured the shares and recorded fair values of \$45.7 million and \$81.5 million within investments in equity securities of a related party in the condensed consolidated balance sheets as of September 30, 2024 and December 31, 2023, respectively. These equity securities are publicly traded stocks (where shares are denominated in GBP) measured at fair value on a recurring basis and classified within level 1 in the fair value hierarchy. During the three and nine months ended September 30, 2024, the Company recognized unrealized losses of \$8.8 million and \$38.2 million, respectively, in change of fair value of equity securities of a related party in the condensed consolidated statement of operations and comprehensive loss. During the three and nine months ended September 30, 2024, the Company also recognized an unrealized foreign currency gains of \$3.0 million and \$2.4 million, respectively, related to these equity securities in other expense, net in the condensed consolidated statement of operations and comprehensive loss. See Note 16 "Related Party Transactions" for more information.

Level 3 liabilities consist of the common stock warrant liability and the derivative liabilities associated with the Redeemable Convertible Preferred Stock, of which the fair values were measured upon issuance of the Private Placement Warrants and the Redeemable Convertible Preferred Stock and are remeasured at each reporting period. The valuation methodology and underlying assumptions are discussed further in Note 7 "Common Stock Warrant Liability" and Note 8 "Redeemable Convertible Preferred Stock", respectively. Level 3 liabilities also consist of residual value guarantee liabilities, of which the fair value is measured initially upon delivery of vehicles and assessed subsequently for any changes on a quarterly basis. Significant changes in the unobservable inputs used in determining the fair value would result in significant changes to the fair value measurement.

The following table presents reconciliation of the common stock warrant liability measured and recorded at fair value on a recurring basis (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
<b>Fair value-beginning of period</b>	\$ 19,071	\$ 139,259	\$ 53,664	\$ 140,590
Change in fair value	13,748	(60,316)	(20,845)	(61,647)
<b>Fair value-end of period</b>	<u>\$ 32,819</u>	<u>\$ 78,943</u>	<u>\$ 32,819</u>	<u>\$ 78,943</u>

The following table presents reconciliation of the derivative liabilities associated with the Redeemable Convertible Preferred Stock measured and recorded at fair value on a recurring basis (in thousands):

	Three Months Ended September 30, 2024		Nine Months Ended September 30, 2024	
	Series A Derivative Liability	Series B Derivative Liability	Series A Derivative Liability	Series B Derivative Liability
<b>Fair value-beginning of period</b>	\$ 394,100	\$ —	\$ —	\$ —
Issuance	—	297,675	497,100	297,675
Change in fair value	191,200	49,050	88,200	49,050
<b>Fair value-end of period</b>	<u>\$ 585,300</u>	<u>\$ 346,725</u>	<u>\$ 585,300</u>	<u>\$ 346,725</u>

## NOTE 6 – DEBT

### 2026 Notes

In December 2021, the Company issued an aggregate of \$ 2,012.5 million principal amount of 1.25% convertible senior notes due in December 2026 (the “2026 Notes”) in a private offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended, at an issuance price equal to 99.5% of the principal amount of 2026 Notes. The Company has designated the 2026 Notes as green bonds, whose proceeds will be allocated in accordance with the Company's green bond framework. The 2026 Notes were issued pursuant to and are governed by an indenture dated December 14, 2021, between the Company and U.S. Bank National Association as the trustee. The proceeds from the issuance of the 2026 Notes were \$1,986.6 million, net of the issuance discount and debt issuance costs.

The 2026 Notes are unsecured obligations which bear regular interest at 1.25% per annum and are payable semiannually in arrears on June 15 and December 15 of each year, beginning on June 15, 2022. The 2026 Notes will mature on December 15, 2026, unless repurchased, redeemed, or converted in accordance with their terms prior to such date. The 2026 Notes are convertible into cash, shares of our Class A common stock, or a combination of cash and shares of our Class A common stock, at the Company's election, at an initial conversion rate of 18.2548 shares of Class A common stock per \$1,000 principal amount of 2026 Notes, which is equivalent to an initial conversion price of approximately \$54.78 per share of our Class A common stock. The conversion rate is subject to customary adjustments for certain dilutive events. The Company may redeem for cash all or any portion of the 2026 Notes, at the Company's option, on or after December 20, 2024 if the last reported sale price of our Class A common stock has been at least 130% of the conversion price then in effect for at least 20 trading days at a redemption price equal to 100% of the principal amount of the 2026 Notes to be redeemed, plus accrued and unpaid interest up to the day before the redemption date. The holders may require the Company to repurchase the 2026 Notes upon the occurrence of certain fundamental change transactions at a redemption price equal to 100% of the principal amount of the 2026 Notes redeemed, plus accrued and unpaid interest up to the day before the redemption date.

Holders of the 2026 Notes may convert all or a portion of their 2026 Notes at their option prior to September 15, 2026, in multiples of \$1,000 principal amounts, only under the following circumstances:

- during any calendar quarter commencing after the quarter ended on March 31, 2022 (and only during such calendar quarter), if the Company's common stock price exceeds 130% of the conversion price for at least 20 trading days during the 30 consecutive trading days at the end of the prior calendar quarter;
- during the five consecutive business days immediately after any 10 consecutive trading day period in which the trading price per \$1,000 principal amount of notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price per share of our common stock on such trading day and the conversion rate on such trading day;
- upon the occurrence of specified corporate events; or

- if the Company calls any or all 2026 Notes for redemption, at any time prior to the close of business on the scheduled trading day immediately preceding the redemption date, but only with respect to the notes called for redemption.

On or after September 15, 2026, the 2026 Notes are convertible at any time until the close of business on the second scheduled trading day immediately preceding the maturity date. Holders of the 2026 Notes who convert the 2026 Notes in connection with a make-whole fundamental change, as defined in the indenture governing the 2026 Notes, or in connection with a redemption may be entitled to an increase in the conversion rate.

The Company accounted for the issuance of the 2026 Notes as a single liability measured at its amortized cost, as no other embedded features require bifurcation and recognition as derivatives. The following table is a summary of the 2026 Notes as of September 30, 2024 and December 31, 2023 (in millions):

	September 30, 2024	December 31, 2023
Principal Amount	\$ 2,012.5	\$ 2,012.5
Unamortized Debt Discounts and Issuance Costs	(11.7)	(15.5)
Net Carrying Amount	<u>\$ 2,000.8</u>	<u>\$ 1,997.0</u>
Fair Value (Level 2)	\$ 1,363.5	\$ 1,061.6

The effective interest rate for the 2026 Notes is 1.5%. The components of interest expense related to the 2026 Notes were as follows (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Contractual interest	\$ 6.4	\$ 6.3	\$ 19.0	\$ 18.9
Amortization of debt discounts and debt issuance costs	1.3	1.3	3.8	3.9
Interest expense	<u>\$ 7.7</u>	<u>\$ 7.6</u>	<u>\$ 22.8</u>	<u>\$ 22.8</u>

The 2026 Notes were not eligible for conversion as of September 30, 2024 and December 31, 2023. No sinking fund is provided for the 2026 Notes, which means that the Company is not required to redeem or retire them periodically. As of September 30, 2024 and December 31, 2023, the Company was in compliance with applicable covenants under the indenture governing the 2026 Notes.

#### **SIDF Loan Agreement**

On February 27, 2022, Lucid, LLC, a limited liability company established in Saudi Arabia and a subsidiary of the Company ("Lucid LLC") entered into a loan agreement (as subsequently amended, the "SIDF Loan Agreement") with SIDF, a related party of PIF, which is an affiliate of Ayar. Under the SIDF Loan Agreement, SIDF has committed to provide loans (the "SIDF Loans") to Lucid LLC in an aggregate principal amount of up to SAR 5.19 billion (approximately \$1.4 billion); provided that SIDF may reduce the availability of SIDF Loans under the facility in certain circumstances. SIDF Loans will be subject to repayment in semi-annual installments in amounts ranging from SAR 25 million (approximately \$6.7 million) to SAR 350 million (approximately \$93.3 million), commencing on April 3, 2026 and ending on November 12, 2038. SIDF Loans are financing and will be used to finance certain costs in connection with the development and construction of AMP-2. Lucid LLC may repay SIDF Loans earlier than the maturity date without penalty. Obligations under the SIDF Loan Agreement do not extend to the Company or any of its other subsidiaries.

SIDF Loans will not bear interest. Instead, Lucid LLC will be required to pay SIDF service fees, consisting of follow-up and technical evaluation fees, ranging, in aggregate, from SAR 415 million (approximately \$110.6 million) to SAR 1.77 billion (approximately \$471.8 million), over the term of the SIDF Loans. SIDF Loans will be secured by security interests in the equipment, machines and assets funded thereby.

The SIDF Loan Agreement contains certain restrictive financial covenants and imposes annual caps on Lucid LLC's payment of dividends, distributions of paid-in capital, or certain capital expenditures. The SIDF Loan Agreement also defines customary events of default, including abandonment of or failure to commence operations at the plant in the King Abdullah Economic City ("KAEC"), and drawdowns under the SIDF Loan Agreement are subject to certain conditions precedent. As of September 30, 2024 and December 31, 2023, no amount was outstanding under the SIDF Loan Agreement.

### ***GIB Facility Agreement***

On April 29, 2022, Lucid LLC entered into the GIB Facility Agreement with GIB, maturing on February 28, 2025. GIB is a related party of PIF, which is an affiliate of Ayar. The GIB Facility Agreement provided for two committed revolving credit facilities in an aggregate principal amount of SAR 1 billion (approximately \$266.1 million). SAR 650 million (approximately \$173.0 million) under the GIB Facility Agreement was available as the Bridge Facility for the financing of Lucid LLC's capital expenditures in connection with AMP-2. The remaining SAR 350 million (approximately \$93.1 million) was available as the Working Capital Facility and might be used for general corporate purposes. Loans under the Bridge Facility and the Working Capital Facility had a maturity of no more than 12 months. The Bridge Facility incurred interest at a rate of 1.25% per annum over 3-month SAIBOR and the Working Capital Facility incurred interest at a rate of 1.70% per annum over 1-3-month SAIBOR and associated fees.

On March 12, 2023, Lucid LLC entered into the Amended GIB Facility Agreement to combine the Bridge Facility and the Working Capital Facility into a committed SAR 1 billion (approximately \$266.6 million) GIB Credit Facility which may be used for general corporate purposes. Loans under the Amended GIB Credit Facility Agreement have a maturity of no more than 12 months and bear interest at a rate of 1.40% per annum over SAIBOR (based on the term of borrowing) and associated fees.

The Company is required to pay a quarterly commitment fee of 0.15% per annum based on the unutilized portion of the GIB Credit Facility. Commitments under the Amended GIB Facility Agreement will terminate, and all amounts then outstanding thereunder would become payable, on the maturity date of the Amended GIB Facility Agreement. The Amended GIB Facility Agreement contains certain conditions precedent to drawdowns, representations and warranties and covenants of Lucid LLC and events of default.

As of September 30, 2024 and December 31, 2023, the Company had outstanding borrowings of SAR 175 million (approximately \$46.6 million) and SAR 272 million (approximately \$72.5 million), respectively. The weighted average interest rate on the outstanding borrowings was 7.56% and 7.49% as of September 30, 2024 and December 31, 2023, respectively. As of September 30, 2024 and December 31, 2023, availability under the GIB Credit Facility was SAR 823 million (approximately \$219.4 million) and SAR 727 million (approximately \$193.9 million), respectively, after giving effect to the outstanding letters of credit. The outstanding borrowings were recorded within other current liabilities in the condensed consolidated balance sheets. The Company recorded interest expense of \$1.1 million and \$3.8 million during the three and nine months ended September 30, 2024, respectively. The interest expense recorded for the same periods in the prior year was not material. As of September 30, 2024 and December 31, 2023, the Company was in compliance with applicable covenants under the Amended GIB Facility Agreement.

### ***ABL Credit Facility***

In June 2022, the Company entered into the ABL Credit Facility with a syndicate of banks that may be used for working capital and general corporate purposes. The ABL Credit Facility provides for an initial aggregate principal commitment amount of up to \$1.0 billion (including a \$350.0 million letter of credit subfacility and a \$100.0 million swingline loan subfacility) and has a stated maturity date of June 9, 2027. Borrowings under the ABL Credit Facility bear interest at the applicable interest rates specified in the credit agreement governing the ABL Credit Facility. In June 2024, the Company amended the ABL Credit Facility to update the Canadian reference rate. Availability under the ABL Credit Facility is subject to the value of eligible assets in the borrowing base and is reduced by outstanding loan borrowings and issuances of letters of credit which bear customary letter of credit fees. Subject to certain terms and conditions, the Company may request one or more increases in the amount of credit commitments under the ABL Credit Facility in an aggregate amount up to the sum of \$500.0 million plus certain other amounts. The Company is required to pay a quarterly commitment fee of 0.25% per annum based on the unutilized portion of the ABL Credit Facility.

The ABL Credit Facility contains customary covenants that limit the ability of the Company and its restricted subsidiaries to, among other activities, pay dividends, incur debt, create liens and encumbrances, redeem or repurchase stock, dispose of certain assets, consummate acquisitions or other investments, prepay certain debt, engage in transactions with affiliates, engage in sale and leaseback transactions or consummate mergers and other fundamental changes. The ABL Credit Facility also includes a minimum liquidity covenant which, at the Company's option following satisfaction of certain pre-conditions, may be replaced with a springing, minimum fixed charge coverage ratio financial covenant, in each case on terms set forth in the credit agreement governing the ABL Credit Facility. As of September 30, 2024 and December 31, 2023, the Company was in compliance with applicable covenants under the ABL Credit Facility.

As of September 30, 2024 and December 31, 2023, the Company had no outstanding borrowings under the ABL Credit Facility. Outstanding letters of credit under the ABL Credit Facility were \$67.4 million and \$45.4 million as of September 30, 2024 and December 31, 2023, respectively. Availability under the ABL Credit Facility was \$335.0 million (including \$169.9 million cash and cash equivalents) and \$413.4 million (including \$144.0 million cash and cash equivalents) as of September 30, 2024 and December 31, 2023, respectively, after giving effect to the borrowing base and the outstanding letters of credit. The Company incurred issuance costs of \$6.3 million to obtain the ABL Credit Facility, which was capitalized within other noncurrent assets in the condensed consolidated balance sheets and amortized over the facility term using the straight-line method. Amortization of the deferred issuance costs and commitment fee were \$1.0 million and \$2.8 million for the three and nine months ended September 30, 2024 and 2023, respectively.

### DDTL Credit Facility

In August 2024, the Company entered into the DDTL Credit Facility with Ayar, that may be used for working capital and general corporate purposes. The DDTL Credit Facility provides for a delayed draw term loan credit facility in an aggregate principal amount of \$750.0 million and has a stated maturity date of August 4, 2029. Borrowings under the DDTL Credit Facility bear interest at the applicable interest rates specified in the credit agreement governing the DDTL Credit Facility. The Company is required to pay a quarterly undrawn fee of 0.50% per annum based on the unutilized portion of the DDTL Credit Facility.

The DDTL Credit Facility contains customary covenants that limit the ability of the Company and its restricted subsidiaries to, among other activities, pay dividends, incur debt, create liens and encumbrances, redeem or repurchase stock, dispose of certain assets, consummate acquisitions or other investments, prepay certain debt, engage in sale and leaseback transactions or consummate mergers and other fundamental changes. The DDTL Credit Facility also includes a minimum liquidity covenant. As of September 30, 2024, the Company was in compliance with applicable covenants under the DDTL Credit Facility.

As of September 30, 2024, the Company had no outstanding borrowings under the DDTL Credit Facility. The Company incurred issuance costs of \$ 6.2 million to obtain the DDTL Credit Facility, which was capitalized within other noncurrent assets in the condensed consolidated balance sheet and amortized over the facility term using the straight-line method. Amortization of the deferred issuance costs and commitment fee were immaterial for the three and nine months ended September 30, 2024.

### NOTE 7 - COMMON STOCK WARRANT LIABILITY

On July 23, 2021, in connection with the reverse recapitalization treatment of the Merger, the Company effectively issued 44,350,000 Private Placement Warrants to purchase shares of Lucid's common stock at an exercise price of \$11.50. The Private Placement Warrants were initially recognized as a liability with a fair value of \$812.0 million and was remeasured to a fair value of \$ 53.7 million as of December 31, 2023. The Private Placement Warrants remained unexercised and were remeasured to a fair value of \$32.8 million as of September 30, 2024. The Company recognized a loss of \$ 13.7 million and a gain of \$20.8 million for the three and nine months ended September 30, 2024, respectively, and gains of \$ 60.3 million and \$61.6 million for the same periods in the prior year, respectively, in the condensed consolidated statements of operations and comprehensive loss.

The fair value of the Private Placement Warrants that are not subject to the contingent forfeiture provisions was estimated using a Black-Scholes option pricing model, and was as follows:

	September 30, 2024	December 31, 2023
Fair value of Private Placement Warrants per share	\$ 0.74	\$ 1.21

Assumptions used in the Black-Scholes option pricing model take into account the contract terms as well as the quoted price of the Company's common stock in an active market. The volatility is based on the actual market activity of the Company's peer group as well as the Company's historical volatility. The expected life is based on the remaining contractual term of the warrants, and the risk free interest rate is based on the implied yield available on U.S. Treasury securities with a maturity equivalent to the warrants' expected life. The level 3 fair value inputs used in the Black-Scholes option pricing models were as follows:

	September 30, 2024	December 31, 2023
Volatility	95.0 %	85.0 %
Expected term (in years)	1.8	2.6
Risk-free rate	3.7 %	4.1 %
Dividend yield	— %	— %

### NOTE 8 – REDEEMABLE CONVERTIBLE PREFERRED STOCK

In March 2024, the Company entered into the Series A Subscription Agreement with Ayar. Pursuant to the Series A Subscription Agreement, Ayar agreed to purchase from the Company 100,000 shares of the Series A Redeemable Convertible Preferred Stock for an aggregate purchase price of \$ 1.0 billion in a private placement. Subsequently, in March 2024, the Company issued the shares to Ayar pursuant to the Series A Subscription Agreement and received aggregate gross proceeds of \$1.0 billion.

In August 2024, the Company entered into the Series B Subscription Agreement with Ayar. Pursuant to the Series B Subscription Agreement, Ayar agreed to purchase from the Company 75,000 shares of the Series B Redeemable Convertible Preferred Stock for an aggregate purchase price of \$750.0 million in a private placement. Subsequently, in August 2024, the Company issued the shares to Ayar pursuant to the Series B Subscription Agreement and received aggregate gross proceeds of \$750.0 million.

The shares of the Series A Redeemable Convertible Preferred Stock and the Series B Redeemable Convertible Preferred Stock were issued pursuant to the Series A Certificate of Designations and the Series B Certificate of Designations (the "Certificate of Designations"), respectively. Pursuant to the Series A Subscription Agreement and the Series B Subscription Agreement, Ayar has agreed, with certain exceptions, that without prior written consent of the Company, it will not sell or transfer the Redeemable Convertible Preferred Stock for the twelve months after the date of the closing of the respective private placement.

**Dividends:** The Redeemable Convertible Preferred Stock ranks senior to the common stock with respect to dividends and distributions of assets upon the Company's liquidation, dissolution or winding up. The Redeemable Convertible Preferred Stock has an initial value of \$10,000 per share (the "Initial Value" and the Initial Value plus compounded and accrued dividends, the "Accrued Value"). Dividends on the Redeemable Convertible Preferred Stock are payable in the form of compounded cumulative dividends upon each share of the Redeemable Convertible Preferred Stock (paid-in-kind). Dividends accrue daily on the Initial Value (as increased for any compounded dividends previously compounded thereon) of each share of the Redeemable Convertible Preferred Stock at a rate of 9% per annum and compound on the basis of quarterly dividend payment dates on each March 31, June 30, September 30 and December 31 of each year, commencing June 30, 2024 for the Series A Redeemable Convertible Preferred Stock and September 30, 2024 for the Series B Redeemable Convertible Preferred Stock.

**Liquidation Preference:** Upon a liquidation, dissolution or winding up of the Company, each holder of shares of the Redeemable Convertible Preferred Stock ("Holder") will be entitled to receive, with respect to each share of then-outstanding Redeemable Convertible Preferred Stock, out of the assets of the Company available for distribution to its stockholders an amount in cash equal to the greater of (a) an amount per share of the Redeemable Convertible Preferred Stock as of the date of such liquidation, dissolution or winding up equal to (i) the per share Accrued Value as of the relevant date multiplied by (ii) the relevant percentage (the product of (i) and (ii), the "Minimum Consideration"); and (b) the amount that such Holder would have received with respect to such share of the Redeemable Convertible Preferred Stock if all shares of the Redeemable Convertible Preferred Stock had been converted at their Accrued Value into shares of common stock on the business day immediately prior to the date of such liquidation, dissolution or winding up. As of September 30, 2024, the liquidation preference of the Series A Redeemable Convertible Preferred Stock and Series B Redeemable Convertible Preferred Stock was \$1,091.3 million and \$766.6 million, respectively.

**Voting Rights:** Each Holder is entitled to the number of votes equal to the number of whole shares of common stock into which the aggregate shares of the Redeemable Convertible Preferred Stock held by such Holder are convertible on the record date for determining stockholders entitled to vote on any matter presented to the stockholders of the Company for their action or consideration at any meeting of stockholders and on which matter holders of the common stock shall be entitled to vote. Holders are entitled to notice of any meeting of stockholders and, except as otherwise provided in the Certificate of Designations or otherwise required by law, to vote together as a single class with the holders of the common stock and any other class or series of stock entitled to vote thereon. The voting power of Holders is subject to a voting cap per share equal to the quotient of the \$10,000 Initial Value and the minimum price (\$2.77 for the Series A Redeemable Convertible Preferred Stock and \$ 3.12 for the Series B Redeemable Convertible Preferred Stock).

As long as at least 10% of the aggregate number of shares issued on the respective initial issue date remain outstanding, and subject to certain other conditions, Holders are entitled to a separate class vote with respect to, among other things, amendments to the Company's organizational documents that have an adverse effect on the Redeemable Convertible Preferred Stock, authorizations or issuances by the Company of capital stock of the Company that ranks senior or equal to the Redeemable Convertible Preferred Stock with respect to dividends or distributions on liquidation or the terms of which provide for cash dividends (other than the common stock), winding-up and dissolution, and decreases in the number of authorized shares of the Redeemable Convertible Preferred Stock. The Company also agreed that as long as Ayar owns at least 50% of the shares issued on the respective initial issue date, the Company will comply with certain debt incurrence covenants in its Credit Agreement, dated as of June 9, 2022, by and among the Company, as the Borrower Representative, the other Borrowers party thereto from time-to-time, the Lenders and Issuing Banks from time-to-time party thereto and Bank of America, N.A., as Administrative Agent, as amended, which agreement may be waived with the sole consent of Ayar.

**Conversion:** Each share of the Redeemable Convertible Preferred Stock is convertible, at the option of the respective Holder, from time-to-time after the initial issue date, and without the payment of additional consideration by the Holder, (a) at any time that the closing price per share of the common stock on the trading day immediately preceding the date on which the Holder delivers the relevant notice of conversion is at least \$5.50 (subject to certain adjustments), unless the Company otherwise consents to such conversion in its sole discretion, or (b) in all events during certain specified periods relating to a fundamental change or optional redemption by the Company, into such number of fully paid and non-assessable shares of common stock as is determined by dividing (i) the applicable Accrued Value as of the conversion date by (ii) the applicable conversion price in effect as of such conversion date, which shall initially be \$3.5952 for the Series A Redeemable Convertible Preferred Stock and \$ 4.3799 for the Series B Redeemable Convertible Preferred Stock, subject to customary anti-dilution adjustments, including in the event of any stock split, stock dividend, recapitalization or similar events (the "Conversion Price").



**Mandatory Conversion:** On or after the third anniversary of the initial issue date, if at any time (i) the daily VWAP of the common stock has been at least 200% of the Conversion Price for at least twenty ( 20) trading days (whether or not consecutive) during any thirty ( 30) consecutive trading days (including the last day of such period) and (ii) certain common stock liquidity conditions are satisfied, the Company will have the right, exercisable at its election within fifteen (15) business days following completion of the applicable thirty (30) trading day period, to cause all or any portion of the Redeemable Convertible Preferred Stock to convert into number of fully paid and non-assessable shares of common stock, as determined by dividing (i) the applicable Accrued Value as of the conversion date by (ii) the Conversion Price in effect as of such conversion date. The Company will be required to pay an additional amount per share of the Redeemable Convertible Preferred Stock payable in cash, shares of common stock valued based on a five-day average daily VWAP or a combination thereof in respect of such conversion equal to the greater of (x) the difference between (i) the Minimum Consideration and (ii) the value of the shares of common stock delivered upon mandatory conversion thereof and (y) zero.

**Fundamental Change:** Upon a fundamental change, the Holders will be entitled, on the fundamental change repurchase date specified by the Company, to receive an amount equal to the greater of (a) the Minimum Consideration and (b) an amount equal to the value that such Holder would have received if it had converted its shares of the Redeemable Convertible Preferred Stock into shares of common stock on the business day immediately before the fundamental change repurchase date. The fundamental change repurchase price may be paid in cash, shares of common stock (or other securities to be received by a holder of common stock in such fundamental change) valued based on a five-day average daily VWAP (with the number of shares of common stock rounded up to the nearest whole share), or a combination thereof, at the Company's election. The Company may not elect to deliver shares of its common stock (or other securities to be received by a holder of common stock in such fundamental change) in partial or full satisfaction of the fundamental change repurchase price, if certain common stock liquidity conditions are not satisfied.

**Optional Redemption:** On or after the fifth anniversary of the initial issue date, the Company may redeem all or any portion of the Redeemable Convertible Preferred Stock at a redemption price per share equal to the greater of (a) the Minimum Consideration and (b) an amount equal to the value (calculated based on a twenty (20)-day average daily VWAP) of the number of shares of common stock if it had converted its shares of the Redeemable Convertible Preferred Stock into shares of common stock as of the redemption date. Such redemption price may be paid in cash, shares of common stock valued based on a twenty (20)-day average daily VWAP, or a combination thereof, at the Company's election. The Company may not pay any portion of such redemption price in shares of common stock if the common stock liquidity conditions are not satisfied.

While the Redeemable Convertible Preferred Stock is callable after five years at the Company's option, the Redeemable Convertible Preferred Stock is considered redeemable at the option of Ayar and was classified as mezzanine equity, because it is the majority shareholder of the Company. The Company recorded the Series A Redeemable Convertible Preferred Stock initially at its issuance price, net of issuance costs of \$2.4 million and net of the initial value of the bifurcated derivative liability of \$497.1 million. The Company also recorded the Series B Redeemable Convertible Stock initially at its issuance price, net of issuance costs of \$0.6 million and net of the initial value of the bifurcated derivative liability of \$ 297.7 million.

The Company accretes the Redeemable Convertible Preferred Stock to its redemption value, which is greater of (a) the Minimum Consideration and (b) an amount equal to the value that such Holder would have received if it had converted its shares of the Redeemable Convertible Preferred Stock into shares of common stock as of the Redemption Date. In certain circumstances, the redemption price may vary based on changes in stock price, in which case the Company recognizes changes in the redemption value immediately as they occur and adjust the carrying value of the security to equal the then current maximum redemption value at the end of each reporting period. During the three and nine months ended September 30, 2024, the Company recorded net negative accretion of \$59.4 million and accretion of \$ 91.3 million related to the Series A Redeemable Convertible Preferred Stock, respectively. During the three and nine months ended September 30, 2024, the Company recorded accretion of \$16.6 million related to the Series B Redeemable Preferred Stock. Accretion of the Redeemable Convertible Preferred Stock was reflected as adjustments to additional paid-in capital in the condensed consolidated balance sheet as of September 30, 2024. The carrying value of the Series A Redeemable Convertible Preferred Stock and Series B Redeemable Convertible Preferred Stock was \$591.9 million and \$468.3 million as of September 30, 2024, respectively.

The Company assessed the above features to determine whether any features are required to be bifurcated and separately accounted for as an embedded feature. The Company concluded that the conversion features, inclusive of all settlement outcomes where the pay-off is indexed to the if-converted value, meets all the requirements to be separately accounted for as a bifurcated derivative. As a result, the Company bifurcated the Redeemable Convertible Preferred Stock between (i) the host contracts which are accounted for within mezzanine equity as described above, and (ii) the bifurcated derivative liabilities related to the conversion features. The proceeds from issuance were first allocated to the fair value of the bifurcated derivatives with the residual being allocated to the host contracts. The bifurcated derivatives are remeasured to fair value at each reporting period with changes in fair value recorded in the condensed consolidated statement of operations and comprehensive loss.

As of September 30, 2024, the derivative liabilities for the Redeemable Convertible Preferred Stock were remeasured to fair value of \$ 932.0 million, comprising of \$585.3 million related to Series A Redeemable Convertible Preferred Stock and \$ 346.7 million related to Series B Redeemable Convertible Preferred Stock. The Company recognized losses of \$240.3 million and \$137.3 million for the three and nine months ended September 30, 2024, respectively, in change in fair value of derivative liabilities associated with redeemable convertible preferred stock (related party) in the condensed consolidated statements of operations and comprehensive loss.

The Company estimated the fair value of the derivative liabilities using a binomial lattice model with the volatility, credit spread, and term as significant unobservable inputs. Assumptions used in the valuation also take into account the contractual terms as well as the quoted price of the Company's common stock in an active market. Significant changes in any of those inputs in isolation would result in significant changes to the fair value measurement.

The level 3 fair value inputs used in the valuation of the derivative liabilities associated with the Redeemable Convertible Preferred Stock were as follows:

	September 30, 2024			
	Series A		Series B	
	Derivative Liability		Derivative Liability	
Volatility	40.0	%	40.0	%
Credit spread	20.9	%	20.9	%
Stock price	\$	3.53	\$	3.53
Term (in years)	4.5		4.9	
Risk-free rate	3.6	%	3.6	%

## NOTE 9 – STOCKHOLDERS' EQUITY

### Treasury Stock

During the year ended December 31, 2021, the Company repurchased an aggregate of 857,825 shares of its common stock, including 712,742 shares from certain employees and 145,083 shares from Board of Directors of the Company's predecessor, Atieva, Inc. at \$ 24.15 per share. No common stock was repurchased during the three and nine months ended September 30, 2024 and 2023.

### Common Stock Reserved for Issuance

The Company's common stock reserved for future issuances as of September 30, 2024 was as follows:

	September 30, 2024
Private Placement Warrants to purchase common stock	44,350,000
Stock options outstanding	28,845,241
Restricted stock units outstanding	116,174,433
Shares available for future grants under equity plans	51,144,960
If-converted common shares from convertible note	36,737,785
If-converted common shares from Series A redeemable convertible preferred stock	291,019,450
If-converted common shares from Series B redeemable convertible preferred stock	173,206,009
Total shares of common stock reserved	741,477,878

## NOTE 10 – STOCK-BASED AWARDS

### Stock Options

A summary of stock option activity for the nine months ended September 30, 2024 was as follows:

	Outstanding Options			
	Number of Options	Weighted	Weighted-Average Remaining Contractual Term	Intrinsic Value (in thousands)
		Average Exercise Price		
Balance as of December 31, 2023	32,911,135	\$ 1.99	5.5	\$ 91,785
Options granted	232,177	3.99		
Options exercised	(2,896,364)	1.12		
Options canceled	(1,401,707)	6.83		
Balance as of September 30, 2024	28,845,241	\$ 1.86	4.61	\$ 65,140
Options vested and exercisable as of September 30, 2024	26,103,849	\$ 1.33	4.47	\$ 64,972

As of September 30, 2024, unrecognized stock-based compensation cost related to outstanding unvested stock options that are expected to vest was \$8.4 million, which is expected to be recognized over a weighted-average period of 2.7 years.

## Restricted Stock Units (“RSUs”)

A summary of RSUs activity for the nine months ended September 30, 2024 was as follows:

	Restricted Stock Units			Weighted-Average Grant-Date Fair Value
	Time-Based Shares	Performance-Based Shares	Total Shares	
Balance as of December 31, 2023	54,699,739	9,305,825	64,005,564	\$ 10.90
Granted	88,542,220	13,772,614	102,314,834	2.88
Vested	(31,636,368)	(1,644,016)	(33,280,384)	8.34
Cancelled/Forfeited	(11,785,855)	(5,079,726)	(16,865,581)	7.02
Balance as of September 30, 2024	99,819,736	16,354,697	116,174,433	\$ 5.13

As of September 30, 2024, unrecognized stock-based compensation cost related to outstanding unvested time-based RSUs that are expected to vest was \$399.6 million, which is expected to be recognized over a weighted-average period of 1.8 years.

In 2021, the Company granted performance-based RSUs to the CEO and they are subject to performance and market conditions. The performance condition was satisfied upon the closing of the Merger. The fair value of these performance-based RSUs was measured on the grant date, March 27, 2021, using a Monte Carlo simulation model, with the following assumptions:

Weighted average volatility	60.0 %
Expected term (in years)	5.0
Risk-free interest rate	0.9 %
Expected dividends	— %

The Company recognizes compensation expense using a graded vesting attribution method over the derived service period for the CEO performance-based awards. Stock-based compensation expense is recognized when the relevant performance condition is considered probable of achievement for the performance-based award. During the year ended December 31, 2022, the market condition was met for the CEO performance-based awards for four of the five tranches and certified by the Board of Directors, representing an aggregate of 13,934,271 performance RSUs. The unamortized expense of \$8.2 million as of December 31, 2022 for the fifth tranche, representing 2,090,140 RSUs, was fully recognized during the year ended December 31, 2023. The Company withheld approximately 0.4 million and 1.4 million shares of common stock for the three and nine months ended September 30, 2024, respectively, and 0.5 million and 1.4 million shares of common stock for the same periods in the prior year, respectively, by net settlement to meet the related tax withholding requirements related to the CEO time-based RSUs.

The Company granted performance-based RSUs to certain employees and they are subject to (i) corporate performance conditions and/or individual performance and (ii) a service condition which will be met generally over 3 years. The number of awards granted represents 100% of the target goal. Under the terms of the awards, the recipient may earn between 0% to 150% of the original number of grants based on actual achievement of corporate performance goals and/or individual performance. Stock-based compensation expense is recognized when the relevant performance condition is considered probable of achievement for the performance-based award. The Company recorded stock-based compensation expenses of \$6.2 million and \$14.2 million during the three and nine months ended September 30, 2024, respectively, and \$ 2.9 million and \$3.6 million for the same periods in the prior year, respectively, related to these performance-based RSUs. As of September 30, 2024, the unamortized expense for the performance-based RSUs was \$40.8 million, which will be recognized over a weighted-average period of 1.3 years primarily contingent upon realization of the corporate performance conditions.

## Employee Stock Purchase Plan (“ESPP”)

The ESPP authorizes the issuance of shares of common stock pursuant to purchase rights granted to employees. The plan provides for 24-month offering periods beginning in December and June of each year, and each offering period will consist of four six-month purchase periods. The purchase price for each share purchased during an offering period will be the lesser of 85% of the fair market value of the share on the purchase date or 85% of the fair market value of the share on the offering date. As of September 30, 2024, unrecognized stock-based compensation cost related to the ESPP was \$24.9 million which is expected to be recognized over a weighted-average period of 1.7 years.

### Stock-based Compensation Expense

Total employee and nonemployee stock-based compensation expense for the three and nine months ended September 30, 2024 and 2023, was classified in the condensed consolidated statements of operations and comprehensive loss as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Cost of revenue	\$ 1,145	\$ 1,221	\$ 2,956	\$ 2,560
Research and development	53,663	35,963	124,722	101,356
Selling, general and administrative	33,286	31,053	82,605	90,959
Restructuring charges	—	—	(1,480)	(1,443)
<b>Total</b>	<b>\$ 88,094</b>	<b>\$ 68,237</b>	<b>\$ 208,803</b>	<b>\$ 193,432</b>

The Company capitalized stock-based compensation expenses of \$ 14.6 million and \$34.0 million for the three and nine months ended September 30, 2024, respectively, and \$11.4 million and \$31.8 million for the same periods in the prior year, respectively, primarily as part of the cost of inventory.

### NOTE 11 – LEASES

The Company has entered into various non-cancellable operating and finance lease agreements for certain of the Company's offices, manufacturing and warehouse facilities, retail and service locations, equipment and vehicles, worldwide.

In August 2022, the Company entered into a four-year agreement ("Lease Agreement") to lease land in Casa Grande, Arizona adjacent to our manufacturing facility. The Company classifies this lease as a finance lease because the Lease Agreement contains a purchase option which the Company is reasonably certain to exercise. As of September 30, 2024 and December 31, 2023, assets associated with the finance lease were \$79.3 million. As of September 30, 2024 and December 31, 2023, liabilities associated with the finance lease were \$78.9 million and \$80.6 million, respectively.

Contemporaneously with the execution of the Lease Agreement, the Company entered into a sale agreement, pursuant to which the Company sold certain parcels of land for \$31.7 million to the lessor and leased back these parcels of land under the Lease Agreement. The sale of the land and subsequent lease did not result in change in the transfer of control of the land; therefore, the sale-leaseback transaction is accounted for as a failed sale and leaseback financing obligation. The Company recorded \$31.7 million of sales proceeds received as a financial liability within other long-term liabilities in the condensed consolidated balance sheets as of September 30, 2024 and December 31, 2023.

The balances for the operating and finance leases where the Company is the lessee are presented as follows within the Company's condensed consolidated balance sheets (in thousands):

	September 30, 2024	December 31, 2023
<b>Operating leases:</b>		
Right-of-use assets	\$ 220,616	\$ 221,508
Other current liabilities	\$ 34,801	\$ 28,431
Other long-term liabilities	240,008	244,122
<b>Total operating lease liabilities</b>	<b>\$ 274,809</b>	<b>\$ 272,553</b>
<b>Finance leases:</b>		
Property, plant and equipment, net	\$ 82,989	\$ 85,055
<b>Total finance lease assets</b>	<b>\$ 82,989</b>	<b>\$ 85,055</b>
Finance lease liabilities, current portion	\$ 6,921	\$ 8,202
Finance lease liabilities, net of current portion	75,027	77,653
<b>Total finance lease liabilities</b>	<b>\$ 81,948</b>	<b>\$ 85,855</b>

The components of lease expense were as follows within the Company's condensed consolidated statements of operations and comprehensive loss (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
<b>Operating lease expense:</b>				
Operating lease expense <sup>(1)</sup>	\$ 15,680	\$ 14,000	\$ 46,109	\$ 40,578
Variable lease expense	522	438	1,432	1,306
<b>Finance lease expense:</b>				
Amortization of leased assets	\$ 669	\$ 1,326	\$ 2,496	\$ 4,133
Interest on lease liabilities	1,161	1,204	3,495	3,677
Total finance lease expense	\$ 1,830	\$ 2,530	\$ 5,991	\$ 7,810
Total lease expense	\$ 18,032	\$ 16,968	\$ 53,532	\$ 49,694

<sup>(1)</sup> Excluded short-term leases, which were not material.

Other information related to leases where the Company is the lessee was as follows:

	September 30, 2024	December 31, 2023
<b>Weighted-average remaining lease term (in years):</b>		
Operating leases	6.4	6.8
Finance leases	1.9	2.6
<b>Weighted-average discount rate:</b>		
Operating leases	11.89 %	11.01 %
Finance leases	5.71 %	5.59 %

As of September 30, 2024, the maturities of the Company's operating and finance lease liabilities (excluding short-term leases) were as follows (in thousands):

	Operating Leases	Finance Leases
2024 (remainder of the year)	\$ 15,005	\$ 570
2025	66,800	6,817
2026	66,260	82,686
2027	57,597	245
2028	53,890	39
Thereafter	140,208	8
Total minimum lease payments	399,760	90,365
Less: Interest	(124,951)	(8,417)
Present value of lease obligations	274,809	81,948
Less: Current portion	(34,801)	(6,921)
Long-term portion of lease obligations	\$ 240,008	\$ 75,027

As of September 30, 2024, the Company entered into additional leases for facilities and equipment that have not yet commenced with undiscounted future lease payments of \$18.9 million. The leases are expected to commence over the next twelve months.

## NOTE 12 - COMMITMENTS AND CONTINGENCIES

### Contractual Obligations

As of September 30, 2024 and December 31, 2023, the Company had \$ 443.6 million and \$270.2 million in commitments related to AMP-1 and AMP-2 plant and equipment, respectively. These commitments represent future expected payments on open purchase orders entered into as of September 30, 2024 and December 31, 2023.

The Company's non-cancellable long-term commitments primarily related to certain inventory component purchases. On October 1, 2024, the Company entered into amendments (the "Amendments") to certain battery-supply agreements with Panasonic Energy Co., Ltd. and certain of its affiliates. Pursuant to the terms of the Amendments, the Company has reduced its contractual minimum commitment from approximately \$4.8 billion to approximately \$2.8 billion. The Company's remaining minimum purchase commitments of an aggregate of approximately \$2.8 billion was calculated using the current base prices, which could vary period-to-period primarily as a result of changes in raw material indexes. The estimated future payments having a remaining term in excess of one year, adjusted per the Amendments, were as follows (in thousands):

Years ended December 31,	Minimum Purchase Commitment
2024 (remainder of the year)	\$ 80,465
2025	267,150
2026	297,841
2027	394,502
2028	484,004
Thereafter	1,436,629
Total	<u>\$ 2,960,591</u>

### Legal Matters

From time-to-time, the Company may become subject to legal proceedings, claims and litigation arising in the ordinary course of business. Some of these claims, lawsuits and other proceedings may involve highly complex issues that are subject to substantial uncertainties, and could result in damages, fines, penalties, non-monetary sanctions or relief.

Beginning on April 18, 2021, two individual actions and two putative class actions were filed in federal courts in Alabama, California, New Jersey and Indiana, asserting claims under the federal securities laws against the Company (f/k/a Churchill Capital Corp IV), its wholly owned subsidiary, Atieva, Inc. ("Lucid Motors"), and certain current and former officers and directors of the Company, generally relating to the Merger. On September 16, 2021, the plaintiff in the New Jersey action voluntarily dismissed that lawsuit. The remaining actions were ultimately transferred to the Northern District of California and consolidated under the caption, *In re CCIV / Lucid Motors Securities Litigation*, Case No. 4:21-cv-09323-YGR (the "Consolidated Class Action"). On December 30, 2021, lead plaintiffs in the Consolidated Class Action filed a revised amended consolidated complaint (the "Complaint"), which asserts claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 on behalf of a putative class of shareholders who purchased stock in CCIV between February 5, 2021 and February 22, 2021. The Complaint names as defendants Lucid Motors and the Company's chief executive officer, and generally alleges that, prior to the public announcement of the Merger, defendants purportedly made false or misleading statements regarding the expected start of production for the Lucid Air and related matters. The District Court granted defendants' motion to dismiss on January 11, 2023, with plaintiffs being provided the ability to seek leave to amend. On June 29, 2023, the District Court denied plaintiff's motion for leave to amend, dismissed the lawsuit and terminated the case. On July 28, 2023, plaintiffs appealed the District Court's decisions to the Ninth Circuit Court of Appeals. On August 8, 2024, the Ninth Circuit affirmed the district court judgment dismissing the case. On September 17, 2024, the Ninth Circuit denied Plaintiffs' petition for a rehearing or rehearing *en banc*. On September 25, 2024, the Ninth Circuit issued its mandate affirming the district court judgment.

In addition, two separate purported shareholders of the Company filed shareholder derivative actions, purportedly on behalf of the Company, against certain of the Company's officers and directors in California federal court, captioned *Sahr Lebbie v. Peter Rawlinson, et al.*, Case No. 4:22-cv-00531-YGR (N.D. Cal.) (filed on January 26, 2022) and *Zsata Williams-Spinks v. Peter Rawlinson, et al.*, Case No. 4:22-cv-01115-YGR (N.D. Cal.) (filed on February 23, 2022). The complaint also names the Company as a nominal defendant. Based on allegations that are similar to those in the Consolidated Class Action, the Lebbie complaint asserts claims for unjust enrichment, breach of fiduciary duty, aiding and abetting breach of fiduciary duty, abuse of control, gross mismanagement and waste of corporate assets and a claim for contribution under Sections 10(b) and 21D of the Exchange Act in connection with the Consolidated Class Action and the Williams-Spinks complaint asserts claims for breach of fiduciary duty, gross mismanagement, abuse of control, unjust enrichment, contribution under Sections 10(b) and 21D of the Exchange Act, and aiding and abetting breach of fiduciary duty in connection with the Consolidated Class Action. The complaints seek compensatory damages, interest thereon, certain corporate governance reforms, and attorneys' fees and expenses. On April 29, 2022, the District Court consolidated the two actions into *In re Lucid Group, Inc. (f/k/a Churchill Capital Corp IV) Derivative Litigation*, Case No. 4:22-cv-00531-YGR (N.D. Cal.) (the "Consolidated Derivative Action"). On May 25, 2022, the District Court then stayed the Consolidated Derivative Action pending developments in the Consolidated Class Action. On December 12, 2023, given that the Consolidated Class Action was dismissed by the trial court and appealed to the Ninth Circuit Court of Appeals, the District Court administratively closed the Consolidated Derivative Action for statistical purposes but reminded the parties of their obligations under the stay.

On April 1, 2022 and May 31, 2022, two alleged shareholders filed putative class actions under the federal securities laws against Lucid Group, Inc. and certain officers of the Company relating to alleged statements, updated projections and guidance provided in the late 2021 to early 2022 timeframe. The complaints, which were filed in the Northern District of California, are captioned *Victor W. Mangino v. Lucid Group, Inc., et al.*, Case No. 3:22-cv-02094-JD, and *Anant Goel v. Lucid Group, Inc., et al.*, Case No. 3:22-cv-03176-JD. The two matters were consolidated into one action, entitled *In re Lucid Group, Inc. Securities Litigation*, Case No. 22-cv-02094-JD. The consolidated complaint names as defendants Lucid Group, Inc. and the Company's chief executive officer and former chief financial officer, and generally allege that defendants purportedly made false or misleading statements regarding delivery and revenue projections and related matters between November 15, 2021 and August 3, 2022. The consolidated complaint seeks certification of the action as a class action, as well as compensatory damages, interest thereon, and attorneys' fees and expenses. Defendants filed a Motion to Dismiss on February 23, 2023. On August 8, 2024, the Court granted in part and denied in part Defendants' Motion to Dismiss, and gave Plaintiffs leave to replead their complaint. On September 20, 2024, Plaintiffs filed an Amended Consolidated Complaint, which no longer names the Company's former chief financial officer as an individual defendant. Lucid's opening brief in support of its renewed Motion to Dismiss is due on November 15, 2024. Defendants believe that the plaintiffs' claims are without merit and intends to defend themselves vigorously, but they cannot ensure that their efforts to dismiss the consolidated complaint will be successful or that they will avoid liability in this matter.

In addition, on September 5, 2024, a purported shareholder of the Company filed a shareholder derivative lawsuit on behalf of Lucid Group, Inc. against certain of the Company's current and former directors in Delaware state court, captioned *Tricia Rodney v. Rawlinson, et al.*, Delaware Court of Chancery, Case No. 2024-0927. The complaint names the Company as a nominal defendant. The complaint alleges: (i) a breach of fiduciary duty claim against the Company's CEO; (ii) a breach of fiduciary duty claim against other then-current members of the Board in 2022; and (iii) an unjust enrichment claim against the Company's CEO.

In addition, on July 11, 2022, a purported shareholder of the Company filed a shareholder derivative action, purportedly on behalf of the Company, against certain of the Company's officers and directors in California state court, captioned *Floyd Taylor v. Glenn August, et al.*, Superior Court, Alameda County, Case No. 22CV014130. The complaint also names the Company as a nominal defendant. Based on allegations that are similar to those in the *In re Lucid Group, Inc. Securities Litigation* action, the *Taylor* complaint asserts claims for breach of fiduciary duty, unjust enrichment, waste of corporate assets and aiding and abetting breach of fiduciary duty. The complaint seeks compensatory damages, punitive damages, interest, and attorneys' fees and expenses. The case is currently stayed.

Moreover, on March 25, 2021, the Illinois Automobile Dealers Association, Chicago Automobile Trade Association, Peoria Metro New Car Dealers Association, Illinois Motorcycle Dealers Association, and 241 individual motor vehicle dealers filed an action against the Office of the Illinois Secretary of State ("SOS"), Jesse White, in his official capacity as the Illinois Secretary of State; Lucid USA, Inc. ("Lucid USA"); and other defendants, in the Circuit Court of Cook County, Illinois, County Department, Chancery Division, Case No. 2021CH01438. The suit generally alleges that Illinois law does not permit manufacturers to obtain licenses as motor vehicle dealers. Plaintiffs seek to prevent Lucid from engaging in the sale of motor vehicles directly to consumers. The SOS granted Lucid USA a dealer's license on June 3, 2021. In December 2022, the Court granted Defendants' Motion to Dismiss. Plaintiffs subsequently appealed and the decision was affirmed by the First District Appellate Court on August 23, 2024. Plaintiffs have filed a petition for further review of the case by the Illinois Supreme Court.

Furthermore, while we have registered and applied for trademarks in an effort to protect our brand and goodwill with customers, competitors or other third parties are, have in the past, and may in the future, oppose our trademark applications or otherwise challenge our use of the trademarks and other brand names in which we have invested. Such oppositions and challenges can be expensive and may adversely affect our ability to maintain the goodwill gained in connection with a particular trademark. In addition, we may lose our trademark or are unable to submit specimens of use by the applicable deadline to perfect such trademark rights. For instance, in June 2024, we reached an agreement with Gravity, Inc. to settle a claim before the United States Patent and Trademark Office ("USPTO") that opposed and requested cancellation of our trademark application and registration for the use of "Gravity."

At this time, the Company does not consider any such claims, lawsuits or proceedings that are currently pending, individually or in the aggregate, including the matters referenced above, to be material to the Company's business or likely to result in a material adverse effect on its future operating results, financial condition or cash flows should such proceedings be resolved unfavorably.

## Indemnification

In the ordinary course of business, the Company may provide indemnification of varying scope and terms to customers, vendors, investors, directors, officers, and certain key employees with respect to certain matters, including, but not limited to, losses arising out of our breach of such agreements, services to be provided by the Company, or from intellectual property infringement claims made by third parties. These indemnification provisions may survive termination of the underlying agreement and the maximum potential amount of future payments the Company could be required to make under these indemnification provisions may not be subject to maximum loss clauses. The maximum potential amount of future payments the Company could be required to make under these indemnification provisions is indeterminable. The Company has never paid a material claim, nor has it been sued in connection with these indemnification arrangements. The Company has indemnification obligations with respect to letters of credit and surety bond primarily used as security against facility leases, utilities infrastructure and other agreements that require securitization. The indemnification obligations were \$83.2 million and \$56.3 million as of September 30, 2024 and December 31, 2023, respectively, for which no liabilities are recorded in the condensed consolidated balance sheets.

## NOTE 13 - INCOME TAXES

The Company's provision from income taxes for interim periods is determined using its effective tax rate that arise during the period. The Company's quarterly tax provision is subject to variation due to several factors, including variability in pre-tax income (or loss), the mix of jurisdictions to which such income relates, changes in how the Company does business, the valuation allowance against deferred tax assets, and tax law developments.

The Company's effective tax rate was 0.0% for the three and nine months ended September 30, 2024 and 2023, due to minimal profits in foreign jurisdictions and U.S. losses for which no benefit will be realized.

## NOTE 14 - NET LOSS PER SHARE

Basic and diluted net loss per share attributable to common stockholders are calculated as follows (in thousands, except share and per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
<b>Net loss</b>	\$ (992,475)	\$ (630,894)	\$ (2,316,724)	\$ (2,174,654)
Accretion of redeemable convertible preferred stock (related party)	42,838	—	(107,924)	—
<b>Net loss attributable to common stockholders, basic and diluted</b>	<u>\$ (949,637)</u>	<u>\$ (630,894)</u>	<u>\$ (2,424,648)</u>	<u>\$ (2,174,654)</u>
Weighted-average shares outstanding attributable to common stockholders, basic and diluted	2,323,971,541	2,284,446,783	2,312,249,333	2,010,916,100
<b>Net loss per share attributable to common stockholders, basic and diluted</b>	<u>\$ (0.41)</u>	<u>\$ (0.28)</u>	<u>\$ (1.05)</u>	<u>\$ (1.08)</u>

The following outstanding shares of potentially dilutive securities were excluded from the computation of diluted net loss per share attributable to common stockholders because including them would have had an anti-dilutive effect:

Excluded Securities	September 30,	
	2024	2023
Private Placement Warrants to purchase common stock	44,350,000	44,350,000
Options outstanding to purchase common stock	28,845,241	34,320,337
RSUs outstanding	101,501,380	51,817,847
Employee stock purchase plan	16,831,978	9,353,757
If-converted common shares from convertible note	36,737,785	36,737,785
If-converted common shares from Series A redeemable convertible preferred stock	291,019,450	—
If-converted common shares from Series B redeemable convertible preferred stock	173,206,009	—
<b>Total</b>	<u>692,491,843</u>	<u>176,579,726</u>

The 14,673,053 and 9,452,483 shares of common stock equivalents subject to RSUs are excluded from the anti-dilutive table above as the underlying shares remain contingently issuable since the respective performance conditions have not been satisfied as of September 30, 2024 and 2023, respectively.



## **NOTE 15 - EMPLOYEE BENEFIT PLAN**

The Company has a 401(k) savings plan (the "401(k) Plan") that qualifies as a deferred salary arrangement under Section 401(k) of the Internal Revenue Code. Under the 401(k) Plan, participating employees may elect to contribute up to 100% of their eligible compensation, subject to certain limitations. The 401(k) Plan provides for a discretionary employer-matching contribution. The matching contribution expense under the Company's 401(k) Plan was not material for the three and nine months ended September 30, 2024, and nil for the same periods in the prior year.

## **NOTE 16 - RELATED PARTY TRANSACTIONS**

### ***Leases***

In February 2022, the Company entered into a lease agreement with KAEC, a related party of PIF, which is an affiliate of Ayar, for its first international manufacturing plant in Saudi Arabia. The lease has an initial term of 25 years expiring in 2047. The right-of-use asset related to this lease was \$ 4.3 million and \$4.5 million as of September 30, 2024 and December 31, 2023, respectively. The lease liability was \$ 6.0 million and \$5.7 million as of September 30, 2024 and December 31, 2023, respectively. The right-of-use asset and lease liability were recorded in right-of-use assets and other long-term liabilities in the condensed consolidated balance sheets, respectively. The lease expense recorded for the three and nine months ended September 30, 2024 and 2023 was immaterial.

In July 2023, the Company entered into a lease agreement with King Abdullah Financial District Development and Management Company, a subsidiary of PIF, which is an affiliate of Ayar, for its corporate office in Saudi Arabia. The lease has an initial term of six years expiring in 2029. The right-of-use asset related to this lease was \$2.1 million and \$2.3 million as of September 30, 2024 and December 31, 2023, respectively. The lease liability was \$ 2.3 million as of September 30, 2024 and December 31, 2023. The right-of-use asset and lease liability were recorded in right-of-use assets and other long-term liabilities in the condensed consolidated balance sheets, respectively. The lease expense recorded for the three and nine months ended September 30, 2024 was immaterial.

### ***SIDF Loan Agreement***

In February 2022, Lucid LLC entered into the SIDF Loan Agreement with the SIDF, a related party of PIF, which is an affiliate of Ayar. Under the SIDF Loan Agreement, SIDF has committed to provide the SIDF Loans to Lucid LLC in an aggregate principal amount of up to SAR 5.19 billion (approximately \$1.4 billion); provided that SIDF may reduce the availability of SIDF Loans under the facility in certain circumstances. See Note 6 "Debt" for more information.

### ***MISA Agreements***

In February 2022, Lucid LLC entered into agreements with MISA, a related party of PIF, which is an affiliate of Ayar, pursuant to which MISA has agreed to provide economic support for certain capital expenditures in connection with Lucid LLC's on-going design and construction of AMP-2. The support by MISA is subject to Lucid LLC's completion of certain milestones related to the construction and operation of AMP-2. Following the commencement of construction, if operations at the plant do not commence within 30 months, or if the agreed scope of operations is not attained within 55 months, MISA may suspend availability of subsequent support.

Pursuant to the agreements, MISA has the right to require Lucid LLC to transfer the ownership of AMP-2 to MISA, at the fair market value thereof, minus an amortized value of the support provided in the event of customary events of default including abandonment or material and chronically low utilization of AMP-2. Alternatively, Lucid LLC is entitled to avoid the transfer of the ownership of AMP-2 by electing to pay such amortized value. The agreements will terminate on the fifteenth anniversary of the commencement of CBU operations at AMP-2 at the latest.

During the year ended December 31, 2022, the Company received support of SAR 366 million (approximately \$97.3 million) in cash, of which \$64.0 million was recorded as deferred liability within other long-term liabilities and \$ 33.3 million was recorded as a deduction in calculating the carrying amount of the related assets in the consolidated balance sheet as of December 31, 2022. Subsequently, the Company recorded \$64.0 million as a deduction in calculating the carrying amount of the related assets in the consolidated balance sheet as of December 31, 2023.

During the year ended December 31, 2023, the Company received support of SAR 366 million (approximately \$97.5 million) in cash, of which \$62.5 million was recorded as deferred liability within other long-term liabilities and \$35.0 million was recorded as a deduction in calculating the carrying amount of the related assets in the consolidated balance sheet as of December 31, 2023. As of September 30, 2024, the Company recorded \$97.5 million as a deduction in calculating the carrying amount of the related assets in the condensed consolidated balance sheet. There were no unfulfilled conditions and contingencies attached to the payments received.

### ***GIB Facility Agreement***

In April 2022, Lucid LLC entered into the GIB Facility Agreement with GIB. GIB is a related party of PIF, which is an affiliate of Ayar. The GIB Facility Agreement provided for two committed revolving credit facilities in an aggregate principal amount of SAR 1 billion (approximately \$266.1 million).

In March 2023, Lucid LLC entered into an amendment of the GIB Facility Agreement to combine the Bridge Facility and the Working Capital Facility into a committed SAR 1 billion (approximately \$266.6 million) GIB Credit Facility which may be used for general corporate purposes. See Note 6 "Debt" for more information.

### ***Construction Service Contract***

Lucid LLC entered into agreements with Al Bawani Company Limited ("Al Bawani"), an affiliate of PIF, which is an affiliate of Ayar, for certain design and construction services in connection with the development of AMP-2. The capital expenditures incurred to date under these agreements were SAR 678.5 million (approximately \$180.9 million) and SAR 444.6 million (approximately \$118.6 million) as of September 30, 2024 and December 31, 2023, respectively. Amounts due to Al Bawani under these agreements were SAR 89.5 million (approximately \$23.8 million) and SAR 74.0 million (approximately \$19.7 million) as of September 30, 2024 and December 31, 2023, respectively, and were recorded within other current liabilities in the condensed consolidated balance sheets.

### ***Subscription Agreements***

In May 2023, the Company entered into the 2023 Subscription Agreement with Ayar, pursuant to which Ayar agreed to purchase from the Company 265,693,703 shares of the Company's common stock at a price per share of \$ 6.83 in a private placement for aggregate net proceeds of \$ 1.8 billion. In June 2023, the Company issued the shares to Ayar pursuant to the 2023 Subscription Agreement and received aggregate net proceeds of \$1.8 billion after deducting issuance costs of \$2.0 million.

In March 2024, the Company entered into the Series A Subscription Agreement with Ayar, pursuant to which Ayar agreed to purchase from the Company 100,000 shares of its Series A Redeemable Convertible Preferred Stock for an aggregate purchase price of \$ 1.0 billion in a private placement. Subsequently, in March 2024, the Company issued the shares to Ayar pursuant to the Series A Subscription Agreement and received aggregate gross proceeds of \$1.0 billion. In August 2024, the Company entered into the Series B Subscription Agreement with Ayar, pursuant to which Ayar agreed to purchase from the Company 75,000 shares of its Series B Redeemable Convertible Preferred Stock for an aggregate purchase price of \$ 750.0 million in a private placement. Subsequently, in August 2024, the Company issued the shares to Ayar pursuant to the Series B Subscription Agreement and received aggregate gross proceeds of \$750.0 million. See Note 8 "Redeemable Convertible Preferred Stock" for more information.

In October 2024, the Company entered into the 2024 Subscription Agreement, pursuant to which Ayar agreed to purchase from the Company 374,717,927 shares of the Company's common stock in a private placement. In addition, Ayar agreed to purchase an additional 21,470,459 shares of the Company's common stock. As of October 31, 2024, the Company consummated the private placement of shares to Ayar pursuant to the 2024 Subscription Agreement for aggregate proceeds of approximately \$1,026.5 million. See Note 17 "Subsequent Events" for more information.

Common stock acquired by Ayar under the 2023 Subscription Agreement and 2024 Subscription Agreement, the Redeemable Convertible Preferred Stock acquired by Ayar under the Series A Subscription Agreement and the Series B Subscription Agreement, and the common stock issuable upon conversion thereof are subject to the Investor Rights Agreement dated February 22, 2021 (as amended from time-to-time, the "Investor Rights Agreement"), which governs the registration for resale of such common stock and the Redeemable Convertible Preferred Stock.

### ***Human Resources Development Fund ("HRDF") Joint Cooperation Agreement***

In March 2023, Lucid LLC entered into a joint cooperation agreement with HRDF, a related party of PIF, which is an affiliate of Ayar. Pursuant to the agreement, Lucid LLC will train and develop local personnel in Saudi Arabia, and HRDF agreed to reimburse the Company training related costs in an aggregate maximum amount of SAR 29.3 million (approximately \$7.8 million) during the program.

The Company received a payment SAR 3.7 million (approximately \$1.0 million) in cash during the three and nine months ended September 30, 2024, and SAR 8.8 million (approximately \$2.3 million) during the year ended December 31, 2023. The Company recorded \$ 1.8 million of deferred liability within other current liabilities in the condensed consolidated balance sheets as of December 31, 2023. As of September 30, 2024, the Company recorded the remaining deferred liability balance as a deduction to operating expenses in the condensed consolidated statement of operations and comprehensive loss. The deduction recorded to operating expenses in the condensed consolidated statement of operations and comprehensive loss was not material for the three and nine months ended September 30, 2024 and 2023.

### ***EV Purchase Agreement***

In August 2023, Lucid LLC entered into the EV Purchase Agreement with the Government of Saudi Arabia, a related party of PIF, which is an affiliate of Ayar, as represented by the Ministry of Finance. The EV Purchase Agreement supersedes the letter of undertaking that Lucid LLC entered into in April 2022. Pursuant to the terms of the EV Purchase Agreement, the Government of Saudi Arabia and its entities and corporate subsidiaries and other beneficiaries (collectively, the "Purchaser") may purchase up to 100,000 vehicles, with a minimum purchase quantity of 50,000 vehicles and an option to purchase up to an additional 50,000 vehicles during a ten-year period. Under the EV Purchase Agreement, the Purchaser may reduce the minimum vehicle purchase quantity by the number of vehicles set out in any purchase order not accepted by us or by the number of any vehicles that Lucid LLC fails to deliver within six months from the date of the applicable purchase order. The Purchaser also has sole and absolute discretion to decide whether to exercise the option to purchase the additional 50,000 vehicles.

The Company recognized net vehicle sales amount of SAR 171.0 million (approximately \$45.6 million) and SAR 500.5 million (approximately \$133.4 million) during the three and nine months ended September 30, 2024, respectively, and SAR 18.7 million (approximately \$5.0 million) during the same periods in the prior year. The deferred revenue from the vehicle sales was primarily related to OTA and was recorded within other current liabilities and other long-term liabilities in the condensed consolidated balance sheets. As of September 30, 2024 and December 31, 2023, the deferred revenue balance was not material. The Company recorded amounts due from the Purchaser of SAR 265.8 million (approximately \$70.8 million) and SAR 133.2 million (approximately \$35.5 million) in accounts receivable, net in the condensed consolidated balance sheets as of September 30, 2024 and December 31, 2023, respectively. See "Vehicle Sales without Residual Value Guarantee" section under Note 2 "Summary of Significant Accounting Policies" for the revenue recognition policies.

### ***Implementation Agreement with Aston Martin***

In June 2023, the Company entered into an agreement (the "Implementation Agreement") with Aston Martin, a related party of PIF, which is an affiliate of Ayar, under which the Company and Aston Martin have established a long-term strategic technology and supply arrangement. On November 6, 2023, pursuant to the terms of the Implementation Agreement, integration and supply arrangements became effective, under which the Company will provide Aston Martin access to its powertrain, battery system, and software technologies, work with Aston Martin to integrate its powertrain and battery components with Aston Martin's battery electric vehicle chassis, and supply powertrain and battery components to Aston Martin (collectively, the "Strategic Technology Arrangement"). In connection with the commencement of the Strategic Technology Arrangement, the Company received technology access fees in 28,352,273 ordinary shares of Aston Martin (subject to a lock-up provision of 365 days from its issuance) and the first cash installment of \$33.0 million. These shares were initially measured at a fair value of \$ 73.2 million. As of September 30, 2024 and December 31, 2023, the Company remeasured the shares and recorded fair values of \$45.7 million and \$81.5 million within investments in equity securities of a related party in the condensed consolidated balance sheets, respectively. The Company will receive the remaining cash payments of \$99 million phased over a period of three years. In connection with the Strategic Technology Arrangement, the Company will also receive an aggregate of \$ 10 million for integration service fees phased over a period of three years, of which the Company received \$ 4.8 million from inception through September 30, 2024. The Company recorded accounts receivable of \$1.1 million in the condensed consolidated balance sheet as of September 30, 2024. The Company accounts for technology access, integration service, and supply arrangement as a single performance obligation and recognizes revenue related to technology access and integration service based on estimated units of delivery under the supply arrangement. As of September 30, 2024 and December 31, 2023, the Company recorded \$112.0 million and \$107.8 million as deferred revenue primarily within other long-term liabilities in the condensed consolidated balance sheets, respectively. Aston Martin has also committed to an effective minimum spend with the Company on powertrain components of \$225 million.

### ***DDTL Credit Facility***

In August 2024, the Company entered into a \$ 750.0 million five year DDTL Credit Facility with Ayar, which may be used for working capital and general corporate purposes. See Note 6 "Debt" for more information.

### ***Time Deposit***

The Company purchases time deposits with GIB from time-to-time. GIB is a related party of PIF, which is an affiliate of Ayar. As of September 30, 2024, the time deposit balance was \$15.0 million, which was recorded within short-term investments in the condensed consolidated balance sheet. See Note 5 "Fair Value Measurements and Financial Instruments" for more information.

## **NOTE 17 – SUBSEQUENT EVENTS**

In connection with the preparation of the condensed consolidated financial statements for the three and nine months ended September 30, 2024, the Company evaluated subsequent events and concluded there were no subsequent events that required recognition in the condensed consolidated financial statements.

### ***2024 Underwriting Agreement***

On October 16, 2024, the Company entered into the 2024 Underwriting Agreement with the Underwriter, under which the Underwriter agreed to purchase 262,446,931 shares of the Company's common stock. The Company also granted the Underwriter a 30-day option to purchase up to 39,367,040 additional shares of its common stock (the "Overallotment Option"). On October 17, 2024, the Underwriter exercised the Overallotment Option to purchase an additional 15,037,594 shares. On October 18, 2024, the Company completed the public offering pursuant to the 2024 Underwriting Agreement and received aggregate proceeds of approximately \$719.0 million.

### ***2024 Subscription Agreement***

On October 16, 2024, the Company also entered into the 2024 Subscription Agreement, pursuant to which Ayar agreed to purchase from the Company 374,717,927 shares of the Company's common stock in a private placement. In addition, given the Underwriter's exercise of the Overallotment Option, Ayar agreed to purchase an additional 21,470,459 shares of the Company's common stock. As of October 31, 2024, the Company consummated the private placement of shares to Ayar pursuant to the 2024 Subscription Agreement for aggregate proceeds of approximately \$1,026.5 million.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

### Management's Discussion and Analysis of Financial Condition and Results of Operations

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q (the "Quarterly Report") and our Annual Report on Form 10-K for the year ended December 31, 2023, filed with the SEC on February 27, 2024. This discussion may contain forward-looking statements based upon Lucid's current expectation, estimates and projections that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors", in Part II, Item 1A of this Quarterly Report.*

#### Overview

We are a technology company with a mission to create exceptional experiences to drive the world forward. Our focus on in-house hardware and software innovation, vertical integration, and a "clean sheet" approach to engineering and design led to the development of the award-winning Lucid Air.

We sell vehicles directly to consumers through our retail sales network and through direct online sales, including through Lucid Financial Services. We believe that owning our sales network provides an opportunity to closely manage the customer experience, gather direct customer feedback, and ensure that customer interactions are tailored to our customers' needs. We own and operate a vehicle service network comprised of service centers in major metropolitan areas and a fleet of mobile service vehicles. In addition to our in-house service capabilities, we established and continue to grow an approved list of specially trained collision repair shops which also serve as repair hubs for our mobile service offerings in some cases.

We began delivering the Lucid Air to customers in October 2021 and we expect to launch additional vehicles over the coming decade. We have leveraged and expanded the technological advancements from the Lucid Air to the Lucid Gravity sport utility vehicle ("SUV"), which is scheduled for start of production in late 2024. After the Lucid Air and the Lucid Gravity SUV, start of production of our Midsize platform is scheduled for late 2026.

#### Recent Developments

##### **2024 Underwriting Agreement**

On October 16, 2024, we entered into an underwriting agreement (the "2024 Underwriting Agreement") with BofA Securities, Inc. (the "Underwriter"), under which the Underwriter agreed to purchase 262,446,931 shares of our common stock. We also granted the underwriter a 30-day option to purchase up to 39,367,040 additional shares of our common stock (the "Overallotment Option"). On October 17, 2024, the Underwriter exercised the Overallotment Option to purchase an additional 15,037,594 shares. On October 18, 2024, we completed the public offering pursuant to the 2024 Underwriting Agreement and received aggregate proceeds of approximately \$719.0 million.

##### **2024 Subscription Agreement**

On October 16, 2024, we also entered into a subscription agreement (the "2024 Subscription Agreement") with Ayar Third Investment Company, our controlling stockholder ("Ayar"), pursuant to which Ayar agreed to purchase from us 374,717,927 shares of our common stock in a private placement. In addition, given the Underwriter's exercise of the Overallotment Option, Ayar agreed to purchase an additional 21,470,459 shares of our common stock. As of October 31, 2024, we consummated the private placement of shares to Ayar pursuant to the 2024 Subscription Agreement for aggregate proceeds of approximately \$1,026.5 million.

## Potential Impact of an Economic Downturn on our Business

A global economic recession or other downturn, whether due to inflation, global conflicts or other geopolitical events, public health crises, interest rate increases or other policy actions by major central banks, government closures of banks and liquidity concerns at other financial institutions, or other factors, may have an adverse impact on our business, prospects, financial condition and results of operations. Adverse economic conditions as well as uncertainty about the current and future global economic conditions may cause our customers to defer purchases or cancel their orders in response to higher interest rates, availability of consumer credit, decreased cash availability, fluctuations in foreign currency exchange rates, and weakened consumer confidence. Reduced demand for our products may result in significant decreases in our product sales, which in turn would have a material adverse impact on our business, prospects, financial condition and results of operations. Because of our premium brand positioning and pricing, an economic downturn is likely to have a heightened adverse effect on us compared to many of our electric vehicle and traditional automotive industry competitors, to the extent that consumer demand for luxury goods is reduced in favor of lower-priced alternatives. In addition, an economic recession or other downturn could also cause logistical challenges and other operational risks if any of our suppliers, sub-suppliers or partners become insolvent or are otherwise unable to continue their operations, fulfill their obligations to us, or meet our future demand. In addition, the deterioration of conditions in global credit markets may limit our ability to obtain external financing to fund our operations and capital expenditures on terms favorable to us, if at all. See “Risk Factors” in Part II, Item 1A of this Quarterly Report for more information regarding risks associated with a global economic recession, including under the caption *“A global economic recession, government closures of banks and liquidity concerns at other financial institutions, or other downturn may have a material adverse impact on our business, prospects, results of operations and financial condition.”*

## Key Factors Affecting Our Performance

We believe that our future success and financial performance depend on a number of factors that present significant opportunities for our business, but also pose risks and challenges, including those discussed below and in the section entitled “Risk Factors” in Part II, Item 1A of this Quarterly Report.

### ***Design and Technology Leadership***

We believe that we are positioned to be a leader in the electric vehicle market by unlocking the potential for advanced, high-performance, and long-range electric vehicles to co-exist. The Lucid Air is designed with race-proven battery and powertrain technologies, offering robust performance together with a sleek exterior design and expansive interior space due to our miniaturized key drivetrain components. We anticipate continued consumer demand for the Lucid Air based on its luxurious design, high-performance technology, sustainability leadership, and the growing acceptance of and demand for electric vehicles as substitutes for gasoline-fueled vehicles. We expect that these attributes will also drive demand for future models, including the Lucid Gravity and our Midsize platform.

### ***Direct-to-Consumer Model***

We operate a direct-to-consumer sales and service model, which we believe allows us to offer a personalized experience for our customers based on their purchase and ownership preferences. We expect to continue to incur significant expenses in our sales, service and marketing operations for sale of the Lucid Air and other electric vehicles that we may offer over the coming decade, including to open additional studios, expand our sales force, grow marketing and brand awareness, and establish a robust service center operation. As of September 30, 2024, we have opened 55 studios and service centers (excluding temporary and satellite service centers): 37 in the United States (12 in California, four in each of Florida and New York, two in each of Arizona, Illinois, Massachusetts, Texas, Virginia and Washington, and one in each of Colorado, Georgia, Michigan, New Jersey and Pennsylvania), five in Canada, five in Germany, two in Switzerland, one in Netherlands, one in Norway, three in Saudi Arabia, and one in the United Arab Emirates. We also expect to hire additional sales, customer service, and service center personnel. We believe that investing in our direct-to-consumer sales and service model will be critical to delivering and servicing the Lucid electric vehicles we manufacture and sell.

### ***Establishing Manufacturing Capacity***

Achieving commercialization and growth for each generation of our electric vehicles requires us to make significant capital expenditures to scale our production capacity and improve our supply chain processes in the United States and internationally. We expect our capital expenditures to increase as we continue constructing the completely-built-up (“CBU”) portion of AMP-2 and expanding AMP-1. The amount and timing of our future manufacturing capacity requirements, and resulting capital expenditures, will depend on many factors, including the pace and results of our research and development efforts to meet technological development milestones, our ability to develop and launch new electric vehicles, our ability to achieve sales and meet customer demand at anticipated levels, our ability to utilize planned capacity in our existing facilities and our ability to enter new markets.

## Technology Innovation

We develop in-house battery and powertrain technology, which requires significant capital investment in research and development. The electric vehicle market is highly competitive, including both established automotive manufacturers and new entrants. To establish market position and attract customers, we plan to continue making substantial investments in research and development for the commercialization and continued enhancements of the Lucid Air, the development of the Lucid Gravity SUV and our Midsize platform, as well as future generations of our electric vehicles and other products.

## Inflationary Pressure

The U.S. and Saudi Arabian economies have experienced increased inflation. Our vehicle manufacturing costs are heavily influenced by the cost of the key components and materials used in the vehicle, labor costs, as well as the cost of equipment used in our manufacturing facilities. As we continue the phased construction of our AMP-1 and AMP-2 facilities, any further increases in material and infrastructure equipment prices, as well as construction labor costs, could lead to higher capital expenditures.

## Results of Operations

### Revenue

The following table presents our revenue for the periods presented (in thousands):

	Three Months Ended				Nine Months Ended			
	September 30,		\$ Change	% Change	September 30,		\$ Change	% Change
	2024	2023			2024	2023		
Revenue	\$ 200,038	\$ 137,814	\$ 62,224	45 %	\$ 573,359	\$ 438,120	\$ 135,239	31 %

We recognize revenue from vehicle sales when the customer obtains control of the vehicle, which is upon delivery. We also generate revenue from non-warranty after-sales vehicle services and parts, powertrain kits, retail merchandise, and regulatory credits.

Revenue increased by \$62.2 million or 45% and \$135.2 million or 31% for the three and nine months ended September 30, 2024, respectively, as compared to the same periods in the prior year. The increases were primarily driven by higher deliveries of the Lucid Air vehicles, partially offset by a lower average selling price of vehicles for the three and nine months ended September 30, 2024, as compared to the same periods in the prior year. The increase in revenue for the nine months ended September 30, 2024, as compared to the same period in the prior year, was also due to an increase of \$21.3 million of regulatory credit sales.

### Cost of Revenue

The following table presents our cost of revenue for the periods presented (in thousands):

	Three Months Ended				Nine Months Ended			
	September 30,		\$ Change	% Change	September 30,		\$ Change	% Change
	2024	2023			2024	2023		
Cost of revenue	\$ 412,544	\$ 469,722	\$ (57,178)	(12) %	\$ 1,287,695	\$ 1,526,051	\$ (238,356)	(16) %

Cost of vehicle sales includes direct parts, materials, shipping and handling costs, allocable overhead costs such as depreciation of manufacturing related equipment and facilities, information technology costs, personnel costs, including wages and stock-based compensation, estimated warranty costs, charges to reduce inventories to their net realizable value, charges for any excess or obsolete inventories, and losses from firm purchase commitments.

Cost of other revenue includes direct parts, material and labor costs, manufacturing overhead, including depreciation of tooling costs, shipping and logistic costs. Cost of other revenue also includes costs associated with providing non-warranty after-sales services and costs for retail merchandise.

Cost of revenue decreased by \$57.2 million or 12% and \$238.4 million or 16% for the three and nine months ended September 30, 2024, respectively, as compared to the same periods in the prior year, primarily due to the decreases in inventory write-downs and losses from firm purchase commitments, partially offset by higher deliveries of the Lucid Air vehicles. The decrease in cost of revenue for the nine months ended September 30, 2024, as compared to the same period in the prior year, was also partially offset by a provision associated with a special warranty campaign recorded in the current year. We continue to incur significant personnel and overhead costs to operate our large-scale manufacturing facilities while ramping up production. In the near term, we expect our production volume of vehicles to continue to be significantly less than our manufacturing capacity.

We recorded write-downs of \$154.9 million and \$446.9 million for the three and nine months ended September 30, 2024, respectively, and \$230.8 million and \$752.8 million for the same periods in the prior year, respectively, to reduce our inventories to their net realizable values, for any excess or obsolete inventories, and losses from firm purchase commitments. The decreases in the inventory write-downs and losses from firm purchase commitments were primarily due to decreases in overall inventory balances and obsolescence. The decrease in overall inventory balances and obsolescence for the three months ended September 30, 2024, compared to the same period in the prior year, was primarily driven by higher deliveries of the Lucid Air vehicles. The decrease in overall inventory balances and obsolescence for the nine months ended September 30, 2024, compared to the same period in the prior year, was primarily driven by lower purchases of raw materials and higher deliveries of the Lucid Air vehicles. We expect inventory write-downs could negatively affect our costs of vehicle sales in upcoming periods in the near term as we ramp production volumes up toward our manufacturing capacity.

On August 16, 2022, the Inflation Reduction Act of 2022 (the "IRA") was enacted with clean energy incentives. For the three and nine months ended September 30, 2024, the impact of the IRA on our results of operations was not material. We will continue to evaluate the expected future impact of the IRA on our business and financial statements as additional regulatory guidance is issued.

### Operating Expenses

The following table presents our operating expenses for the periods presented (in thousands):

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2024	2023	\$ Change	% Change	2024	2023	\$ Change	% Change
Research and development	\$ 324,371	\$ 230,758	\$ 93,613	41 %	\$ 896,168	\$ 694,035	\$ 202,133	29 %
Selling, general and administrative	233,585	189,691	43,894	23 %	657,062	556,209	100,853	18 %
Restructuring charges	76	518	(442)	(85) %	20,304	24,546	(4,242)	(17) %
Total operating expenses	<u>\$ 558,032</u>	<u>\$ 420,967</u>	<u>\$ 137,065</u>	33 %	<u>\$ 1,573,534</u>	<u>\$ 1,274,790</u>	<u>\$ 298,744</u>	23 %

### Research and Development

Our research and development efforts have primarily focused on the development of our battery and powertrain technology, the Lucid Air, the Lucid Gravity SUV, and future generations of our electric vehicles. Research and development expenses consist primarily of materials, supplies and personnel-related expenses for employees involved in the engineering, designing, and testing of electric vehicles. Personnel-related expenses primarily include salaries, benefits and stock-based compensation. Research and development expenses also include prototype material, engineering, design and testing services, and allocated facilities costs, such as office and rent expense and depreciation expense, and other engineering, designing and testing expenses.

Research and development expense increased by \$93.6 million, or 41% for the three months ended September 30, 2024, as compared to the same period in the prior year. The increase was primarily attributable to higher personnel-related expenses of \$63.0 million (\$45.3 million increase due to our growth in headcount and \$17.7 million higher stock-based compensation expenses) and an increase of \$26.1 million for prototype material, engineering, design and testing services.

Research and development expense increased by \$202.1 million, or 29% for the nine months ended September 30, 2024, as compared to the same period in the prior year. The increase was primarily attributable to higher personnel-related expenses of \$142.2 million (\$118.8 million increase due to our growth in headcount and \$23.4 million higher stock-based compensation expenses) and an increase of \$70.9 million for prototype material, engineering, design and testing services, partially offset by lower utilization of contractors and professional fees of \$17.8 million.

### Selling, General, and Administrative

Selling, general, and administrative expense consists primarily of personnel-related expenses for employees involved in general corporate, selling and marketing functions, including executive management and administration, legal, human resources, facilities and real estate, accounting, finance, tax, and information technology. Personnel-related expenses primarily include salaries, benefits and stock-based compensation. Selling, general, and administrative expenses also include allocated facilities costs, such as office, rent and depreciation expenses, professional services fees and other general corporate expenses. As we continue to grow as a company, build out our sales force, and commercialize the Lucid Air, the development of the Lucid Gravity SUV and our Midsize platform, and future generations of our electric vehicles, we expect that our selling, general and administrative costs will increase.

Selling, general, and administrative expense increased by \$43.9 million, or 23% for the three months ended September 30, 2024, as compared to the same period in the prior year. The increase was primarily attributable to higher personnel-related expenses of \$26.2 million (\$24.0 million increase due to our growth in headcount and \$2.2 million higher stock-based compensation expense), higher utilization of contractors and professional fees of \$10.3 million, and an increase of \$8.2 million in allocated facilities costs.



Selling, general, and administrative expense increased by \$100.9 million, or 18% for the nine months ended September 30, 2024, as compared to the same period in the prior year. The increase was primarily attributable to higher personnel-related expenses of \$60.4 million (\$68.8 million increase due to our growth in headcount, partially offset by \$8.4 million lower stock-based compensation expense), an increase in sales and marketing expenses of \$27.8 million, and an increase of \$9.7 million in allocated facilities costs.

#### Restructuring Charges

On May 24, 2024, we announced a restructuring plan (the “2024 Restructuring Plan”) intended to optimize operating expenses in response to evolving business needs and productivity improvement through a reduction in workforce. We substantially completed the 2024 Restructuring Plan in the third quarter of 2024.

During the three and nine months ended September 30, 2024, we recorded restructuring charges of \$0.1 million and \$20.3 million, respectively, related to the 2024 Restructuring Plan within restructuring charges in the condensed consolidated statements of operations and comprehensive loss. The restructuring charges were primarily related to severance payments, employee benefits, employee transition and stock-based compensation, net of a reversal of previously recognized stock-based compensation expense.

On March 28, 2023, we announced a restructuring plan (the “2023 Restructuring Plan”) intended to reduce operating expenses in response to evolving business needs and productivity improvement through a reduction in workforce. We completed the 2023 Restructuring Plan during the first quarter of 2024. During the three and nine months ended September 30, 2023, we recorded restructuring charges of \$0.5 million and \$24.5 million, respectively, and recorded no restructuring charges for the same periods in the current year related to the 2023 Restructuring Plan. The restructuring charges were primarily related to severance payments, employee benefits, employee transition and stock-based compensation, net of a reversal of previously recognized stock-based compensation expense.

#### Other Income (Expense), net

The following table presents our other income (expense), net for the periods presented (in thousands):

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2024	2023	\$ Change	% Change	2024	2023	\$ Change	% Change
Other income (expense), net:								
Change in fair value of common stock warrant liability	\$ (13,748)	\$ 60,316	\$ (74,064)	(123)%	\$ 20,845	\$ 61,647	\$ (40,802)	(66)%
Change in fair value of equity securities of a related party	(8,836)	—	(8,836)	*nm	(38,159)	—	(38,159)	*nm
Change in fair value of derivative liabilities associated with redeemable convertible preferred stock (related party)	(240,250)	—	(240,250)	*nm	(137,250)	—	(137,250)	*nm
Interest income	50,017	66,064	(16,047)	(24)%	155,201	145,594	9,607	7 %
Interest expense	(8,478)	(3,340)	(5,138)	154 %	(22,652)	(17,138)	(5,514)	32 %
Other expense, net	(155)	(763)	608	(80)%	(6,229)	(1,024)	(5,205)	*nm
Total other income (expense), net	<u>\$ (221,450)</u>	<u>\$ 122,277</u>	<u>\$ (343,727)</u>	(281)%	<u>\$ (28,244)</u>	<u>\$ 189,079</u>	<u>\$ (217,323)</u>	(115)%

\*nm - not meaningful

#### Change in Fair Value of Common Stock Warrant Liability

Our common stock warrant liability relates to the privately placed common stock warrants (the “Private Placement Warrants”) to purchase shares of our common stock that were effectively issued upon the Closing in connection with the reverse recapitalization treatment of the Merger. Our common stock warrant liability is subject to remeasurement to fair value at each reporting period.

The Private Placement Warrants remained unexercised as of September 30, 2024. The liability was remeasured to fair value, resulting in a loss of \$13.7 million and a gain of \$20.8 million for the three and nine months ended September 30, 2024, respectively, and gains of \$60.3 million and \$61.6 million for the same periods in the prior year, respectively. The change in fair value was classified within change in fair value of common stock warrant liability in the condensed consolidated statements of operations and comprehensive loss. See Note 7 “Common Stock Warrant Liability” to our condensed consolidated financial statements included elsewhere in this Quarterly Report for more information.

#### *Change in Fair Value of Equity Securities of a Related Party*

On November 6, 2023, pursuant to the terms of the Implementation Agreement, integration and supply arrangements became effective, under which we will provide Aston Martin access to our powertrain, battery system, and software technologies, work with Aston Martin to integrate our powertrain and battery components with Aston Martin's battery electric vehicle chassis, and supply powertrain and battery components to Aston Martin (collectively, the "Strategic Technology Arrangement"). In connection with the commencement of the Strategic Technology Arrangement with Aston Martin, we received 28,352,273 ordinary shares of Aston Martin (subject to a lock-up provision of 365 days from its issuance). The ordinary shares of Aston Martin are subject to remeasurement to fair value at each reporting period. Such shares were initially measured at a fair value of \$73.2 million and were remeasured to a fair value of \$45.7 million and \$81.5 million as of September 30, 2024 and December 31, 2023, respectively. The change in fair value resulted in unrealized losses of \$8.8 million and \$38.2 million for the three and nine months ended September 30, 2024, respectively, and was classified within change in fair value of equity securities of a related party in the condensed consolidated statements of operations and comprehensive loss. See Note 5 "Fair Value Measurements and Financial Instruments" and Note 16 "Related Party Transactions" to our condensed consolidated financial statements included elsewhere in this Quarterly Report for more information.

#### *Change in Fair Value of Derivative Liabilities Associated with Redeemable Convertible Preferred Stock (Related Party)*

In March 2024, we entered into a subscription agreement (the "Series A Subscription Agreement") with Ayar. Pursuant to the Series A Subscription Agreement, Ayar agreed to purchase from us 100,000 shares of our Series A Convertible Preferred Stock, par value \$0.0001 per share (the "Series A Redeemable Convertible Preferred Stock") for an aggregate purchase price of \$1.0 billion in a private placement. Subsequently, in March 2024, we issued the shares to Ayar pursuant to the Series A Subscription Agreement and received aggregate gross proceeds of \$1.0 billion.

In August 2024, we entered into the Series B Subscription Agreement with Ayar. Pursuant to the Series B Subscription Agreement, Ayar agreed to purchase from us 75,000 shares of our Series B Redeemable Convertible Preferred Stock for an aggregate purchase price of \$750.0 million in a private placement. Subsequently, in August 2024, we issued the shares to Ayar pursuant to the Series B Subscription Agreement and received aggregate gross proceeds of \$750.0 million.

We concluded that the conversion features, inclusive of all settlement outcomes where the pay-off is indexed to the if-converted value, meets all the requirements to be separately accounted for as a bifurcated derivative. As a result, we bifurcated the Series A Redeemable Convertible Preferred Stock and Series B Redeemable Convertible Preferred Stock (the "Redeemable Convertible Preferred Stock") between (i) the host contracts which are accounted for within mezzanine equity, and (ii) the bifurcated derivative liabilities related to the conversion features. The bifurcated derivatives are remeasured to fair value at each reporting period with changes in fair value recorded in the condensed consolidated statement of operations and comprehensive loss.

The derivative liabilities of the Series A Redeemable Convertible Preferred Stock and Series B Redeemable Convertible Preferred Stock were initially measured at fair values of \$497.1 million and \$297.7 million, respectively. The derivative liabilities of the Redeemable Convertible Preferred Stock were remeasured to a fair value of \$932.0 million as of September 30, 2024. We recognized losses of \$240.3 million and \$137.3 million for the three and nine months ended September 30, 2024, respectively, primarily driven by an increase in our stock price during the respective periods, in change in fair value of derivative liabilities associated with redeemable convertible preferred stock (related party) in the condensed consolidated statements of operations and comprehensive loss. See Note 8 "Redeemable Convertible Preferred Stock" to our condensed consolidated financial statements included elsewhere in this Quarterly Report for more information.

#### *Interest Income*

Interest income decreased by \$16.0 million, or 24% for the three months ended September 30, 2024, as compared to the same period in the prior year, primarily due to lower average balances and lower book yield from cash on hand and our investments of available-for-sale securities.

Interest income increased by \$9.6 million, or 7% for the nine months ended September 30, 2024, as compared to the same period in the prior year, primarily due to higher book yield from cash on hand and our investments of available-for-sale securities, partially offset by lower average cash on hand and investment balances.

#### *Interest Expense*

Interest expense primarily consists of contractual interest and amortization of debt discounts and debt issuance costs incurred related to the 2026 Notes issued in December 2021, commitment fees and amortization of deferred issuance costs from the five-year senior secured asset-based revolving credit facility ("ABL Credit Facility") and the DDTL Credit Facility, interest on Gulf International Bank ("GIB") revolving credit facility and on our finance leases, and capitalized interest on construction in progress related to significant capital asset construction.

Interest expense increased by \$5.1 million, or 154%, and \$5.5 million, or 32% for the three and nine months ended September 30, 2024, respectively, as compared to the same periods in the prior year. The increases were primarily due to higher interest expense of \$1.1 million and \$3.3 million from the GIB credit facility resulting from higher average borrowings and commitment fees related to the DDTL Credit Facility, and decreases of \$3.6 million and \$1.2 million in interest capitalized on construction in progress related to significant capital asset construction during the three and nine months ended September 30, 2024, respectively, as compared to the same periods in the prior year.

#### *Other Expense, net*

Other expense, net primarily consists of foreign currency gains and losses. Our foreign currency exchange gains and losses relate to transactions and monetary asset and liability balances denominated in currencies other than the U.S. dollar. We expect our foreign currency gains and losses to continue to fluctuate in the future due to changes in foreign currency exchange rates.

Other expense, net decreased by \$0.6 million and increased by \$5.2 million for the three and nine months ended September 30, 2024, respectively, as compared to the same periods in the prior year, primarily due to changes in foreign currency exchange rates.

#### **Provision for Income Taxes**

The following table presents our provision for income taxes for the periods presented (in thousands):

	Three Months Ended				Nine Months Ended			
	September 30,				September 30,			
	2024	2023	\$ Change	% Change	2024	2023	\$ Change	% Change
Provision for income taxes	\$ 487	\$ 296	\$ 191	65 %	\$ 610	\$ 1,012	\$ (402)	(40) %

Our provision for income taxes consists primarily of U.S., state and foreign income taxes in jurisdictions in which we operate. We maintain a valuation allowance against the full value of our U.S. and state net deferred tax assets because we believe it is more likely than not that the recoverability of these deferred tax assets will not be realized.

#### **Liquidity and Capital Resources**

##### **Sources of Liquidity**

As of September 30, 2024, we had approximately \$4.0 billion of cash, cash equivalents and investments. Since inception, our existing sources of liquidity include cash, cash equivalents, investments, and credit facilities. We funded operations primarily with issuances of common stock, convertible preferred stock and convertible notes.

We expect that our current sources of liquidity together with our projection of cash flows from operating activities will provide us with adequate liquidity for at least the next 12 months, including investment in funding (i) ongoing operations, (ii) research and development projects for new products/ technologies, (iii) further construction of AMP-1 phase 2 in Casa Grande, Arizona, (iv) construction of the CBU portion of AMP-2 in Saudi Arabia, (v) expansion of retail studios and service centers, and (vi) other initiatives related to the sale of vehicles and/ or technology.

We anticipate our cumulative spending on capital expenditures to be approximately \$1.0 billion for the fiscal year 2024 to support our continued commercialization and growth objectives as we strategically invest in manufacturing capacity and capabilities, our retail studios and service center capabilities throughout North America and across the globe, development of different products and technologies, and other areas supporting the growth of Lucid's business. Our future capital expenditures may vary and will depend on many factors including the timing and extent of spending and other growth initiatives. In addition, we expect our operating expenses to increase in order to grow and support the operations of a global automotive company targeting volumes in line with Lucid's aspirations.

As of September 30, 2024, our total minimum lease payments are \$490.1 million, of which \$15.6 million is due in fiscal year 2024. We also have non-cancellable long-term commitments of approximately \$3.0 billion, primarily relating to certain inventory component purchases. For details regarding these obligations, refer to Note 11 "Leases" and Note 12 "Commitments and Contingencies" to the condensed consolidated financial statements included elsewhere in this Quarterly Report for more information.

## 2026 Notes

In December 2021, we issued \$2,012.5 million of the 2026 Notes. The 2026 Notes accrue interest at a rate of 1.25% per annum, payable semi-annually in arrears on June 15 and December 15 of each year, beginning on June 15, 2022. The 2026 Notes will mature on December 15, 2026, unless earlier repurchased, redeemed or converted. Before the close of business on the business day immediately before September 15, 2026, noteholders will have the right to convert their Notes only upon the occurrence of certain events. From and after September 15, 2026, noteholders may convert their Notes at any time at their election until the close of business on the second scheduled trading day immediately before the maturity date. We will settle conversions by paying or delivering, as applicable, cash, shares of our common stock or a combination of cash and shares of our common stock, at our election. The initial conversion rate is 18.2548 shares of common stock per \$1,000 principal amount of Notes, which represents an initial conversion price of approximately \$54.78 per share of common stock. The conversion rate and conversion price will be subject to customary adjustments upon the occurrence of certain events. In addition, if certain corporate events that constitute a "Make-Whole Fundamental Change" (as defined in the indenture) occur, then the conversion rate will, in certain circumstances, be increased for a specified period of time. As of September 30, 2024 and December 31, 2023, we were in compliance with applicable covenants under the indenture governing the 2026 Notes.

### *International Manufacturing Expansion*

On February 27, 2022, we announced that we had selected King Abdullah Economic City ("KAEC") in Saudi Arabia as the location of our first international manufacturing plant and signed related agreements with the Ministry of Investment of Saudi Arabia, the Saudi Industrial Development Fund, and the Economic City at KAEC. The operations at the new plant initially consist of re-assembly of the Lucid Air vehicle "kits" pre-manufactured in the U.S. and, over time, will consist of production of complete vehicles.

#### *Saudi Industrial Development Fund ("SIDF") Loan Agreement*

On February 27, 2022, Lucid, LLC, a limited liability company established in Saudi Arabia and our subsidiary ("Lucid LLC") entered into a loan agreement (as subsequently amended, the "SIDF Loan Agreement") with SIDF, a related party of Public Investment Fund ("PIF"), which is an affiliate of Ayar. Under the SIDF Loan Agreement, SIDF has committed to provide loans (the "SIDF Loans") to Lucid LLC in an aggregate principal amount of up to SAR 5.19 billion (approximately \$1.4 billion); provided that SIDF may reduce the availability of SIDF Loans under the facility in certain circumstances. SIDF Loans will be subject to repayment in semi-annual installments in amounts ranging from SAR 25 million (approximately \$6.7 million) to SAR 350 million (approximately \$93.3 million), commencing on April 3, 2026 and ending on November 12, 2038. SIDF Loans are financing and will be used to finance certain costs in connection with the development and construction of AMP-2. Lucid LLC may repay SIDF Loans earlier than the maturity date without penalty. Obligations under the SIDF Loan Agreement do not extend to us or any of our other subsidiaries.

SIDF Loans will not bear interest. Instead, Lucid LLC will be required to pay SIDF service fees, consisting of follow-up and technical evaluation fees, ranging, in aggregate, from SAR 415 million (approximately \$110.6 million) to SAR 1.77 billion (approximately \$471.8 million), over the term of the SIDF Loans. SIDF Loans will be secured by security interests in the equipment, machines and assets funded thereby.

The SIDF Loan Agreement contains certain restrictive financial covenants and imposes annual caps on Lucid LLC's payment of dividends, distributions of paid-in capital, or certain capital expenditures. The SIDF Loan Agreement also defines customary events of default, including abandonment of or failure to commence operations at the plant in KAEC, and drawdowns under the SIDF Loan Agreement are subject to certain conditions precedent. As of September 30, 2024 and December 31, 2023, no amount was outstanding under the SIDF Loan Agreement.

#### *Ministry of Investment of Saudi Arabia ("MISA") Agreements*

In February 2022, Lucid LLC entered into agreements with MISA, a related party of PIF, which is an affiliate of Ayar, pursuant to which MISA has agreed to provide economic support for certain capital expenditures in connection with Lucid LLC's on-going design and construction of AMP-2. The support by MISA is subject to Lucid LLC's completion of certain milestones related to the construction and operation of AMP-2. Following the commencement of construction, if operations at the plant do not commence within 30 months, or if the agreed scope of operations is not attained within 55 months, MISA may suspend availability of subsequent support.

Pursuant to the agreements, MISA has the right to require Lucid LLC to transfer the ownership of AMP-2 to MISA, at the fair market value thereof, minus an amortized value of the support provided in the event of customary events of default including abandonment or material and chronically low utilization of AMP-2. Alternatively, Lucid LLC is entitled to avoid the transfer of the ownership of AMP-2 by electing to pay such amortized value. The agreements will terminate on the fifteenth anniversary of the commencement of CBU operations at AMP-2 at the latest.

During the year ended December 31, 2022, we received support of SAR 366 million (approximately \$97.3 million) in cash, of which \$64.0 million was recorded as deferred liability within other long-term liabilities and \$33.3 million was recorded as a deduction in calculating the carrying amount of the related assets in the consolidated balance sheet as of December 31, 2022. Subsequently, we recorded \$64.0 million as a deduction in calculating the carrying amount of the related assets in the consolidated balance sheet as of December 31, 2023.

During the year ended December 31, 2023, we received support of SAR 366 million (approximately \$97.5 million) in cash, of which \$62.5 million was recorded as deferred liability within other long-term liabilities and \$35.0 million was recorded as a deduction in calculating the carrying amount of the related assets in the consolidated balance sheet as of December 31, 2023. As of September 30, 2024, we recorded \$97.5 million as a deduction in calculating the carrying amount of the related assets in the condensed consolidated balance sheet. There were no unfulfilled conditions and contingencies attached to the payments received.

#### *GIB Facility Agreement*

On April 29, 2022, Lucid LLC entered into a revolving credit facility agreement (the "GIB Facility Agreement") with GIB, maturing on February 28, 2025. GIB is a related party of PIF, which is an affiliate of Ayar. The GIB Facility Agreement provided for two committed revolving credit facilities in an aggregate principal amount of SAR 1 billion (approximately \$266.1 million). SAR 650 million (approximately \$173.0 million) under the GIB Facility Agreement was available as bridge financing (the "Bridge Facility") of Lucid LLC's capital expenditures in connection with AMP-2. The remaining SAR 350 million (approximately \$93.1 million) might be used for general corporate purposes (the "Working Capital Facility"). Loans under the Bridge Facility and the Working Capital Facility had a maturity of no more than 12 months. The Bridge Facility incurred interest at a rate of 1.25% per annum over 3-month SAIBOR and the Working Capital Facility incurred interest at a rate of 1.70% per annum over 1~3-month SAIBOR and associated fees.

On March 12, 2023, Lucid LLC entered into an amendment of the GIB Facility Agreement (together with the GIB Facility Agreement, the "Amended GIB Facility Agreement") to combine the Bridge Facility and the Working Capital Facility into a committed SAR 1 billion (approximately \$266.6 million) revolving credit facility (the "GIB Credit Facility") which may be used for general corporate purposes. Loans under the Amended GIB Credit Facility Agreement have a maturity of no more than 12 months and bear interest at a rate of 1.40% per annum over SAIBOR (based on the term of borrowing) and associated fees.

We are required to pay a quarterly commitment fee of 0.15% per annum based on the unutilized portion of the GIB Credit Facility. Commitments under the Amended GIB Facility Agreement will terminate, and all amounts then outstanding thereunder would become payable, on the maturity date of the Amended GIB Facility Agreement. The Amended GIB Facility Agreement contains certain conditions precedent to drawdowns, representations and warranties and covenants of Lucid LLC and events of default.

As of September 30, 2024 and December 31, 2023, we had outstanding borrowings of SAR 175 million (approximately \$46.6 million) and SAR 272 million (approximately \$72.5 million), respectively. The weighted average interest rate on the outstanding borrowings was 7.56% and 7.49% as of September 30, 2024 and December 31, 2023, respectively. As of September 30, 2024 and December 31, 2023, availability under the GIB Credit Facility was SAR 823 million (approximately \$219.4 million) and SAR 727 million (approximately \$193.9 million), respectively, after giving effect to the outstanding letters of credit. The outstanding borrowings were recorded within other current liabilities in the condensed consolidated balance sheets. As of September 30, 2024 and December 31, 2023, we were in compliance with applicable covenants under the Amended GIB Facility Agreement.

#### *ABL Credit Facility*

In June 2022, we entered into the ABL Credit Facility with a syndicate of banks that may be used for working capital and general corporate purposes. The ABL Credit Facility provides for an initial aggregate principal commitment amount of up to \$1.0 billion (including a \$350.0 million letter of credit subfacility and a \$100.0 million swingline loan subfacility) and has a stated maturity date of June 9, 2027. Borrowings under the ABL Credit Facility bear interest at the applicable interest rates specified in the credit agreement governing the ABL Credit Facility. In June 2024, we amended the ABL Credit Facility to update the Canadian reference rate. Availability under the ABL Credit Facility is subject to the value of eligible assets in the borrowing base and is reduced by outstanding loan borrowings and issuances of letters of credit which bear customary letter of credit fees. Subject to certain terms and conditions, we may request one or more increases in the amount of credit commitments under the ABL Credit Facility in an aggregate amount up to the sum of \$500.0 million plus certain other amounts. We are required to pay a quarterly commitment fee of 0.25% per annum based on the unutilized portion of the ABL Credit Facility.

The ABL Credit Facility contains customary covenants that limit our ability and our restricted subsidiaries to, among other activities, pay dividends, incur debt, create liens and encumbrances, redeem or repurchase stock, dispose of certain assets, consummate acquisitions or other investments, prepay certain debt, engage in transactions with affiliates, engage in sale and leaseback transactions or consummate mergers and other fundamental changes. The ABL Credit Facility also includes a minimum liquidity covenant which, at our option following satisfaction of certain pre-conditions, may be replaced with a springing, minimum fixed charge coverage ratio financial covenant, in each case on terms set forth in the credit agreement governing the ABL Credit Facility. As of September 30, 2024 and December 31, 2023, we were in compliance with applicable covenants under the ABL Credit Facility.

As of September 30, 2024 and December 31, 2023, we had no outstanding borrowings under the ABL Credit Facility. Outstanding letters of credit under the ABL Credit Facility were \$67.4 million and \$45.4 million as of September 30, 2024 and December 31, 2023, respectively. Availability under the ABL Credit Facility was \$335.0 million (including \$169.9 million cash and cash equivalents) and \$413.4 million (including \$144.0 million cash and cash equivalents) as of September 30, 2024 and December 31, 2023, respectively, after giving effect to the borrowing base and the outstanding letters of credit.

#### *DDTL Credit Facility*

In August 2024, we entered into the DDTL Credit Facility with Ayar that may be used for working capital and general corporate purposes. The DDTL Credit Facility provides for a delayed draw term loan credit facility in an aggregate principal amount of \$750.0 million and has a stated maturity date of August 4, 2029. Borrowings under the DDTL Credit Facility bear interest at the applicable interest rates specified in the credit agreement governing the DDTL Credit Facility. We are required to pay a quarterly undrawn fee of 0.50% per annum based on the unutilized portion of the DDTL Credit Facility.

The DDTL Credit Facility contains customary covenants that limit our ability and our restricted subsidiaries to, among other activities, pay dividends, incur debt, create liens and encumbrances, redeem or repurchase stock, dispose of certain assets, consummate acquisitions or other investments, prepay certain debt, engage in sale and leaseback transactions or consummate mergers and other fundamental changes. The DDTL Credit Facility also includes a minimum liquidity covenant. As of September 30, 2024, we were in compliance with applicable covenants under the DDTL Credit Facility.

As of September 30, 2024, we had no outstanding borrowings under the DDTL Credit Facility.

#### ***At-the-Market Offering, Subscription Agreements and Underwriting Agreements***

In December 2022, we completed our at-the-market offering program (the "At-the-Market Offering") pursuant to the equity distribution agreement for net proceeds of \$594.3 million after deducting commissions and other issuance costs and also consummated a private placement of shares to Ayar (the "2022 Subscription Agreement") pursuant to the 2022 Subscription Agreement for \$915.0 million.

In June 2023, we completed the public offering pursuant to the Underwriting Agreement for aggregate net proceeds of \$1.2 billion and also consummated a private placement of shares to Ayar pursuant to the 2023 Subscription Agreement for aggregate net proceeds of \$1.8 billion after deducting issuance costs. See Note 9 "Stockholders' Equity" to the condensed consolidated financial statements included elsewhere in this Quarterly Report, for more information.

In March 2024, we issued 100,000 shares of our Series A Redeemable Convertible Preferred Stock to Ayar pursuant to the Series A Subscription Agreement and received aggregate gross proceeds of \$1.0 billion. In August 2024, we also issued 75,000 shares of our Series B Redeemable Convertible Preferred Stock to Ayar pursuant to the Series B Subscription Agreement and received aggregate gross proceeds of \$750.0 million. See Note 8 "Redeemable Convertible Preferred Stock" to the condensed consolidated financial statements included elsewhere in this Quarterly Report, for more information.

In October 2024, we completed the public offering pursuant to the 2024 Underwriting Agreement and received aggregate proceeds of approximately \$719.0 million and also consummated the private placement of shares to Ayar pursuant to the 2024 Subscription Agreement for aggregate proceeds of approximately \$1,026.5 million. See Note 17 "Subsequent Events" to the condensed consolidated financial statements included elsewhere in this Quarterly Report, for more information.

We have generated significant losses from our operations as reflected in our accumulated deficit of \$12.5 billion and \$10.2 billion as of September 30, 2024 and December 31, 2023, respectively. Additionally, we have generated significant negative cash flows from operations and investing activities as we continue to support the growth of our business.

The expenditures associated with the development and commercial launch of our vehicles, the anticipated increase in manufacturing capacity, and the international expansion of our business operations are subject to significant risks and uncertainties, many of which are beyond our control, which may affect the timing and magnitude of these anticipated expenditures. These risk and uncertainties are described in more detail in the section entitled "Risk Factors" in Part II, Item 1A of this Quarterly Report.

## Cash Flows

The following table summarizes our cash flows for the periods presented (in thousands):

	Nine Months Ended September 30,	
	2024	2023
Cash used in operating activities	\$ (1,486,527)	\$ (2,015,204)
Cash provided by (used in) investing activities	289,974	(1,599,125)
Cash provided by financing activities	1,718,709	3,042,956
Net increase (decrease) in cash, cash equivalents, and restricted cash	\$ 522,156	\$ (571,373)

### ***Cash Used in Operating Activities***

Our cash flows used in operating activities to date have been primarily comprised of cash outlays to support overall growth of the business, especially the costs related to inventory and sale of our vehicles, costs related to research and development, payroll and other general and administrative activities. As we continue to ramp up hiring after starting commercial operations, we expect our cash used in operating activities to increase significantly before it starts to generate any material cash flows from our business.

Net cash used in operating activities decreased by \$528.7 million to \$1,486.5 million during the nine months ended September 30, 2024, as compared to the same period in the prior year. The decrease was primarily due to an overall decrease in net operating assets and liabilities of \$727.1 million, partially offset by an increase in net loss excluding non-cash expenses and gains of \$198.4 million during the nine months ended September 30, 2024, as compared to the same period in the prior year. The change in net operating assets and liabilities was mainly attributable to a decrease in inventory of \$354.5 million due to lower purchases of raw materials and continuous improvement in inventory management, and a decrease in accounts payable of \$157.4 million due to timing of payments. The decreases are partially offset by an increase in accounts receivable of \$42.8 million during the nine months ended September 30, 2024, as compared to the same period in the prior year. We had \$98.2 million accounts receivable, net as of September 30, 2024, compared to \$51.8 million as of December 31, 2023. The increase in the accounts receivable, net primarily resulted from higher vehicle sales during the nine months ended September 30, 2024, as compared to the same period in the prior year, and payment term associated with the EV purchase agreement with the Government of Saudi Arabia, a related party of PIF, which is an affiliate of Ayar, as represented by the Ministry of Finance (the "EV Purchase Agreement").

### ***Cash Provided by (Used in) Investing Activities***

Our cash flows provided by (used in) investing activities primarily relate to purchases of investments and capital expenditures to support our growth, and proceeds from maturities of investments.

Net cash provided by investing activities was \$290.0 million during the nine months ended September 30, 2024, compared to \$1,599.1 million of net cash used in investing activities for the same period in the prior year. The change was primarily attributable to \$1,211.0 million lower purchases of investments and \$770.8 million higher proceeds from maturities of investments, partially offset by \$143.4 million lower proceeds from sale of investments during the nine months ended September 30, 2024 compared to the same period in the prior year.

### ***Cash Provided by Financing Activities***

Since inception, we have financed our operations primarily from the issuances of equity securities, including the At-the-Market Offering, the private placements to Ayar, convertible preferred stock, the proceeds of the Merger, and the 2026 Notes.

Net cash provided by financing activities decreased by \$1,324.2 million to \$1,718.7 million during the nine months ended September 30, 2024, as compared to the same period in the prior year. We received gross proceeds of \$1,000.0 million from the issuance of Series A Redeemable Convertible Preferred Stock and \$750.0 million from the issuance of Series B Redeemable Convertible Preferred Stock during the nine months ended September 30, 2024, and net proceeds of \$2,996.9 million from the issuance of common stock under the 2023 Subscription Agreement and the Underwriting Agreement during the nine months ended September 30, 2023.

## Critical Accounting Estimates

The condensed consolidated financial statements and the related notes thereto included elsewhere in this Quarterly Report are prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP"). The preparation of our condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts and related disclosures in our financial statements and accompanying notes. We base our estimates on historical experience and on various other factors that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions due to the inherent uncertainty involved in making those estimates and any such differences may be material.

We believe that the following accounting policies involve a high degree of judgment and complexity. Accordingly, these are the policies we believe are the most critical to aid in fully understanding and evaluating our condensed consolidated financial condition and results of our operations.

### **Revenue Recognition**

We follow a five-step process in which we identify the contract, identify the related performance obligations, determine the transaction price, allocate the transaction price to the identified performance obligations, and recognize revenue when (or as) the performance obligations are satisfied.

#### *Vehicle Sales*

##### *Vehicle Sales without Residual Value Guarantee*

Vehicle sales revenue is generated from the sale of electric vehicles to customers. There are two performance obligations identified in vehicle sale arrangements. These are the vehicle including an onboard advanced driver assistance system ("ADAS"), and the right to unspecified over-the-air ("OTA") software updates to be provided as and when available over the term of the basic vehicle warranty, which is generally 4 years. Shipping and handling provided by us is considered a fulfillment activity.

Payment is typically received at the time of delivery or shortly after delivery of the vehicle to the customer, except for vehicle sales under the EV Purchase Agreement. Generally, control transfers to the customer at the time of delivery when the customer takes physical possession of the vehicle, which may be at a Lucid studio or other destination chosen by the customer. Our vehicle contracts do not contain a significant financing component. We have elected to exclude sales taxes from the measurement of the transaction price. We estimate the standalone selling price of all performance obligations by considering costs used to develop and deliver the good or service, third-party pricing of similar goods or services and other information that may be available. The transaction price is allocated among the performance obligations in proportion to the standalone selling price of our performance obligations.

We recognize revenue related to the vehicle when the customer obtains control of the vehicle which occurs at a point in time either upon completion of delivery to the agreed upon delivery location or upon pick up of the vehicle by the customer. As the unspecified OTA software updates are provided when-and-if they become available, revenue related to OTA software updates is recognized ratably over the basic vehicle warranty term, commencing when control of the vehicle is transferred to the customer.

At the time of revenue recognition, we reduce the transaction price and record a sales return reserve against revenue for estimated variable consideration related to future product returns. Such return rate estimates are based on historical experience.

We provide a manufacturer's warranty on all vehicles sold. The warranty covers the rectification of reported defects via repair, replacement, or adjustment of faulty parts or components. The warranty does not cover any item where failure is due to normal wear and tear. This assurance-type warranty does not create a performance obligation separate from the vehicle. The estimated cost of the assurance-type warranty is accrued at the time of vehicle sale.



### *Vehicle Sales with Residual Value Guarantee*

We provide a residual value guarantee ("RVG") to our commercial banking partner in connection with its vehicle leasing program. Under the vehicle leasing program, we generally receive payment for the vehicle sales price at the time of delivery or shortly after delivery, do not bear casualty and credit risks during the lease term, and are contractually obligated (or entitled) to share a portion of the shortfall (or excess) between the resale value realized by the commercial banking partner and a predetermined resale value. At the lease inception, we are required to deposit cash collateral equal to a contractual percentage of the residual value of the leased vehicles with the commercial banking partner. The cash collateral is held in a restricted bank account owned by the commercial banking partner until it is used, as applicable, in settlement of the RVG at the end of the lease term. Cash collateral is recorded in other noncurrent assets, subject to asset impairment review at each reporting period.

We account for the vehicle leasing program in accordance with ASC 842, *Leases*, ASC 460, *Guarantees* and ASC 606, *Revenue from Contracts with Customers*. We are the lessor at inception of a lease and immediately transfer the lease as well as the underlying vehicle to our commercial banking partner, with the transaction being accounted for as a sale under ASC 606. We recognize revenue when control transfers upon delivery when the consumer-lessee takes physical possession of the vehicle, and bifurcate the RVG at fair value and account for it as a guarantee liability. The remaining amount of the transaction price is allocated among the performance obligations, including the vehicle, the right to unspecified OTA software updates and remarketing activities, in proportion to the standalone selling price of our performance obligations.

The guarantee liability represents the estimated amount we expect to pay at the end of the lease term. We are released from residual risk upon either expiration or settlement of the RVG. We evaluate variables such as third-party residual value publications, risk of future price deterioration due to changes in market conditions and reconditioning costs to determine the estimated residual value guarantee liability. As we accumulate more data related to the resale value of our vehicles or as market conditions change, there could be material changes to the estimated guarantee liabilities.

### *Inventory Valuation*

Inventories are stated at the lower of cost or net realizable value. Cost is computed using standard cost for vehicles, which approximates actual cost on a first-in, first-out basis. We record inventory write-downs for excess or obsolete inventories based upon assumptions about current and future demand forecasts.

Inventory is also reviewed to determine whether its carrying value exceeds the net amount realizable upon the ultimate sale of the inventory. This requires us to determine the selling price of our vehicles less the estimated cost to convert the inventory on-hand into a finished product.

In the event there are changes in our estimates of future selling prices or production costs, we might be required to record additional and potentially material write-downs. A small change in our estimates may result in a material change in our reported financial results.

We periodically review and record write-downs for excess or obsolete inventories based upon assumptions about current and future demand forecasts, considering shelf-life and technological obsolescence of certain inventories. Our current and future demand forecasts are based on our historical sales, market share performance, macroeconomic factors and trends in quantities or prices of orders for our products. We evaluate whether raw materials are approaching the end of their shelf-lives or becoming technologically obsolete, and the likelihood that we will be able to use the raw materials in production. If our inventory on-hand is in excess of future demand forecast and market conditions, the excess amounts are provisioned or written-down.

Once inventory is written-down, a new lower cost basis for that inventory is established and subsequent changes in facts and circumstances do not result in the restoration or increase in that newly established cost basis.

### *Redeemable Convertible Preferred Stock*

Accounting for the redeemable convertible preferred stock requires an evaluation to determine if liability classification is required under ASC 480-10. Liability classification is required for freestanding financial instruments that are (1) subject to an unconditional obligation requiring the issuer to redeem the instrument by transferring assets, such as those that are mandatorily redeemable, (2) instruments other than equity shares that embody an obligation of the issuer to repurchase its equity shares, or (3) certain types of instruments that obligate the issuer to issue a variable number of equity shares.

Securities that do not meet the scoping criteria to be classified as a liability under ASC 480 are subject to redeemable equity guidance, which prescribes securities that may be subject to redemption upon an event not solely within the control of the issuer to be classified as temporary equity. Securities classified in temporary equity are initially measured at the proceeds received, net of issuance costs and excluding the fair value of bifurcated embedded derivatives, if any. Subsequent measurement of the carrying value of the redeemable convertible preferred stock is required as the instrument is probable of becoming redeemable. We accrete the redeemable convertible preferred Stock to its redemption value at each reporting period end. In certain circumstances, the redemption price may vary based on changes in stock price, in which case we will recognize changes in the redemption value immediately as they occur and adjust the carrying value of the security to equal the then current maximum redemption value at each reporting period end.

#### *Derivative Liabilities*

In connection with the issuance of the redeemable convertible preferred stock, we evaluated the instruments for any features that must be bifurcated and separately accounted for as embedded derivatives. We concluded that the conversion features, inclusive of all settlement outcomes where the pay-off is indexed to the if-converted value, meets all the requirements to be separately accounted for as a bifurcated derivative. As a result, we bifurcated the redeemable convertible preferred stock between (i) the host contracts which are accounted for within mezzanine equity, and (ii) the bifurcated derivative liabilities. The proceeds from issuance are first allocated to the fair value of the bifurcated derivatives with the residual being allocated to the host contracts. The bifurcated derivatives are remeasured to fair value each reporting period with changes in fair value recorded in earnings. We estimated the fair value of the derivative liabilities using a binomial lattice model. Inherent in a binomial lattice model are unobservable inputs and assumptions. The inputs for the valuation of the derivative liabilities included the volatility, credit spread, and term. Assumptions used in the valuation also take into account the contractual terms as well as the quoted price of our common stock in an active market. Significant changes in any of those inputs in isolation would result in significant changes to the fair value measurement. We remeasure the derivative liabilities at each reporting period and recognize the changes in fair value in the condensed consolidated statement of operations and comprehensive loss.

### **Item 3. Quantitative and Qualitative Disclosures about Market Risk.**

We are exposed to market risks in the ordinary course of our business. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily the result of fluctuations in interest rates, equity price and inflationary pressure.

#### ***Interest Rate Risk***

We are exposed to market risk for changes in interest rates applicable to our cash and cash equivalents, restricted cash, and investments. We had cash, cash equivalents, restricted cash, and investments totaling approximately \$4.0 billion as of September 30, 2024. Our investment policy is focused on the preservation of capital and supporting our liquidity needs. Under the policy, we invest in highly rated securities, primarily issued by the U.S. government or liquid money market funds. We do not invest in financial instruments for trading or speculative purposes. We utilize external investment managers who adhere to the guidelines of our investment policy. Based on investment positions as of September 30, 2024, a hypothetical 100 basis point increase in interest rates would result in \$13.6 million incremental decline in the fair market value of our portfolio.

#### ***Equity Price Risk***

We hold equity securities of Aston Martin Lagonda Global Holdings plc. The fair value of these equity securities was \$45.7 million as of September 30, 2024. Changes in fair value of these equity securities are impacted by the volatility of the stock market and changes in general economic conditions, among other factors. A hypothetical 10% decrease in the stock price of these equity securities would decrease the fair value as of September 30, 2024 by \$4.6 million.

#### ***Inflationary Pressure***

The U.S. and Saudi Arabian economies have experienced increased inflation. Our vehicle manufacturing costs are heavily influenced by the cost of the key components and materials used in the vehicle, labor costs, as well as the cost of equipment used in our manufacturing facilities. As we continue the phased construction of our AMP-1 and AMP-2 facilities, any further increases in material and infrastructure equipment prices, as well as construction labor costs, could lead to higher capital expenditures.

#### ***Supply Risk***

We are dependent on our suppliers, the majority of which are single-source suppliers, and the inability of these suppliers to deliver necessary components of its products according to the schedule and at prices, quality levels and volumes acceptable to us, or its inability to efficiently manage these components, could have a material adverse effect on our results of operations and financial condition.

#### **Item 4. Controls and Procedures.**

##### **Evaluation of Disclosure Controls and Procedures**

Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this Quarterly Report on Form 10-Q.

Based on their evaluation, our principal executive officer and principal financial officer concluded that as of September 30, 2024, our disclosure controls and procedures are designed to, and are effective to, provide reasonable assurance that the information we are required to disclose in reports we file or submit under the Exchange Act is (i) recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and (ii) accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

##### **Changes in Internal Control Over Financial Reporting**

There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the fiscal quarter ended September 30, 2024, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

##### **Limitations on Effectiveness of Controls and Procedures**

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

## PART II - OTHER INFORMATION

### Item 1. Legal Proceedings.

For a description of our legal proceedings, please see the description set forth in the "Legal Matters" section in Note 12 "Commitments and Contingencies" to the condensed consolidated financial statements in Item 1 of Part I of this Quarterly Report, which is incorporated herein by reference.

### Item 1A. Risk Factors.

*A description of the risks and uncertainties associated with our business is set forth below. Investors should carefully consider the risks and uncertainties described below, as well as the other information in this Quarterly Report, including our condensed consolidated financial statements and the related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations." The occurrence of any of the events or developments described below, or of additional risks and uncertainties not presently known to us or that we currently deem immaterial, could materially and adversely affect our business, results of operations, financial condition and growth prospects. In such an event, the market price of our common stock could decline, and our stockholders could lose all or part of their investment.*

#### Risk Factor Summary

*Our business is subject to numerous risks and uncertainties, including those highlighted in this section titled Item 1A. "Risk Factors," that represent challenges that we face in connection with the successful implementation of our strategy and growth of our business. The occurrence of one or more of the events or circumstances described in this section titled Item 1A. "Risk Factors," alone or in combination with other events or circumstances, may have an adverse effect on our business, cash flows, financial condition and results of operations. Such risks include, but are not limited to:*

- Our limited operating history makes evaluating our business and future prospects difficult and may increase the risk of stockholders' investment.
- We have incurred net losses each year since our inception and expect to incur increasing expenses and substantial losses for the foreseeable future.
- We may be unable to adequately control the substantial costs associated with our operations.
- Failure to attract customers, failure to complete the purchase process with customers, and customer cancellation of orders may have a material adverse impact on our business, prospects, results of operations and financial condition.
- A global economic recession, government closures of banks and liquidity concerns at other financial institutions, or other downturn may have a material adverse impact on our business, prospects, results of operations and financial condition.
- We currently depend primarily on revenue generated from a single model and in the foreseeable future will be significantly dependent on a limited number of models.
- Our business and prospects depend significantly on our brand.
- We do not have a third-party retail product distribution and full-service network.
- We face challenges providing charging solutions for our vehicles, both domestically and internationally.
- If we fail to manage our future growth effectively, we may not be able to develop, manufacture, distribute, market and sell our vehicles successfully.
- We face risks associated with international operations, including unfavorable regulatory, political, tax and labor conditions, which could harm our business.
- The automotive industry has significant barriers to entry that we must overcome in order to manufacture and sell EVs at scale.
- The automotive market is highly competitive, and we may not be successful in competing in this industry.
- We have experienced and may in the future experience significant delays in the design, manufacture, launch and financing of our vehicles, including the Lucid Air, the Lucid Gravity SUV and our Midsize platform, which could harm our business and prospects.
- Our ability to continue production and our future growth depends upon our ability to maintain relationships with our existing suppliers and source suppliers for our critical components, and to complete building out our supply chain, while effectively managing the risks due to such relationships.

- We are dependent on our suppliers, the majority of which are single-source suppliers, and the inability of these suppliers to deliver necessary components of our products according to our schedule and at prices, quality levels and volumes acceptable to us, or our inability to efficiently manage these components or to implement or maintain effective inventory management and other systems, processes and personnel to support ongoing and increased production, could have a material adverse effect on our results of operations and financial condition.
- Changes in costs, changes of supply or shortage of materials, in particular for lithium-ion battery cells or semiconductors, could harm our business.
- If we fail to successfully construct or tool our manufacturing facilities or if our manufacturing facilities become inoperable, we will be unable to produce our vehicles and our business will be harmed.
- We have limited experience in high volume manufacture of our vehicles.
- If our vehicles fail to perform as expected, our ability to develop, market and sell or lease our products could be harmed.
- We have limited experience servicing our vehicles and their integrated software. If we or our partners are unable to adequately service our vehicles, our business, prospects, financial condition and results of operations may be materially and adversely affected.
- Insufficient reserves to cover future warranty or part replacement needs or other vehicle repair requirements, including any potential software upgrades, could materially adversely affect our business, prospects, financial condition and results of operations.
- We may not be able to accurately estimate the supply and demand for our vehicles, which could result in a variety of inefficiencies in our business and hinder our ability to generate revenue. If we fail to accurately predict our manufacturing requirements, we could incur additional costs or experience delays.
- Any unauthorized control, manipulation, interruption or compromise of or access to our products or information technology systems or networks could result in loss of confidence in us and our products, harm our business and materially adversely affect our financial performance, results of operations or prospects.
- We are subject to evolving laws, regulations, standards, policies, and contractual obligations related to data privacy and cybersecurity, and any actual or perceived failure to comply with such obligations could harm our reputation and brand, subject us to significant fines and liability, or otherwise adversely affect our business.
- The loss of key employees or an inability to attract, retain and motivate qualified personnel may impair our ability to expand our business.
- We are highly dependent on the services of Peter Rawlinson, our Chief Executive Officer and Chief Technology Officer.
- We are subject to laws and regulations that could impose substantial costs, legal prohibitions or unfavorable changes upon our operations or products, and any failure to comply with these laws and regulations, including as they evolve, could substantially harm our business and results of operations.
- We may face regulatory limitations on our ability to sell vehicles directly, which could materially and adversely affect its ability to sell our vehicles.
- We may fail to adequately obtain, maintain, enforce, defend and protect our intellectual property and may not be able to prevent third parties from unauthorized use of our intellectual property and proprietary technology. If we are unsuccessful in any of the foregoing, our competitive position could be harmed and we could be required to incur significant expenses to enforce our rights.
- We will require additional capital to support business growth, and this capital might not be available on commercially reasonable terms, or at all.
- We may not be able to realize the anticipated benefits of our agreement with Aston Martin.
- If we identify material weaknesses or otherwise fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately or timely report our financial condition or results of operations, which may adversely affect investor confidence in us and the value of our common stock.
- The issuance of additional shares of our common stock or other equity or equity-linked securities, including our Redeemable Convertible Preferred Stock, or sales of a significant portion of our common stock, could depress the market price of our common stock.
- We are a "controlled company" within the meaning of the applicable rules of Nasdaq and, as a result, qualify for exemptions from certain corporate governance requirements. Our stockholders do not have the same protections afforded to stockholders of companies that are not controlled companies.
- PIF and Ayar beneficially own a significant equity interest in us and have significant influence over us, which could decrease the relative ownership interest and voting power other holders of our common stock have over us.

- The holders of our Redeemable Convertible Preferred Stock are entitled to vote their shares of the Redeemable Convertible Preferred Stock on an as-converted to common stock basis and have rights to approve certain actions, which reduces the relative voting power of the holders of our common stock. The settlement of our obligations upon conversion, redemption, or repurchase of our Redeemable Convertible Preferred Stock is expected to dilute the ownership of common stockholders and may adversely affect the market price of our common stock.
- Our Redeemable Convertible Preferred Stock has rights, preferences and privileges that are not held by, and are senior to the rights of, our common stockholders.

## **Risks Related to Our Business and Operations**

### ***Our limited operating history makes evaluating our business and future prospects difficult and may increase the risk of stockholders' investment.***

We are an early-stage company with a limited operating history, operating in a rapidly evolving and highly regulated market. Furthermore, we have only released one commercially available vehicle, and we have limited experience manufacturing or selling a commercial product at scale. Because we have yet to generate significant revenue from the sale of electric vehicles, and as a result of the capital-intensive nature of our business, we expect to continue to incur substantial operating losses for the foreseeable future.

We have encountered and expect to continue to encounter risks and uncertainties frequently experienced by early-stage companies in rapidly changing markets, including risks relating to our ability to, among other things:

- hire, integrate and retain professional and technical talent, including key members of management;
- continue to make significant investments in research, development, manufacturing, marketing and sales;
- successfully design, build, manufacture and market new variants and models of electric vehicles, such as the Lucid Gravity SUV and our Midsize platform;
- build a well-recognized and respected brand;
- establish, implement, refine and scale our commercial manufacturing capabilities and distribution infrastructure;
- establish and maintain satisfactory arrangements with third-party suppliers;
- establish and expand a customer base;
- anticipate and adapt to changing market conditions, including consumer demand for certain vehicle types, models or trim levels, technological developments and changes in competitive landscape;
- navigate an evolving and complex regulatory environment;
- successfully obtain, maintain, protect, defend and enforce our intellectual property and defend against claims of intellectual property infringement, misappropriation or other violation.

### ***We have incurred net losses each year since our inception and expect to incur increasing expenses and substantial losses for the foreseeable future.***

We have incurred net losses each year since our inception, including net loss of \$992.5 million and \$2,316.7 million for the three and nine months ended September 30, 2024, respectively. As of September 30, 2024, our accumulated deficit was \$12.5 billion. We expect to continue to incur substantial losses and increasing expenses in the foreseeable future as we:

- continue to design, develop and manufacture our vehicles;
- equip and expand our research, service, battery, powertrain, and manufacturing facilities to produce our vehicles in Arizona and in international locations such as Saudi Arabia;
- build up inventories of parts and components for our vehicles;
- manufacture and store an available inventory of our vehicles;
- develop and deploy geographically dispersed vehicle charging partnerships;
- expand our design, research, development, maintenance and repair capabilities and facilities;
- increase our sales, service and marketing activities and develop our distribution infrastructure; and
- expand our general and administrative functions to support our growing operations and status as a public company.

If our product development or commercialization of future vehicles is delayed, our costs and expenses may be significantly higher than we currently expect. Because we will incur the costs and expenses from these efforts before we receive any incremental revenues with respect thereto, we expect our losses in future periods will be significant.

***We may be unable to adequately control the substantial costs associated with our operations.***

We will require significant capital to develop and grow our business. We have incurred and expect to continue to incur significant expenses, including leases, sales and distribution expenses as we build our brand and market our vehicles; expenses relating to developing and manufacturing our vehicles, constructing, tooling and expanding our manufacturing facilities; research and development expenses (including expenses related to the development of the Lucid Air, the Lucid Gravity SUV, our Midsize platform and other future products); raw material procurement costs; and general and administrative expenses as we scale our operations and continue to incur the costs of being a public company. Increased competition and adverse economic conditions have in the past and may continue in the future to require us to spend additional resources to attract customers, which in turn may result in higher marketing and incentive expenses. Furthermore, lower production and sales volumes have in the past and may further result in an inability to fully utilize our purchase commitments with suppliers which could result in increased costs and excess inventory as well as potential inventory write-offs. In addition, we have incurred and expect to continue to incur significant costs servicing and maintaining customers' vehicles, including establishing our service operations and facilities and undertaking product recalls. As a company, we have limited historical experience forecasting and budgeting for any of these expenses, and these expenses could be significantly higher than we currently anticipate. In addition, any disruption to our manufacturing operations, obtaining necessary equipment or supplies, expansion of our manufacturing facilities, or the procurement of permits and licenses relating to our expected manufacturing, sales and distribution model could significantly increase our expenses. In such event, we could be required to seek additional financing earlier than we expect, and such financing may not be available on commercially reasonable terms, or at all.

In the longer term, our ability to become profitable in the future will depend on our ability not only to effectively manage our capital expenditures and control costs on a timely basis, but also to sell in quantities and at prices sufficient to achieve our expected margins. If we are unable to appropriately price and cost-efficiently design, manufacture, market, sell, distribute and service our vehicles, our margins, profitability and prospects will be materially and adversely affected.

***Failure to attract customers, failure to complete the purchase process with customers, and customer cancellation of orders may have a material adverse impact on our business, prospects, results of operations and financial condition.***

Delays in customer deliveries, delays in the availability of options, potential changes in customer preferences, competitive developments, increased interest rates, negative publicity, decreased demand for electric vehicles, and other factors could result in failure to attract customers, failure to complete the purchase process with customers, and customer cancellation. Increases in interest rates could make financing unaffordable for segments of our customer base and any event or incident which generates negative media coverage about us or the safety or quality of our vehicles could result in failure to attract customers, failure to complete the purchase process, and customer cancellations. In addition, if we encounter delays in customer deliveries of the Lucid Air that further lengthen wait times or in the event of negative media coverage, a significant number of orders may be cancelled. As such, no assurance can be given that the purchase process will be completed, orders will not be cancelled, and orders will ultimately result in the final purchase, delivery and sale or lease of vehicles.

***A global economic recession, government closures of banks and liquidity concerns at other financial institutions, or other downturn may have a material adverse impact on our business, prospects, results of operations and financial condition.***

A global economic recession or other downturn, whether due to inflation, global conflicts or other geopolitical events including the evolving conflicts in the Middle East, public health crises, interest rate increases or other policy actions by major central banks, government closures of banks and liquidity concerns at other financial institutions, or other factors, may have an adverse impact on our business, prospects, financial condition and results of operations. Adverse economic conditions as well as uncertainty about the current and future global economic conditions may cause our customers to defer purchases or cancel their orders in response to higher interest rates, availability of consumer credit, decreased cash availability, fluctuations in foreign currency exchange rates, and weakened consumer confidence. Reduced demand for our products may result in significant decreases in our product sales, which in turn would have a material adverse impact on our business, prospects, financial condition and results of operations. Because of our premium brand positioning and pricing, an economic downturn is likely to have a heightened adverse effect on us compared to many of our electric vehicle and traditional automotive industry competitors, to the extent that consumer demand for luxury goods is reduced in favor of lower-priced alternatives. In addition, any economic recession or other downturn could also cause logistical challenges and other operational risks if any of our suppliers, sub-suppliers or partners become insolvent or are otherwise unable to continue their operations, fulfill their obligations to us, or meet our future demand.



In addition, the deterioration of conditions in global credit markets may limit our ability to obtain external financing to fund our operations and capital expenditures on terms favorable to us, if at all. If we are unable to obtain adequate financing or financing on terms satisfactory to us, when we require it, we will have to significantly reduce our spending, delay or cancel our planned activities or substantially change our corporate structure, and we might not have sufficient resources to conduct or support our business as projected, which would have a material adverse effect on our business, prospects, results of operations, and financial condition. See “—Risks Related to Financing and Strategic Transactions — *We will require additional capital to support business growth, and this capital might not be available on commercially reasonable terms, or at all.*”

***We currently depend primarily on revenue generated from a single model and in the foreseeable future will be significantly dependent on a limited number of models.***

We currently depend primarily on revenue generated from a single vehicle model, the Lucid Air, and in the foreseeable future will be significantly dependent on a single or limited number of models. Although we have other vehicle models on our product roadmap, we are not scheduled to introduce another vehicle model for sale, the Lucid Gravity SUV, until late 2024. We expect to rely on sales from the Lucid Air, among other sources of financing, for the capital that will be required to develop and commercialize those subsequent models. To the extent that production of the Lucid Air or future models is delayed or reduced, or if the Lucid Air or future models are not well-received by the market for any reason, our revenue and cash flow would be adversely affected, we may need to seek additional financing earlier than we expect, and such financing may not be available to us on commercially reasonable terms, or at all.

***If we are unable to fulfill the orders from the Government of Saudi Arabia or if the Government of Saudi Arabia purchases significantly fewer vehicles than we anticipate for any reason, our business, prospects, results of operations and financial condition could be materially and adversely affected.***

In August 2023, we entered into an EV purchase agreement with the Government of Saudi Arabia as represented by the Ministry of Finance (the “EV Purchase Agreement”), which supersedes the letter of undertaking that we entered into in April 2022. Pursuant to the terms of the EV Purchase Agreement, the Government of Saudi Arabia and its entities and corporate subsidiaries and other beneficiaries (collectively, the “Purchaser”) may purchase up to 100,000 vehicles, with a minimum purchase quantity of 50,000 vehicles and an option to purchase up to an additional 50,000 vehicles during a ten-year period. Under the EV Purchase Agreement, the Purchaser may reduce the minimum vehicle purchase quantity by the number of vehicles set out in any purchase order not accepted by us or by the number of vehicles that we fail to deliver within six months from the date of the applicable purchase order. The Purchaser also has the absolute discretion to decide whether to exercise the option to purchase the additional 50,000 vehicles. See Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations for more information.

If we experience delays in manufacturing and delivering vehicles ordered by the Purchaser, fail to or experience delays in complying with Saudi Arabian regulations or the requirements of the EV Purchase Agreement, fail to provide adequate service or support for the vehicles, or fail to set the appropriate purchase price for such vehicles, our revenue, cash flow and results of operations and financial condition could be adversely affected. Furthermore, if the Purchaser reduces the minimum vehicle purchase quantity, delays the purchase of vehicles, does not exercise its option to purchase additional vehicles, or purchases significantly fewer vehicles than we currently anticipate for any reason, including for reasons beyond our control, our business, prospects, results of operations and financial condition could be materially and adversely affected.

***Our business and prospects depend significantly on our brand.***

Our business and prospects will heavily depend on our ability to develop, maintain, protect and strengthen the “Lucid” brand association with luxury and technological excellence. Promoting and positioning our brand will likely depend significantly on our ability to provide a consistently high-quality customer experience, an area in which we have limited experience. To promote our brand, we will be required to invest in, and over time change our customer development and branding practices, which could result in substantially increased expenses, including the need to use public relations and advertising firms. Our ability to successfully position our brand could also be adversely affected by perceptions about the quality of our competitors’ vehicles or our competitors’ success. For example, certain of our competitors have been subject to significant scrutiny for incidents involving their self-driving technology and battery fires, which could result in similar scrutiny of us.

In particular, any negative publicity, whether or not true, can quickly proliferate on social media and harm consumer perception and confidence in our brand. The growing use of social media increases the speed with which information and opinions can be shared and, thus, the speed with which a company’s reputation can be affected. If we fail to correct or mitigate misinformation or negative information, including information spread through social media or traditional media channels, about us, the products we offer, our customer experience, or any aspect of our brand, our business, sales and results of operations could be adversely impacted. From time-to-time, our vehicles or those of our competitors may be evaluated and reviewed by third parties. Perceptions of our offerings in the marketplace may be significantly influenced by these reviews, which are disseminated via various media, including the internet. Any negative reviews or reviews which compare us unfavorably to competitors could adversely affect consumer perception about our vehicles and reduce demand for our vehicles, which could have a material adverse effect on our business, results of operations, prospects and financial condition.

***Our sales will depend in part on our ability to establish and maintain confidence in our long-term business prospects among consumers, the investment community and others within our industry.***

Consumers may be less likely to purchase our products if they do not believe that our business will succeed or that our operations, including service and customer support operations, will continue for many years. Similarly, suppliers and other third parties will be less likely to invest time and resources in developing business relationships with us if they are not convinced that our business will succeed. Accordingly, to build, maintain and grow our business, we must establish and maintain confidence among customers, suppliers, the investment community and other parties with respect to our liquidity and long-term business prospects.

Maintaining such confidence may be difficult as a result of many factors, including our limited operating history, others' unfamiliarity with our products, uncertainty regarding the future of electric vehicles, any delays in scaling production, delivery and service operations to meet demand, competition and our production and sales performance compared with market expectations. Many of these factors are largely outside of our control, and any negative perceptions about our long-term business prospects, even if exaggerated or unfounded, would likely harm our business and make it more difficult to raise additional capital in the future. In addition, as discussed above, a significant number of new electric vehicle companies have recently entered the automotive industry, which is an industry that has historically been associated with significant barriers to entry and a high rate of failure. Certain of these new entrants or other traditional automotive manufacturers now producing electric vehicles have become insolvent, and if additional manufacturers producing electric vehicles become insolvent or are perceived to likely become insolvent, discontinue production of electric vehicles, produce vehicles that do not perform as expected or otherwise fail to meet expectations, such failures may have the effect of increasing scrutiny of others in the industry, including us, and further challenging customer, supplier and the investment community's confidence in our long-term prospects.

***We do not have a third-party retail product distribution and full-service network.***

Third-party dealer networks are the traditional method of vehicle sales distribution and service. Because we sell directly to consumers, we do not have a traditional dealer product distribution and service network. We have limited experience distributing directly to consumers, and we expect that continuing to build a national and global in-house sales and marketing function, including an expanded physical sales, marketing and service footprint via our Lucid studios and service centers, will be expensive and time consuming. We have experienced delays in the construction and opening of our Lucid studios and service centers and any significant delays to establish Lucid studios and service centers in key markets in the future could have an adverse effect on our business, results of operations, prospects and financial condition. In addition, if our lack of a traditional dealer distribution and service network results in lost opportunities to generate sales, it could limit our ability to grow. Moreover, our business model of selling directly to consumers and directly servicing all vehicles may be limited by regulatory constraints. To the extent we are unable to successfully execute on such plans in all markets, we may be required to develop a third-party dealer distribution and service network, including developing and implementing the necessary information technology infrastructure to support them, which may prove costly, time-consuming or ineffective. If our use of an in-house sales, marketing and service team is not effective, our results of operations and financial conditions could be adversely affected.

***Our ability to generate meaningful product revenue will depend on consumer adoption of electric vehicles.***

We are developing and producing only electric vehicles and, accordingly, our ability to generate meaningful product revenue will highly depend on sustained consumer demand for alternative fuel vehicles in general and electric vehicles in particular. If the market for electric vehicles does not develop as we expect or develops more slowly than we expect, or if there is a decrease in consumer demand for electric vehicles, our business, prospects, financial condition and results of operations will be harmed. The market for electric and other alternative fuel vehicles is relatively new, rapidly evolving, characterized by rapidly changing technologies, price competition, additional competitors, evolving government regulation (including government incentives and subsidies) and industry standards, frequent new vehicle announcements and changing consumer demands and behaviors. Any number of changes in the industry could negatively affect consumer demand for electric vehicles in general and our electric vehicles in particular.

In addition, demand for electric vehicles may be affected by factors directly impacting automobile prices or the cost of purchasing and operating automobiles such as sales and financing incentives such as tax credits, prices of raw materials and parts and components, cost of fuel, availability of consumer credit, interest rates, and governmental regulations, including tariffs, import regulation and other taxes. Volatility in demand may lead to lower vehicle unit sales, which may result in downward price pressure and adversely affect our business, prospects, financial condition and results of operations. Further, sales of vehicles in the automotive industry tend to be cyclical in many markets, which may expose us to increased volatility, especially as we expand and adjust our operations and retail strategies. Specifically, it is uncertain how such macroeconomic factors will impact us as a new entrant in an industry that has globally been experiencing a recent decline in sales.

Other factors that may influence the adoption of electric vehicles include:

- perceptions about electric vehicle quality, safety, design, performance and cost;
- perceptions about the limited range over which electric vehicles may be driven on a single battery charge;

- perceptions about the total cost of ownership of electric vehicles, including the initial purchase price and operating and maintenance costs, both including and excluding the effect of government and other subsidies and incentives designed to promote the purchase of electric vehicles;
- concerns about electric grid capacity and reliability;
- perceptions about the sustainability and environmental impact of electric vehicles, including with respect to both the sourcing and disposal of materials for electric vehicle batteries and the generation of electricity provided in the electric grid;
- the availability of other alternative fuel vehicles, including plug-in hybrid electric vehicles;
- improvements in the fuel economy of the internal combustion engine;
- the quality and availability of service for electric vehicles, especially in international markets;
- volatility in the cost of oil and gasoline;
- government regulations and economic incentives promoting fuel efficiency and alternate forms of energy;
- access to charging stations compatible with our vehicles and cost to charge an electric vehicle, especially in international markets, and related infrastructure costs and standardization;
- the availability of tax and other governmental incentives to purchase and operate electric vehicles or future regulation requiring increased use of nonpolluting vehicles; and
- macroeconomic factors.

The influence of any of the factors described above or any other factors may cause a general reduction in consumer demand for electric vehicles or our electric vehicles in particular, either of which would materially and adversely affect our business, results of operations, financial condition and prospects.

***We face challenges providing charging solutions for our vehicles, both domestically and internationally.***

Demand for our vehicles will depend in part on the availability of charging infrastructure both domestically and internationally. While the prevalence of charging stations has been increasing, charging station locations are significantly less widespread than gas stations. Furthermore, charging stations often experience downtime, leading to customer dissatisfaction. Although we have partnered with third-party electric vehicle charging providers to offer charging stations to our customers, the charging infrastructure available to our customers may be insufficient to meet their needs or expectations, especially in certain international markets. Some potential customers may choose not to purchase our vehicles because of the lack of more widespread and reliable charging infrastructure. In addition, although we have agreed to join Tesla's Supercharger network, there may be delays in making changes to our vehicles or the network necessary for Lucid vehicles to charge at Tesla Superchargers, and there is no guarantee that our customers will not experience performance, access or other issues with this or other charging networks. In addition, although the current U.S. presidential administration has proposed a plan to deploy 500,000 additional public charging stations across the United States by 2030, the deployment may not occur at planned levels, which could serve to limit the development of public charging infrastructure and increase the relative attractiveness to potential customers of a proprietary charging solution.

***If we fail to manage our future growth effectively, we may not be able to develop, manufacture, distribute, market and sell our vehicles successfully.***

Any failure to manage our growth effectively could materially and adversely affect our business, prospects, results of operations and financial condition. We are expanding our operations significantly and our current and future expansion plans include:

- expanding our management team;
- hiring and training new personnel;
- establishing or expanding design, manufacturing, distribution, sales and service facilities;
- implementing and enhancing administrative and business infrastructure, governance, systems and processes, including in connection with our maturation as a public company; and
- expanding into new markets and establishing sales, service, administrative, distribution, and/or manufacturing operations in many of those markets.

We require qualified personnel, including design and manufacturing personnel and service technicians for our vehicles. Because our vehicles are based on a different technology platform than traditional internal combustion engines, individuals with sufficient training in electric vehicles may not be available to hire, and as a result, we will need to expend significant time and expense training the employees we do hire. Competition for individuals with experience in supply chain management and logistics as well as designing, engineering, manufacturing, producing, selling, and servicing electric vehicles is intense, and we may not be able to identify, attract, integrate, train, motivate or retain sufficient highly qualified personnel in the future. Furthermore, we recently announced a restructuring plan, which involves the reduction of our employee workforce and may adversely affect our internal programs and initiatives as well as our ability to recruit and retain skilled and motivated personnel. Any such restructuring plan may also be distracting to employees and management and may negatively impact our business operations, reputation, or ability to serve customers. We cannot provide any assurances that we will not have to undertake additional workforce reductions in the future. The failure to identify, attract, integrate, train, motivate and retain these employees could seriously harm our business and prospects. In addition, our employee equity program is a key factor in our ability to attract and retain talent and continue to support the growth of the company. If we are unable to grant equity awards, or if we are forced to reduce the value of equity awards to be received by the employees for any reason, we may not be able to attract, hire and retain the personnel necessary for our business, which would have a material adverse effect on our business, prospects financial condition and results of operations. In addition, our success is substantially dependent upon the continued service and performance of our senior management team and key technical and vehicle management personnel. If any key employees were to separate their employment with us, such separation would likely increase the difficulty of managing our current operations and future growth and heighten the foregoing risks.

We also have limited experience to date in high volume manufacturing of our vehicles. We cannot assure our investors that we will be able to develop and implement efficient, automated, low-cost manufacturing capabilities and processes, and reliable sources of component supply that will enable us to meet the quality, price, engineering, design and production standards, as well as the production volumes, required to successfully market our vehicles. We have also experienced, and may continue to experience, internal and external logistics challenges with respect to our manufacturing and warehousing facilities, including disruption to manufacturing operations due to the consolidation of our logistics operations with our manufacturing operations at AMP-1. Any failure to develop and implement such manufacturing processes and capabilities within our projected costs and timelines could stunt our future growth and impair our ability to produce, market, service and sell or lease our vehicles successfully. In addition, our rapid growth, competitive real estate markets, and increasing rental rates, may impact our ability to obtain suitable space to accommodate our growing operations or to renew existing leases on terms favorable to us, if at all. Any failure to obtain or renew leases for real property on terms favorable to us when we need them may limit our growth, impact our operations and have an adverse impact on our financial condition. If we fail to manage our growth effectively, such failure could result in negative publicity and damage to our brand and have a material adverse effect on our business, prospects, financial condition and results of operations.

***We face risks associated with international operations, including unfavorable regulatory, political, tax and labor conditions, which could harm our business.***

As we expand our international presence and operations, we will be increasingly subject to the legal, political, regulatory and social requirements and economic conditions in these jurisdictions. Additionally, as part of our growth strategy, we have been expanding and may continue to expand our sales, maintenance and repair services outside of the United States. We are also continuing the construction of AMP-2 in Saudi Arabia and may continue to further expand our manufacturing activities outside the United States. However, we have limited experience to date manufacturing our vehicles outside of the United States, and such expansion has and will continue to require us to make significant expenditures, including the hiring of local employees and establishing facilities and related systems and processes, in advance of generating any significant revenue. We are subject to a number of risks associated with international business activities that may increase our costs, impact our ability to sell, service and manufacture our vehicles, and require significant management attention. These risks include:

- conforming our vehicles to various international regulatory and homologation requirements where our vehicles are sold;
- establishing localized supply chains and managing international supply chain and logistics costs, including the shipping and delivery of kits for the SKD facility;
- establishing sufficient charging points for our customers in those jurisdictions, via partnerships or, if necessary, via development of our own charging networks or accessing those of third parties;
- difficulties staffing and managing foreign operations, especially in jurisdictions where no EV ecosystem exists and qualified personnel must be hired and relocated;
- difficulties attracting customers in new jurisdictions;
- difficulties establishing international manufacturing operations, including difficulties establishing relationships with or establishing localized supplier bases and developing cost-effective and reliable supply chains for such manufacturing operations and financing such manufacturing operations;
- difficulties controlling costs and potential loss of funding, including as a result of delays in the construction or ramp-up of operations at AMP-2;
- difficulties or delays caused by local jurisdictions in implementing infrastructure improvements for manufacturing facilities;

- foreign government taxes, regulations and permit requirements, including foreign taxes that we may not be able to offset against taxes imposed upon us in the United States, and foreign tax and other laws limiting our ability to repatriate funds to the United States;
- inflation as well as fluctuations in foreign currency exchange rates and interest rates, including risks related to any forward currency contracts, interest rate swaps or other hedging activities we may undertake;
- currency fluctuations or localized inflationary pressure;
- United States and foreign government trade restrictions, tariffs and price or exchange controls;
- foreign laws, regulations and restrictions, including in the areas of supply chain, labor, sales, service, environment and health and safety, and related compliance costs;
- increasingly restrictive and complex foreign data privacy and cybersecurity laws, regulations and obligations;
- changes in diplomatic and trade relationships, including political risk and customer perceptions based on such changes and risks;
- political instability, natural disasters, pandemics, wars, global conflicts or other geopolitical events (including the conflict in the Middle East, which is affecting shipping routes in that region directly and consequently globally), or events of terrorism; and
- the strength of international economies.

If we fail to successfully address these risks, our business, prospects, results of operations and financial condition could be materially harmed.

***The automotive industry has significant barriers to entry that we must overcome in order to manufacture and sell electric vehicles at scale.***

The automobile industry is characterized by significant barriers to entry, including large capital requirements, investment costs of designing, manufacturing, and distributing vehicles, long lead times to bring vehicles to market from the concept and design stage, the need for specialized design and development expertise, regulatory requirements, establishing a brand name and image, and the need to establish sales and service locations. Since we are focused on the design of electric vehicles, we face a variety of added challenges to entry that a traditional automobile manufacturer would not encounter, including additional costs of developing and producing an electric powertrain that has comparable performance to a traditional gasoline engine in terms of range and power, inexperience with servicing electric vehicles, regulations associated with the transport of batteries, the need to establish or provide access to sufficient charging locations and unproven high-volume customer demand for fully electric vehicles. While we have developed and started producing our first electric sedan and have completed the first phase of construction of AMP-1, we have not finished tooling all production lines at AMP-1. If we are not able to overcome these barriers, our business, prospects, results of operations and financial condition will be negatively impacted, and our ability to grow our business will be harmed.

***The automotive market is highly competitive, and we may not be successful in competing in this industry.***

The global automotive market, particularly for electric and alternative fuel vehicles, is highly competitive, and we expect it will become even more so in the future. In recent years, the electric vehicle industry has grown, with the emergence of several companies that focus completely or partially on the electric vehicle market. In addition, traditional automotive manufacturers are also producing and selling electric and alternative fuel vehicles. We expect additional companies to enter this market within the next several years. Electric vehicle manufacturers with which we compete include Tesla, an increasing number of U.S.-based and international entrants and traditional automotive manufacturers, many of which have begun, or announced plans to begin, selling their own electric vehicles in the near-term. We also compete with established automobile manufacturers in the luxury vehicle segment, many of which have entered or have announced plans to enter the alternative fuel and electric vehicle market with either fully electric or plug-in hybrid versions of their vehicles. We compete for sales with luxury vehicles with internal combustion engines from established manufacturers. Many of our current and potential competitors have significantly greater financial, technical, manufacturing, marketing and other resources than we do and may be able to devote greater resources to the design, development, manufacturing, distribution, promotion, sale, servicing, and support of their products, including the ability to significantly reduce prices of their products. In addition, many of these companies have longer operating histories, greater name recognition, larger and more established sales forces, broader customer and industry relationships and other resources than we do. Our competitors may be in a stronger position to respond quickly to changing market conditions and new technologies and may be able to design, develop, market and sell their products more effectively than we do. For example, some of our competitors have recently announced vehicle price reductions, which may result in downward price pressure and reduced demand for our vehicles. However, we may not be able to adjust our pricing strategies effectively, and there can be no assurance that such adjustments will allow us to successfully compete against our competitors, which may have a material adverse effect on our brand, business, prospects, inventory levels, results of operations and financial conditions. In addition, increased competition has in the past and may continue to require us to increase marketing and incentive expenses, which may have a material adverse effect on our operating results and financial condition. We expect competition in our industry to significantly intensify in the future in light of increased demand for alternative fuel vehicles, continuing globalization, favorable governmental policies, macroeconomic uncertainty, and consolidation in the worldwide automotive industry. Our ability to successfully compete in our industry will be fundamental to our future success in existing and new markets. There can be no assurance that we will be able to compete successfully in our markets.

***Developments in electric vehicle or alternative fuel technology or improvements in the internal combustion engine may adversely affect the demand for our vehicles.***

We may be unable to keep up with changes in electric vehicle technology or alternatives to electricity as a fuel source and, as a result, our competitiveness may suffer. Significant developments in alternative technologies, such as alternative battery cell technologies, hydrogen fuel cell technology, advanced gasoline, ethanol or natural gas, or improvements in the fuel economy of the internal combustion engine, may materially and adversely affect our business and prospects in ways we do not currently anticipate. Existing and other battery cell technologies, fuels or sources of energy may emerge as customers' preferred alternative to the technologies in our electric vehicles. Any failure by us to develop new or enhanced technologies or processes, or to react to changes in existing technologies, could materially delay our development and introduction of new and enhanced electric vehicles, which could result in the loss of competitiveness of our vehicles, decreased revenue and a loss of market share to competitors. In addition, we expect to compete in part on the basis of our vehicles' range, efficiency, charging speeds, performance and software, and improvements in the technology offered by competitors could reduce demand for the Lucid Air or other future vehicles. As technologies change, we plan to upgrade or adapt our vehicles and introduce new models that reflect such technological developments, but our vehicles may become obsolete, and our research and development efforts may not be sufficient to adapt to changes in alternative fuel and electric vehicle technology. Additionally, as new companies and larger, existing vehicle manufacturers continue to enter the electric vehicle space, we may lose any technological advantage we may have and suffer a decline in our competitive position. Any failure by us to successfully react to changes in existing technologies or the development of new technologies could materially harm our competitive position and growth prospects.

***The unavailability, reduction or elimination of certain government and economic programs could have a material adverse effect on our business, prospects, financial condition and results of operations.***

We expect to benefit from government and economic programs that encourage the development, manufacture or purchase of electric vehicles, such as zero emission vehicle credits, production tax credits, greenhouse gas credits and similar regulatory credits, the loss of which could harm our ability to generate revenue from the sale of such credits to other manufacturers; tax credits and other incentives to consumers, without which the net cost to consumers of our vehicles could increase, potentially reducing demand for our products; and investment tax credits for equipment, tooling and other capital needs, without which we may be unable to procure the necessary infrastructure for production to support our business and timeline; and certain other benefits, including a California sales and use tax exclusion and certain other hiring and job training credits in California and Arizona. We may also benefit from government loan programs. Any reduction, elimination or selective application of tax and other governmental programs and incentives because of policy changes, the reduced need for such programs due to the perceived success of the electric vehicle, fiscal tightening or other reasons may result in the diminished competitiveness of the electric vehicle industry generally or our electric vehicles in particular, which would adversely affect our business, prospects, financial condition and results of operations. Further, we cannot guarantee that the current governmental incentives and subsidies available for purchasers of electric vehicles will remain available. For example, beginning in 2023, the Inflation Reduction Act of 2022 eliminated the \$7,500 federal sales tax credit for sedans that have a manufacturer's suggested retail price over \$55,000, although a tax credit remains available for vehicles that are leased rather than purchased. See "— Failure to attract customers and complete the purchase process, and cancellation of orders."

While certain U.S. federal and state tax credits and other incentives for alternative energy production and alternative fuel and electric vehicles have been available in the past, there is no guarantee these programs will be available in the future. If current tax incentives are not available in the future, our financial position could be harmed.

***We may be unable to offer attractive leasing and financing options for the Lucid Air and future vehicles, which would adversely affect consumer demand for the Lucid Air and our future vehicles. In addition, offering leasing and financing options to customers could expose us to credit and residual value risk.***

We offer leasing and financing of our vehicles to potential customers through third-party financing partners and intend to do the same in new markets, but we cannot provide any assurance that such third-party financing partners will continue, or would be able or willing, to provide such services on terms acceptable to us or our customers. Furthermore, because we have only sold a limited number of vehicles and only a limited secondary market for our vehicles exists, the future resale value of our vehicles is difficult to predict, and, if the actual resale value of our vehicles is lower than anticipated, it would make providing leasing terms that appeal to potential customers through such third-party financing partners more difficult. We believe that the ability to offer attractive leasing and financing options is particularly relevant to customers in the luxury vehicle segments in which we compete, and if we are unable to offer our customers an attractive option to finance the purchase of or lease the Lucid Air or planned future vehicles, such failure could substantially reduce the population of potential customers and decrease demand for our vehicles.

Furthermore, offering leasing and financing alternatives to customers could expose us to regulatory risks commonly associated with the extension of consumer credit. Competitive pressure and challenging markets could increase credit risk through leases and loans to financially weak customers, extended payment terms, and leases and loans into new and immature markets, and any such credit risk could be further heightened in light of the economic uncertainty and any economic recession or other downturn, whether due to inflation, global conflicts or other geopolitical events, or public crises. If we are unable to provide leasing and financing arrangements that appeal to potential customers in a timely manner, or if the provision of such arrangements exposes us to excessive consumer credit risk or regulatory risk, our business, competitive position, results of operations and financial condition could be adversely affected.

In addition, we provide a residual value guarantee to our commercial banking partner in connection with our vehicle leasing program, under which we are contractually obligated to share a portion of the shortfall between the resale value realized by the commercial banking partner and a predetermined resale value. However, actual resale values are subject to fluctuations from various factors such as the condition of the leased vehicle, market price of new vehicles, and general economic conditions. If the resale values of leased vehicles pursuant to the vehicle leasing program are materially lower than our estimates, we may be required to cover some or all of such difference and our results of operations could be negatively impacted.

***We may not be able to obtain or agree on acceptable terms and conditions for all or a significant portion of the government grants, loans and other incentives for which we may apply. As a result, our business and prospects may be adversely affected.***

We may apply for federal and state grants, loans and tax incentives under government programs designed to stimulate the economy and support the production of alternative fuel and electric vehicles and related technologies. We anticipate that in the future there will be new opportunities for us to apply for grants, loans and other incentives from the United States federal and state governments, as well as foreign governments. Our ability to obtain funds or incentives from government sources is subject to the availability of funds under applicable government programs and approval of our applications to participate in such programs. The application process for these funds and other incentives will likely be highly competitive. We cannot guarantee that we will be successful in obtaining any of these additional grants, loans and other incentives. If we are not successful in obtaining any of these additional incentives and we are unable to find alternative sources of funding to meet our planned capital needs, our business and prospects could be materially adversely affected.

***We are subject to risks associated with autonomous driving and advanced driver assistance system technology, and we cannot guarantee that our vehicles will achieve our targeted assisted or autonomous driving functionality within our projected timeframe, if ever.***

Our vehicles are designed with advanced driver assistance system ("ADAS") hardware and software. The Lucid Air is equipped with Level 2 (partial automation) ADAS functionality, and we expect to launch the Lucid Gravity SUV with Level 2 functionality as well. We plan to upgrade our vehicles with additional capabilities over time. ADAS technologies are emerging and subject to known and unknown risks, and there have been accidents and fatalities associated with such technologies. The safety of such technologies depends in part on user interaction, and users, as well as other drivers on the roadways, may not be accustomed to using or adapting to such technologies. In addition, self-driving technologies are the subject of intense public scrutiny and interest, and previous accidents involving autonomous driving features in other non-Lucid vehicles, including alleged failures or misuse of such features, have generated significant negative media attention and government investigations. We and others in our industry are subject to a Standing General Order issued by the National Highway Traffic Safety Administration ("NHTSA") that requires us to report any crashes in which certain ADAS features were active, and these crash reports will become publicly available. To the extent accidents associated with our ADAS technologies occur, we could be subject to significant liability, negative publicity, government scrutiny and further regulation. Any of the foregoing could materially and adversely affect our results of operations, financial condition and growth prospects.

In addition, we face substantial competition in the development and deployment of ADAS technologies. Many of our competitors, including established automakers and technology companies, have devoted significant time and resources to developing self-driving technologies. If we are unable to develop competitive Level 2 or more advanced ADAS technologies in-house or acquire access to such technologies via partnerships or investments in other companies or assets, we may be unable to equip our vehicles with competitive ADAS features, which could damage our brand, reduce consumer demand for our vehicles and could have a material adverse effect on our business, results of operations, prospects and financial condition.

ADAS technology is also subject to regulatory uncertainty, which exposes us to additional risks. See "— Risks Related to Litigation and Regulation — ADAS technology is subject to uncertain and evolving regulations."

***Uninsured or underinsured losses could result in payment of substantial damages, which would decrease our cash reserves and could harm our cash flow and financial condition.***

In the ordinary course of business, we may be subject to losses resulting from claims such as product liability, significant accidents, acts of God or other claims brought against us, for which we may have no or insufficient insurance coverage. While we currently carry insurance that is customary for a company of our size and operations, we may not maintain as much insurance coverage as other original equipment manufacturers, and in some cases, we may not maintain any at all. Additionally, the policies that we have in place may include significant deductibles or exclusions, and we cannot be certain that our insurance coverage will be sufficient to cover all or any future claims. A loss that is uninsured or exceeds existing policy limits may require us to pay unexpected and substantial amounts, which could adversely affect our financial condition and results of operations. Further, insurance coverage may not continue to be available to us or, if available, may be at a significantly higher cost based on insurance market conditions or changes in our risk profile. This may require a change in our insurance purchasing philosophy and strategy which can result in the assumption of greater risks to offset insurance market fluctuations.

***Extended periods of low gasoline or other petroleum-based fuel prices could adversely affect demand for our vehicles, which would adversely affect our business, prospects, results of operations and financial condition.***

A portion of the current and expected demand for electric vehicles results from concerns about volatility in the cost of gasoline and other petroleum-based fuel, the dependency of the United States on oil from unstable or hostile countries, government regulations and economic incentives promoting fuel efficiency and alternative forms of energy, as well as concerns about climate change resulting in part from the burning of fossil fuels. If the cost of gasoline and other petroleum-based fuel decreases significantly, the outlook for the long-term supply of oil to the United States improves, the government eliminates or modifies its regulations or economic incentives related to fuel efficiency and alternative forms of energy or there is a change in the perception that the burning of fossil fuels negatively impacts the environment, the demand for electric vehicles, including our vehicles, could be reduced, and our business and revenue may be harmed.

Gasoline and other petroleum-based fuel prices have historically been extremely volatile and it is difficult to ascertain whether such volatility will continue to persist. Lower gasoline or other petroleum-based fuel prices over extended periods of time may lower the perception in government and the private sector that cheaper, more readily available energy alternatives should be developed and produced. If gasoline or other petroleum-based fuel prices remain at deflated levels for extended periods of time, the demand for electric vehicles, including our vehicles, may decrease, which would have an adverse effect on our business, prospects, financial condition and results of operations.

***Increasing scrutiny and changing expectations from global regulations, our investors, customers and employees with respect to our ESG practices may impose additional costs on us or expose us to new or additional risks.***

There is increased focus, including from governmental organizations and our investors, customers and employees, on ESG issues such as environmental stewardship, climate change, diversity and inclusion, racial justice, workplace conduct, recyclability, sourcing and ESG disclosure. There can be no certainty that we will manage such issues successfully, or that we will successfully meet society's expectations as to our proper role. Negative public perception, adverse publicity or negative comments in social media could damage our reputation if we do not, or are not perceived to, adequately address these issues. Any harm to our reputation could impact our employees' engagement and retention and the willingness of our customers and partners to do business with us.

It is possible that our stakeholders may not be satisfied with our ESG disclosures, practices, or the speed of their adoption, and our systems may not be adequate to comply with increasing global regulations on ESG topics, such as human rights and sustainability reporting. Actual or perceived shortcomings with respect to our ESG initiatives and reporting may subject us to litigation and could negatively impact our business. We could also incur additional costs and require additional resources to monitor, report, and comply with various ESG practices. In addition, a variety of organizations have developed ratings to measure the performance of companies on ESG topics, and the results of these assessments are widely publicized. Investment in funds that specialize in companies that perform well in such assessments are increasingly popular, and major institutional investors have publicly emphasized the importance of such ESG measures to their investment decisions. Unfavorable or downgraded ratings of our company or our industries, as well as non-inclusion or removal of our stock on ESG-oriented investment funds or indexes, may lead to negative investor sentiment and the diversion of investment to other companies or industries, which could have a negative impact on our stock price.



## Risks Related to Manufacturing and Supply Chain

***We have experienced and may in the future experience significant delays in the design, manufacture, launch and financing of our vehicles, including the Lucid Air, the Lucid Gravity SUV and our Midsize platform, which could harm our business and prospects.***

Our plan to scale our manufacturing capacity and increase sales is dependent upon the timely availability of funds, upon our finalizing of the related design, engineering, component procurement, testing, build-out and manufacturing plans in a timely manner and also upon our ability to execute these plans within the planned timeline. Automobile manufacturers often experience delays in the design, manufacture and commercial release of new vehicle models, and we have experienced in the past, and may experience in the future, such delays with regard to additional variants of the Lucid Air or our other vehicles. For example, we have experienced delays in the engineering of certain of our vehicle systems, including as a result of design changes to components. Any future delays in the financing, design, manufacture and launch of the Lucid Air, including planned future variants, and any future electric vehicles could materially damage our business, prospects, financial condition and results of operations.

Many of our vehicles, including the Lucid Gravity SUV and our Midsize platform, are still in the development and/or testing phase, and may occur later than expected or not at all. Additionally, prior to mass production of our electric vehicles, we will also need the vehicles to be fully approved for sale according to differing requirements, including but not limited to regulatory requirements, in the different geographies where we intend to launch our vehicles. Likewise, we have encountered and may continue to encounter delays with the design, construction, and regulatory or other approvals necessary to bring online our future expansions of our Arizona and Saudi Arabia manufacturing facilities, or other future manufacturing facilities.

Furthermore, we rely on third party suppliers for the development, manufacture, and/or provision and development of many of the key components and materials used in our vehicles, as well as provisioning and servicing equipment in our manufacturing facilities. We have been affected by ongoing, industry-wide challenges in logistics and supply chains, such as increased supplier lead times. These challenges have affected our ability, and the ability of our suppliers, to obtain parts, components and manufacturing equipment on a timely basis, and in some instances have resulted in increased costs and delays to the construction and expansion of our facilities. We expect that the risk of unexpected disruptions will continue for the foreseeable future. To the extent our suppliers experience any delays in providing us with or developing necessary components, we could experience delays in delivering on our timelines.

Any significant delay or other complication in the production of the Lucid Air or the development, manufacture, launch and production ramp of our future products, features and services, including complications associated with expanding our production capacity and supply chain or obtaining or maintaining related regulatory approvals, or inability to manage such ramps cost-effectively, could materially damage our brand, business, prospects, financial condition and results of operations.

The continued development of and the ability to manufacture our vehicles, including the Lucid Air, the Lucid Gravity SUV and our Midsize platform, are and will be subject to risks, including with respect to:

- our ability to ensure ongoing readiness of firmware features and functions to be integrated into the Lucid Air as planned and on the desired timeline;
- our ability to finalize release candidate specifications for the Lucid Gravity SUV and our Midsize platform as planned and on the desired timeline;
- any delays by us in delivering final component designs to our suppliers or any changes to such component designs;
- our or our suppliers' ability to successfully tool manufacturing facilities as planned and on the desired timeline;
- our ability to ensure a working supply chain and desired supplier part quality and quantity as planned and on the desired timeline;
- our ability to accurately manufacture vehicles within specified design tolerances;
- our ability to establish, implement, refine and scale, as well as make significant investments in manufacturing, supply chain management and logistics functions, including the related information technology systems and software applications;
- our ability to adequately reduce and control the costs of key parts and materials;
- our ability to significantly reduce freight costs, including in-bound freight costs;
- our ability to manage any transitions or changes in our production process, planned or unplanned;
- the occurrence of product defects that cannot be remedied without adversely affecting the production;
- our ability to secure necessary funding;
- our ability to negotiate and execute definitive agreements with various suppliers for hardware, software, or services necessary to engineer or manufacture our vehicles;
- our ability to obtain required regulatory approvals and certifications;

- our ability to comply with environmental, safety, and similar regulations and in a timely manner;
- our ability to secure necessary components, services, or licenses on acceptable terms and in a timely manner;
- our ability to attract, recruit, hire, retain and train skilled employees including supply chain management, supplier quality, manufacturing and logistics personnel;
- our ability to design and implement effective and efficient quality control and inventory management processes;
- delays or disruptions in our supply chain including raw material supplies and international shipping;
- our ability to maintain arrangements on commercially reasonable terms with our suppliers, delivery and other partners, after sales service providers, and other operationally significant third parties;
- other delays, backlog in manufacturing and research and development of new models, and cost overruns; and
- any other risks identified herein.

We expect that we will require additional financing to fund our planned operations and expansion plans. If we are unable to arrange for required funds under the terms and on the timeline that we anticipate, our plans for tooling and building out our manufacturing facilities and for commercial production of our electric vehicles could be significantly delayed, which would materially adversely affect our business, prospects, financial condition and results of operations. See “—Risks Related to Financing and Strategic Transactions — *We will require additional capital to support business growth, and this capital might not be available on commercially reasonable terms, or at all.*”

***Our ability to continue production and our future growth depends upon our ability to maintain relationships with our existing suppliers and source suppliers for our critical components, and to complete building out our supply chain, while effectively managing the risks due to such relationships.***

Our success, including our ability to continue production of the Lucid Air, will depend on our ability to enter into supplier agreements and maintain our relationships with hundreds of suppliers that are critical to the output and production of our vehicles. To date, we have not secured long-term supply agreements for all of our components and for some components, our supply agreements do not guarantee sufficient quantities of components for our vehicle production ramp curve. We plan to seek opportunities to secure long-term committed supply agreements for certain of these components. The supplier agreements we have or may enter into with key suppliers in the future may not be renewed or may contain provisions under which suppliers may refuse to supply. To the extent that we do not have long-term supply agreements with guaranteed pricing for our parts or components, we will be exposed to fluctuations in prices of components, materials and equipment. In addition, our agreements for the purchase of battery cells and other components often contain pricing provisions that are subject to adjustment based on changes in market prices of key commodities and/or currency values. Substantial increases in the prices for such components, materials and equipment, whether due to supply chain or logistics issues or due to inflation, or increased energy or natural gas costs, would increase our operating costs and could reduce our margins if we cannot recoup the increased costs. Any attempts to increase the announced or expected prices of our vehicles in response to increased costs could be viewed negatively by our potential customers and could adversely affect our business, prospects, financial condition or results of operations.

We may also be at a disadvantage in negotiating supply agreements for the production of our vehicles as well as for the design and construction of our manufacturing facilities due to our limited operating history. In addition, given that in many cases we are an aggregator of automotive parts produced by third-party manufacturers, there is the possibility that supply agreements for the parts and components for our vehicles could be at costs that make it difficult for us to operate profitably.

***We are dependent on our suppliers, the majority of which are single-source suppliers, and the inability of these suppliers to deliver necessary components of our products according to our schedule and at prices, quality levels and volumes acceptable to us, or our inability to efficiently manage these components or to implement or maintain effective inventory management and other systems, processes and personnel to support ongoing and increased production, could have a material adverse effect on our results of operations and financial condition.***

We rely on hundreds of third-party suppliers for the provision and development of many of the key components and materials used in our vehicles. While we plan to obtain components from multiple sources whenever possible, many of the components used in our vehicles will be custom and purchased by us from a single source. Our limited, and in many cases single-source, supply chain exposes us to multiple potential sources of delivery failure or component shortages for our production. Our third-party suppliers may not be able to meet our required product specifications and performance characteristics, which would impact our ability to achieve our product specifications and performance characteristics as well. Additionally, our third-party suppliers may be unable to obtain required certifications or provide necessary warranties for their products that are necessary for use in our vehicles.

We have been affected by ongoing, industry-wide challenges in logistics and supply chains, such as increased supplier lead times. We expect that these industry-wide trends may continue to affect the ability of us and our suppliers to obtain parts, components and manufacturing equipment, including electrical and mechanical equipment for AMP-2 and the phase 2 expansion of AMP-1, on a timely basis for the foreseeable future, and may result in increased costs. Changes in our supply chain or production needs in order to meet our quality targets and development timelines as well as due to design changes have resulted in cost increases from our suppliers.

Any significant increases in our production may in the future require us to procure additional components in a short amount of time and our suppliers may not ultimately be able to sustainably and timely meet our cost, quality and volume needs, requiring us to replace them with other sources. In many cases, our suppliers provide us with custom-designed parts that would require significant lead time to obtain from alternative suppliers, or may not be available from alternative suppliers at all. If we are unable to obtain suitable components and materials used in our vehicles from our suppliers or if our suppliers decide to create or supply a competing product, our business could be adversely affected. Further, if we are unsuccessful in our efforts to control and reduce supplier costs, our results of operations will suffer. Alternatively, if our production decreases significantly below our projections for any reason, we may not meet all of our purchase commitments with suppliers with whom we have non-cancelable long-term purchase commitments. In cases where we are unable to fully utilize our purchase commitments, we have in the past and may continue to face fees, penalties, increased prices, excess inventory or inventory write-offs, and there could be a material adverse effect on our results of operations.

In addition, we have experienced, and in the future could continue to experience, delays if our suppliers do not meet agreed-upon timelines, experience capacity constraints, or deliver components that do not meet our quality standards or other requirements. Any disruption in the supply of components, including battery cells and semiconductors, whether or not from a single source supplier, could temporarily disrupt production of our vehicles until an alternative supplier is able to supply the required material. Any such delay, even if caused by a delay or shortage in only one part, could significantly affect our ability to meet our planned vehicle production targets. Even in cases where we may be able to establish alternate supply relationships and obtain or engineer replacement components for our single source components, we may be unable to do so quickly, or at all, at prices or quality levels that are acceptable to us. This risk is heightened by the fact that we have less negotiating leverage with suppliers than larger and more established automobile manufacturers, which could adversely affect our ability to obtain necessary components and materials on a timely basis, on favorable pricing and other terms, or at all. The industry in which we operate has recently experienced severe supply chain disruptions, and we expect these conditions to continue for the foreseeable future. Any such supply disruption could materially and adversely affect our results of operations, financial condition and prospects.

Furthermore, as the scale of our vehicle production increases, we will need to accurately forecast, purchase, warehouse and transport components to our manufacturing facilities and servicing locations internationally and at much higher volumes. We are only beginning to scale production in our manufacturing facilities and in the process we have experienced challenges associated with such activities. If our production decreases significantly below our projections for any reason, we may incur loss due to inventory write-downs or assets impairment. In addition, we have not yet begun servicing vehicles at significant volumes. Accordingly, we have not thoroughly tested our ability to scale production and vehicle servicing and mitigate risks associated with these activities. In addition, our current systems and processes are not mature, which may affect our ability to timely initiate critical and time sensitive projects and increase project costs. If we continue to experience logistics challenges, are unable to accurately match the timing and quantities of component purchases to our actual needs, successfully recruit and retain personnel with relevant experience, timely comply with applicable regulations, or successfully implement automation, inventory management and other systems or processes to accommodate the increased complexity in our supply chain and manufacturing operations, we may incur unexpected production disruption, storage, transportation and write-off costs, which could have a material adverse effect on our results of operations and financial condition.

Furthermore, unexpected changes in business conditions, materials pricing, labor issues, wars, global conflicts or other geopolitical events, governmental changes, tariffs, natural disasters, health epidemics, and other factors beyond our and our suppliers' control could also affect these suppliers' ability to deliver components to us on a timely basis. For example, some of the shipping routes in the Red Sea have been affected by the ongoing conflict in the Middle East resulting in delays in delivery of components and an increase in shipping costs globally. Such disruptions or increase in costs could have a material adverse impact on our business, including our ability to timely manufacture and distribute our products in a cost-effective manner and adversely affect our results of operations and financial condition.

In addition, we have identified certain of our suppliers, including certain suppliers we deem critical, as having poor financial health or being at risk of bankruptcy. Although we routinely review our suppliers' financial health and attempt to identify alternate suppliers where possible, the loss of any supplier, particularly a single- or limited-source supplier, or the disruption in the supply of components from our suppliers, could lead to vehicle design changes, production delays, idle manufacturing facilities and potential loss of access to important technology and parts for producing, servicing and supporting our vehicles, any of which could result in negative publicity, damage to our brand and a material and adverse effect on our business, prospects, results of operations and financial condition. In addition, if our suppliers experience substantial financial difficulties, cease operations or otherwise face business disruptions, we may be required to provide substantial financial support to ensure supply continuity, which could have an additional adverse effect on our liquidity and financial condition.

***Changes in costs, changes of supply or shortage of materials, in particular for lithium-ion battery cells or semiconductors, could harm our business.***

As we scale commercial production of our vehicles or any future energy storage systems, we have experienced and may continue to experience increases in the cost of or a sustained interruption in the supply or shortage of materials. Any such increase, supply interruption or shortage could materially and adversely impact our business, results of operations, prospects and financial condition. For example, as we continue our phased construction of our AMP-1 facility, we have experienced increases in material and infrastructure equipment prices and cost of construction labor. In addition, we use various materials in our business, including aluminum, steel, lithium, nickel, copper, cobalt, neodymium, terbium, praseodymium and manganese, as well as lithium-ion battery cells and semiconductors from suppliers. The prices for these materials fluctuate, and their available supply may be unstable, depending on market conditions, inflationary pressure and global demand for these materials, including as a result of increased production of electric vehicles, energy storage products by our competitors and the global supply chain crisis, and could adversely affect our business and results of operations. For instance, we are exposed to multiple risks relating to lithium-ion battery cells. These risks include:

- a change in the cost, or changes in the available supply, of materials, such as cobalt, used in lithium-ion battery cells;
- disruption in the supply of lithium-ion battery cells due to quality issues or recalls by manufacturers;
- our ability to manage our supply and inventory of lithium-ion battery cells; and
- fluctuations in the value of any foreign currencies, in which lithium-ion battery cells and related raw material purchases are or may be denominated against the U.S. dollar.

Our ability to manufacture our vehicles or any future energy storage systems will depend on the continued supply of battery cells for the battery packs used in our products. We have limited flexibility in changing battery cell suppliers, and any disruption in the supply of battery cells from such suppliers could disrupt production of our vehicles until a different supplier is fully qualified. In addition, we have entered into amended agreements with Panasonic Energy Co., Ltd. and certain of its affiliates for the supply of lithium-ion battery cells, pursuant to which we have made certain non-cancelable long-term purchase commitments. If our production decreases significantly below our projections for any reason, we may not meet all of our purchase commitments. In cases where we are unable to fully utilize our purchase commitments, we have in the past and may continue to face fees, penalties, increased prices, excess inventory or inventory write-offs, and there could be a material adverse effect on our results of operations.

Furthermore, our ability to manufacture our vehicles depends on continuing access to semiconductors and components that incorporate semiconductors. We have experienced in the past and may experience an impact on our operations as a result of another semiconductor supply shortage, and such shortage could in the future have a material impact on us or our suppliers, which could delay or reduce planned production levels of the Lucid Air or planned future vehicles, impair our ability to continue production once started or force us or our suppliers to pay exorbitant rates for continued access to semiconductors, any of which could have a material adverse effect on our business, prospects and results of operations. In addition, prices and transportation expenses for these materials fluctuate depending on many factors beyond our control, including fluctuations in supply and demand, foreign currency fluctuations, tariffs and taxes, fluctuations in energy prices and shortages in petroleum or natural gas supply, freight charges and other economic and political factors. These risks could be further magnified by geographical developments, global conflicts or other geopolitical events, including the conflict in the Middle East, which is affecting shipping routes in that region directly and consequently globally. Substantial increases in the prices for our materials or prices charged to us, such as those charged by battery cell or semiconductor suppliers, would increase our operating costs, and could reduce our margins if we cannot recoup the increased costs through increased prices. Any attempts to increase product prices in response to increased material costs could result in lower demand for our vehicles and materially and adversely affect our brand, image, business, results of operations, prospects and financial condition.

Furthermore, foreign currency fluctuations, tariffs or shortages in petroleum or natural gas and other economic or political conditions have contributed to and may continue to result in significant increases in freight charges and raw material costs. Substantial increases in the prices for our raw materials or components would increase our operating costs and could reduce our margins. In addition, a growth in popularity of electric vehicles without a significant expansion in battery cell production capacity could result in shortages which would result in increased materials costs to us, and would impact our expected manufacturing and delivery timelines, and adversely affect our business, prospects, financial condition, results of operations, and cash flows.

***We must develop complex software and technology systems, including in coordination with vendors and suppliers, in order to produce our electric vehicles, and there can be no assurance such systems will be successfully developed.***

Our vehicles, including the Lucid Air, use a substantial amount of third-party and proprietary software and complex technological hardware to operate, some of which is still subject to further development and testing. The development and implementation of such advanced technologies is inherently complex and requires coordination with our vendors and suppliers in order to integrate such technology into our electric vehicles and ensure it interoperates with other complex technology as designed and as expected.

We may fail to detect defects and errors that are subsequently revealed, and our control over the performance of third-party services and systems may be limited. Any defects or errors in, or which are attributed to, our technology, could result in, among other things:

- delayed production and delivery of our vehicles, including the Lucid Air;
- delayed market acceptance of our vehicles;
- loss of customers or inability to attract new customers;
- diversion of engineering or other resources for remedying the defect or error;
- damage to our brand or reputation;
- increased service and warranty costs;
- legal action by customers or third parties, including product liability claims; and
- penalties imposed by regulatory authorities.

In addition, if we are unable to develop the software and technology systems necessary to operate our vehicles, our competitive position will be harmed. We rely on third-party suppliers to develop a number of technologies for use in our products. There can be no assurances that our suppliers will be able to meet the technological requirements, production timing and volume requirements to support our business plan. In addition, such technology may not satisfy the cost, performance useful life and warranty characteristics we anticipate in our business plan, which could materially adversely affect our business, prospects and results of operations.

***If we fail to successfully construct or tool our manufacturing facilities or if our manufacturing facilities become inoperable, we will be unable to produce our vehicles and our business will be harmed.***

While we have completed the initial phase and portions of the second phase of construction at AMP-1, and the SKD portion of AMP-2, tooling our facilities for production of our vehicles and our future expansion plans are complicated and present significant challenges and may require us to take vehicle production offline. In addition, certain of our suppliers may be unable to complete tooling with respect to finalized components of our vehicles in the planned timeframe after we deliver final component specifications, which could adversely affect our ability to continue commercial production of the Lucid Air on the expected timing and at the quality levels we require. As with any large-scale capital project, these efforts could be subject to delays, cost overruns or other complications. In addition, we may encounter problems or disputes with our vendors for a variety of reasons, including for reasons beyond our control, and such disputes, with or without merit, could also cause significant delays and cost overruns. These risks could be increased because we are building our facilities from the ground up to support our electric vehicle production processes, which differ substantially from traditional automobile production processes for which expertise is more readily available. In connection with the commencement of commercial production at AMP-1 and SKD production at AMP-2, we have hired and trained and continue to hire, retain, and train a significant number of employees and integrate a yet-to-be-fully-developed supply chain. Any failure to continue commercial or SKD production on schedule would lead to additional costs and would delay our ability to generate meaningful revenues. In addition, it could prevent us from gaining the confidence of potential customers, spur cancellations of orders for the Lucid Air and open the door to increased competition. All of the foregoing could hinder our ability to successfully launch and grow our business and achieve a competitive position in the market.

In addition, if any of our manufacturing facilities are not constructed in conformity with our requirements, repair or remediation may be required to support our planned phased manufacturing build-out and could require us to take vehicle production offline, delay implementation of our planned phased manufacturing build-out, or construct alternate facilities, which could materially limit our manufacturing capacity, delay planned increases in manufacturing volumes, delay the start of production of the Lucid Gravity SUV or other future vehicles, or adversely affect our ability to timely sell and deliver our electric vehicles to customers. Any repair or remediation efforts could also require us to bear substantial additional costs, including both the direct costs of such activities and potentially costly litigation or other legal proceedings related to any identified defect, and there can be no assurance that our insurance policies or other recoveries would be sufficient to cover all or any of such costs. Any of the foregoing consequences could have a material adverse effect on our business, prospects, results of operations and financial condition and could cause our results of operations to differ materially from our current expectations. Although we do not currently expect that we will be required to take vehicle production offline or reduce our planned manufacturing volumes, any such repairs or remediation could entail significant costs, and we may be unable to recover some or all of such costs from the applicable contractor(s).

The construction of our facilities and our operations are also subject to review and inspection by officials in the jurisdictions where our facilities are located, including without limitation, fire officials and building construction officials. We have received in the past, and could in the future receive, results from inspections by local officials at our facilities, both existing and currently under construction, citing failing marks. When such results have arisen, we actively engaged with the local authorities to address all of the specific issues identified by those officials as well as to devise means and methods that help ensure a safe and compliant work environment. Any future results will be addressed in a similar manner. Failure to address issues raised by local authorities may result in government-ordered temporary cessation of our construction and/or production operations, which could require us to take vehicle production offline or reduce our planned manufacturing volumes, all of which could have a material adverse effect on our business, results of operations, cash flows, financial condition or prospects.

***We rely on complex machinery for our operations, and production involves a significant degree of risk and uncertainty in terms of operational performance, safety, security and costs.***

We utilize a number of new manufacturing technologies, techniques and processes for our vehicles, such as motor winding equipment, and we may utilize additional new technologies, techniques and processes in the future. Certain design features in our vehicles present additional manufacturing challenges, such as large display screens and ADAS hardware. There is no guarantee that we will be able to successfully and timely introduce and scale any such new processes or features.

We also rely heavily on complex machinery for our operations, and our production involves a significant degree of uncertainty and risk in terms of operational performance and costs. Our manufacturing plant employs large-scale, complex machinery combining many components, which may suffer unexpected malfunctions from time-to-time and will depend on repairs and spare parts that may not be available when needed. Furthermore, AMP-1 and the equipment we use to manufacture our vehicles will be costly to repair or replace and could require substantial lead-time to repair or replace and qualify for use.

Unexpected malfunctions of the manufacturing plant components may significantly decrease our operational efficiency, including by forcing manufacturing shutdowns in order to conduct repairs or troubleshoot manufacturing problems. Our facilities may also be harmed or rendered inoperable by natural or man-made disasters, including but not limited to earthquakes, tornadoes, flooding, fire, power outages, sandstorms, environmental hazards and remediation, costs associated with decommissioning of equipment, labor disputes and strikes, lack of availability of qualified construction labor, difficulty or delays in obtaining governmental permits and licenses, damages or defects in electronic systems, industrial accidents or health epidemics, which may render it difficult or impossible for us to manufacture our vehicles for some period of time. The inability to produce our vehicles or the backlog that could develop if our manufacturing plant is inoperable for even a short period of time may result in the loss of customers or harm our reputation. Although we maintain insurance for damage to our property, this insurance may not be sufficient to cover all of our potential losses and may not continue to be available to us on acceptable terms, if at all, based on insurance market conditions or our evolving risk profile. Should operational risks materialize, they may result in the personal injury to or death of our workers, the loss of production equipment, damage to manufacturing facilities, monetary losses, delays and unanticipated fluctuations in production, environmental damage, administrative fines, increased insurance costs and potential legal liabilities, all of which could have a material adverse effect on our business, results of operations, cash flows, financial condition or prospects.

***If we update or discontinue the use of our manufacturing equipment more quickly than expected, we may have to shorten the useful lives of any equipment to be retired as a result of any such update, and the resulting acceleration in our depreciation could negatively affect our financial results.***

We have invested and expect to continue to invest significantly in what we believe is state of the art tooling, machinery and other manufacturing equipment, and we depreciate the cost of such equipment over their expected useful lives. However, manufacturing technology may evolve rapidly, and we may decide to update our manufacturing processes more quickly than expected. Moreover, as we ramp the commercial production of our vehicles, our experience may cause us to discontinue the use of already installed equipment in favor of different or additional equipment. The useful life of any equipment that would be retired early as a result would be shortened, causing the depreciation on such equipment to be accelerated, and our results of operations could be negatively impacted.



***We have limited experience in high volume manufacture of our vehicles.***

We cannot provide any assurance as to whether we will be able to develop and implement efficient, automated, low-cost logistics and production capabilities and processes and reliable sources of component supply that will enable us to meet the quality, price, engineering, design and production standards, as well as the production volumes, required to successfully mass market our vehicles. Even if we are successful in developing our high volume production capability and processes and reliably source our component supply, no assurance can be given as to whether we will be able to do so in a manner that avoids significant delays and cost overruns, including as a result of factors beyond our control such as problems with suppliers and vendors, global conflicts or other geopolitical events or force majeure events, or in time to meet our commercialization schedules, or to store and deliver parts in sufficient quantities to the manufacturing lines in a manner that enables us to maintain our production ramp curve and rates, satisfy the requirements of customers and potential customers or fully utilize our purchase commitments with suppliers. For example, as result of the ongoing conflict in the Middle East, we have experienced an impact on our shipping routes in the Red Sea, which has resulted in shipping delays and increased shipping costs globally. Any failure to develop, implement and maintain such logistics, production, quality control, and inventory management processes and capabilities within our projected costs and timelines could have a material adverse effect on our business, results of operations, prospects and financial condition. Moreover, we have experienced logistics challenges as we continue to refine our manufacturing, logistics and inventory management processes, and efforts to implement or improve such processes may cause halts or delays in production and result in additional costs. Bottlenecks and other unexpected challenges have and may continue to arise as we ramp production of the Lucid Air and begin production of the Lucid Gravity SUV, and it will be important that we address them promptly while continuing to control our logistics and manufacturing costs. If we are not successful in doing so, or if we experience issues with our logistics and manufacturing process improvements, we could face further delays in establishing and/or sustaining our production ramps or be unable to meet our related cost and profitability targets.

***If our vehicles fail to perform as expected, our ability to develop, market and sell or lease our products could be harmed.***

Our vehicles or the components installed therein have in the past and may in the future contain defects in design or manufacture, including components designed or manufactured by suppliers, that may cause them not to perform as expected or that may require repairs, recalls, or design changes, any of which would require significant financial and other resources to successfully navigate and resolve. Our vehicles use a substantial amount of software code to operate, and software products are inherently complex and may when first introduced contain defects and errors. If our vehicles contain defects in design or manufacture that cause them not to perform as expected or that require repair, or certain features of our vehicles such as bi-directional charging or ADAS features take longer than expected to become available, are legally restricted or become subject to additional regulation, our ability to develop, market and sell our products and services could be harmed. In addition, our over-the-air software updates may fail to achieve its intended repair and performance goals, expose our customers' vehicles to vulnerabilities, or have unintended consequences, and may require our customers to bring their vehicles to our service centers.

Any defects, delays or legal restrictions on vehicle features, failed over-the-air software updates, or other failure of our vehicles to perform as expected, could harm our brand and reputation and result in delivery delays, product recalls, product liability claims, breach of warranty claims or significant warranty and other expenses, and could have a material adverse impact on our business, results of operations, prospects and financial condition. Any such defects or noncompliance with legal requirements could also result in safety recalls. See “— Risks Related to Litigation and Regulation — *We have in the past and may choose in the future, or we may be compelled, to undertake product recalls or take other actions, which could adversely affect our business, prospects, results of operations, reputation and financial condition.*” As a new entrant to the industry attempting to build customer relationships and earn trust, these effects could be significantly detrimental to us. Additionally, problems and defects experienced by other electric consumer vehicles could by association have a negative impact on perception and customer demand for our vehicles.

In addition, even if our vehicles function as designed, we expect that the battery efficiency, and hence the range, of our electric vehicles, like other electric vehicles that use current battery technology, will decline over time. Other factors, such as usage, time and stress patterns, may also impact the battery's ability to hold a charge, or could require us to limit vehicles' battery charging capacity, including via over-the-air or other software updates, for safety reasons or to protect battery capacity, which could further decrease our vehicles' range between charges. Such decreases in or limitations of battery capacity and therefore range, whether imposed by deterioration, software limitations or otherwise, could also lead to consumer complaints or warranty claims, including claims that prior knowledge of such decreases or limitations would have affected consumers' purchasing decisions. Further, there can be no assurance that we will be able to improve the performance of our battery packs, or increase our vehicles' range, in the future. Any such battery deterioration or capacity limitations and related decreases in range may negatively influence potential customers' willingness to purchase our vehicles and negatively impact our brand and reputation, which could adversely affect our business, prospects, results of operations and financial condition.

***We have limited experience servicing our vehicles and their integrated software. If we or our partners are unable to adequately service our vehicles, our business, prospects, financial condition and results of operations may be materially and adversely affected.***

We have limited experience servicing or repairing our vehicles and their integrated software. Servicing electric vehicles is different than servicing vehicles with internal combustion engines and requires specialized skills, including high voltage training and servicing techniques. Furthermore, some vehicle repairs may be done via over-the-air software updates, which poses additional risks to the vehicles' software if any issues arise during an update. In addition, we may partner with certain third parties to perform some of the service on our vehicles, and there can be no assurance that we will be able to enter into acceptable arrangements with any such third-party providers or develop and implement the necessary information technology infrastructure to support them. Further, although such servicing partners may have experience in servicing other electric vehicles, they will initially have no experience in servicing our vehicles. We also have a limited network of locations to perform service and will also rely upon mobile service vans with Lucid technicians to provide service to customers. There can be no assurance that our service arrangements will adequately address the service requirements of our customers to their satisfaction, or that we and our servicing partners will have sufficient resources, experience or inventory to meet these service requirements in a timely manner as the volume of vehicles we deliver increases. This risk is enhanced by our limited operating history and our limited data regarding our vehicles' real-world reliability and service requirements. In addition, if we are unable to roll out and establish a widespread service network that provides satisfactory customer service, our customer loyalty, brand and reputation could be adversely affected, which in turn could materially and adversely affect our sales, results of operations, prospects and financial condition.

Further, the motor vehicle industry laws in some states require that service facilities be available to service vehicles physically sold from locations in the state. In addition, the motor vehicle franchise laws in some states may preclude us from providing direct warranty service to consumers in that state. While we anticipate developing a service program that would satisfy regulatory requirements in these circumstances, the specifics of our service program are still being refined, and at some point may need to be restructured to comply with state law, which may impact our business, financial condition, results of operations and prospects.

Our customers also depend on our customer support team to resolve technical and operational issues relating to the integrated software underlying our vehicles, a large portion of which we have developed in-house. As we grow, additional pressure may be placed on our customer support team or partners, and we may be unable to respond quickly enough to accommodate short-term increases in customer demand for technical support or service. We also may be unable to modify the future scope and delivery of our technical support to compete with changes in the technical support provided by our competitors. Increased customer demand for support, without corresponding revenue, could increase costs and negatively affect our results of operations. If we are unable to successfully address the service requirements of our customers, or if we establish a market perception that we do not maintain high-quality support, our brand and reputation could be adversely affected, and we may be subject to claims from our customers, which could result in loss of revenue or damages, and our business, results of operations, prospects and financial condition could be materially and adversely affected.

***Insufficient reserves to cover future warranty or part replacement needs or other vehicle repair requirements, including any potential software upgrades, could materially adversely affect our business, prospects, financial condition and results of operations.***

We provide a new vehicle limited warranty on all new vehicles and a genuine spare parts and accessories limited warranty on Lucid genuine spare parts and accessories we sell. We maintain warranty reserves to cover part replacement and other vehicle repair needs, including any potential software upgrades or warranty claims. In addition, we expect to provide a manufacturer's warranty on any future products, including energy storage systems we sell and may provide additional warranties on installation workmanship or performance guarantees. Warranty reserves include our management team's best estimate of the projected costs to repair or to replace items under warranty. Such estimates are inherently uncertain, particularly in light of our limited operating history and the limited field data available to us, and changes to such estimates based on real-world observations may cause material changes to our warranty reserves in the future. If our reserves are inadequate to cover future maintenance requirements on our vehicles, our business, prospects, financial condition and results of operations could be materially and adversely affected. We may become subject to significant and unexpected expenses as well as claims from our customers, including loss of revenue or damages. There can be no assurances that then-existing reserves will be sufficient to cover all claims. In addition, if future laws or regulations impose additional warranty obligations on us that go beyond our manufacturer's warranty we may be exposed to materially higher warranty, parts replacement and repair expenses than we expect, and our reserves may be insufficient to cover such expenses.



***We may not be able to accurately estimate the supply and demand for our vehicles, which could result in a variety of inefficiencies in our business and hinder our ability to generate revenue. If we fail to accurately predict our manufacturing requirements, we could incur additional costs or experience delays.***

It is difficult to predict our future revenues and appropriately budget for our expenses, and we have limited insight into trends that may emerge and affect our business. We will be required to provide forecasts of our demand to our suppliers several months prior to the scheduled delivery of vehicles to our prospective customers. Currently, there is limited historical basis for making judgments about the demand for our vehicles or our ability to develop, manufacture, and deliver vehicles, or our profitability in the future. If we overestimate our requirements, our suppliers may have excess inventory, which has in the past and may continue to indirectly increase our costs. If we underestimate our requirements, our suppliers may have inadequate inventory, which could interrupt manufacturing of our products and result in delays in shipments and revenues. In addition, lead times for materials and components that our suppliers order may vary significantly and depend on factors such as the specific supplier, contract terms and demand for each component at a given time. If we fail to order sufficient quantities of product components in a timely manner or fail to establish the delivery processes and infrastructure to make deliveries, the delivery of vehicles to our customers could be delayed, which would harm our business, financial condition and results of operations.

***Our facilities or operations could be adversely affected by events outside of our control, such as natural disasters, wars, global conflicts or other geopolitical events, health epidemics or pandemics, or security incidents.***

We and our suppliers may be impacted by weather events, natural disasters, wars, global conflicts or other geopolitical events, health epidemics or pandemics, security incidents or other events outside of our control. For example, our corporate headquarters are located in seismically active regions in Northern California, and our manufacturing facilities in Arizona and Saudi Arabia are located in sandstorm-, flood- and/or tornado-prone areas. If major disasters such as earthquakes, wildfires, floods, tornadoes or other events occur, or our information technology systems or communication networks break down or operate improperly, our headquarters and manufacturing facilities may be seriously damaged, or we may have to stop or delay production and shipment of our products. Furthermore, we could be impacted by physical security incidents at our facilities, which could result in significant damage to such facilities that could require us to delay or discontinue production of our vehicles. In addition, we have established a foreign trade zone with respect to certain of our facilities in Casa Grande, Arizona. To the extent any such physical security incidents are determined to result from insufficient security measures, we could face the risk of loss of our foreign trade zone approval, as well as financial penalties or fines, which could increase the cost of our duties and tariffs. See “— Risks Related to Litigation and Regulation — A failure to properly comply with foreign trade zone laws and regulations could increase the cost of our duties and tariffs.” In addition, global conflicts or other geopolitical events may increase the likelihood of supply chain interruptions and may impair our ability to compete in current or future markets, or otherwise subject us to potential liability. See “—Risks Related to Manufacturing and Supply Chain — if we fail to successfully tool our manufacturing facilities or if our manufacturing facilities become inoperable, we will be unable to produce our vehicles and our business will be harmed.” and “— Risks Related to Litigation and Regulation — Changes in U.S. trade policy, including the imposition of tariffs or revocation of normal trade relations and the resulting consequences, could adversely affect our business, prospects, results of operations and financial condition.” We may incur significant expenses or delays relating to such events outside of our control, which could have a material adverse impact on our business, results of operations and financial condition.

***Our vehicles make use of lithium-ion battery cells, which have been observed to catch fire or vent smoke and flame.***

The battery packs within our vehicles make use of, and any future energy storage systems may make use of lithium-ion cells. On rare occasions, lithium-ion cells can rapidly release the energy they contain by venting smoke and flames in a manner that can ignite nearby materials as well as other lithium-ion cells. While we have designed our battery packs to passively contain a single cell's release of energy without spreading to neighboring cells, a field or testing failure of our vehicles or other battery packs that we produce could occur. In addition, although we equip our vehicles with systems designed to detect and warn vehicle occupants of such thermal events, there can be no assurance that such systems will function as designed or will provide vehicle occupants with sufficient, or any, warning in all crashes. Any such events or failures of our vehicles, battery packs or warning systems could subject us to lawsuits, product recalls, or redesign efforts, all of which would be time consuming and expensive. Also, negative public perceptions regarding the suitability of lithium-ion battery cells for automotive applications, disposal and recycling of lithium-ion battery cells, or any future incident involving lithium-ion battery cells, such as a vehicle or other fire, even if such incident does not involve our vehicles, could seriously harm our business and reputation.

In addition, as we expand our service network, increase our recycling practices and scale the manufacturing of our vehicles and any future energy storage products, we will need to store lithium-ion battery cells at our facilities and we have, and may in the future, experience thermal events. Any mishandling of battery cells or safety issue or fire related to the cells could disrupt our operations. Such damage or injury could also lead to adverse publicity and potentially a safety recall. In addition, the transportation and effective storage of lithium-ion batteries is also tightly regulated by the U.S. Department of Transportation and other regulatory bodies, and any failure to comply with such regulation could result in fines, loss of permits and licenses or other regulatory consequences, which could limit our ability to manufacture and deliver our vehicles and negatively affect our results of operations and financial condition. Moreover, any failure of a competitor's electric vehicle or energy storage product may cause indirect adverse publicity for us and our products. Such adverse publicity could negatively affect our brand and harm our business, prospects, results of operations and financial condition.

## Risks Related to Cybersecurity and Data Privacy

***Any unauthorized control, manipulation, interruption or compromise of or access to our products or information technology systems or networks could result in loss of confidence in us and our products, harm our business and materially adversely affect our financial performance, results of operations or prospects.***

Our products contain complex information technology systems. For example, our vehicles are designed with built-in data connectivity to accept and install periodic remote updates to improve their functionality.

In addition, we collect, store, transmit and otherwise process data from vehicles, customers, employees and other third parties as part of our business operations, some of which includes personal, or confidential or proprietary information. We also work with third-party service providers and vendors that collect, store and process such data and information on our behalf. We have taken certain measures designed to prevent unauthorized access to our information technology systems, networks and information (including personal data) and plan to continue to deploy additional measures as we grow. Our third-party service providers and vendors also take steps designed to protect the security and integrity of our and their information technology systems and networks and our and their customers' information (including personal data). However, there can be no assurance that such systems, networks and measures will not be compromised, including as a result of intentional misconduct by employees, contractors, vendors, or other third parties as well as a result of software bugs, human error, or technical malfunctions.

Furthermore, cyber threat actors may in the future attempt to gain unauthorized access to, modify, alter and/or use our vehicles, products, systems and networks to (i) gain control of, (ii) change the functionality, user interface or performance characteristics of and/or (iii) gain access to data stored in or generated by, our vehicles, products, systems and networks. Advances in technology, such as artificial intelligence, new vulnerability discoveries, an increased level of sophistication and diversity of our products and services, an increased level of expertise of cyber threat actors and new discoveries in the field of cryptography could lead to a compromise or breach of the measures that we or our third-party service providers use. Some of our products and information technology systems contain or use open-source software, which can create additional risks, including potential security vulnerabilities. We and our third-party service providers' systems have in the past and may in the future be affected by security incidents. Our systems and networks are also vulnerable to damage or interruption from, among other things, software bugs, server malfunctions, software or hardware failure, computer viruses, malware, ransomware, killware, wiperware, computer denial or degradation of service attacks, telecommunications failures, social engineering schemes (such as vishing, phishing or smishing), domain name spoofing, insider theft, physical theft, fire, terrorist attacks, natural disasters, power loss, war, misuse, mistake, fraud, misconduct or other events that may harm our vehicles, products, systems and networks. Our data center and our third-party service providers' or vendors' data centers could be subject to break-ins, sabotage and intentional acts of vandalism causing potential disruptions. We may also be subject to certain laws and regulations, such as "right to repair" laws, that could require us to provide third-party access to certain vehicle and vehicle-connected systems. Some of our systems will not be fully redundant, and our disaster recovery planning cannot account for all eventualities. Any problems at our or our third-party service providers' or vendors' data centers or cloud infrastructure could result in lengthy interruptions in our service and our business operations. There can be no assurance that any security or other operational measures that we or our third-party service providers or vendors have implemented will be effective against any of the foregoing threats or issues.

These risks have been heightened in connection with ongoing global conflicts and other geopolitical events and we cannot be certain how this new risk landscape will impact our operations. When geopolitical conflicts develop, government systems as well as critical infrastructures such as financial services and utilities may be targeted by state-sponsored cyberattacks even if they are not directly involved in the conflict. There can be no assurance that our business will not become a potential target as adversaries may attack networks and systems indiscriminately. Such cyberattacks may potentially cause unauthorized access to our personal, confidential or proprietary information (including our proprietary software code), products, systems and networks, resulting in a data breach, or disruption, modification or destruction to our systems and networks. As a result, we may suffer monetary losses, business interruption, and long-lasting operational issues, damage to our reputation and brand or loss of our intellectual property (including trade secrets).

If we are unable to protect our personal, confidential or proprietary information (including our proprietary software code), products, systems and networks from unauthorized access, use, disclosure, disruption, modification, destruction or other breach, such threats or security breaches could have negative consequences for our business and future prospects, including compromise of vehicle integrity and physical safety, causing monetary losses, giving rise to liabilities under our contracts or to the owners of the applicable information, subjecting us to substantial fines, penalties, damages and other liabilities under applicable laws and regulations, incurring substantial costs to respond to, investigate and remedy such incidents, reducing customer demand for our products, harming our reputation and brand and compromising or leading to a loss of protection of our intellectual property (including trade secrets). In addition, regardless of their veracity, reports of unauthorized access to our vehicles, products, systems and networks, as well as other factors that may result in the perception that our vehicles, products, systems and networks are vulnerable to being "hacked," could negatively affect our brand.

Furthermore, we are continuously expanding and improving our information technology systems. In particular, our volume production of the Lucid Air and planned future vehicles will necessitate continued development, maintenance and improvement of our information technology and communication systems and networks in the United States and abroad, such as systems and networks for product data management, vehicle management tools, vehicle security systems, vehicle security management processes, procurement of bill of material items, supply chain management, inventory management, production planning and execution, lean manufacturing, sales, service and logistics, dealer management and financial, tax and regulatory compliance. Our ability to operate our business will depend on the availability and effectiveness of these systems and networks and could be impacted by system outages or similar events. The implementation, maintenance, segregation, and improvement of these systems and networks require significant management time, support and cost. Moreover, there are inherent risks associated with developing, improving and expanding our core systems and networks as well as implementing new systems and networks, including the disruption of our data management, procurement, manufacturing execution, finance, supply chain, inventory management, and sales and service processes. We cannot be certain that these systems and networks or their required functionality will be effectively and timely developed, implemented, maintained or expanded as planned. If we are unsuccessful in any of the foregoing, our operations may be disrupted, our ability to accurately or timely report our financial results could be impaired, and deficiencies may arise in our internal control over financial reporting, which may impact our ability to certify our financial results. If these systems and networks or their functionality do not operate as we expect them to, we may be required to expend significant resources to make corrections or find alternative sources for performing these functions. Any of the foregoing could materially adversely affect our business, prospects, results of operations and financial condition.

In addition, our vehicles depend on the ability of software and hardware to store, retrieve, process and manage immense amounts of data. Our software and hardware, including any over-the-air or other updates, may contain, errors, bugs, design defects or other vulnerabilities, and our systems may be subject to technical limitations that may compromise our ability to meet our objectives. Some errors, bugs, design defects or other vulnerabilities may reside in third-party intellectual property or open-source software and/or be inherently difficult to detect and may only be discovered after code has been released for external or internal use. Although we will attempt to remedy any issues we observe in our vehicles as effectively and rapidly as possible, such efforts may not be timely, may hamper production or may not be to the satisfaction of our customers. Additionally, if we are able to deploy updates to the software addressing any issues but our over-the-air update procedures fail to properly update the software, our customers will then be responsible for working with our service personnel to install such updates to the software, and their vehicle will be subject to these vulnerabilities until they do so. Any compromise of our personal, confidential or proprietary information (including our proprietary software code), products, systems or networks or inability to prevent or effectively remedy errors, bugs, design defects or other vulnerabilities may cause us to suffer lengthy interruptions to our ability to operate our business and our customers' ability to operate their vehicles, compromise of vehicle integrity and physical safety, damage to our reputation, loss of customers, loss of revenue, governmental fines, investigations or litigation or liability for damages, any of which could materially adversely affect our business, prospects, results of operations and financial condition.

We may not have adequate insurance coverage, if any, to cover losses associated with any of the foregoing. The costs of investing and remediating a large data breach, or the successful assertion of one or more large claims against us that exceeds our available insurance coverage, or results in changes to our insurance policies (including premium increases, imposition of large deductible, exclusions or co-insurance requirements), could have an adverse effect on our business. In addition, we cannot be sure that our existing insurance coverage will continue to be available on acceptable terms or at all or that our insurers will not deny coverage as to any future claim.

***We are subject to evolving laws, regulations, standards, policies, and contractual obligations related to data privacy and cybersecurity, and any actual or perceived failure to comply with such obligations could harm our reputation and brand, subject us to significant fines and liability, or otherwise adversely affect our business.***

In the course of our operations, we collect, use, store, disclose, transfer and otherwise process personal information from our customers, employees and third parties with whom we conduct business, including names, accounts, driver license information, user IDs and passwords, and payment or transaction-related information. Additionally, we use our vehicles' electronic systems to log information about each vehicle's use, such as charge time, battery usage, geolocation, mileage and driving behavior, in order to aid it in vehicle diagnostics, repair and maintenance, as well as to help us customize and improve the driving and riding experience.

Accordingly, we are subject to or affected by a number of federal, state, local and international laws and regulations, as well as contractual obligations and industry standards, that impose certain obligations and restrictions with respect to data privacy and cybersecurity and govern our collection, storage, retention, protection, use, transmission, sharing, disclosure and other processing of personal information including that of our employees, customers and other third parties with whom we conduct business. These laws, regulations and standards may be interpreted and applied differently over time and from jurisdiction to jurisdiction, and it is possible that they will be interpreted and applied in ways that may have a material and adverse impact on our business, financial condition and results of operations. The global data protection landscape is rapidly evolving, and implementation standards and enforcement practices are likely to remain uncertain for the foreseeable future. We may not be able to monitor and react to all developments in a timely manner. For example, at the international level, the EU adopted the General Data Protection Regulation ("GDPR"), which became effective in May 2018, as well as the European Data Act, the Artificial Intelligence Act, and the Cyber Resilience Act in 2024. Canada adopted and continued to amend the Personal Information Protection and Electronic Documents Act ("PIPEDA") in addition to applicable provincial laws. The United Arab Emirates adopted the Data Protection Law ("DPL"), which became effective in January 2022. Saudi Arabia enacted the Personal Data Protection Law ("PDPL") which came into effect in September 2023. Similarly, China's Data Security Law ("DSL") and Personal Information Protection Law ("PIPL") have been effective since 2021. Additionally, following the withdrawal of the United Kingdom ("UK") from the EU, we may also be subject to the UK General Data Protection Regulation ("UK GDPR") (i.e., a version of the GDPR as implemented into UK law). Each of these regulations impose additional obligations on companies regarding the handling of personal data and provide certain individual privacy rights to persons whose data is collected. Compliance with existing, proposed and recently enacted laws and regulations (including implementation of the privacy and process enhancements called for under applicable laws and regulations) can be costly, and any failure to comply with these regulatory standards could subject us to legal and reputational risks.

For example, failure to comply with the GDPR and the UK GDPR can result in significant fines and other liability, including fines of up to EUR 20 million (or GBP 17.5 million under the UK GDPR) or four percent (4%) of global revenue, whichever is greater. European data protection authorities have already imposed fines for GDPR violations up to, in some cases, hundreds of millions of Euros. The cost of compliance, and the potential for fines and penalties for non-compliance, with the GDPR and the UK GDPR may have a significant adverse effect on our business and operations. While the UK GDPR currently imposes substantially the same obligations as the GDPR, the UK GDPR will not automatically incorporate changes to the GDPR going forward (which would need to be specifically incorporated by the UK government). Moreover, the UK government has publicly announced plans to reform the UK GDPR in ways that, if formalized, are likely to deviate from the GDPR, all of which creates a risk of divergent parallel regimes and related uncertainty, along with the potential for increased compliance costs and risks for affected businesses. Legal developments in the European Economic Area ("EEA"), including rulings from the Court of Justice of the European Union and from various EU member state data protection authorities, have also created complexity and uncertainty regarding transfers of personal data from the EEA to the United States and other so-called third countries outside the EEA. Similar complexities and uncertainties also apply to transfers from the UK to third countries. While we have taken steps to mitigate the impact on us, the efficacy and longevity of these mechanisms remains uncertain.

At the U.S. federal level, we are subject to, among other laws and regulations, the rules and regulations promulgated under the authority of the Federal Trade Commission (which has the authority to regulate and enforce against unfair or deceptive acts or practices in or affecting commerce, including with respect to data privacy and cybersecurity) ("FTC") and the Gramm Leach Bliley Act (which regulates the confidentiality and security of customer information obtained by financial institutions, including non-banking financial institutions such as mortgage brokers, motor vehicle dealers, and payday lenders). Our financial services program, for example, will be subject to, among other applicable laws and regulations, the Safeguards Rule, as recently amended by the FTC (the "FTC Safeguards Rule"), which, among other things, requires non-banking financial institutions to design and implement safeguards to protect customer information, and the financial data collected as part of the financial services program consequently requires additional security and administrative controls. Additionally, there has been increasing regulatory scrutiny from the SEC with respect to adequately disclosing risks concerning cybersecurity and data privacy, which increases the risk of investigations into the cybersecurity practices, and related disclosures, of companies within its jurisdiction, which at a minimum can result in distraction of management and diversion of resources for targeted businesses. On July 26, 2023, the SEC adopted new cybersecurity disclosure rules (the "SEC Cybersecurity Disclosure Rules") for public companies that require disclosure regarding cybersecurity risk management (including the corporate board's role in overseeing cybersecurity risks, management's role and expertise in assessing and managing cybersecurity risks, and processes for assessing, identifying and managing cybersecurity risks) in annual reports.

At the U.S. state level, we are subject to laws and regulations such as the California Consumer Privacy Act of 2018 (as amended by the California Privacy Rights Act of 2020, collectively, the "CCPA"). The CCPA establishes a privacy framework for covered businesses, including an expansive definition of personal information and data privacy rights for California residents, including expanded rights with respect to certain sensitive personal information. The CCPA includes a framework with potentially severe statutory damages for violations and a private right of action for certain data breaches. The CCPA requires covered businesses to provide California residents with certain privacy-related disclosures and rights related to their personal information. As we expand our operations, the CCPA may increase our compliance costs and potential liability. The California Privacy Rights Act also established a state agency, the California Privacy Protection Agency, vested with the authority to implement and enforce the CCPA. Some observers have noted that the CCPA marked the beginning of a trend toward more stringent privacy legislation in the United States, and a number of other states have enacted or are in the process of enacting, or considering similar laws. Compliance with these state statutes, other similar state or federal laws that may be enacted in the future, and other applicable data privacy and cybersecurity laws and regulations is a rigorous and time-intensive process, and we may be required to put in place additional mechanisms to comply with such laws and regulations, which could cause us to incur substantial costs or require us to change our business practices, including our data practices, in a manner adverse to our business.

We post public privacy policies and other documentation regarding our collection, use, disclosure, and other processing of personal information. Although we endeavor to comply with our published policies and other documentation, we may at times fail to do so or may be perceived to have failed to do so. Moreover, despite our efforts, we may not be successful in achieving compliance if our employees, contractors, service providers, vendors or other third parties fail to comply with our published policies and documentation. Such failures could carry similar consequences or subject us to potential local, state and federal action if they are found to be deceptive, unfair or misrepresentative of our actual practices. Claims that we have violated individuals' privacy rights or failed to comply with applicable privacy notices or applicable data privacy laws, regulations, standards, policies, or contractual obligations could, even if we are not found liable, be expensive and time-consuming to defend and could result in adverse publicity that could harm our business.

Most jurisdictions have enacted laws requiring companies to notify individuals, regulatory authorities and other third parties of security breaches involving certain types of data. For example, laws in all 50 U.S. states generally require businesses to provide notice under certain circumstances to consumers whose personal information has been disclosed as a result of a breach. Such laws may be inconsistent or may change or additional laws may be adopted. In addition, our agreements with certain customers may require us to notify them in the event of a security breach. Furthermore, the SEC Cybersecurity Disclosure Rules require the disclosure of material cybersecurity incidents in a Form 8-K, generally within four business days of determining an incident is material. Additionally, upon discovery of an incident in which the unencrypted customer information of at least 500 consumers is acquired without authorization by the consumers to whom the information pertains, the FTC Safeguards Rule requires notifying the FTC as soon as possible, and no later than 30 days after discovery of such incident. Such mandatory disclosures are costly, could lead to negative publicity, penalties or fines, litigation and our customers losing confidence in the effectiveness of our security measures and could require us to expend significant capital and other resources to respond to or alleviate problems caused by the actual or perceived security breach.

We are also impacted by regulations obligating us to share vehicle repair-related information, including location information, with third parties, including repair shops and repair tool hardware developers, under what are commonly called "right-to-repair" laws, including Massachusetts. Other state, federal, and foreign jurisdictions are exploring expanding right-to-repair obligations in this area as well. Furthermore, some entities within the U.S. federal government, including certain members of Congress and the NHTSA, have recently focused attention on automotive cybersecurity issues and may in the future propose or implement regulations specific to automotive cybersecurity. In addition, the United Nations Economic Commission for Europe ("UNECE") has introduced regulations governing connected vehicle cybersecurity in the European Union ("EU") which are mandatory for all new vehicle types from July 2022 and all new vehicles produced from July 2024. Similar regulations are also in effect, or expected to come into effect, in certain other international jurisdictions. These and other regulations could adversely affect our business in European or other markets, and if such regulations or other future regulations are inconsistent with our approach to automotive cybersecurity, we would be required to modify our systems to comply with such regulations, which would impose additional costs and delays and could expose us to potential liability to the extent our automotive cybersecurity systems and practices are inconsistent with such regulations.

New products, services and business lines may face scrutiny from regulators as well. Certain emerging data privacy and cybersecurity laws and regulations are still subject to a high degree of uncertainty as to their interpretation and application. If such laws and regulations are implemented, interpreted or applied in a manner inconsistent with our current or future practices or policies, or if we fail to comply with applicable laws or regulations, as well as contractual obligations, policies and industry standards, or to secure personal information, we could be subject to investigations, enforcement actions and other proceedings, which could result in substantial fines, damages, injunctions, orders to change our business practices, and other liability as well as damage to our reputation and credibility, which could have a negative impact on revenues and profits. Any of the foregoing could materially adversely affect our business, prospects, results of operations and financial condition.

## **Risks Related to Our Employees and Human Resources**

### ***The loss of key employees or an inability to attract, retain and motivate qualified personnel may impair our ability to expand our business.***

Our success is substantially dependent upon the continued service and performance of our senior management team. Our employees, including our senior management team, are generally at-will employees, and therefore may terminate employment with us at any time with no advance notice. It is always possible that we could lose some key employees, especially if we are unable to grant sufficient or competitive compensation, including equity awards and bonuses, or if the volatility of our stock price increases. In addition, we recently announced a restructuring plan, which involves the reduction of our employee workforce. Such plan may adversely affect our internal programs and initiatives as well as our ability to recruit and retain skilled and motivated personnel. Any such restructuring plan may also be distracting to employees and management and may negatively impact our business operations, reputation, or ability to serve customers. We cannot provide any assurances that we will not have to undertake additional workforce reductions in the future. The replacement of any members of our senior management team or other key employees likely would involve significant time and costs and may significantly delay or prevent the achievement of our business objectives. Our future success also depends, in part, on our ability to continue to attract, integrate and retain highly skilled personnel. Competition for personnel is frequently intense, especially in the San Francisco Bay Area, where we have a substantial presence and need for highly skilled personnel, including, but not limited to, in particular, engineers, and Arizona, where we have a substantial presence and a need for, among others, a large skilled repair, logistics, supply chain, and manufacturing workforce. As with any company with finite resources, there can be no guarantee that we will be able to attract such individuals or that the presence of such individuals will necessarily translate into our profitability. Because we operate in a newly emerging industry, there may also be limited personnel available with relevant expertise or business experience, and such individuals may be subject to non-competition and other agreements that restrict their ability to work for us. This challenge may be exacerbated for us as we attempt to transition from start-up to full-scale commercial vehicle manufacturing and sales in a very short period of time under the unforeseeable business conditions which continue to evolve as a result of the impact of global conflicts and other geopolitical events. Our inability to attract and retain key employees may materially and adversely affect our business operations. Any failure by our management to effectively anticipate, implement and manage the changes required to sustain our growth would have a material adverse effect on our business, financial condition and results of operations.

### ***We are highly dependent on the services of Peter Rawlinson, our Chief Executive Officer and Chief Technology Officer.***

We are highly dependent on the services of Peter Rawlinson, our Chief Executive Officer and Chief Technology Officer. Mr. Rawlinson is a significant influence on and driver of our technology development and business plan. If Mr. Rawlinson were to discontinue his service with us due to death, disability or any other reason, we would be significantly disadvantaged.

### ***We will need to hire, retain, and train a significant number of employees for our business operations, and our business could be adversely affected by labor and union activities.***

We will need to hire, retain, and train a significant number of employees to engage in full capacity commercial manufacturing operations and for us to scale commercial production and sales and service operations. There are various risks and challenges associated with hiring, retaining, training and managing a large workforce, such as establishing and maintaining efficient communication channels, procedures and rules of conduct, hiring an adequate number of experienced manufacturing, supply chain management and logistics managerial personnel and creating and maintaining an effective company culture. Although the area surrounding our AMP-1 facility in Casa Grande, Arizona and the area surrounding our AMP-2 facility in King Abdullah Economic City ("KAEC") are home to highly trained workforces with experience in engineering and manufacturing, these workforces do not have significant experience with electric vehicle manufacturing, and related processes such as inventory management, logistics and quality. Many jobs will require significant training and we may need to spend significant resources to ensure employees obtain and adhere to such training. Further, competition for employees in the Casa Grande, Arizona area has increased and may continue to increase in the future, which may impact the ability or cost to hire in the area; this same competition for talent may eventually intensify in KAEC as well. In addition, as we progress in constructing our AMP-2 facility in Saudi Arabia, we will need to hire, retain, and train a significantly larger number of employees in the local region to fully support the facility's manufacturing operations. We cannot guarantee that we will be able to operate in compliance with local labor laws and regulations as well as with differing local customs, in order to operate the manufacturing facility. If we are unsuccessful in hiring, retaining and training a workforce in a timely and cost-effective manner, our business, financial condition and results of operations could be adversely affected.



Furthermore, although none of our United States based employees are currently represented by a labor union and none of our international employees are currently represented by a labor union that we are aware of at this time, it is common throughout the automobile industry generally for many employees at automobile companies to belong to a union, which can result in higher employee costs and increased risk of work stoppages. Some unions may attempt and have announced to attempt to organize non-union automakers in the U.S., including us. Moreover, regulations in some jurisdictions outside of the U.S. mandate employee participation in industrial collective bargaining agreements, work councils, or similar activities with certain consultation rights with respect to the relevant companies' operations, or companies are required to apply collective bargaining agreements, implement works councils or similar bodies with certain consultation rights related to the activities of the companies involved. In the event our employees seek to join or form a labor union, we could be subject to risks as we engage in an attempt to address such organizing and/or to finalize negotiations with any such union, including potential work slowdowns or stoppages, delays, and increased costs. Furthermore, we may be directly or indirectly dependent upon companies with unionized work forces, such as parts suppliers, construction contractors, and trucking and freight companies, and work stoppages or strikes organized by such unions could have a material adverse impact on our business, financial condition, ability to expand our facilities, or results of operations. If a work stoppage occurs, it could delay the manufacture and sale of our products and have a material adverse effect on our business, prospects, results of operations, or financial condition.

***Misconduct by our employees and independent contractors during and before their employment with us could expose us to potentially significant legal liabilities, reputational harm and/or other damages to our business.***

Many of our employees play critical roles in ensuring the safety and reliability of our vehicles and/or our compliance with relevant laws and regulations. Certain of our employees have access to sensitive information and/or proprietary technologies and know-how. While we have adopted codes of conduct for all of our employees and implemented detailed policies and procedures relating to intellectual property, proprietary information, and trade secrets, we cannot guarantee that our employees will always abide by these codes, policies, and procedures nor that the precautions we take to detect and prevent employee misconduct will always be effective. If any of our employees engage in any misconduct, illegal or suspicious activities, including but not limited to misappropriation or leakage of sensitive information, proprietary information, know-how or trade secrets, we and such employees could be subject to legal claims and liabilities and our reputation and business could be adversely affected as a result.

In addition, while we have screening procedures during the recruitment process, we cannot guarantee that we will be able to uncover misconduct of job applicants that occurred before we offered them employment, or that we will not be affected by legal proceedings against our existing or former employees as a result of their actual or alleged misconduct. Any negative publicity surrounding such cases, especially in the event that any of our employees is found to have committed any wrongdoing, could negatively affect our reputation and may have an adverse impact on our business.

Furthermore, we face the risk that our employees and independent contractors may engage in other types of misconduct or other illegal activity, such as intentional, reckless or negligent conduct that violates production standards, workplace health and safety regulations, fraud, abuse or consumer protection laws, other similar non-U.S. laws or laws that require the true, complete, and accurate reporting of financial information or data. It is not always possible to identify and deter misconduct by employees and other third parties, and the precautions we take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. In addition, we are subject to the risk that a person or government could allege such fraud or other misconduct, even if none occurred. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business, prospects, financial condition, and results of operations, including, without limitation, the imposition of significant civil, criminal, and administrative penalties, damages, monetary fines, disgorgement, integrity oversight and reporting obligations to resolve allegations of non-compliance, imprisonment, other sanctions, contractual damages, reputational harm, diminished profits and future earnings and curtailment of our operations, any of which could adversely affect our business, prospects, financial condition and results of operations.

## **Risks Related to Litigation and Regulation**

***We are subject to laws and regulations that could impose substantial costs, legal prohibitions or unfavorable changes upon our operations or products, and any failure to comply with these laws and regulations, including as they evolve, could substantially harm our business and results of operations.***

At various jurisdictional levels, we are or will be subject to complex and evolving environmental, manufacturing, health and safety laws and regulations, including laws relating to the use, handling, storage, recycling, disposal and human exposure to lithium-ion batteries and hazardous materials and with respect to constructing, expanding and maintaining our facilities. The costs of compliance, including remediating contamination, if any, for our properties and any changes to our operations mandated by new or amended laws, may be significant. We may also face unexpected delays in obtaining permits and approvals required by such laws in connection with our facilities, which could affect our ability to continue our operations. Such costs and delays may adversely impact our business prospects and operations. Furthermore, any violations of these laws may result in substantial fines and penalties, remediation costs, third party damages, or a suspension or cessation of our operations.

In addition, motor vehicles and associated service activities are subject to substantial regulation under international, federal, state and local laws. We have incurred, and expect to continue to incur, significant costs in complying with these regulations. Any failures to comply could result in significant expenses, delays or fines. In the United States, vehicles must meet or exceed all federally mandated motor vehicle safety standards to be certified under the federal regulations. Rigorous testing and the use of approved materials and equipment are among the requirements for achieving federal certification. The Lucid Air, Lucid Gravity SUV and any future vehicle programs will be subject to such regulation under federal, state and local laws and standards. These regulations include those promulgated by the U.S. Environmental Protection Agency, NHTSA, other federal agencies, various state agencies and various state boards; and compliance certification is required for each individual vehicle we manufacture for sale. These laws and standards are subject to change from time-to-time, and we could become subject to additional regulations in the future, which could increase the effort and expense of compliance. If compliance results in delays or substantial expenses, our business could be adversely affected. Laws and industrial standards for electric vehicles continue to evolve, and we face risks associated with changes to these regulations, which could have an impact on the adoption of electric vehicles. In addition, increased sensitivity by regulators to the needs of established automobile manufacturers with large employment bases, high fixed costs and business models based on the internal combustion engine could lead them to adopt regulations that could reduce the compliance costs of such established manufacturers or mitigate the effects of government efforts to promote electric vehicles.

We currently are, and expect to become, subject to laws and regulations applicable to the supply chain, manufacture, import, sale and service of automobiles in an increasing number of international jurisdictions. Applicable regulations in countries outside of the U.S., such as standards relating to vehicle safety, transportation of dangerous goods, fuel economy and emissions, battery recycling, among other things, are often materially different from requirements in the United States and also evolving. For example, the European Union has enacted a battery regulation that affects Lucid vehicles and batteries delivered in Europe beginning in August 2024 with increasing requirements for the durability, marking and recycled content of the high-voltage batteries in our vehicles in subsequent years, among other things. Compliance with such regulations will require additional time and resources. This process may include official review and verification of our batteries and related documentation prior to market entry. There can be no assurance that we will be able to achieve foreign regulatory compliance in a timely manner and at our expected cost, or at all; and the costs of achieving international regulatory compliance or the failure to achieve international regulatory compliance could harm our business, prospects, results of operations and financial condition.

***We may face regulatory limitations on our ability to sell vehicles directly, which could materially and adversely affect our ability to sell our vehicles.***

Our business plan includes the direct sale of vehicles to retail consumers, both at retail locations and over the internet. The laws governing licensing of dealers and sales of motor vehicles vary from state to state. Most states require a dealer license to sell new motor vehicles within the state, and many states prohibit manufacturers or their affiliates from becoming licensed dealers and directly selling new motor vehicles to retail consumers from within that state. In addition, most states require that we have a physical dealership location in the state before we can be licensed as a dealer. Currently, we are licensed as a motor vehicle dealer in several states. In some states, we have also opened or expect to open Lucid studios to educate and inform customers about our vehicles, but those Lucid studios will not actually transact in the sale of vehicles. The application of these state laws to our operations continues to be difficult to predict. Laws in some states have limited our ability to obtain dealer licenses from state motor vehicle regulators and may continue to do so.

We may face legal challenges to this distribution model. For example, in states where direct sales are not permitted, dealers and their lobbying organizations may complain to the government or regulatory agencies that we are acting in the capacity of a dealer without a license. Alternatively, we have and may continue to initiate legal action against such states that prohibit direct sales, which may be protracted and expensive, and the results are difficult to predict. See “— Risks Related to Litigation and Regulation — *We are subject to legal proceedings, regulatory disputes and governmental inquiries that could cause us to incur significant expenses, divert our management’s attention, and adversely affect our business, results of operations, cash flows and financial condition.*” In some states, regulators may restrict or prohibit us from directly providing warranty repair service, or from contracting with third parties who are not licensed dealers to provide warranty repair service. Even if regulators decide to permit us to sell vehicles, such decisions may be challenged by dealer associations and others as to whether such decisions comply with applicable state motor vehicle industry laws. Further, even in jurisdictions where we believe applicable laws and regulations do not currently prohibit our direct sales model or where we have reached agreements with regulators, legislatures may impose additional limitations. Because the laws vary from state-to-state, our distribution model must be carefully established, and our sales and service processes must be continually monitored for compliance with the various state requirements, which change from time-to-time. Regulatory compliance and likely challenges to the distribution model may add to the cost of our business.



***We have in the past and may choose in the future, or we may be compelled, to undertake product recalls or take other actions, which could adversely affect our business, prospects, results of operations, reputation and financial condition.***

Product recalls may result in adverse publicity, damage our reputation and adversely affect our business, prospects, results of operations and financial condition. For example, we have conducted several vehicle recalls due to a number of potential issues in the past and we may in the future voluntarily or involuntarily initiate additional recalls if any of our electric vehicles or components (including our batteries) prove to be defective or noncompliant with applicable federal 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, we may be unable to service and repair recalled vehicles for a significant period of time. These types of disruptions could jeopardize our ability to fulfill existing contractual commitments or satisfy demand for our electric vehicles and could also result in the loss of business to our competitors. Such recalls, whether caused by systems or components engineered or manufactured by us or our suppliers, would involve significant expense and diversion of management's attention and other resources, which could adversely affect our brand image in our target market and our business, prospects, results of operations and financial condition.

***We are subject to legal proceedings, regulatory disputes and governmental inquiries that could cause us to incur significant expenses, divert our management's attention, and adversely affect our business, results of operations, cash flows and financial condition.***

From time-to-time, we may be subject to claims, lawsuits, government investigations and other proceedings involving product liability, consumer protection, competition and antitrust, intellectual property, data privacy, cybersecurity, securities, tax, labor and employment, health and safety, our direct distribution model, motor vehicle dealership licenses and state licensing laws, environmental claims, contractual and commercial disputes and other matters that could adversely affect our business, brand, reputation, results of operations, cash flows, financial condition, and the trading price of our common stock. Such claims could be asserted against us by individuals, either acting individually or through class actions, by governmental entities in civil or criminal investigations and proceedings, or by other entities. For example, we are currently the subject of several class actions filed against us and certain of our former and then-current directors and officers, alleging violations of securities laws. For details regarding these legal proceedings, refer to Note 12 "Commitments and Contingencies" to the condensed consolidated financial statements included elsewhere in this Quarterly Report for more information.

Litigation and regulatory proceedings may be protracted and expensive, and the results are difficult to predict. Additionally, our litigation and legal defense costs could be significant, even if we achieve favorable outcomes. Adverse outcomes with respect to litigation or any other legal proceedings may result in significant settlement costs or judgments, criminal and civil penalties and fines, or injunctive relief, including suspension or revocation of licenses to conduct business or other changes to our business practices, all of which could negatively affect our sales and revenue growth and adversely affect our business, prospects, results of operations, cash flows and financial condition. See Part II, Item 1 "Legal Proceedings."

***We may become subject to product liability and warranty-related claims, which could harm our financial condition and liquidity if we are not able to successfully defend or insure against such claims.***

We may become subject to product liability and warranty-related claims, which could harm our business, prospects, results of operations and financial condition. The automotive industry experiences significant product liability claims, and we face inherent risks of exposure to claims in the event our production vehicles do not perform or are claimed not to perform as expected or malfunction, resulting in property damage, personal injury or death. We also expect that, as is true for other automakers, our vehicles will be involved in crashes resulting in death or personal injury, and even if not caused by the failure of our vehicles, we may face product liability claims and adverse publicity in connection with such incidents. In addition, we may face claims arising from or related to failures, claimed failures or misuse of new technologies that we expect to offer, including ADAS features in our vehicles. See "—Risks Related to Litigation and Regulation — ADAS technology is subject to uncertain and evolving regulations ." In addition, the battery packs that we produce make use of lithium-ion cells. On rare occasions, lithium-ion cells can rapidly release the energy they contain by venting smoke and flames in a manner that can ignite nearby materials as well as other lithium-ion cells. While we have designed our battery packs to passively contain a single cell's release of energy without spreading to neighboring modules, there can be no assurance that a field or testing failure of our vehicles or other battery packs that we produce will not occur, in particular due to a high-speed crash. In addition, although we equip our vehicles with systems designed to detect and warn vehicle occupants of such thermal events, there can be no assurance that such systems will function as designed or will provide vehicle occupants with sufficient, or any, warning in all circumstances. Any such events or failures of our vehicles, battery packs or warning systems could subject us to lawsuits, product recalls or redesign efforts, all of which would be time consuming and expensive. Furthermore, if our products contain design defects, manufacturing defects, or other defects in materials or workmanship that cause them to not conform to applicable express or implied warranties, and/or we are unable to service or repair nonconforming vehicles within a reasonable period of time or number of repair attempts, we may be subject to breach of warranty, lemon law, and other consumer protection claims.

A successful product liability or warranty-related claim against us could result in a substantial monetary loss. Our risks in this area are particularly pronounced in light of the limited field experience of our vehicles. Moreover, a product liability or warranty-related claim against us or our competitors could generate substantial negative publicity about our vehicles and business and inhibit or prevent commercialization of our future vehicles, which would have material adverse effect on our brand, business, prospects and results of operations. Our insurance coverage might not be sufficient to cover all potential product liability and warranty-related claims, and insurance coverage may not continue to be available to us or, if available, may be at a significantly higher cost. Any lawsuit seeking significant monetary damages or other product liability or warranty-related claims may have a material adverse effect on our reputation, business and financial condition.

***We may be exposed to delays, limitations and risks related to the environmental permits and other operating permits required to operate our manufacturing facilities.***

Operation of an automobile manufacturing facility requires land use and environmental permits and other operating permits from federal, state and local government entities. While we believe that we have the permits necessary to carry out and perform our current plans and operations at our Casa Grande, Arizona and Saudi Arabia manufacturing facilities based on our current target production capacity, we plan to expand our manufacturing facilities and construct additional manufacturing facilities over time to achieve a future target production capacity and will be required to apply for and secure various environmental, wastewater, hazardous materials, and land use permits and certificates of occupancy necessary for the commercial operation of such expanded and additional facilities. Delays, denials or restrictions on any of the applications for or assignment of the permits to operate our manufacturing facilities could adversely affect our ability to execute on our business plans and objectives based on our current target production capacity or our future target production capacity. See “— Risks Related to Manufacturing and Supply Chain — *We have experienced and may in the future experience significant delays in the design, manufacture, launch and financing of our vehicles, including the Lucid Air, the Lucid Gravity SUV and our Midsize platform, which could harm our business and prospects.*”

***We are subject to various environmental, health and safety laws and regulations that could impose substantial costs on us and cause delays in expanding our production facilities.***

Our operations are subject to international, federal, state and local environmental laws and regulations relating to the use, handling, storage, disposal of and exposure to hazardous materials and batteries. Environmental, health and safety laws and regulations are complex and evolving. For example, regulations regarding battery storage, recycling, disposal and processing are relatively new and the current lack of consistent standards may increase our cost of compliance. Moreover, we may be affected by future amendments to such laws or other new environmental, health and safety laws and regulations which may require a change in our operations, potentially resulting in a material adverse effect on our business, prospects, results of operations and financial condition. These laws can give rise to liability for administrative oversight costs, cleanup costs, property damage, bodily injury, fines and penalties. Capital and operating expenses needed to comply with environmental laws and regulations can be significant, and violations could result in substantial fines and penalties, third-party damages, suspension of production or a cessation of our operations.

If contamination is discovered at properties we own or operate, properties we formerly owned or operated or properties to which we sent hazardous substances, we may be subject to liability under environmental laws and regulations, including, but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act, which can impose liability for the full amount of remediation-related costs without regard to fault, for the investigation and cleanup of contaminated soil and ground water, for building contamination and impacts to human health and for damages to natural resources. The costs of complying with environmental laws and regulations and any claims concerning noncompliance, or liability with respect to contamination in the future, could have a material adverse effect on our financial condition or results of operations.

Our operations are also subject to federal, state, and local workplace safety laws and regulations, including, but not limited to, the Occupational Safety and Health Act and the rules promulgated by the Occupational Safety and Health Administration, which require compliance with various workplace safety requirements. These laws and regulations can give rise to liability for oversight costs, compliance costs, bodily injury (including workers' compensation), fines, and penalties. Additionally, non-compliance could result in delay or suspension of production or cessation of operations. The costs required to comply with workplace safety laws can be significant, and non-compliance could adversely affect our production or other operations, including with respect to the production of our vehicles, which could have a material adverse effect on our business, prospects and results of operations.

***ADAS technology is subject to uncertain and evolving regulations.***

We expect to introduce certain ADAS technologies into our vehicles over time. ADAS technology is subject to regulatory uncertainty as the law evolves to catch up with the rapidly evolving nature of the technology itself, all of which is beyond our control. There is a variety of international, federal and state regulations that may apply to self-driving and driver-assisted vehicles, which include many existing vehicle standards that assume a human driver will be controlling the vehicle at all times. Currently, there are no federal U.S. regulations in effect pertaining to the safety of self-driving vehicles; however, NHTSA has established recommended guidelines. Certain states have legal restrictions on self-driving vehicles, and many other states are considering them. In Europe, certain vehicle safety regulations apply to self-driving braking and steering systems, and certain treaties also restrict the legality of certain higher levels of self-driving vehicles. Both the U.S. and Europe have proposed new rules for ADAS technologies that are expected to come into effect in future years. Self-driving laws and regulations are expected to continue to evolve in numerous jurisdictions in the United States and foreign countries, which increases the likelihood of a patchwork of complex or conflicting regulations or may delay products or restrict self-driving features and availability, which could adversely affect our business. Our vehicles may not achieve compliance with the regulatory requirements in some countries or jurisdictions for certification and rollout to consumers or satisfy changing regulatory requirements which could require us to redesign, modify or update our ADAS hardware and related software systems. Any such requirements or limitations could impose significant expense or delays and could harm our competitive position, which could adversely affect our business, prospects, results of operations and financial condition.

***We are subject to U.S. and foreign anti-corruption, anti-money laundering and anti-boycott laws and regulations. We can face criminal liability and other serious consequences for violations, which can harm our business.***

We are subject to the U.S. Foreign Corrupt Practices Act of 1977, as amended, the U.S. domestic bribery statute contained in 18 U.S.C. § 201, the U.S. Travel Act, the USA PATRIOT Act and possibly other anti-bribery and anti-money laundering laws in countries in which we expect to conduct activities, as well as the antiboycott regulations of the U.S. Export Administration regulations. Anti-corruption laws are interpreted broadly and prohibit companies and their employees, agents, contractors and other collaborators from authorizing, promising, offering or providing, directly or indirectly, improper payments or anything else of value to recipients in the public or private sector. We can be held liable for the corrupt or other illegal activities of our employees, agents, contractors and other collaborators, even if we do not explicitly authorize or have actual knowledge of such activities. Anti-money laundering laws and regulations of the U.S. and other countries may require additional due diligence of counterparties and for us to provide ownership and financial information to counterparties. The antiboycott regulations of the U.S. Export Administration require us to refuse to comply with the Arab League boycott of Israel and report any requests to do so. Any violations of the laws and regulations described above may result in substantial civil and criminal fines and penalties, imprisonment, the loss of export or import privileges, debarment, tax reassessments, breach of contract and fraud litigation, reputational harm and other consequences.

***We are subject to governmental export and import controls and laws that could subject us to liability if we are not in compliance with such laws.***

Our vehicles and the equipment we use are subject to export control, import and economic sanctions laws and regulations, including the U.S. Export Administration Regulations, U.S. Customs regulations and various economic and trade sanctions regulations administered by the U.S. Treasury Department's Office of Foreign Assets Control. Exports of our vehicles and technology must be made in compliance with these laws and regulations. If we fail to comply with these laws and regulations, we and certain of our employees could be subject to substantial civil or criminal penalties, including the possible loss of export or import privileges; fines, which may be imposed on us and responsible employees or managers; and, in extreme cases, the incarceration of responsible employees or managers. In addition, our existing and future international operations for the reassembly or manufacture of our vehicles may subject us to additional constraints under applicable export and import controls and laws.

In addition, changes to our vehicles, or changes in applicable export control, import or economic sanctions laws and regulations, may create delays in the introduction and sale of our vehicles and solutions or, in some cases, prevent the export or import of our vehicles to certain countries, governments, or persons altogether. Any change in export, import, or economic sanctions laws and regulations, shift in the enforcement or scope of existing laws and regulations or change in the countries, governments, persons or technologies targeted by such laws and regulations could also result in decreased use of our vehicles, as well decreasing our ability to export or market our vehicles to potential customers. Any decreased use of our vehicles or limitation on our ability to export or market our vehicles could adversely affect our business, prospects, results of operations and financial condition.

***Changes in U.S. trade policy, including the imposition of tariffs or revocation of normal trade relations and the resulting consequences, could adversely affect our business, prospects, results of operations and financial condition.***

The U.S. government has adopted an evolving approach to trade policy and in some cases has attempted to renegotiate or terminate certain existing bilateral or multi-lateral trade agreements. It has also imposed, or proposed to impose, tariffs on certain foreign goods, including steel, certain vehicle parts and software, which have resulted in increased costs for goods imported into the United States. In response to these tariffs, a number of U.S. trading partners have imposed retaliatory tariffs on a wide range of U.S. products, which could make it costlier for us to export our vehicles to those countries. If we are unable to pass the costs of such tariffs on to our customer base or otherwise mitigate such costs, or if demand for our exported vehicles decreases due to the higher cost, our results of operations could be materially adversely affected. In addition, further tariffs have been proposed by the United States and its trading partners, and additional trade restrictions could be implemented on a broad range of products or raw materials. The resulting environment of retaliatory trade or other practices could harm our ability to obtain necessary inputs or sell our vehicles at prices customers are willing to pay, which could have a material adverse effect on our business, prospects, results of operations and financial condition.

In December 2021, the United States adopted the Uyghur Forced Labor Prevention Act ("UFLPA") which creates a rebuttable presumption that any goods, wares, articles, and merchandise mined, produced, or manufactured in whole or in part in the Xinjiang Uyghur Administrative Region of China or that are produced by certain entities are prohibited from importation into the United States and are not entitled to entry. These import restrictions came into effect on June 21, 2022. While we are not presently aware of any direct impacts these restrictions will have on our supply chain, the UFLPA may materially and negatively impact our ability to import the goods and products we rely on to manufacture our products and operate our business. The UFLPA may further impact our supply chain and costs of goods as it may restrict the available supply of goods and products eligible for importation into the United States, including among other things, electronics assemblies, extractives (including coal, copper, hydrocarbons, oil, uranium, and zinc), textiles and fabrics (in particular, cotton) and renewable energy products (including polysilicon, ingots, wafers, crystalline silicon solar cells, and crystalline silicon solar photovoltaic modules). The full potential impact to us of the UFLPA remains uncertain and could have an adverse effect on our business and results of operations.

In 2022, in response to actions taken by Russia against Ukraine, the United States and other countries around the world undertook rapidly evolving and escalating campaigns targeting Russia and Belarus, and Russian and Belarussian entities and persons, with significant new economic sanctions designations and embargoes, financial restrictions, trade controls and other government restrictions.

Although we are not aware of any company-related operations or activities in these jurisdictions, these economic sanctions and other laws and regulations could disrupt our supply chains, impair our ability to compete in current or future markets, or otherwise subject us to potential liability. While we have implemented certain procedures to facilitate compliance with applicable laws and regulations in connection with the growing sanctions and trade control programs around the globe related to Russia and Belarus, we cannot be assured that these procedures are always effective or that we, or third parties, many of whom we do not control, have complied with all laws or regulations in this regard. Failure by our employees, representatives, contractors, agents, intermediaries, or other third parties to comply with applicable laws and regulations could also have negative consequences for us, including reputational harm, government investigations, loss of export privileges, and penalties or fines. These economic sanctions and other restrictions continue to evolve, and the long-term potential impact on our operations and business is still unclear.

In addition, the United States enacted federal regulations that significantly constrain trade relations with Russia and Belarus. As a result of this and executive action increasing import duty rates on certain Russia-origin products, imports of merchandise that is of Russian- or Belarussian-origin are subject to potentially higher import duty rates. To the extent such merchandise is found in our cross-border supply chains and subject to higher duties, the suspension of normal trade relations with Russian and Belarus could increase our input costs, which could have adverse impacts on our business and financial condition.

***A failure to properly comply with foreign trade zone laws and regulations could increase the cost of our duties and tariffs.***

We have established a foreign trade zone with respect to certain of our facilities in Casa Grande, Arizona, through qualification with U.S. Customs and Border Protection. Materials received in a foreign trade zone are not subject to certain U.S. duties or tariffs until the material enters U.S. commerce. We expect to benefit from the adoption of a foreign trade zone by reduced duties, deferral of certain duties and tariffs, and reduced processing fees, which we expect to help us realize a reduction in duty and tariff costs. However, the operation of our foreign trade zone requires compliance with applicable regulations, including with respect to the physical security of the foreign trade zone, and continued support of U.S. Customs and Border Protection with respect to the foreign trade zone program. If we are unable to maintain the qualification of our foreign trade zone, or if foreign trade zones are limited or unavailable to us in the future, our duty and tariff costs could increase, which could have an adverse effect on our business and results of operations.

## Risks Related to Intellectual Property

***We may fail to adequately obtain, maintain, enforce, defend and protect our intellectual property and may not be able to prevent third parties from unauthorized use of our intellectual property and proprietary technology. If we are unsuccessful in any of the foregoing, our competitive position could be harmed and we could be required to incur significant expenses to enforce our rights.***

Our ability to compete effectively is dependent in part upon our ability to obtain, maintain, enforce, defend and protect our intellectual property and proprietary technology. We may not be able to prevent third parties from unauthorized use of our intellectual property and proprietary technology, which could harm our business and competitive position. We establish and protect our intellectual property and proprietary technology through a combination of licensing agreements, third-party nondisclosure and confidentiality agreements and other contractual rights, as well as through patent, trademark, copyright and trade secret laws in the United States and other jurisdictions. Monitoring unauthorized use of our intellectual property is costly and challenging, and the steps we have taken or will take to prevent infringement, misappropriation and other violations may not be successful. Despite our efforts to obtain and protect intellectual property rights, there can be no assurance that these protections will be available in all cases or will be adequate to prevent our competitors or other third parties from copying, reverse engineering or otherwise obtaining and using our technology or products or seeking court declarations that they do not infringe, misappropriate or otherwise violate our intellectual property. Failure to adequately obtain, maintain, enforce, defend and protect our intellectual property could result in our competitors offering identical or similar products, potentially resulting in the loss of our competitive advantage and a decrease in our revenue which would adversely affect our business, prospects, financial condition and results of operations.

The measures we take to obtain, maintain, protect, defend and enforce our intellectual property, including preventing unauthorized use by third parties, may not be effective for various reasons, including the following:

- any trademark or patent applications we file may not result in the issuance of trademarks or patents;
- we may not be the first inventor of the subject matter to which we have filed a particular patent application, and we may not be the first party to file such a patent application;
- the claims under any of our issued patents may not be broad enough to (i) protect our inventions and proprietary technology nor (ii) prevent third parties from creating, developing, or implementing technologies that are similar to ours or offer similar performance;
- our issued patents may be challenged or invalidated by our competitors or other third parties;
- patents have a finite term, and competitors and other third parties may offer identical or similar products after the expiration of our patents that cover such products;
- our employees, contractors or business partners may breach their confidentiality, non-disclosure and non-use obligations;
- competitors and other third parties may independently develop technologies that are the same or similar to ours;
- the intellectual property rights of others could also bar us from licensing and exploiting any patents that issue from our pending applications;
- the costs associated with enforcing patents or other intellectual property rights, or confidentiality and invention assignment agreements may make enforcement impracticable; and
- competitors and other third parties may circumvent or otherwise design around our patents or other intellectual property.

Patent, trademark, copyright and trade secret laws vary significantly throughout the world. The laws of some foreign countries, including countries in which our products are sold, may not be as protective of intellectual property rights as those in the United States, and mechanisms for obtaining and enforcing intellectual property rights may be inadequate. Therefore, our intellectual property may not be as strong or as easily obtained or enforced outside of the United States. Further, policing the unauthorized use of our intellectual property in foreign jurisdictions may be difficult. In addition, third parties may seek to challenge, invalidate or circumvent our patents, trademarks, copyrights, trade secrets or other intellectual property, or applications for any of the foregoing, which could permit our competitors or other third parties to develop and commercialize products and technologies that are the same or similar to ours.

While we have registered and applied for trademarks in an effort to protect our brand and goodwill with customers, competitors or other third parties have in the past and may in the future oppose our trademark applications or otherwise challenge our use of the trademarks and other brand names in which we have invested. Such oppositions and challenges can be expensive and may adversely affect our ability to maintain the goodwill gained in connection with a particular trademark. In addition, we may lose our trademark rights if we are unable to submit specimens of use by the applicable deadline to perfect such trademark rights. For example, in June 2024, we reached an agreement with Gravity, Inc. to settle a claim before the USPTO that opposed and requested cancellation of our trademark application and registration for the use of "Gravity."

It is our policy to enter into confidentiality and invention assignment agreements with our employees and contractors that have developed material intellectual property for us, but these agreements may not be self-executing and may not otherwise adequately protect our intellectual property, particularly with respect to conflicts of ownership relating to work product generated by the employees and contractors. Furthermore, we cannot be certain that we have entered into these agreements with every such employee and contractor, that these agreements will not be breached or that third parties will not gain access to our trade secrets, know-how or other proprietary technology. Third parties may also independently develop the same or substantially similar proprietary technology. Monitoring unauthorized use of our intellectual property is difficult and costly, as are the steps we have taken or will take to prevent misappropriation.

We have licensed and plan to further license patents and other intellectual property from third parties, including, but not limited to, suppliers and service providers, and we may face claims that our use of this in-licensed intellectual property infringes, misappropriates or otherwise violates the intellectual property rights of third parties. In such cases, we will seek indemnification from our licensors. However, our rights to indemnification may be unavailable or insufficient to cover our costs and losses. Furthermore, disputes may arise with our licensors regarding the intellectual property subject to, and any of our rights and obligations under, any license or other commercial agreement. The resolution of such disputes could narrow what we believe to be the scope of our rights to the relevant intellectual property or increase what we believe to be our financial or other obligations under the relevant agreement. If we are unable to renew our key license or other intellectual property-related agreements on acceptable terms, or our current and future licensors conclude that we have materially breached our obligations under our license agreements and terminate such license agreements, we may lose the legal right to use some of the intellectual property we employ to manufacture certain products or only be able to maintain such right at a substantially higher cost. In some circumstances, we may not have the right to control the maintenance, prosecution, preparation, filing, enforcement, defense or litigation of patents and patent applications that we license from third parties and are reliant on our licensors to do so. We cannot be certain that activities such as patent maintenance and prosecution by our licensors have been or will be conducted consistent with our best interests or in compliance with applicable laws and regulations, or will result in valid and enforceable patents and other intellectual property rights. It is possible that our licensors' infringement proceedings or defense activities may be less vigorous than had we conducted them ourselves or may not be conducted in accordance with our best interests.

To prevent unauthorized use of our intellectual property, it may be necessary to prosecute actions for infringement, misappropriation or other violation of our intellectual property against third parties. Any such action may be time-consuming and could result in significant costs and diversion of our resources and management's attention, and there can be no assurance that we will be successful in any such action. Furthermore, many of our current and potential competitors have the ability to dedicate substantially greater resources to enforce their intellectual property rights than we do. Accordingly, despite our efforts, we may not be able to prevent third parties from infringing, misappropriating or otherwise violating our intellectual property. Any of the foregoing could adversely affect our business, prospects, financial condition and results of operations.

***We may be sued by third parties for alleged infringement, misappropriation or other violation of their intellectual property, which could be time-consuming and costly and result in significant legal liability.***

There are considerable issued patents, pending patent applications, and other intellectual property development, ownership, and activity in our industry. Companies, organizations and individuals, including our competitors, may hold or obtain patents, trademarks or other intellectual property that would prevent, limit or interfere with our ability to make, use, develop, sell, lease, market or otherwise exploit our vehicles, components or other technology, which could make it more difficult for us to operate our business. Our success depends in part on not infringing, misappropriating or otherwise violating the intellectual property of third parties. From time-to-time, we may receive communications from third parties, including our competitors, alleging that we are infringing, misappropriating or otherwise violating their intellectual property or otherwise asserting their rights and urging us to take licenses, and we may be found to be infringing, misappropriating or otherwise violating such rights. There can be no assurance that we can adequately mitigate the risk of potential suits or other legal demands by our competitors or other third parties. Patent and other types of intellectual property litigation can involve complex factual and legal questions, and their outcome is uncertain. Even if we believe such claims are without merit, a court of competent jurisdiction could hold that such third-party intellectual property is valid, enforceable and infringed, which could adversely affect our ability to commercialize our products or technologies. Accordingly, we may consider entering into license agreements with respect to such rights, although no assurance can be given that such licenses can be obtained on acceptable terms or at all or that litigation will not occur, and such licenses and associated litigation could significantly increase our operating expenses. We may be unaware of the intellectual property and other proprietary rights of third parties that may cover some or all of our products or technologies. Any claims or litigation could cause us to incur significant expenses and, if successfully asserted against it, could have adverse effects on our business, including requiring that it:

- pay substantial damages, including treble damages for willful infringement, or ongoing royalty payments;
- cease developing, selling, leasing, using or incorporating certain components into vehicles or offering goods or services that incorporate or use the asserted intellectual property;
- seek a license from the owner of the asserted intellectual property, which license may not be available on reasonable terms, or at all;
- comply with other unfavorable terms; or
- establish and maintain alternative branding for our products and services.



If any of our customers or indemnitees are alleged to have infringed, misappropriated or otherwise violated any third-party intellectual property, we would in general be required to defend or settle the litigation on their behalf. In addition, if we are unable to obtain licenses or modify our products or technologies to make them non-infringing, we might have to refund a portion of license fees paid to us and terminate those agreements, which could further exhaust our resources. In addition, we may pay substantial settlement amounts or royalties on future product sales to resolve claims or litigation, whether or not legitimately or successfully asserted against us. Even if we were to prevail in the actual or potential claims or litigation against us, any claim or litigation regarding our intellectual property could be costly and time-consuming and divert the attention and resources of our management and key employees from our business operations. Such disputes, with or without merit, could also cause potential customers to refrain from purchasing our products or otherwise cause us reputational harm and negative publicity.

Furthermore, many of our employees were previously employed by other automotive companies or by suppliers to automotive companies, or related industries. We may be subject to claims that we or our employees have inadvertently or otherwise used or disclosed trade secrets or other proprietary information of these employees' former employers. Litigation may be necessary to defend against these claims. If we fail in defending such claims, in addition to paying monetary damages, we may be enjoined from using certain technology, product, services, or knowledge or, we may lose valuable intellectual property or employees. A loss of key employees, our trade secrets, or our other work product could hamper or prevent our ability to commercialize our products, which could severely harm our business. Even if we are successful in defending against these claims, litigation could result in substantial costs and demand on management resources. Any of the foregoing could materially adversely affect our business, prospects, results of operations and financial condition.

***Some of our products contain open-source software, which may pose particular risks to our proprietary software, products and services in a manner that could harm our business.***

We use open-source software, available from third parties, in our products and anticipate using open-source software in the future. Some open-source software licenses require those who distribute open-source software as part of their own software product to publicly disclose all or part of the source code to such software product or to make available any derivative works of the open-source code on unfavorable terms or at no cost, and we may be subject to such terms. The terms of many open-source licenses to which we are subject have not been interpreted by U.S. or foreign courts, and there is a risk that open-source software licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to provide or distribute our products or services. Any actual or claimed requirement to disclose our proprietary source code or pay damages for breach of contract could harm our business and could help third parties, including our competitors, develop products and services that are similar to or better than ours. While we monitor our as well as our third-party software suppliers' use of open-source software and compliance with open-source licenses and try to ensure that none is used in a manner that would require us to disclose our proprietary source code or that would otherwise breach the terms of an open-source license, such use could inadvertently occur or be claimed to have occurred. Additionally, we could face claims from third parties claiming ownership of, or demanding release of, the open-source software or derivative works that we developed using such software, which could include our proprietary source code, or otherwise seeking to enforce, or alleging non-compliance with the terms of the applicable open-source license. These claims could result in litigation and could require us to make our proprietary source code freely available, purchase a costly license or cease offering the implicated products or services unless and until we can re-engineer them to avoid infringement, which may be a costly and time-consuming process, and we may not be able to complete the re-engineering process successfully.

Additionally, the use of certain open-source software can lead to greater risks than use of third-party commercial software, as open-source licensors generally do not provide warranties or controls on the origin of software or other contractual protections regarding infringement claims or the quality of the code, including with respect to security vulnerabilities. Moreover, some open-source projects have known security and other vulnerabilities and architectural instabilities, or are otherwise subject to security attacks due to their wide availability, and are provided on an "as-is" basis. There is typically no support available for open-source software, and we cannot ensure that the authors of such open-source software will implement or push updates to address security risks or will not abandon further development and maintenance. Many of the risks associated with the use of open-source software, such as the lack of warranties or assurances of title or performance, cannot be eliminated, and could, if not properly addressed, negatively affect our business. Any of these risks could be difficult to eliminate or manage and, if not addressed, could have a material adverse effect on our business, prospects, results of operations and financial condition.

## Risks Related to Financing and Strategic Transactions

***We will require additional capital to support business growth, and this capital might not be available on commercially reasonable terms, or at all.***

We have funded our operations since inception primarily through equity and debt financings. For example, we issued \$2.0 billion of 1.25% convertible senior notes due 2026 in December 2021 (the “2026 Notes”), entered into a credit agreement that provides for a \$1.0 billion senior secured asset-based revolving credit facility in June 2022 (the “ABL Credit Facility”), completed an “at-the-market” equity offering program for aggregate net proceeds of \$594.3 million after deducting commissions and other issuance costs and consummated a private placement of common stock to Ayar for aggregate proceeds of \$915.0 million in December 2022. In addition, we have, through our subsidiary, entered into a loan agreement with the Saudi Industrial Development Fund for an aggregate principal amount of up to SAR 5.19 billion in February 2022 (the “SIDF Loan Agreement”), entered into a revolving credit facility agreement with Gulf International Bank for an aggregate principal amount of SAR 1 billion in April 2022, which was amended in March 2023 (as amended, the “Amended GIB Facility Agreement”), and also entered into \$750 million unsecured delayed draw term loan credit facility (the “DDTL Credit Facility”) in August 2024. In June 2023, we completed an underwritten public offering of common stock for aggregate net proceeds of \$1.2 billion and consummated a private placement to Ayar for aggregate net proceeds of \$1.8 billion, after deducting issuance costs. We also consummated private placements of Redeemable Convertible Preferred Stock to Ayar for aggregate gross proceeds of \$1.0 billion in March 2024 and \$750 million in August 2024. In addition, in October 2024, we completed an underwritten public offering of common stock for aggregate proceeds of approximately \$719.0 million and consummated a private placement to Ayar for aggregate proceeds of approximately \$1,026.5 million. We anticipate that we will continue to need to raise additional funds through equity, equity-linked or debt financings. Our business is capital-intensive, and we expect the costs and expenses associated with our planned operations will continue to increase in the near term. We do not expect to achieve positive cash flow from operations for several years, if at all. In addition, we have and we expect to settle tax withholding obligations in connection with vesting of the restricted stock units granted to certain employees through “net settlement,” i.e., by remitting the Company’s cash to satisfy the tax withholding obligation and simultaneously withholding a number of the vested shares on each vesting date with a value equal to that remitted cash. The amount of the tax withholding due on each vesting date will be based on the fair value of our common stock on such vesting date. Depending on the fair value of our common stock and the number of restricted stock units vesting on any applicable vesting date, such net settlement could require us to expend substantial funds to satisfy tax withholding.

Our plan to continue the commercial production of our vehicles and grow our business is dependent upon the timely availability of funds and further investment in design, engineering, component procurement, testing, and the build-out of manufacturing capabilities. For example, we have entered into amended agreements with Panasonic Energy Co., Ltd. and certain of its affiliates. Pursuant to the terms of the amended agreements, for the remainder of 2024 through 2031, we have remaining minimum purchase commitments of an aggregate of approximately \$2.8 billion of lithium-ion battery cells using the current base prices, which could vary period-to-period primarily as a result of changes in raw material indexes. In addition, the fact that we have a limited operating history means that we have limited historical data on the demand for our vehicles. As a result, our future capital requirements are uncertain, and actual capital requirements may be greater than what we currently anticipate.

If we raise additional funds through further issuances of equity or equity-linked securities, our stockholders could experience significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our common stock. Any debt financing in the future could involve additional restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions.

We may not be able to obtain additional financing on terms favorable to us, if at all. Our ability to obtain such financing could be adversely affected by a number of factors, including general conditions in the global economy and in the global financial markets, including recent volatility and disruptions in the capital and credit markets, including as a result of inflation, government closures of banks and liquidity concerns at other financial institutions, interest rate changes, global conflicts or other geopolitical events, or investor acceptance of our business model. These factors may make the timing, amount, terms and conditions of such financing unattractive or unavailable to us. If we are unable to obtain adequate financing or financing on terms satisfactory to us, when we require it, we will have to significantly reduce our spending, delay or cancel our planned activities or substantially change our corporate structure, and we might not have sufficient resources to conduct or support our business as projected, which would have a material adverse effect on our business, prospects, results of operations and financial condition.



***We may not be able to realize the anticipated benefits of our agreement with Aston Martin.***

In June 2023, we entered into an agreement (the "Implementation Agreement") with Aston Martin Lagonda Global Holdings plc (together with its subsidiaries, "Aston Martin") under which we and Aston Martin have established a long-term strategic technology arrangement. On November 6, 2023, pursuant to the terms of the Implementation Agreement, integration and supply arrangements became effective, under which we will provide Aston Martin access to our powertrain, battery system, and software technologies, work with Aston Martin to integrate our powertrain and battery components with Aston Martin's battery electric vehicle chassis, and supply powertrain and battery components to Aston Martin (collectively, the "Strategic Technology Arrangement"). See Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations for more information.

We may not be able to realize the anticipated benefits of the Strategic Technology Arrangement if we experience delays, fail to successfully integrate our powertrain and battery components with Aston Martin's vehicles, or fail to enter into a long form supply agreement on terms acceptable to us, or if we experience delays or fail to deliver the components ordered by Aston Martin. Any such delay or failure for any reason, including for reasons beyond our control, may have an adverse effect on our brand and reputation, and our business, prospects, results of operations and financial condition.

***The accounting method for reflecting the 2026 Notes on our consolidated balance sheet, accruing interest expense for the 2026 Notes and reflecting the underlying shares of our common stock in our reported diluted earnings per share may adversely affect our reported earnings and financial condition.***

In August 2020, the Financial Accounting Standards Board published an Accounting Standards Update, which we refer to as ASU 2020-06, which simplifies certain of the accounting standards that apply to convertible debt such as the 2026 Notes. ASU 2020-06 will be effective for SEC-reporting entities for fiscal years beginning after December 15, 2021 (or, in the case of smaller reporting companies, December 15, 2023), including interim periods within those fiscal years. However, early adoption is permitted in certain circumstances for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. We adopted ASU 2020-06 for the year ended December 31, 2021, including interim periods within that fiscal year.

In accordance with ASU 2020-06, we accounted for the issuance of the 2026 Notes as a liability on our balance sheets, with the initial carrying amount equal to the principal amount of the 2026 Notes, net of issuance costs. The issuance costs will be treated as a debt discount for accounting purposes, which will be amortized into interest expense over the term of the 2026 Notes. As a result of this amortization, the interest expense that we expect to recognize for the 2026 Notes for accounting purposes will be greater than the cash interest payments we will pay on the 2026 Notes, which will result in higher reported loss.

In addition, the shares underlying the 2026 Notes will be reflected in our diluted earnings per share using the "if converted" method, in accordance with ASU 2020-06. Under that method, diluted earnings per share would generally be calculated assuming that all the 2026 Notes were converted solely into shares of common stock at the beginning of the reporting period, unless the result would be anti-dilutive. The application of the if-converted method may reduce our reported diluted earnings per share, and accounting standards may change in the future in a manner that may adversely affect our diluted earnings per share.

Furthermore, if any of the conditions to the convertibility of the 2026 Notes is satisfied, then we may be required under applicable accounting standards to reclassify the liability carrying value of the 2026 Notes as a current, rather than a long-term liability. This reclassification could be required even if no noteholders convert their 2026 Notes and could materially reduce our reported working capital.

***Servicing our current and future debt and potential payment obligations in certain circumstances under the terms of our Redeemable Convertible Preferred Stock may require a significant amount of cash, and we may not have sufficient cash flow from our business to pay our indebtedness or satisfy our payment obligations. Our payment obligations under such indebtedness and, if applicable, our Redeemable Convertible Preferred Stock may limit the funds available to us, and the terms of our debt agreements may restrict our flexibility in operating our business or otherwise adversely affect our results of operations.***

In December 2021, we issued \$2.0 billion principal amount of 2026 Notes and have entered into several credit facilities in 2022. See Note 6 “Debt” to the condensed consolidated financial statements included elsewhere in this Quarterly Report for further information on our outstanding debt obligations. Our ability to make scheduled payments of the principal of, to pay interest on or to refinance our indebtedness from time-to-time depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control. Our business may not generate cash flow from operations in the future sufficient to service our debt, our obligations under the Redeemable Convertible Preferred Stock and make necessary capital expenditures. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as selling assets, restructuring debt or preferred stock or obtaining additional debt financing or equity capital on terms that may be onerous or highly dilutive. Our ability to refinance any current or future indebtedness or preferred stock will depend on the capital markets and our financial condition at such time. Our obligations to the holders of our Redeemable Convertible Preferred Stock could also limit our ability to obtain additional financing, which could have an adverse effect on our financial condition. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations. In addition, our existing debt agreements contain, and any of our future debt agreements may contain restrictive covenants that may prohibit us from adopting any of these alternatives. Our failure to comply with these covenants could result in an event of default which, if not cured or waived, could result in the acceleration of our debt.

In addition, our indebtedness and our obligations under our Redeemable Convertible Preferred Stock, combined with our other existing and future financial obligations and contractual commitments, could have other important consequences. For example, it could:

- make us more vulnerable to adverse changes in general U.S. and worldwide economic, industry and competitive conditions and adverse changes in government regulation;
- limit our flexibility in planning for, or reacting to, changes in our business and our industry;
- place us at a disadvantage compared to our competitors who have less debt or other obligations;
- limit our ability to borrow or raise additional amounts to fund acquisitions, for working capital and for other general corporate purposes; and
- make an acquisition of our company less attractive or more difficult.

In addition, under the SIDF Loan Agreement, the Amended GIB Facility Agreement, the ABL Credit Facility, and the DDTL Credit Facility, we are subject to customary affirmative and negative covenants regarding our business and operations, including limitations on our ability to, among other things, pay dividends, incur debt, create liens and encumbrances, redeem or repurchase stock, dispose of assets (including dispositions of material intellectual property), consummate acquisitions or other investments, prepay certain debt, engage in transactions with affiliates, engage in sale and leaseback transactions, consummate mergers and other fundamental changes, enter in to restrictive agreements or modify their organizational documents. Any debt financing secured by us in the future could also involve such covenants as well as additional restrictive covenants relating to our capital-raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital to pursue business opportunities, including potential acquisitions or divestitures. Any default under our debt arrangements could require that we repay our indebtedness immediately, and may limit our ability to obtain additional financing, which in turn may have an adverse effect on our cash flows and liquidity.

Further, shares of our common stock are subordinate in right of payment to all of our current and future debt and Redeemable Convertible Preferred Stock. We cannot assure that there would be any remaining funds for any distribution to our stockholders after the payment of all of our debt or, in the case of our Redeemable Convertible Preferred Stock, payment of all of our obligations upon liquidation or, in certain limited circumstances where cash settlement is required, our obligations upon mandatory conversion, optional redemption or a fundamental change. See “*We may be unable to raise the funds necessary to pay the cash amounts due upon mandatory conversion, redeem our Redeemable Convertible Preferred Stock or repurchase the Redeemable Convertible Preferred Stock upon a fundamental change.*”

Any of these factors could harm our business, results of operations and financial condition. In addition, if we incur additional indebtedness or issue additional Redeemable Convertible Preferred Stock, the risks related to our business and our ability to service or repay our indebtedness would increase.

***We have incurred and may still incur substantially more debt.***

We and our subsidiaries have incurred and may be able to incur substantial additional debt in the future, subject to the restrictions contained in our debt instruments, some of which may be secured debt. The ABL Credit Facility and Certificate of Designations imposes certain restrictions on our ability to incur additional debt, but we are not restricted under the terms of the indenture governing our 2026 Notes from incurring additional debt, securing existing or future debt, recapitalizing our debt or taking a number of other actions that are not limited by the terms of such indenture governing our 2026 Notes that could have the effect of diminishing our ability to make payments on our 2026 Notes when due.

***The conditional conversion feature of the 2026 Notes, if triggered, may adversely affect our financial condition and operating results.***

From and after September 15, 2026, noteholders may convert their 2026 Notes at any time at their election until the close of business on the second scheduled trading day immediately before the maturity date. In the event the conditional conversion feature of the 2026 Notes is triggered, holders of such 2026 Notes will be entitled under the indenture governing such 2026 Notes to convert their 2026 Notes at any time during specified periods at their option. If one or more holders of 2026 Notes elect to convert such 2026 Notes, unless we elect to satisfy our conversion obligation by delivering solely shares of our common stock, we would be required to settle a portion or all of our conversion obligation through the payment of cash, which could adversely affect our liquidity. In addition, in certain circumstances, such as conversion by holders or redemption, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the 2026 Notes as a current rather than long-term liability, which would result in a material reduction of our net working capital.

***We may be unable to raise the funds necessary to repurchase the 2026 Notes for cash following a fundamental change, or to pay any cash amounts due upon conversion, and our other indebtedness may limit our ability to repurchase the 2026 Notes or pay cash upon their conversion.***

Noteholders may, subject to a limited exception, require us to repurchase their 2026 Notes following a fundamental change at a cash repurchase price generally equal to the principal amount of the 2026 Notes to be repurchased, plus accrued and unpaid interest, if any. In addition, upon conversion, we will satisfy part or all of our conversion obligation in cash unless we elect to settle conversions solely in shares of our common stock. We may not have enough available cash or be able to obtain financing at the time we are required to repurchase the 2026 Notes or pay any cash amounts due upon conversion. In addition, applicable law, regulatory authorities and the agreements governing our other indebtedness, such as the covenants in the ABL Credit Facility and Certificate of Designations, may restrict our ability to repurchase the 2026 Notes or pay any cash amounts due upon conversion. Our failure to repurchase 2026 Notes or pay any cash amounts due upon conversion when required will constitute a default under the indenture. A default under the indenture or the fundamental change itself could also lead to a default under agreements governing our other indebtedness, which may result in that other indebtedness becoming immediately payable in full. We may not have sufficient funds to satisfy all amounts due under the other indebtedness and the 2026 Notes.

***We may be unable to raise the funds necessary should any cash amounts become payable upon mandatory conversion or in connection with a fundamental change or optional redemption in relation to our Redeemable Convertible Preferred Stock.***

In March 2024, we issued 100,000 shares of our Series A Redeemable Convertible Preferred Stock and in August 2024, we issued 75,000 shares of our Series B Redeemable Convertible Preferred Stock. The holders of our Redeemable Convertible Preferred Stock have the right to receive payment in cash upon a mandatory conversion or redemption at our option, or upon the occurrence of a fundamental change (as defined in the Certificate of Designations), if certain liquidity conditions are not satisfied. In general, we are entitled to exercise a mandatory conversion right regarding the Redeemable Convertible Preferred Stock to convert into shares of common stock after the third anniversary of the date of original issuance if the daily VWAP (as defined in the Certificate of Designations) has been at least 200% of the Conversion Price (as defined above) for at least twenty (20) trading days (whether or not consecutive) during any thirty (30) consecutive trading day period (including the last day of such period), and we are entitled to redeem all or any portion of the Redeemable Convertible Preferred Stock on or after the fifth anniversary of the date of original issuance at a redemption price specified in the Certificate of Designations.

The holders of our Redeemable Convertible Preferred Stock also have the right to receive certain Minimum Consideration (as defined below) upon a mandatory conversion, optional redemption, fundamental change or liquidation event. While we largely can control the occurrence of such events, if we are required to cash settle any of these obligations as a result of the liquidity conditions not being met, the amount of such cash settlement is subject to factors beyond our control and we cannot presently predict the amount of such cash settlement, which increases over time is not subject to any cap or limitation. A requirement to cash settle any obligations in relation to the Redeemable Convertible Preferred Stock may have a material adverse effect on our business, prospects, results of operations and financial condition. See “—The settlement of our obligations upon conversion, optional redemption or required repurchase of our Redeemable Convertible Preferred Stock is expected to dilute the ownership of common stockholders and the number of shares of common stock issuable upon mandatory conversion, optional redemption or fundamental change is presently indeterminable.”

***The settlement of our obligations upon conversion, optional redemption or required repurchase of our Series A or Series B Redeemable Convertible Preferred Stock is expected to dilute the ownership of common stockholders and the number of shares of common stock issuable upon mandatory conversion, optional redemption or fundamental change is presently indeterminable.***

The Series A Redeemable Convertible Preferred Stock and the Series B Redeemable Convertible Preferred Stock are convertible into our common stock at an initial conversion price of \$3.5952 per share and \$4.3799 per share, respectively (the "Conversion Price"). The Conversion Price is subject to customary anti-dilution adjustments, including in the event of any stock split, stock dividend, recapitalization or similar event. Dividends on the Redeemable Convertible Preferred Stock are payable at an initial rate of 9% per annum in the form of dividends compounding on a quarterly basis. Such compounded dividends are not subject to any cap or sunset provisions and can accrue into perpetuity. At issuance, the Series A Redeemable Convertible Preferred Stock was initially convertible into 278.15 million shares of common stock, representing approximately 12% of our then issued and outstanding common stock. Upon entry into the Series B Subscription Agreement, the Series B Redeemable Convertible Preferred Stock is expected to be initially convertible into 171.24 million shares of common stock, representing approximately 7% of our then issued and outstanding common stock. Holders of the Redeemable Convertible Preferred Stock may convert their shares (a) at any time that the closing price per share of our common stock on the trading day immediately preceding the date of the relevant notice of conversion is at least \$5.50 (subject to certain adjustments), unless we otherwise consent to such conversion in our sole discretion, or (b) in all events during certain specified periods relating to a fundamental change or optional redemption by us. The number of shares of common stock issuable upon conversion (other than a mandatory conversion) in the future, subject to certain exceptions, is determined by dividing (i) the applicable Accrued Value (as defined in the Certificate of Designations) as of the conversion date by (ii) the applicable Conversion Price in effect as of such conversion date. As such, the number of shares of common stock issuable upon conversion may continue to increase in perpetuity as each of the compounded dividends increases the Accrued Value. Meeting these conversion obligations could impact our financial condition, liquidity, ability to obtain additional financing, or ability to allocate resources to addressing other aspects of our business including addressing the interests of the holders of our common stock. Except in the case of a mandatory conversion for which we elect (or are required) to satisfy our conversion obligation in cash (as further described under "*—We may be unable to raise the funds necessary should any cash amounts become payable upon mandatory conversion or in connection with a fundamental change in relation to our Redeemable Convertible Preferred Stock, or to optionally redeem our Redeemable Convertible Preferred Stock*"), any conversion of the Redeemable Convertible Preferred Stock will also increase the number of shares of our common stock available for public trading, which could adversely affect prevailing market prices of our common stock.

In addition, the holders of the Redeemable Convertible Preferred Stock may also be entitled to receive "Minimum Consideration" in certain situations in the case the Company exercises its rights in respect of a mandatory conversion or optional redemption or in the case of a fundamental change (as defined in the Certificate of Designations). Such Minimum Consideration is determined by multiplying the Accrued Value by the relevant percentage set forth in the Certificate of Designations based on the number of months that have elapsed since the initial issuance of the Redeemable Convertible Preferred Stock. In the event that the Minimum Consideration exceeds the Accrued Value, we would be required to pay or deliver, as the case may be, consideration having a value in excess of Accrued Value in order to redeem or refinance the Redeemable Convertible Preferred Stock. If an event occurs that requires us to deliver Minimum Consideration, the number of shares of common stock issuable to satisfy such obligation is presently indeterminable and, in particular if our stock price is substantially below the initial conversion price, meeting such common stock issuance obligation may result in significant dilution to the common stockholders which could have a material adverse effect on the market prices of our common stock and on our financial condition, liquidity, and ability to obtain additional financing. In addition, the holders of the Redeemable Convertible Preferred Stock may also be entitled to receive Minimum Consideration in the event of our liquidation, dissolution or winding up, which may reduce or eliminate the value of any remaining assets for distribution to common stockholders in such an event.

***The holders of our Redeemable Convertible Preferred Stock are entitled to vote on an as-converted to common stock basis and have rights to approve certain actions, which reduces the relative voting power of the holders of our common stock.***

The holders of our Redeemable Convertible Preferred Stock are entitled to vote, on an as-converted basis together with holders of our common stock, the number of votes (subject to a voting cap in accordance with Nasdaq listing rules) equal to the number of whole shares of common stock into which the shares of the Redeemable Convertible Preferred Stock held by such holder are convertible on the record date for determining stockholders entitled to vote on such matter, which reduces the relative voting power of our common stockholders.

In addition, as long as at least 10% of the aggregate number of shares of the Series A and Series B Redeemable Convertible Preferred Stock originally issued remain outstanding, respectively, and subject to certain other conditions, holders of such Redeemable Convertible Preferred Stock are entitled to a separate class vote with respect to, among other things, amendments to our organizational documents that have an adverse effect on the respective Redeemable Convertible Preferred Stock, authorizations or issuances by us of capital stock that ranks senior or equal to the respective Redeemable Convertible Preferred Stock with respect to dividends or distributions on liquidation or the terms of which provide for cash dividends (other than the common stock), winding-up or dissolution, and decreases in the number of authorized shares of the Redeemable Convertible Preferred Stock.

As a result of these consent and voting rights of the Redeemable Convertible Preferred Stock, holders of the Redeemable Convertible Preferred Stock have significant power to influence the outcome over any matter submitted for the vote of the holders of our common stock and to influence certain matters affecting our governance and capitalization.

***Our Redeemable Convertible Preferred Stock has rights, preferences and privileges that are not held by, and are senior to the rights of, our common stockholders.***

The Redeemable Convertible Preferred Stock ranks senior to the common stock with respect to dividends and distributions of assets upon the Company's liquidation, dissolution or winding up. In addition, the Redeemable Convertible Preferred Stock creates substantial obligations upon us in the case of a conversion, mandatory conversion, optional redemption, fundamental change or liquidation event that may have an adverse effect upon our financial condition and the interests of the holders of our common stock. The Redeemable Convertible Preferred Stock ranks senior to the common stock with respect to dividends substantially limits our ability to issue parity securities, junior securities or cash dividend securities, and may in some circumstances limit our ability to pay dividends on our common stock. Furthermore, the Certificate of Designations also provides that as long as Ayar owns at least 50% of the Redeemable Convertible Preferred Stock, we will comply with certain debt incurrence covenants in our ABL Credit Facility.

Holders of the Redeemable Convertible Preferred Stock also have rights to a guaranteed Minimum Consideration in the event that the Company exercises its right to mandatory conversion or optional redemption of the Redeemable Convertible Preferred Stock, and in the event of a fundamental change or liquidation event. See "*—The settlement of our obligations upon conversion, optional redemption or required repurchase of our Redeemable Convertible Preferred Stock is expected to dilute the ownership of common stockholders and the number of shares of common stock issuable upon mandatory conversion, optional redemption or fundamental change is presently indeterminable.*" In addition, holders of our Redeemable Convertible Preferred Stock have the right to receive payment in cash upon a mandatory conversion, optional redemption or a fundamental change if certain liquidity conditions are not satisfied. See "*—Servicing our current and future debt and potential payment obligations in certain circumstances under our Redeemable Convertible Preferred Stock may require a significant amount of cash, and we may not have sufficient cash flow from our business to pay our indebtedness. Our payment obligations under such indebtedness and, if applicable, our Redeemable Convertible Preferred Stock may limit the funds available to us, and the terms of our debt agreements may restrict our flexibility in operating our business or otherwise adversely affect our results of operations*" and "*—We may be unable to raise the funds necessary should any cash amounts become payable upon mandatory conversion or in connection with a fundamental change or optional redemption in relation to our Redeemable Convertible Preferred Stock.*"

***We may be unable to draw down the full amounts available under the ABL Credit Facility, the SIDF Loan Agreement, the Amended GIB Facility Agreement or the DDTL Credit Facility.***

The ABL Credit Facility has an initial aggregate principal commitment amount of up to \$1.0 billion. However, availability of the committed amounts under the ABL Credit Facility is subject to the value of the eligible borrowing base and certain debt compliance covenants in the Certificate of Designations. We are currently able to draw down only a portion of the full amount available under the ABL Credit Facility. In addition, there is no guarantee that we will have sufficient eligible borrowing base in the future to be able to draw down the full amount available under the ABL Credit Facility. In addition, amounts committed under the SIDF Loan Agreement and the Amended GIB Facility Agreement are only available for certain specific purposes and subject to conditions on drawdowns. The DDTL Credit Facility provides for a \$750.0 million delayed draw term loan credit facility subject to drawdown conditions, including the requirement that there is no availability under the ABL Credit Facility. Any inability to draw down the full amounts committed under these facilities, should the need arise, may have an adverse effect on our cash flows and liquidity.

***We may not be able to identify adequate strategic relationship opportunities or form strategic relationships, in the future.***

Strategic business relationships are and will continue to be an important factor in the growth and success of our business. From time-to-time, we explore opportunities to enter into strategic relationships, including partnerships with original equipment manufacturers. However, there are no assurances that we will be able to identify or secure suitable business relationship opportunities in the future or that we will be able to maintain such relationships. In addition, our competitors may capitalize on such opportunities before we do and we may not be able to offer similar benefits to other companies with which we would like to establish and maintain strategic relationships, which could impair our ability to establish such relationships. For example, we have partnered with third-party electric vehicle charging providers to provide our customers with access to charging infrastructure, and we will rely on ongoing access to such infrastructure to provide our customers with charging solutions. If third-party electric vehicle charging providers terminate their partnerships or otherwise fail to deliver the anticipated benefits of their partnerships, our ability to provide a satisfactory customer experience will be harmed. In addition, although we have agreed to join Tesla's Supercharger network, there may be delays in making changes to our vehicles or the network necessary for Lucid vehicles to charge at Tesla Superchargers. Our current and future alliances could subject us to a number of risks, including risks associated with sharing proprietary information, non-performance by the third party and increased expenses in establishing new strategic alliances, any of which may materially and adversely affect our business. We may have limited ability to monitor or control the actions of these third parties and, to the extent any of these strategic third parties suffer negative publicity or harm to their reputation from events relating to their business, we may also suffer negative publicity or harm to our reputation by virtue of our association with any such third party.

Moreover, identifying and executing on such opportunities could demand substantial management time and resources, and negotiating and financing relationships involves significant costs and uncertainties. If we are unable to successfully source and execute on strategic relationship opportunities in the future, our overall growth could be impaired, and our business, prospects and results of operations could be materially adversely affected.

***We may acquire other businesses, which could require significant management attention, disrupt our business, dilute stockholder value and adversely affect our results of operations.***

As part of our business strategy, we may make investments in complementary companies, solutions or technologies. We may not be able to find suitable acquisition candidates, and we may not be able to complete such acquisitions on favorable terms, if at all. In addition to possible stockholder approval, we may need approvals and licenses from relevant government authorities for the acquisitions and to comply with any applicable laws and regulations, which could result in increased delay and costs, and may disrupt our business strategy if we fail to do so. If we do complete acquisitions, we may not ultimately strengthen our competitive position or achieve our goals. In addition, if we are unsuccessful at integrating such acquisitions or developing the acquired technologies, the revenue and results of operations of the combined company could be adversely affected. Further, the integration of acquired businesses or assets typically requires significant time and resources, which could result in a diversion of resources from our existing business, which could have an adverse effect on our operations, and we may not be able to manage the process successfully. We may not successfully evaluate or utilize the acquired technology or personnel or accurately forecast the financial impact of an acquisition transaction, including accounting charges. We may have to pay cash, incur debt or issue equity securities to pay for any such acquisition, each of which could adversely affect our financial condition or the value of our common stock. The sale of equity or issuance of debt to finance any such acquisitions could result in dilution to our stockholders. The incurrence of indebtedness could result in increased fixed obligations and exposure to potential unknown liabilities of the acquired business and could also include covenants or other restrictions that could impede our ability to manage our operations.

***Our financial results may vary significantly from period-to-period due to fluctuations in our production levels, operating costs, product demand and other factors.***

Our period-to-period financial results may vary based on our production levels, operating costs and product demand, which we anticipate will fluctuate as we continue to design, develop and manufacture new vehicles (which could also reduce sales of our existing vehicles), increase production capacity and establish or expand design, research and development, production, sales and service facilities. Our revenues from period-to-period may fluctuate as we identify and investigate areas of demand, adjust volumes and add new incentives or product derivatives based on market demand and margin opportunities, develop and introduce new vehicles or introduce existing vehicles to new markets for the first time. Our production levels also depend on our ability to obtain vehicle components from our suppliers, the effective operation of our manufacturing facilities, our ability to expand our production capacity, and our ability to timely deliver finished vehicles to customers. Lower production and sales volumes and an inability to fully utilize our purchase commitments with suppliers may result in increased costs and excess inventory as well as potential inventory write-offs. In addition, automotive manufacturers typically experience significant seasonality, with comparatively low sales in the first quarter and comparatively high sales in the fourth quarter, and we expect to experience similar seasonality as we scale commercial production and sale of the Lucid Air and future vehicles. Our period-to-period results of operations may also fluctuate because of other factors including labor availability and costs for hourly and management personnel; profitability of our vehicles in all of our markets, including price adjustments and/or incentives; changes in interest rates; impairment of long-lived assets; macroeconomic conditions, both nationally and locally; negative publicity relating to our vehicles; changes in consumer preferences and competitive conditions; investment in expansion to new markets; or increase in our sales, service and marketing activities. As a result of these factors, we believe that quarter-to-quarter comparisons of our financial results, especially in the short term, may have limited utility as an indicator of future performance. Significant variation in our quarterly performance could significantly and adversely affect the trading price of our common stock.

## **Risks Related to Tax**

***Our ability to use net operating loss carryforwards and certain other tax attributes may be limited.***

We have accumulated U.S. federal and state net operating loss ("NOL") carryforwards and research and development credits which may be available to offset and reduce future taxable income. While our U.S. federal NOL carryforwards arising in taxable years beginning after December 31, 2017, will not be subject to expiration, some of our U.S. federal and state NOL carryforwards from taxable years prior to 2018 will begin to expire in 2028. As of September 30, 2024, we also had U.S. federal research and development credit carryforwards which will begin to expire in 2036 and state research and development credit carryforwards with no expiration. As of September 30, 2024, we maintain a full valuation allowance for our net deferred tax assets.

Our U.S. federal and state NOL carryforwards and certain tax credits may be subject to significant limitations under Section 382 and Section 383 of the U.S. tax code, respectively, and similar provisions of state law. Under those sections of the U.S. tax code, if a corporation undergoes an "ownership change," the corporation's ability to use its pre-change NOL carryforwards and other pre-change attributes, such as research tax credits, to offset its post-change income or tax may be limited.

In general, an “ownership change” will occur if there is a cumulative change in our ownership by “5-percent shareholders” that exceeds 50 percentage points over a rolling three-year period. Similar rules may apply under state tax laws. We have completed a formal Section 382 study of our equity transactions through December 31, 2020. The study determined that we experienced an “ownership change” in 2016, and we will not be able to utilize \$12 million of our U.S. federal NOL and \$3 million of U.S. federal research and development tax credit carryforwards. Similar provisions of state law may also apply to limit our use of accumulated state tax attributes from the same period.

We have not yet completed an analysis of whether the business combination between the Company and Legacy Lucid also caused an “ownership change.” In addition, future changes in our stock ownership may be outside of our control. If we undergo an ownership change, we may be prevented from fully utilizing the NOL carryforwards and tax credits existing at the time of the ownership change prior to their expiration. Future regulatory changes could also limit our ability to utilize NOL carryforwards and tax credits. To the extent we are not able to offset future taxable income with our NOL carryforwards and tax credits, our net income and cash flows may be adversely affected.

It is possible that we will not generate taxable income in time to use any of our NOL carryforwards and research and development credits before their expiration.

***Unanticipated tax laws or any change in the application of existing tax laws to us or our customers or any change to our corporate structure may adversely impact our profitability and business.***

We are subject to income and other taxes in the United States and a growing number of foreign jurisdictions. Existing domestic and foreign tax laws, statutes, rules, regulations, or ordinances could be interpreted, changed, modified, or applied adversely to us (possibly with retroactive effect), which could require us to change our transfer pricing policies and pay additional tax amounts, fines or penalties, surcharges, and interest charges for past amounts due, the amounts and timing of which are difficult to discern. Existing tax laws, statutes, rules, regulations, or ordinances could also be interpreted, changed, modified, or applied adversely to our customers (possibly with retroactive effect) and, if our customers are required to pay additional surcharges, it could adversely affect demand for our vehicles.

Furthermore, changes to federal, state, local, or international tax laws on income, sales, use, import/export, indirect, or other tax laws, statutes, rules, regulations, or ordinances on multinational corporations continue to be considered by the United States and other countries where we currently operate or plan to operate. For example, the Tax Cuts and Jobs Act of 2017 introduced a Base Erosion and Anti-Abuse Tax which imposes a minimum tax on adjusted income of corporations with average applicable gross receipt of at least \$500 million for prior three tax years and that make certain payments to related foreign persons. While these rules do not impact our results of operations in the current year, these could impact our financial results in future periods. In addition, the Organization for Economic Cooperation and Development has issued model rules in connection with the Base Erosion and Profit Shifting integrated framework that determine multi-jurisdictional taxing rights and the rate of tax applicable to certain types of income.

These contemplated tax initiatives, if finalized and adopted by the United States or other countries where we do business, and the other tax issues described above may materially and adversely impact our operating activities, transfer pricing policies, effective tax rate, deferred tax assets, operating income, and cash flows.

We may change our corporate structure, our business operations or certain agreements that we have entered into relating to taxes in a particular jurisdiction. These changes may materially and adversely impact our consolidated financial statements.

***Our warrants are accounted for as liabilities and the changes in value of our warrants could have a material effect on our financial results.***

On April 12, 2021, the Acting Director of the Division of Corporation Finance and Acting Chief Accountant of the SEC together issued a public statement (the “SEC Warrant Accounting Statement”) on accounting and reporting considerations for warrants issued by special purpose acquisition companies (“SPACs”). The SEC Warrant Accounting Statement discussed “certain features of warrants issued in SPAC transactions” that “may be common across many entities.” The SEC Warrant Accounting Statement indicated that when one or more of such features is included in a warrant, the warrant “should be classified as a liability measured at fair value, with changes in fair value each period reported in earnings.” In light of the SEC Warrant Accounting Statement and guidance in Accounting Standards Codification (“ASC”) 815-40, “Derivatives and Hedging — Contracts in Entity’s Own Equity,” Churchill’s management evaluated the terms of the Warrant Agreement entered into in connection with the Churchill IPO and concluded that the warrants include provisions that, based on the SEC Warrant Accounting Statement, preclude the warrants from being classified as components of equity. As a result, Churchill classified the warrants as liabilities. Under this accounting treatment, we are required to measure the fair value of the Private Placement Warrants at the end of each reporting period and recognize changes in the fair value from the prior period in our operating results for the current period. As a result of the recurring fair value measurement, our financial statements and results of operations may fluctuate quarterly based on factors which are outside our control. We expect that we will recognize non-cash gains or losses due to the quarterly fair valuation of the warrants and that such gains or losses could be material.



In addition, following the issuance of the SEC Warrant Accounting Statement, and after consultation with Churchill's independent registered public accounting firm and Churchill's management team, Churchill concluded that, in light of the SEC Warrant Accounting Statement, it was appropriate to restate its financial statements for the period ended December 31, 2020, and the financial statements as of August 3, 2020 and as of and for the period ended September 30, 2020, in the financial statements accompanying Churchill's Annual Report on Form 10-K/A.

#### **Risks Related to Public Company Requirements**

***The requirements of being a public company may strain our resources and distract our management, which could make it difficult to manage our business.***

We are required to comply with various regulatory and reporting requirements, including those required by the SEC and Nasdaq. Complying with these reporting and other regulatory requirements is time-consuming and will result in increased costs to us and could have a negative effect on our results of operations, financial condition or business. Those requirements and their interpretation and application may also change from time-to-time and those changes could have a material adverse effect on our results of operations, financial condition or business. A failure to comply with such requirements, as interpreted and applied, could also have a material adverse effect on our results of operations, financial condition or business. These obligations and constituents will require significant attention from our senior management and could divert their attention away from the day-to-day management of our business, which could adversely affect our business, results of operations, cash flows, and financial condition.

As a public company, we are subject to the reporting requirements of the Exchange Act and the requirements of the Sarbanes-Oxley Act. These requirements may place a strain on our systems and resources. The Exchange Act requires that we file annual, quarterly and current reports with respect to our business and financial condition. The Sarbanes-Oxley Act requires that we implement and maintain effective disclosure controls and procedures and internal controls over financial reporting. In addition, changing laws, regulations, and standards related to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs, and making some activities more time-consuming. These laws, regulations, and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices.

To implement, maintain and improve the effectiveness of our disclosure controls and procedures, we will need to commit significant resources, hire additional staff and provide additional management oversight. To comply with the requirements of being a public company, we have undertaken, and expect to continue to further undertake in the future, various actions, such as hiring additional accounting staff and implementing new internal controls and procedures for the purpose of addressing the standards and requirements applicable to public companies. Sustaining our growth also will require us to commit additional management, operational and financial resources to identify new professionals to join us and to maintain appropriate operational and financial systems to adequately support expansion. These activities may divert management's attention from other business concerns, which could have a material adverse effect on our results of operations, financial condition or business.

***If we identify material weaknesses or otherwise fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately or timely report our financial condition or results of operations, which may adversely affect investor confidence in us and the value of our common stock.***

We are subject to the SEC's internal control over financial reporting requirements. Internal control over financial reporting is complex and may be revised over time to adapt to changes in our business, or changes in applicable accounting rules.

As part of such requirements, we are required to provide management's attestation on the report on internal control over financial reporting by our independent registered public accounting firm. The design of internal controls over financial reporting for our business has required and will continue to require significant time and resources from management and other personnel.

In addition, we are required to report any control deficiencies that constitute a "material weakness" in our internal control over financial reporting. We cannot guarantee that our internal control over financial reporting will be effective in the future or that a material weakness will not be discovered with respect to a prior period for which we had previously believed that our internal control over financial reporting was effective. If we are not able to maintain or document effective internal control over financial reporting, our independent registered public accounting firm will not be able to certify as to the effectiveness of our internal control over financial reporting. Matters impacting our internal control over financial reporting may result in material misstatements of our consolidated financial statements, cause us to be unable to report our financial information on a timely basis, or may cause us to restate previously issued financial information, and thereby subject us to adverse regulatory consequences, including sanctions or investigations by the SEC, or violations of applicable stock exchange listing rules. There could also be a negative reaction in the financial markets due to a loss of investor confidence in us and the reliability of our financial statements. This could materially adversely affect us by, for example, leading to a decline in our stock price and impairing our ability to raise capital.



***We may be required to take write-downs or write-offs, restructuring and impairment or other charges that could have a significant negative effect on our financial condition, results of operations and stock price, which could cause our stockholders to lose some or all of their investment.***

We may be required to later write-down or write-off assets, restructure operations, or incur impairment or other charges that could result in losses. Even though these charges may be non-cash items and not have an immediate impact on our liquidity, charges of this nature could contribute to negative market perceptions about us or our securities. Accordingly, any of our stockholders could suffer a reduction in the value of their shares.

#### **Risks Related to Our Common Stock**

***The price of our common stock has been, and may continue to be, volatile, and this volatility may negatively impact the trading price of our common stock and the 2026 Notes.***

The trading price of our common stock has fluctuated substantially. The trading price of our securities depends on many factors, including those described elsewhere in this "Risk Factors" section, many of which are beyond our control and may not be related to our operating performance. These fluctuations could cause investors to lose all or part of the investment in our securities since investors might be unable to sell them at or above the price the investor paid for them. Any of the factors listed below could have a material adverse effect on stockholders' investment in our securities and our securities may trade at prices significantly below the price stockholders paid for them. In such circumstances, the trading price of our securities may not recover and may experience a further decline.

Factors affecting the trading price of our securities may include:

- market conditions in the broader stock market in general, or in our industry in particular;
- actual or anticipated fluctuations in our quarterly financial or operating results or the quarterly financial or operating results of companies perceived to be similar to ours;
- changes in the market's expectations about our operating results;
- the public's reaction to our press releases, other public announcements and filings with the SEC;
- the public's reaction to financial projections and any other guidance or metrics that we may publicly disclose from time-to-time;
- speculation in the press or investment community;
- actual or anticipated developments in our business, competitors' businesses or the competitive landscape generally;
- the operating results failing to meet the expectation of securities analysts or investors in a particular period;
- the timing of the achievement of objectives under our business plan and the timing and amount of costs we incur in connection therewith;
- changes in financial estimates and recommendations by securities analysts concerning us or the market in general;
- operating and stock price performance of other companies that investors deem comparable to ours;
- changes in laws and regulations affecting our business;
- commencement of, or involvement in, litigation or investigations involving us;
- changes in our capital structure, such as future issuances of securities or the incurrence of additional debt;
- the volume of our common stock available for public sale, including as a result of conversion of our 2026 Notes or our Redeemable Convertible Preferred Stock;
- any major change in our Board or management;
- sales of substantial amounts of our common stock by our directors, officers or significant stockholders or the perception that such sales could occur;
- general economic and political conditions, such as recessions, interest rates, inflation, government closures of banks and liquidity concerns at other financial institutions, changes in diplomatic and trade relationships, fluctuations in foreign currency exchange rates, acts of war or terrorism, and natural disasters; and
- other risk factors listed in this section "Risk Factors."

Broad market and industry factors may materially harm the market price of our securities irrespective of our operating performance. The stock market in general and Nasdaq have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of the particular companies affected. The trading prices and valuations of these stocks, and of our securities, may not be predictable. A loss of investor confidence in the market for the stocks of other companies which investors perceive to be similar to ours could depress our stock price and the trading price of the 2026 Notes regardless of our business, prospects, financial conditions or results of operations. Broad market and industry factors, including global conflicts and other geopolitical events, natural disasters, and any other global pandemics, as well as general economic, political and market conditions such as recessions, inflation, government closures of banks and liquidity concerns at other financial institutions, or interest rate changes, may seriously affect the market price of our common stock and other securities, regardless of our actual operating performance. A decline in the market price of our securities also could adversely affect our ability to issue additional securities and our ability to obtain additional financing in the future.

Furthermore, the stock markets in general, and the markets for technology and electric vehicle stocks in particular, have experienced extreme volatility that has sometimes been unrelated to the operating performance of the issuer. The trading price of our common stock may be adversely affected by third parties trying to drive down or drive up the market price. Short sellers and others, some of whom post anonymously on social media, may be positioned to profit if our stock declines or otherwise exhibits volatility, and their activities can negatively affect our stock price and increase the volatility of our stock price. These broad market and industry factors may seriously harm the market price of our common stock, regardless of our operating performance. In addition, hedging activity by holders of the 2026 Notes may impact the market price of our common stock, in particular during any redemption conversion period in connection with a redemption of the 2026 Notes or any observation period for a conversion of the 2026 Notes.

In addition, in the past, following periods of volatility in the overall market and the market prices of particular companies' securities, securities class action litigations have often been instituted against these companies. Litigation of this type, if instituted against us, could result in substantial costs and a diversion of our management's attention and resources. Any adverse determination in any such litigation or any amounts paid to settle any such actual or threatened litigation could require that we make significant payments.

***The issuance of additional shares of our common stock or other equity or equity-linked securities, or sales of a significant portion of our common stock, could depress the market price of our common stock.***

Future issuances of shares of our common stock, or of securities convertible into or exercisable for our common stock, could depress the market price of our common stock and result in significant dilution for holders of our common stock. The exercise of our outstanding warrants and options, the vesting and settlement of our restricted stock units and/or the conversion of our 2026 Notes or of our Redeemable Convertible Preferred Stock would result in additional dilution to holders of our common stock. Similarly, the redemption or repurchase of our Redeemable Convertible Preferred Stock may result in additional dilution to holders of our common stock if, under the terms of our Redeemable Convertible Preferred Stock, we are then permitted, and elect, to satisfy our obligations in respect thereof by delivery of our common stock. In the future, we may issue additional shares of our common stock, or securities convertible into or exercisable for common stock, in connection with generating additional capital, future acquisitions, repayment of outstanding indebtedness, under our stock incentive plan, or for other reasons.

The market price of shares of our common stock could decline as a result of substantial sales of common stock, particularly by our significant stockholders, a large number of shares of common stock becoming available for sale or the perception in the market that holders of a large number of shares intend to sell their shares.

In addition, pursuant to the Investor Rights Agreement, Ayar, and certain other parties thereto are entitled to, among other things, certain registration rights, including demand, piggy-back and shelf registration rights with respect to its shares of common stock (including shares of common stock underlying the Redeemable Convertible Preferred Stock held by Ayar) and Ayar's shares of the Redeemable Convertible Preferred Stock. If either pursuant to any registration statement filed pursuant to the Investor Rights Agreement or through another avenue, one or more of these stockholders were to sell a substantial portion of the securities they hold, including any common stock issued upon conversion, redemption or repurchase of our Redeemable Convertible Preferred Stock, it could cause the trading price of our common stock to decline. Furthermore, given Ayar's substantial concentration in ownership of our common stock and the Redeemable Convertible Preferred Stock, if Ayar were to elect to sell in the open market or in private placement transactions, it could have the effect of increasing the volatility in our stock price or putting significant downward pressure on the price of our common stock.

Pursuant to the Series A Subscription Agreement and the Series B Subscription Agreement, Ayar has agreed to restrictions on the sale or transfer of shares of Redeemable Convertible Preferred Stock or any shares of common stock issued pursuant to the terms thereof held by it for a period of twelve months following the closing of the transaction. In addition, pursuant to the 2024 Subscription Agreement, Ayar has agreed to restrictions on the sale or transfer of shares of our common stock for a period of 120 days after the closing of the transaction. However, following the expiration of the respective lock-up period, Ayar will not be restricted from selling applicable securities, other than by applicable securities laws.

***We are a “controlled company” within the meaning of the applicable Nasdaq rules and, as a result, qualify for exemptions from certain corporate governance requirements. Our stockholders will not have the same protections afforded to stockholders of companies that are not controlled companies.***

As of September 30, 2024, PIF, both directly and indirectly through Ayar, held over 50% of the voting power for the election of our directors. As a result, we are a “controlled company” within the meaning of the Nasdaq rules, and as a result, we qualify for exemptions from certain corporate governance requirements. Under these rules, a company of which more than 50% of the voting power for the election of directors is held by an individual, group or another company is a “controlled company” and may elect not to comply with certain corporate governance requirements, including the requirements to have: (a) a majority of independent directors on the board; (b) a nominating committee comprised solely of independent directors; (c) compensation of executive officers determined by a majority of the independent directors or a compensation committee comprised solely of independent directors; and (d) director nominees selected, or recommended for the selection by the board, either by a majority of the independent directors or a nominating committee comprised solely of independent directors. Although currently we do not utilize any of these exemptions, we may elect to utilize one or more of these exemptions for so long as we remain a “controlled company.” As a result, our stockholders may not have the same protections afforded to stockholders of companies that are subject to all of the Nasdaq corporate governance requirements. Ayar also has the ability to nominate five of the nine directors to our Board.

In addition, for so long as Ayar holds the Redeemable Convertible Preferred Stock and as result of the consent and voting rights of the Redeemable Convertible Preferred Stock, coupled with the voting rights associated with Ayar’s existing ownership of common stock in the Company, Ayar has significant power to influence the outcome over any matter submitted for the vote of the holders of our common stock and to influence certain matters affecting our governance and capitalization. This concentration of ownership and voting power allows Ayar control over certain decisions, in particular with regards to governance and capitalization matters, including matters requiring approval by our stockholders (such as, subject to the Investor Rights Agreement, the election of directors and the approval of mergers or other extraordinary transactions), regardless of whether or not other stockholders believe that the transaction is in their own best interests.

The interests of Ayar may differ from the interests of our other stockholders and, as such, Ayar’s voting power and influence over us may decrease the relative interests of our other stockholders or of the Company. Such concentration of voting power could also have the effect of delaying, deterring or preventing a change of control or other business combination that might otherwise be beneficial to our stockholders, could deprive our stockholders of an opportunity to receive a premium for their common stock as part of a sale of our company and might ultimately affect the market price of our common stock and the trading price of the 2026 Notes.

***PIF and Ayar beneficially own a significant equity interest in us and may take actions that conflict with other stockholders’ interests.***

The interests of PIF and Ayar may not align with our interests and the interests of our other stockholders or securityholders. PIF and Ayar are each in the business of making investments in companies and may acquire and hold interests in businesses that compete directly or indirectly with us. PIF and Ayar and their respective affiliates, may also pursue acquisition opportunities that may be complementary to our business and, as a result, those acquisition opportunities may not be available to us.

***Securities or industry analysts may not publish or cease publishing research or reports about us, our business, our market, or change their recommendations regarding our common stock adversely, which could cause the price and trading volume of our common stock to decline.***

The trading market for our common stock can be influenced by the research and reports that industry or securities analysts may publish about us, our business and operations, our market, or our competitors. Similarly, if any of the analysts who do cover us change their recommendation regarding our stock adversely, or provide more favorable relative recommendations about our competitors, the price of our common stock may decline. If any analyst who covers us were to cease coverage of us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which could cause our stock price or trading volume to decline.

***We do not anticipate paying any cash dividends for the foreseeable future.***

We have never declared or paid cash dividends on our capital stock, and we do not anticipate paying any cash dividends in the foreseeable future. In addition, the ABL Credit Facility, the DDTL Credit Facility and our Redeemable Convertible Preferred Stock limits our and certain of our subsidiaries’ ability to pay cash dividends. We currently intend to retain our future earnings, if any, for the foreseeable future, to fund the development and growth of our business.

Any future determination to pay cash dividends will be at the discretion of our Board and will be dependent upon our financial condition, results of operations, capital requirements, applicable contractual restrictions and such other factors as the Board may deem relevant. As a result, capital appreciation in the price of our common stock, if any, will be our stockholders’ only source of gain on an investment in our common stock.

***There is no guarantee that an active and liquid public market for our securities will be sustained.***

If a liquid trading market for our common stock is not sustained:

- holders of our common stock may not be able to liquidate their investment in shares of our common stock;
- holders of our common stock may not be able to resell their shares of our common stock at favorable prices, or at all;
- the market price of shares of our common stock may experience significant price volatility; and
- there may be less efficiency in carrying out purchase and sale orders with respect to our common stock.

Additionally, if our securities become delisted from Nasdaq for any reason, and are quoted on the OTC Bulletin Board, an inter-dealer automated quotation system for equity securities that is not a national securities exchange, the liquidity and price of our securities may be more limited than if we were quoted or listed on Nasdaq or another national securities exchange. Our stockholders may be unable to sell their securities unless a market can be established or sustained.

***Our current bylaws designate a state court within the State of Delaware, to the fullest extent permitted by law, as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit the ability of our stockholders to obtain a favorable judicial forum for disputes with us or with our directors, officers or employees and may discourage stockholders from bringing such claims.***

Under our current bylaws, unless we consent in writing to the selection of an alternative forum, the sole and exclusive forum will be a state court within the State of Delaware (or, if no state court located within the State of Delaware has jurisdiction, the federal district court for the District of Delaware) for:

- any derivative action or proceeding brought on our behalf;
- any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or employees to us or our stockholders;
- any action asserting a claim against us or any of our directors or officers or other employees arising pursuant to any provision of the DGCL or our certificate of incorporation or bylaws (as either may be amended, restated, modified, supplemented or waived from time-to-time); or
- any action asserting a claim against us or any of our directors or officers or other employees governed by the internal affairs doctrine.

For the avoidance of doubt, the foregoing provisions of our current bylaws will not apply to any action or proceeding asserting a claim under the Securities Act or the Exchange Act. Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all suits brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder. Accordingly, both state and federal courts have jurisdiction to entertain such claims. To prevent having to litigate claims in multiple jurisdictions and the threat of inconsistent or contrary rulings by different courts, among other considerations, our current bylaws provide that, unless we consent in writing to the selection of an alternative forum, the federal district courts of the United States will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act. Although investors cannot waive compliance with the federal securities laws and the rules and regulations thereunder, any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock will be deemed to have notice of, and consented to, the provisions of our current bylaws described in the preceding sentences. These provisions of our current bylaws could limit the ability of our stockholders to obtain a favorable judicial forum for certain disputes with us or with our directors, officers or other employees, which may discourage such lawsuits against us and our directors, officers and employees. Alternatively, if a court were to find these provisions of our current bylaws inapplicable to, or unenforceable in respect of, one or more of the types of actions or proceedings listed above, we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business, financial condition and results of operations. While the Delaware courts have determined that such choice of forum provisions are facially valid, a stockholder may nevertheless seek to bring a claim in a venue other than those designated in the exclusive forum provisions, and there can be no assurance that such provisions will be enforced by a court in those other jurisdictions.

***Some provisions of Delaware law, our current certificate of incorporation and our current bylaws, our Certificate of Designations and the indenture for the 2026 Notes may deter third parties from acquiring us and diminish the value of our common stock, the 2026 Notes and the Redeemable Convertible Preferred Stock.***

Our current certificate of incorporation and our current bylaws provide for, among other things:

- the ability of our Board to issue one or more series of preferred stock with voting or other rights or preferences that could have the effect of impeding the success of an attempt to acquire us or otherwise effect a change in control;
- subject to the Investor Rights Agreement, advance notice for nominations of directors by stockholders and for stockholders to include matters to be considered at stockholder meetings; and

- certain limitations on convening special stockholder meetings.

In addition, in our current certificate of incorporation, we have not opted out of Section 203 of the DGCL, which prohibits a Delaware corporation from engaging in certain “business combinations” with any “interested stockholder” for a three-year period following the time that the stockholder became an interested stockholder, unless:

- prior to such time, the Board approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder;
- upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of voting stock outstanding at the time the transaction commenced, excluding certain shares; or
- at or subsequent to that time, the business combination is approved by our Board and by the affirmative vote of holders of at least two-thirds of the votes of our outstanding voting stock that is not owned by the interested stockholder.

Generally, a “business combination” includes a merger, asset or stock sale or other transaction resulting in a financial benefit to the interested stockholder. Subject to certain exceptions, an “interested stockholder” is a person who, together with that person’s affiliates and associates, owns, or within the previous three years owned, 15% or more of the votes of our outstanding voting stock. For purposes of this provision, “voting stock” means any class or series of stock entitled to vote generally in the election of directors.

Under certain circumstances, this provision will make it more difficult for a person who would be an “interested stockholder” to effect various business combinations with us for a three-year period. This provision may encourage companies interested in acquiring us to negotiate in advance with our Board because the stockholder approval requirement would be avoided if our Board approves either the business combination or the transaction that results in the stockholder becoming an interested stockholder. These provisions also may have the effect of preventing changes in our Board and may make it more difficult to accomplish transactions that stockholders may otherwise deem to be in their best interests.

In addition, certain terms of our Redeemable Convertible Preferred Stock and the 2026 Notes may make it more difficult for an entity to acquire us. As the current holder of our Convertible Preferred Stock, Ayar has certain repurchase, conversion and consent rights, including the right, at the option of Ayar, to require us to repurchase for cash or, if under the terms of our Redeemable Convertible Preferred Stock we are then permitted, and we so elect, shares of our common stock (or other securities to be received by a holder of common stock in such fundamental change) in connection with a fundamental change, based on the applicable Minimum Consideration. See “Risks Related to Financing and Strategic Transactions—*Our Redeemable Convertible Preferred Stock has rights, preferences and privileges that are not held by, and are senior to the rights of, our common stockholders* .” Similarly, the indenture governing the 2026 Notes generally requires us, at the option of the holders, to repurchase the 2026 Notes for cash upon the occurrence of a fundamental change and, in certain circumstances, to increase the conversion rate for a holder that converts its 2026 Notes in connection with a make-whole fundamental change, as defined in the indenture for the 2026 Notes. These provisions may make it more costly for a potential acquirer to engage in a business combination transaction with us.

These provisions in our current certificate of incorporation, our current bylaws, our Certificate of Designations and the indenture for the 2026 Notes as well as Delaware law could increase the cost and difficulty of acquiring us or may discourage, delay or prevent a transaction involving a change in our control that is in the best interest of our minority stockholders. Even in the absence of a takeover attempt, the existence of these provisions may adversely affect the prevailing market price of our common stock or the value of the 2026 Notes or the Redeemable Convertible Preferred Stock if they are viewed as discouraging future takeover attempts. These provisions could also make it more difficult for stockholders to nominate directors for election to our Board and take other corporate actions, which could also affect the price investors are willing to pay for our common stock, the 2026 Notes or the Redeemable Convertible Preferred Stock.

**Item 5. Other Information.*****Rule 10b5-1 Trading Arrangement***

None of the Company's directors or officers adopted, modified or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement during the quarter ended September 30, 2024, as such terms are defined under Item 408(a) of Regulation S-K.

***Amendments to Panasonic Agreements***

On October 1, 2024, the Company entered into amendments (the "Amendments") to certain battery-supply agreements, dated December 12, 2022, with Panasonic Energy Co., Ltd. and certain of its affiliates. Pursuant to the terms of the Amendments, the Company has reduced its contractual minimum commitment from approximately \$4.8 billion to approximately \$2.8 billion. The Company's remaining minimum purchase commitments of an aggregate of approximately \$2.8 billion was calculated using the current base prices, which could vary period-to-period primarily as a result of changes in raw material indexes. The foregoing description of the Amendments does not purport to be complete and is qualified in its entirety by reference to the text of the Amendments, which are filed as Exhibit 10.1 and Exhibit 10.2 to this Quarterly Report on Form 10-Q and incorporated herein by reference.

**Item 6. Exhibits.**

The exhibits listed on the Exhibit Index to this Form 10-Q are filed herewith or incorporated by reference herein:

## EXHIBIT INDEX

Exhibit Number		Incorporation by Reference				
		Form	File Number	Filing Date	Exhibit Number	Filed Herewith
3.1	<a href="#">Third Amended and Restated Certificate of Incorporation</a>	8-K	001-39408	April 25, 2023	3.1	
3.2	<a href="#">Second Amended and Restated Bylaws</a>	8-K	001-39408	March 3, 2023	3.2	
10.1#	<a href="#">Production Pricing Agreement, effective as of October 1, 2024, by and between Lucid USA, Inc. and Panasonic Corporation of North America doing business as Panasonic Industrial Devices Sales Company of America</a>					X
10.2#	<a href="#">Production Pricing Agreement, effective as of October 1, 2024, by and between Lucid USA, Inc. and Panasonic Energy Corporation of North America</a>					X
10.3	<a href="#">Amendment No. 4 to the Investor Rights Agreement, dated August 16, 2024, by and among Lucid Group, Inc., Ayar Third Investment Company and the other parties thereto.</a>	8-K	001-39408	August 19, 2024	10.1	
10.4	<a href="#">Subscription Agreement, dated August 4, 2024, between Lucid Group, Inc. and Ayar Third Investment Company (including form of Certificate of Designations related to the Series B Convertible Preferred Stock and form of Amendment No. 4 to the Investor Rights Agreement by and among Lucid Group, Inc., Ayar Third Investment Company and the other parties thereto)</a>	8-K	001-39408	August 5, 2024	10.1	
10.5	<a href="#">Credit Agreement, dated August 4, 2024, by and between Lucid Group, Inc. and Ayar Third Investment Company, as the sole lender and administrative agent.</a>	8-K	001-39408	August 5, 2024	10.2	
31.1	<a href="#">Certification of Principal Executive Officer Required Under Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended</a>					X
31.2	<a href="#">Certification of Principal Financial Officer Required Under Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended</a>					X
32.1	<a href="#">Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>					X
32.2	<a href="#">Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>					X
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)					X
101.SCH	Inline XBRL Taxonomy Schema Linkbase Document					X
101.CAL	Inline XBRL Taxonomy Calculation Linkbase Document					X
101.DEF	Inline XBRL Taxonomy Definition Linkbase Document					X
101.LAB	Inline XBRL Taxonomy Labels Linkbase Document					X
101.PRE	Inline XBRL Taxonomy Presentation Linkbase Document					X
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)					X

# Portions of this exhibit have been redacted in compliance with Regulation S-K Item 601(b)(10)(iv).

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

### LUCID GROUP, INC.

Date: November 7, 2024

By: /s/ Gagan Dhingra

Gagan Dhingra

Interim Chief Financial Officer



Certain identified information has been omitted from this document because it is not material and is the type that the Company customarily and actually treats as private or confidential, and has been marked with “[\*\*\*]” to indicate where omissions have been made.

### **Production Pricing Agreement (Japan PPA)**

**Effective Date:** 10/1/2024

<b>Seller Name</b>	Panasonic Corporation of North America doing business as Panasonic Industrial Devices Sales Company of America (“PIDSA”)
<b>Address</b>	2 Riverfront Plaza, Newark, NJ 07102
<b>Place of Incorporation</b>	Delaware

<b>Commodity Description</b>	Battery Cells
<b>Tier 1 or Tier 2</b>	Tier 1
<b>Supplier Shipping Site Code</b>	113517
<b>Incoterms</b>	FCA (Incoterms 2010)
<b>Manufacturing address</b>	Suminoe plant 1-2-63, Hirabayashi-kita, Suminoe-ku, Osaka-shi, Osaka 559-8729, Japan
<b>Ship from address</b>	9-10 Minatojima Chuo-ku, Kobe-shi, Hyogo-ken 650-0045, Japan (Kobe Port)

<b>Delivery Location</b>	Lucid USA, Inc.
<b>Address</b>	Lucid Motors Casa Grande Warehouse, 1185 W. Peters Road, Casa Grande, AZ 85122, USA

<b>Pricing Validity Period</b>	10/1/2024	through	12/31/2026
<b>Production Volume</b>	As provided in forecast Exhibit C		
<b>Payment Terms</b>	[***]		

1. *PPA Revision.* This Production Pricing Agreement (“PPA”) is entered into by Lucid USA, Inc. (“Lucid”) and PIDSA (identified above) with respect to the goods described in Exhibit A (“Goods”). Lucid and PIDSA are each a “Party” and collectively are the “Parties”. The General Terms and Conditions between Panasonic Energy Co., Ltd. and Lucid dated as of **December 1<sup>st</sup>, 2022** (“GTC”) are incorporated by reference into this PPA as an integral part hereof. In case of any inconsistencies between the terms of the GTC and the terms of this PPA, the terms of this PPA shall prevail. PIDSA and Lucid are “Parties” and each a “Party”.
2. *Pricing and Payment Terms.* Lucid and PIDSA agree to the pricing for the Goods set forth in Exhibit A (Goods and Price). The Prices (a) are subject to certain agreed adjustments for Raw Material Adjustments as provided in Exhibit B and for exchange rate fluctuations between United States Dollars and Japanese Yen with respect to all costs for the Goods procured or payable in Japanese Yen as provided in Exhibit B, and (b) are exclusive of all applicable sales, value added, surcharges, or similar transfer taxes or charges. PIDSA may release an invoice for each shipment of Goods on each such shipping date. Lucid shall [\*\*\*]. The Parties shall [\*\*\*].
3. *Orders, Volumes.* Lucid shall issue Production Orders, Spot Orders and Releases (as defined in Schedule 1 of the GTC) for the Production Volumes set forth in Exhibit C.

4. *Miscellaneous.* PIDSA and Lucid agree (a) that the GTC; and the Production Order, Spot Orders and Releases (collectively, the "POs") issued by or for Lucid and accepted by PIDSA in accordance with the relevant terms of the GTC are incorporated as an integral part of this PPA and (b) that the GTC, POs, and this PPA constitute, collectively, the entire agreement between the Parties with respect to the subject matter hereof and supersede all prior oral or written representations or agreements by the Parties with respect to such subject matter. No subsequent terms, conditions, understandings, or agreements purporting to modify the terms of this PPA will be binding unless in writing and signed by both Parties. Any standard preprinted or other terms and conditions included or referenced in PIDSA's invoice(s) or other documents are excluded and shall not be part of this PPA.

Agreed by authorized representatives of each of PIDSA and Lucid and signed by them as of the date set forth above (the PPA Effective Date).

**Panasonic Corporation of North America doing business  
as Panasonic Industrial Devices Sales Company of  
America**

By: \_\_\_\_\_  
Printed: Kenichiro Koide  
Title: Vice President  
Date: 10/1/2024

**Lucid USA, Inc.**

By: \_\_\_\_\_  
Printed: Gagan Dhingra  
Title: Interim Chief Financial Officer  
Date: 10/1/2024

This PPA incorporates the following Exhibits:

**Exhibit A:** Goods and Price

**Exhibit B:** Raw Material and Exchange Rate Adjustments

**Exhibit C:** Volume Forecast

**Exhibit D:** Forecast Adjustment

**Exhibit E:** Special Remedies

**Exhibit F:** Cell BOM Cost

**Exhibit A: Goods and Price**

[\*\*]

**Exhibit B: Raw Material and Exchange Rate Adjustments**

[\*\*]

**Exhibit C: Volume Forecast**

[\*\*]

**Exhibit D: Forecast Adjustment**

[\*\*]

**Exhibit E: Special Remedies**

[\*\*]

**Exhibit F: Cell BOM Cost**

[\*\*]

Certain identified information has been omitted from this document because it is not material and is the type that the Company customarily and actually treats as private or confidential, and has been marked with “[\*\*\*]” to indicate where omissions have been made.

### **Production Pricing Agreement (Kansas PPA)**

**Effective Date:** 10/1/2024

<b>Seller Name</b>	Panasonic Energy Corporation of North America ("PECNA")		
<b>Address</b>	10900 S. Clay Blair Blvd. Olathe, Johnson County, Kansas 66061		
<b>Place of Incorporation</b>	Delaware		
<b>Commodity Description</b>	Battery Cells		
<b>Tier 1 or Tier 2</b>	Tier 1		
<b>Supplier Shipping Site Code</b>	To be created		
<b>Incoterms</b>	FCA (Incoterms 2010)		
<b>Manufacturing address</b>	De Soto, KS		
<b>Ship from address</b>	10301 Astra Pkwy, De Soto, Kansas 66018		
<b>Delivery Location</b>	Lucid USA, Inc.		
<b>Address</b>	Lucid Motors Casa Grande Warehouse, 1185 W. Peters Road, Casa Grande, AZ 85122, USA		
<b>Pricing Validity Period</b>	10/1/2024	through	12/31/2031
<b>Production Volume</b>	As provided in forecast Exhibit C		
<b>Payment Terms</b>	[***]		

1. *PPA Revision.* This Production Pricing Agreement ("PPA") is entered into by Lucid USA, Inc. ("Lucid") and PECNA (identified above) with respect to the goods described in **Exhibit A** ("Goods"). Lucid and PECNA are each a "Party" and collectively are the "Parties". This PPA shall, as of October 1, 2024, amend and restate in entirety the Production Pricing Agreement effective as of December 1, 2022 ("2022 PPA") by and between the Parties. The General Terms and Conditions between Panasonic Energy Co., Ltd. and Lucid dated as of **December 1<sup>st</sup>, 2022** ("**GTC**") are incorporated by reference into this PPA as an integral part hereof. In case of any inconsistencies between the terms of the GTC and the terms of this PPA, the terms of this PPA shall prevail.
2. *Pricing and Payment Terms.* Lucid and PECNA agree to the pricing for the Goods set forth in **Exhibit A** ("Product and Prices"); The Prices: (a) are subject to certain agreed adjustments for Raw Material Adjustments as provided in **Exhibit B** and for exchange rate fluctuations between United States Dollars and Japanese Yen with respect to all costs for the Goods procured or payable in Japanese Yen as provided in **Exhibit B**, and (b) are exclusive of all applicable sales, value added, surcharges, or similar transfer taxes or charges. PECNA may release an invoice for each shipment of Goods on each such shipping date. Lucid shall [\*\*\*]. The Parties shall [\*\*\*].
3. *Orders, Volumes.* Lucid shall issue Production Orders, Spot Orders and Releases (as defined in Schedule 1 of the GTC) for the Production Volumes set forth in **Exhibit C**.

4. *Miscellaneous.* PECNA and Lucid agree (a) that the GTC, and the Production Order, Spot Orders and Releases (collectively, the “POs”) issued by or for Lucid and accepted by PECNA in accordance with POs, and this PPA constitute, collectively, the entire agreement between the Parties with respect to the subject matter hereof and supersede all prior oral or written representations or agreements by the Parties with respect to such subject matter. No subsequent terms, conditions, understandings, or agreements purporting to modify the terms of this PPA will be binding unless in writing and signed by both Parties. Any standard preprinted or other terms and conditions included or referenced in the PECNA’s invoice(s) or other documents are excluded and shall not be part of this PPA.
5. *2022 PPA Replacement.* As stated above in Section 1, this PPA replaces the 2022 PPA in its entirety, resolves any outstanding issues under the 2022 PPA, and the 2022 PPA has no further effect.

Agreed by authorized representatives of each Party and signed by them as of the date set forth above (the PPA Effective Date”).

Panasonic Energy Corporation of North America	
By:	
Printed:	Kris Takamoto
Title:	President
Date:	10/1/2024

Lucid USA, Inc.	
By:	
Printed:	Gagan Dhingra
Title:	Interim Chief Financial Officer
Date:	10/1/2024

This PPA incorporates the following Exhibits:

- Exhibit A:** Goods and Price  
**Exhibit B:** Raw material and Exchange Rate Adjustments  
**Exhibit C:** Volume Forecast  
**Exhibit D:** Forecast Adjustment  
**Exhibit E:** Special Remedies  
**Exhibit F:** Lucid Prepayments  
**Exhibit G:** Cell BOM Cost  
**Exhibit H:** IRA Compliance and Material Sourcing

## **Exhibit A: Goods and Price**

### **Chart A-1: Goods**

[\*\*\*]

### **Chart A-2: Battery Cell Pricing**

[\*\*\*]

## **Exhibit B: Raw Material and Exchange Rate Adjustments**

[\*\*\*]

## **Exhibit C: Volume Forecast**

[\*\*\*]

## **Exhibit D: Forecast Adjustment**

[\*\*\*]

## **Exhibit E: Special Remedies**

[\*\*\*]

## **Exhibit F: Lucid Pre-payment:**

[\*\*\*]

## **Exhibit G: Cell BOM Cost**

[\*\*\*]

## **Exhibit H: IRA Compliance and Material Sourcing**

[\*\*\*]

### **B. *Directed Sourcing***

Lucid and PECNA agree to enter into a directed sourcing agreement to govern the qualification, commercial terms, and acceptance of Lucid-directed material sources.

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Peter Rawlinson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Lucid Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2024

/s/ Peter Rawlinson

---

Peter Rawlinson

Chief Executive Officer

(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Gagan Dhingra, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Lucid Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2024

/s/ Gagan Dhingra

---

Gagan Dhingra

Interim Chief Financial Officer

(Principal Financial Officer)



**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO SECTION 906  
OF THE SARBANES-OXLEY ACT OF 2002 (FURNISHED HEREWITH)**

I, Peter Rawlinson, Chief Executive Officer of Lucid Group, Inc. (the "Company"), certify, as of the date hereof and solely for purposes of and pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- a. The Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended September 30, 2024 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
- b. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

Date: November 7, 2024

/s/ Peter Rawlinson

---

Peter Rawlinson

Chief Executive Officer

(Principal Executive Officer)

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO SECTION 906  
OF THE SARBANES-OXLEY ACT OF 2002 (FURNISHED HEREWITH)**

I, Gagan Dhingra, Interim Chief Financial Officer of Lucid Group, Inc. (the "Company"), certify, as of the date hereof and solely for purposes of and pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- a. The Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended September 30, 2024 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
- b. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

Date: November 7, 2024

/s/ Gagan Dhingra

---

Gagan Dhingra

Interim Chief Financial Officer

(Principal Financial Officer)