UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(MARK ONE)

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31 , 2023

or

o **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

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. o Yes x No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. o Yes x No

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. x Yes o 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). x Yes o 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	x	Accelerated Filer	o
Non-accelerated Filer	o	Smaller Reporting Company	o
		Emerging Growth Company	o

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). o

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. x

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. o

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). o

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

The aggregate market value of the voting stock held by non-affiliates of the registrant, as of June 30, 2023 (the last business day of registrant's second quarter of fiscal year 2023), was $ 6.1 billion based upon the last sale price reported for such date on the Nasdaq Stock Market LLC. Shares of common stock held by each executive officer, director, and holder of 5% or more of the outstanding common stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

Number of shares of the registrant's common stock outstanding at February 21, 2024: 2,300,047,548

DOCUMENTS INCORPORATED BY REFERENCE:

Certain portions of the registrant's definitive proxy statement for its annual meeting of stockholders (the "Proxy Statement"), to be filed with the Securities and Exchange Commission within 120 days after December 31, 2023, are incorporated by reference into Part III of this Annual Report on Form 10-K (this "Annual Report"). Except with respect to information specifically incorporated by reference in this Annual Report, the Proxy Statement shall not be deemed to be filed as part hereof.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report 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” 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 Annual Report 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 reservations and 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 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;
- 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 Annual Report or our other filings with the Securities and Exchange Commission (the “SEC”).

The forward-looking statements contained in this Annual Report 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 Item 1A of Part I of this Annual Report. 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 Annual Report. We anticipate that subsequent events and developments will cause our assessments to change. However, while we may elect to update the forward-looking statements at some point in the future, 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 Annual Report.

Frequently Used Terms

Unless otherwise stated in Part II Item 8. Financial Statements and Supplementary Data, or the context otherwise requires, references in this Annual Report 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, prior to consummation of the Transactions, to the board of directors of Legacy Lucid, and, following consummation of the Transactions, to the board of directors of Lucid Group Inc., a Delaware corporation;

“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;

“Churchill’s Class A common stock” are to Churchill’s Class A common stock, par value $0.0001 per share;

“Churchill’s Class B common stock” are to Churchill’s Class B common stock, par value $0.0001 per share;

“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, prior to the consummation of the Transactions, to Churchill’s Class A common stock and Churchill’s Class B common stock and, following the consummation of the Transactions, to the 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 may be 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;

“Legacy Lucid Common Shares” are to the common shares, par value $0.0001 per share, of Legacy Lucid;

“Legacy Lucid Options” are to all issued and outstanding options to purchase or otherwise acquire Legacy Lucid Common Shares (whether or not vested) held by any person, including share options granted under any Legacy Lucid Share Plan;

“Legacy Lucid Preferred Shares” are to, collectively, Legacy Lucid Series A Preferred Shares, Legacy Lucid Series B Preferred Shares, Legacy Lucid Series C Preferred Shares, Legacy Lucid Series D Preferred Shares and Legacy Lucid Series E Preferred Shares;

“Legacy Lucid Series A Preferred Shares” are to the Series A preferred shares, par value $0.0001 per share, of Legacy Lucid;

“Legacy Lucid Series B Preferred Shares” are to the Series B preferred shares, par value $0.0001 per share, of Legacy Lucid;

“Legacy Lucid Series C Preferred Shares” are to the Series C preferred shares, par value $0.0001 per share, of Legacy Lucid;

“Legacy Lucid Series D Preferred Shares” are to the Series D preferred shares, par value $0.0001 per share, of Legacy Lucid;

“Legacy Lucid Series E Preferred Shares” are to the Series E preferred shares, par value $0.0001 per share, of Legacy Lucid;

“Legacy Lucid Shares” are to the Legacy Lucid Common Shares and Legacy Lucid Preferred Shares;

“Legacy Lucid RSUs” are to all issued and outstanding restricted stock unit awards with respect to Legacy Lucid Common Shares outstanding under any Legacy Lucid Share Plan;

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

“Lucid Options” are to all issued and outstanding options to purchase shares of common stock immediately following the closing of the Merger;

“Lucid RSUs” are to all issued and outstanding restricted stock unit awards with respect to shares of common stock immediately following the closing of the Merger;

“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;

“PIPE Investment” are to the private placement subscription agreements that Churchill entered into contemporaneously with the execution of the Merger Agreement whereby Churchill has agreed to issue and sell to certain investors $2.5 billion of Churchill’s Class A common stock at a purchase price of $15.00 per share. The PIPE Investment closed simultaneously with the Closing of the Merger;

“PIPE Investors” are to the investors participating in the PIPE Investment;

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

“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

Item 1. Business.

OVERVIEW

Mission

Lucid's mission is to inspire the adoption of sustainable energy by creating advanced technologies and the most captivating luxury electric vehicles ("EV"), centered around the human experience.

About Us

Lucid is a technology company that is setting new standards with its advanced luxury EV, beginning with the Lucid Air, the most efficient (as measured by miles of range per kilowatt-hour), the longest-range, and the fastest-charging fully electric car in its class on the market today. Lucid (i) designs, engineers and manufactures EVs, EV powertrains and battery systems in-house using our own equipment and factories, (ii) designs and develops proprietary software in-house for Lucid vehicles that can be continuously improved upon through over-the-air ("OTA") software updates, (iii) offers a refined customer experience at our own geographically distributed retail and service locations and through direct-to-consumer online and retail sales, (iv) plans to supply and license technology to third parties, and (v) boasts a strong product roadmap of future vehicle programs and technologies. 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.

The Lucid Air is a luxury sedan that redefines both the luxury car segment and the EV space, with an EPA-estimated range of up to 516 miles on a single charge (estimated ranges, including EPA-estimated ranges where applicable, is provided for vehicles equipped with 19-inch wheels, and actual range will vary dependent on many factors including vehicle configuration, battery age, driving habits, charging habits, temperatures, accessory use, and other factors). This range is enabled by an efficient and powerful drivetrain that Lucid developed and built in-house through our vertically integrated manufacturing structure. The Lucid Space Concept underpins the Lucid Air's design, merging a spacious interior with a smaller exterior footprint than other luxury cars with similar space and comfort. This achievement is enabled by our miniaturized drive-train components, which also reduces weight and maximizes storage capacity.

The Lucid Air is manufactured at our greenfield EV manufacturing facility in Casa Grande, Arizona, Advanced Manufacturing Plant-1 ("AMP-1"). Our manufacturing footprint in Casa Grande also includes the Lucid Powertrain Manufacturing-1 ("LPM-1") plant, which we plan to relocate to AMP-1. Expansion activities are underway to bring installed capacity at our Arizona site to 90,000 vehicles per year within 2024. By building AMP-1 from a clean slate, we expect to achieve greater operational efficiencies and more consistent production quality than would be possible through outsourced manufacturing or adaptation of an existing facility. An emphasis on vertical integration of manufacturing capabilities provides us the opportunity to control our technology roadmap, ensure a high degree of quality control, and improve product margins relative to an outsourced manufacturing arrangement. We expect to diversify our vehicle portfolio and increase production capacity through localization of manufacturing in other geographies. In 2022, we broke ground on the Advanced Manufacturing Plant-2 in Saudi Arabia ("AMP-2"), and in 2023, we began semi knocked-down ("SKD") assembly, with installed annual capacity of 5,000 vehicles. The initial operation is re-assembly of the Lucid Air vehicle 'kits' that are pre-manufactured at AMP-1. We plan to significantly expand AMP-2 to completely-built-up ("CBU") unit production with additional installed annual capacity of 150,000 vehicles with start of production of our Midsize platform scheduled for late 2026, which we expect will expand our market reach into higher-volume vehicle segments.

We sell vehicles directly to consumers through our retail sales network and through direct online sales including through Lucid Financial Services. As of December 31, 2023, we have opened thirty-eight studios and service centers in North America, five in Europe and two in the Middle East. In addition, we have various temporary and satellite service centers. We believe that owning and operating 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 have contracted with a third-party roadside assistance partner for urgent roadside needs. As a technology company, we also complement our in-house service offerings through remote vehicle diagnostics and alerts capabilities, and OTA updates. This combination of in-house capabilities, ancillary service partners, and remote support and update capability is expected to serve our customers' high service expectations.

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

Market Opportunity

We are defining electric luxury by uniting our California aesthetic with our high-tech and Silicon Valley roots. Current luxury vehicles are based on traditions established by internal combustion automotive manufacture and design. We believe that we are leading the next wave of innovation in the vehicle space. With the Lucid Air and the Lucid Gravity, we target consumers who desire EVs with a high-end aesthetic and the accompanying luxury experience.

Our initial product, the Lucid Air, competes in the global luxury car market. Our competitive advantage is defined by our leading EV hardware and software technology, developed entirely in-house. The Lucid Air is the most efficient (as measured by miles of range per kilowatt-hour), the longest-range, and the fastest-charging fully electric car in its class on the market today.

We are defining an exclusive and recognizable brand that is synonymous with luxury and performance. We believe the luxury automotive experience is one comprised of several essential elements, including: (i) high-end comfort and significant attention to detail in design, content, materials, fit and finish, (ii) superior customer interaction, with high-touch customer engagement throughout both the sales cycle and ownership journey, and (iii) convenient service that exceeds that of a non-luxury automotive experience.

Our ultimate goal is to make a positive impact on the global climate crisis through mass production of advanced technologies and EVs. Increased government mandates for electrification, combined with the need for clean energy vehicles, are driving electrification of the automotive industry at a rapid pace and on a global scale. The market is still nascent, with approximately 9.6% and 7.4% of new passenger vehicle sales in 2023 represented battery electric vehicle ("BEV") worldwide and in North America, respectively, according to an estimate from the S&P Global AutoInsight and an actual result from the S&P Global Catalyst Registration, respectively.

As our flagship product, the Lucid Air is intended to establish the bar for excellence across all our future products and experiences. We started delivering vehicles to customers in North America in 2021. In 2022, we delivered our first vehicles to customers in Europe and the Middle East. Over the course of 2023, we delivered the entire Lucid Air lineup including the Lucid Air Sapphire, the world's first luxury electric super-sports sedan, and the Lucid Air Pure, the most attainable Lucid Air model. The Lucid Air has received critical acclaim since it debuted, winning MotorTrend 2022 Car of the Year award, followed by the 2023 World Luxury Car Award, and most recently, the Air Pure earned a place on Car and Driver's prestigious 2024 10Best list. Our second vehicle, the Lucid Gravity, is a luxury SUV defined by efficiency, performance, and a spacious interior that will set it apart in the SUV class, similar to how the Lucid Air stands out in its class. We plan to enter higher-volume SUV vehicle segment with the Lucid Gravity, which is scheduled for start of production in late 2024. Beyond the Lucid Air and the Lucid Gravity, our business plan also includes start of production of our Midsize platform, which is scheduled for late 2026.

Beyond the sale of Lucid branded vehicles, we believe that our technological prowess and manufacturing capabilities present a further opportunity to generate revenue and combat climate change through the sale or licensing of EV powertrain and battery technology to third parties. Such powertrain and battery arrangements could facilitate and accelerate the shift to electrification for traditional automotive original equipment manufacturers ("OEMs"), pure-play EV companies, and prospective partners in the transportation sector and thereby enable the global production of EV in greater volumes and at varying price points. We believe that the sale or licensing of our technology would also enable us to refine our manufacturing efficiencies and the real world, practical operation of our technologies.

Competitive Strengths

- ***Revolutionary Powertrain Technology.*** Our proprietary EV technology delivers outstanding range, charging, and driver-oriented performance without the cost and weight of ever-larger battery packs that are common in other EVs. All variants of the Lucid Air have received EPA-estimated range ratings of over 400 miles and the Lucid Air Grand Touring is the first and only fully electric vehicle to reach an EPA-estimated range of 516 miles.

  The Air's proprietary high-voltage electrical architecture, the Wunderbox on-board inverter charger, and our efficient battery management system, all developed in-house by us, enable customers to spend less time charging. For example, the Lucid Air Grand Touring can add approximately 300 miles in about 22 minutes using DC fast charging, while the Lucid Air Pure can add up to 150 miles in about 12 minutes with DC fast charging. Estimates are based on use of a 350 kW DC fast charger and vehicles equipped with 19-inch wheels. Actual rates will vary based upon vehicle equipment and charging conditions.

  In November 2023, we launched RangeXchange, the first application of the bi-directional charging capability built into the Lucid Air. Using Lucid's innovative new vehicle-to-vehicle ("V2V") RangeXchange adapter and the latest mobile charging cable, the Lucid Air can function as the power source to charge another EV. In the future, we plan to introduce additional functionality, such as features that might allow a Lucid Air to serve as a back-up power source for residential applications, such as during emergency power grid outages.

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 and supply 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 BEV chassis, and supply powertrain and battery components to Aston Martin (collectively, the “Strategic Technology Arrangement”).

- ***Proven, Real World Validation.*** Our battery technology developed over the past decade has been validated as world-class technology. Through our prototype and production vehicles and our role as the sole battery supplier to the second generation of the premier EV racing series, our patented battery technology has driven more than 95 million real world miles since Lucid’s inception.

- ***Highly Differentiated Performance.*** Our advancements in battery pack and drivetrain technology, created through a clean-sheet approach to engineering, have resulted in compelling performance and efficiency in our vehicles. The Lucid Air is available in a configuration with 1,234 horsepower, a zero to 60 miles per hour acceleration time of 1.89 seconds and a quarter-mile time of 8.95 seconds.

- ***Directly Owned Manufacturing.*** Our vehicles are produced at AMP-1, the first purpose-built, greenfield EV manufacturing facility in North America. With the Lucid Air already in production, expansion activities are underway to enable the concurrent production of the Lucid Air and the Lucid Gravity. Key elements of our vehicle engineering enable efficient and advanced manufacturing processes with a high degree of quality control. For example, the aircraft-inspired riveted and bonded monocoque body structure is designed to enhance structural efficiency and replace spot welds in the manufacturing process. Additionally, we manufacture and assemble our complete electric powertrain at LPM-1, including assembly of battery packs, integrated drive units, and the Wunderbox. We designed LPM-1 to simplify the future establishment of similar facilities for an expanded, global manufacturing footprint for vehicles. In September 2023, we also opened AMP-2, which was Saudi Arabia’s first-ever car manufacturing facility and our first manufacturing facility outside the United States, where we commenced SKD assembly operations.

- ***In-House Sales and Service.*** Consistent with the focus on quality in our manufacturing processes, we implement a direct sales and service strategy to maintain control over the customer experience and ensure that interactions are aligned with the Lucid brand. We enable this tight control over the customer experience by vertically integrating our sales operations instead of relying on a traditional outsourced dealership model. We are also scaling our own service operations to support customers, in addition to growing our established network of partnerships with body shops and other ancillary service partners that meet our expectations for customer service.

- ***Product Design.*** Our first vehicle, the Lucid Air, fuses art and science to capture the potential of electrification. As our current flagship product, the Air establishes the bar for excellence across all our products and experiences. Our Space Concept represents a technical breakthrough, achieved by rethinking the way an automobile is designed from the ground up. Our reimagining of the car has resulted in class-leading interior space for the driver, passengers, and storage within a compact and efficient exterior.

- ***Favorable Market Trends.*** The Lucid Air is the first true luxury EV and positions us to build our brand and reputation. By building the Lucid brand and achieving scale and efficiency in our manufacturing footprint, we believe we will have the opportunity over time to create more attainable technology to allow broader adoption in the EV space and the ability to capitalize on adjacent market opportunities.

- ***Management Team Experience.*** We have assembled a seasoned management team with deep experience in the automotive, EV, and software industries led by Peter Rawlinson, who served as the Chief Engineer of the Tesla Model S program. The management team is rounded out by executives with significant experience from such companies as Apple, Intel, Tesla, Mazda, Audi, Volkswagen, Ford, and Mercedes-Benz, among others.

- ***Strategic Partnerships.*** We have established strong relationships with suppliers and partners to deliver the Lucid Air. We have battery cell supply agreements in place with leading suppliers in the EV space.

Growth Strategy

We aim to create opportunity as an automotive company and a technology provider for other automotive OEMs.

- ***Vehicle Roadmap.*** We have established a planned roadmap for future vehicle lines that includes a variety of vehicle types that are expected to perform well in various customer segments. By utilizing the Lucid Air to establish the brand, we plan to leverage economies of scale and efficiency of operations to unlock sales in higher-volume vehicle segments. We will seek to establish a strong customer base in the luxury and premium vehicle markets across the globe.

- ***International Expansion.*** We expect to establish manufacturing facilities in multiple geographies along with a retail and service footprint throughout each geographic area. These manufacturing facilities could include facilities for component subassembly, vehicle kit reassembly, and complete built unit vehicle production. We believe that establishing a global manufacturing footprint will help us to grow the brand, scale the business and address market demand in the Middle East, European and Asia-Pacific markets, while also taking action to address climate change. We anticipate that localized supply chain, production, distribution and retail can yield cost savings and environmental benefits with reduced transportation of product to the customer. We began construction of a manufacturing facility in Saudi Arabia in May 2022 and began SKD assembly in September 2023. See "—*Manufacturing.*"

- ***Technology Outbound Sales & Licensing.*** We are actively engaged in supplying racing teams in a premier EV racing series with the front drive unit and software. We entered into the Strategic Technology Arrangement with Aston Martin under which we will provide Aston Martin access to our powertrain and battery system technology to use in Aston Martin's initial and certain future EVs. We expect to continue expanding this technology division to supply our world class technology to other automotive OEMs and prospective partners in the transportation sector to help accelerate the adoption of EVs.

We are motivated to achieve a future where transportation is sustainable and works with the planet, not against it. The sale of technology solutions to traditional automotive OEMs would support that goal, as would sales to customers in the marine and aviation sectors. Our technology is modular and readily customizable, enhancing our suitability for build-to-print powertrain and battery solutions for other manufacturers.

Our Vehicles

Lucid Air

As our current flagship product, the Lucid Air has established the bar for excellence across all our future products and experiences.

The Lucid Air is a state-of-the-art luxury electric sedan featuring California-inspired design and award-winning powertrain technology. Some variants of the Lucid Air offer an EPA-estimated range of 516 miles on a single charge.

The Lucid Space Concept offers class-leading interior space, with the Lucid Air providing a massive front trunk (or "frunk") with a capacity of three times more than leading competitors. From the start of its development, we used the Lucid Space Concept to maximize interior space. This new approach to sedan architecture takes advantage of our miniaturized EV drivetrain to deliver full-size interior volume within a mid-size exterior footprint. This technical breakthrough resulted in class-leading interior space for the driver, passengers, and storage within a compact, agile, and efficient exterior.

The Lucid Air offers a bench style rear seat that provides expansive space for three adults with class leading legroom. Some variants of the Lucid Air's interior are capped with a glass canopy that creates an even more extravagant sense of space. Despite its expansive interior, the Lucid Air is more compact on the exterior than leading internal combustion engine ("ICE") vehicles in the same class and segment.

The centerpiece of the Lucid Air's human-machine interface is its Glass Cockpit, a beautifully integrated, configurable infotainment system that is designed to provide a seamless connected experience for the driver. This system is presented on a compound three-screen display assembly that curves in front of the driver — including two touch screens. This display is designed to sit in the driver's line of sight to increase operator safety and reduce time looking away from the road. The Glass Cockpit is augmented by a retractable center screen for a more immersive user interface.

The Lucid Air is a true software-defined vehicle, designed to improve over time, with OTA software updates and key hardware already in place in the vehicle. For example, we recently launched RangeXchange, an innovative new feature enabling the Lucid Air to directly charge other EVs. This new capability is enabled by our bi-directional charging technology built into every Air via an OTA software update, as well as the RangeXchange adapter. This holistic systems approach to the integration of hardware and software is what allows us to provide these value-add updates and is what sets us apart in the automotive industry.

The Lucid Air has the looks to match its advanced powertrain, with clean styling up front emphasized by slim headlights and a chrome strip that spans from one corner to the other. The hood features sculpting over the wheels to further emphasize power, and the windshield flows as one piece of glass all the way back to the B-pillar. The sleek lines work well with the Lucid Air's short overhangs and large wheels. This pleasing shape is also functional, providing the Lucid Air Pure a low coefficient of drag at a mere 0.197 and enabling greater range. The Lucid Air's interior themes are crafted with colors and materials that evoke iconic California locations at various times of day and night.

Efficiency is the ultimate measure of EV technology, and we believe our technology leads the industry in this respect, with a range efficiency of up to 4.74 miles of range per kilowatt-hour for some variants of the Lucid Air when equipped with 19-inch wheels.

The Lucid Air is offered at various price points with different specifications. Following the limited-availability Lucid Air Dream Edition, which began deliveries in October 2021, we have subsequently rounded out the product lineup with Grand Touring, Touring, Sapphire and Pure variants of the Lucid Air. The Lucid Air Grand Touring offers the highest range potential and most power in the standard Air lineup, with an EPA-estimated range of 516 miles and 819 horsepower from its two-motor all-wheel drive configuration. The Lucid Air Touring is the quintessential Lucid Air, with better performance, range, energy efficiency, aerodynamics, and packaging than many other competitors. The Lucid Air Pure is the most accessible variant in the Lucid Air lines, and still offers 410 miles of estimated range. We have also commenced deliveries of the special production Lucid Air Sapphire, the highest-performance version of the Lucid Air, boasting 1,234 horsepower from three motors, 427 miles of an EPA-estimated range (when equipped with standard wheel inserts), the ability to accelerate from zero to 60 miles per hour in 1.89 seconds, and a quarter-mile time of 8.95 seconds.

As discussed in "— *Technology*" below, the Lucid Air is underpinned by the Lucid Electric Advanced Platform ("LEAP"), which is designed with adjustability to support other vehicle variants to enable greater capital deployment efficiency and speed to market.

Future Vehicle Programs

The Lucid Gravity, which we unveiled in November 2023 and start of production is scheduled for late 2024, will share many of the same attributes that make the Lucid Air special, including a class-leading spacious interior in a more compact and efficient exterior, and at least 440 miles for our longest range trim. We anticipate the use of Air components in the Lucid Gravity will enable efficiency in design, engineering, and capital expenditure deployment for the Lucid Gravity. We expect to have installed production capacity of 90,000 vehicles per year at AMP-1.

We have also developed a roadmap of additional vehicles and platforms that will be accessible at a variety of price points. We have started manufacturing high-end vehicles to establish our brand and expect to progress to higher-volume vehicle segments over time.

Technology

We are a technology company that has set new standards for sustainable transportation. We have done so in part by developing proprietary EV technology in-house. Core to our DNA is the achievement of technical excellence.

Our in-house engineering team is focused on delivering innovation in all facets of vehicle development, including hardware and software development, vehicle design, and passenger comfort. The development of the Lucid Air was predicated on the premise that miniaturizing the powertrain would allow us to redesign what a car can be from the ground up.

We have refined our battery technologies over many years in real-world applications, including more than 95 million miles of vehicle testing and the supply of battery packs to all teams in the world's premier EV racing series. We have used the data accumulated from these activities to refine our technology and thoughtfully develop the Lucid Air, and subsequently the Lucid Gravity.

We believe our in-house research and development organization establishes us as a leader across multiple technologies and areas of expertise. Our technological achievements include significant advancements to the core technologies that drive an EV and are instrumental in the LEAP. LEAP was designed and developed in-house, incorporating our six key powertrain elements: (i) battery pack & battery management software, (ii) electric motors, (iii) power electronics, (iv) transmission, (v) control software, and (vi) two-way onboard boost-charger. The LEAP structure is an enabling factor allowing the Lucid Space Concept to support class-leading interior and cargo room for a luxury EV.

Areas where our in-house engineering has driven advancement include:

- ***Battery Pack.*** The Lucid Air's battery pack translates our motorsport experience and more than 95 million miles of real-world testing into a compact and energy dense unit that was developed in-house with a clean-sheet approach to engineering. The battery pack is designed to be scalable and modular, providing opportunities for cost and range variations as we develop future variants on our LEAP architecture. It is also designed for performance, with advanced cell end-cooling and low resistance technologies designed to reduce heat generation, control battery cell thermal conditions and ultimately increase range.

  Our battery packs incorporate battery cells from suppliers that have extensive experience in the development and manufacturing of cells for high-performance EV applications and robust battery cycle life. The battery cells incorporated into our battery packs are required to conform to our high standards, including with respect to our targets for range, energy density, recharge/discharge rates and other characteristics, and to support our compact, energy-dense battery pack form.

Our battery packs support our vision to revolutionize EV technology through mass industrialization. Our single piece injection molded battery module is race derived yet designed for mass production, with electrical "bus bar" connectors that are integrally captured in the molding in a single operation — a profound technological advancement.

The technology developed for the battery pack in the Lucid Air has transferred to the Lucid Gravity, and we believe is suitable for the industrialization of our Midsize platform, and to technologically adjacent markets. See "— *Growth Strategy.*"

- ***Integrated Electric Motor, Inverter and Transmission Drive Unit.*** For our motor and gearbox system, we developed permanent magnet motors in-house. Combining these motors with an inverter and an integrated gearbox and differential creates an advanced electric drive unit that weighs just 163lb (74kg) and is small enough to fit inside a carry-on roller bag.

  The Lucid drive unit is capable of producing up to 670 horsepower with power density up to 9.0 horsepower per kg, depending on vehicle trim and variant. This compactness allows for one, two or even three units to be used to power a Lucid Air or Gravity. Further to this, we have developed motor and transmission technology for the world's premier EVs racing series with a power density of over 14.5 horsepower per kg.

  The enablers of these electric motor characteristics include a set of inventions that are part of our intellectual property portfolio. Most notably, a new motor winding technology has been introduced to increase power output and reduce electrical losses. The motor also features an innovative cooling system that more effectively removes heat from the stator winding, reducing losses and boosting efficiency.

  The compactness of these electric drive units lays the foundation for our Space Concept vehicle design approach. The fully integrated transmission and differential also contribute to this approach. Together, these components comprise a unified, integrated rotational system that is both lightweight and extremely efficient. Meanwhile, we leverage a high voltage, silicon-carbide metal–oxide–semiconductor field-effect transistor ("MOSFET") system in our inverters to increase efficiency, especially in real-world driving conditions.

  Pursuit of a lightweight platform construction contributes to overall vehicle efficiency. Our technology allows for a lighter powertrain through miniaturization and improvement of key components. For example, the Lucid Air Grand Touring has an EPA-estimated range of 516 miles. Less weight leads to increased efficiency, even as performance is elevated to new levels.

  Finally, we have also achieved breakthroughs in the advanced thermal management system within our electric motors. We have patented our efficient cooling design, which enables even higher levels of efficiency and performance.

- ***Bi-directional Charging.*** Our proprietary technology is designed to enable ultra-fast DC and bi-directional AC charging. The available 900V+ architecture and our Wunderbox are key enablers inside the Air's electrical platform. The Wunderbox is a multi-function unit, developed in-house to ensure compatibility with charging systems of differing voltages. It enables "boost-charging" when needed, such as when connected to 400V charging infrastructure.

  The Wunderbox is also designed to enable a wide array of future-ready, bi-directional power delivery features, such as vehicle-to-grid ("V2G") applications for situations such as managing home power outages. In November 2023, we launched RangeXchange, an innovative new feature enabling the Lucid Air to directly charge another EV. This new capability is enabled by our bi-directional charging technology built into every Air via an OTA software update, as well as the RangeXchange adapter. This holistic systems approach to the integration of hardware and software is what allows us to provide these value-add updates and truly sets us apart in the automotive industry.

- ***Software System.*** The Lucid Air is a true software-defined vehicle. With software-enabled future-ready hardware, Lucid vehicles can evolve over time to best meet customer needs long after they take delivery. With highly advanced processing capabilities, the system is designed to leverage data analytics and OTA updates to improve and refresh the vehicle over time.

  We have deployed more than 80 OTA software updates for improvements and bug fixes since customers deliveries began in October 2021.

  In October 2022, we introduced Lucid UX 2.0, our most extensive software update to that point, with hundreds of updates and new features for every Lucid Air on the road. These included new capabilities for the DreamDrive advanced driver assistance systems, enhanced system performance, and new on-screen layouts to make Lucid UX more ergonomically friendly. These software updates are developed, coded, validated, and deployed by Lucid's in-house hardware and software engineering teams.

In March 2023, we introduced Apple CarPlay integration. Scheduled Charging, introduced in February 2023, allows customers to plug in a Lucid Air to a charger and begin charging at a predetermined time. In addition to these, we introduced several new features including Max A/C, Multitasking Widget, and Easy Entry, and made improvements to existing features including Highway Assist, SiriusXM, and Range Estimation.

- ***Lucid DreamDrive.*** The Lucid Air is equipped with an extensive sensor suite, high on-board computing power, back-up systems for Advanced Driver Assistance Systems ("ADAS") and, over time, increased levels of partial autonomy. With 32 sensors onboard, the Lucid Air features one of the most comprehensive sensor suites among currently available production vehicles. The Lucid Air includes certain features with Level 2 ADAS functionality and is capable of software upgrades via OTA updates. Further, by collecting and analyzing fleet data, we expect to enhance our ADAS features and improve the Lucid experience over time.

- ***Lucid's Micro Lens Array ("MLA") Lighting.*** A revolution in optical technology, our MLA was created in-house and allows more accurate control over the intensity distribution of the headlamp than conventional technologies. In a very compact form factor, the technology delivers exceptional contrast, high peak intensity, and high color uniformity. This enables a long-illuminated distance in low-beam mode with good visibility on both sides of the road and low glare for oncoming traffic. The MLA also allows angular distribution adaptation without mechanical movement of the light module only by changing the electrical current to the LED. For example, it can change the beam pattern from a more range focused brighter narrow beam on a highway to a broader mid-distance focused beam in cities or improve illumination of the roadside in curves or intersections.

Manufacturing

We built North America's first greenfield, purpose-built EV manufacturing facilities, in Casa Grande, Arizona. Lucid's manufacturing activities are carried out at Lucid's vehicle manufacturing plant, AMP-1, and dedicated powertrain manufacturing facility, LPM-1. An emphasis on vertical integration of manufacturing capabilities provides us the opportunity to control our technology roadmap, ensure a high degree of quality control, and improve product margins relative to an outsourced manufacturing arrangement.

AMP-1 began production of the Lucid Air in September 2021. Phase 2 of our manufacturing expansion kicked off in mid-2021 and production started in September 2023. Phase 2 adds approximately 3 million square feet of manufacturing space to our facilities in Casa Grande. These expansion activities are expected to enable a 90,000 vehicles per year installed capacity within 2024. Within the AMP-1 phase 2 facility, we produce vehicles using innovative production processes and state-of-the-art equipment. Key elements of our vehicle engineering enable efficient and advanced manufacturing processes with a high degree of quality control.

Future expansions of AMP-1 are being planned to account for the launch of future vehicle programs that may be manufactured in Arizona and to accommodate growth in sales volumes. Our AMP-1 phase 2 facility will manufacture all current products as well as the Lucid Gravity. By building the factory from a clean slate and leveraging decades of industry experience, we expect to achieve (i) greater capital efficiencies, (ii) greater operational efficiencies, and (iii) consistent production quality. The key activities that currently take place in AMP-1 include body shell manufacture, painting of body shells, and general assembly. All key manufacturing activities will take place at AMP-1 once the expansion is complete, including stamping, powertrain production, battery remanufacturing, and onsite logistics.

In September 2023, we also opened AMP-2, which was Saudi Arabia's first-ever car manufacturing facility and our first manufacturing facility outside the United States, where we commenced SKD assembly operations. The facility's initial operation is re-assembly of SKD Lucid Air vehicle "kits" that are pre-manufactured at AMP-1. It is expected to have installed annual capacity of 5,000 vehicles with the intent to scale up operations to meet demand in the Middle East and European markets.

A global footprint with localized manufacturing will enable us to serve market demand with locally manufactured vehicles. We designed the production processes in AMP-1 and LPM-1 to be highly repeatable and scalable to standardize manufacturing operations and to build efficiency in our capital planning and deployment.

Supply Chain

Our supplier partners remain key in delivering our plan. Our vehicle contains thousands of parts and materials from suppliers around the globe. Lucid's sourcing plans utilize a comprehensive qualification process to assess technical capability, quality, cost, footprint, etc. Challenges in supply chain remain, so collaborative relationships are essential. Lucid works closely with suppliers in the upfront development process and in supporting production needs and requirements. In December 2022, we announced a multi-year sourcing agreement for lithium-ion batteries with Panasonic Energy Co., Ltd. and certain of its affiliates.

Go-To-Market Strategy

Our typical customer journey begins through our advanced digital platform. We use several channels to educate customers regarding our brand identity, explain the creation of our technology and highlight the people behind our design and technology. The goal is to cultivate a sense of brand loyalty with our customers. Our direct-to-consumer model allows customers the option of building vehicles to order or selecting from available cars via our digital platform. This initial engagement drives customers to our website to learn more about our story and our vehicles. On the website, customers can experience our online vehicle configurator, which provides an immersive and customizable opportunity to interact with our vehicles in a virtual setting. From there, we provide the customer with the option to either place an order online or visit one of our retail stores or gallery locations, which we refer to as "Studios." We believe that our direct-to-consumer sales model, combined with a digitally enhanced luxury experience through our website and a refined in-store experience, creates opportunities to tailor to each customer's purchase and ownership preferences. Customers have the option to visit a Studio in person, make their inquiries entirely online, or enjoy a combination of the two experiences.

In developing our Studios, we have built a network of retail spaces to enable customers to experience the brand and our products in locations that underscore our design aesthetic. Like the Lucid Air and the Lucid Gravity, the interiors of Lucid Studios showcase color and material themes that represent specific locations within California as well as our focus on innovation with immersive technology experiences. We intend our Studios to provide a pressure-free environment for our customers to comfortably experience the brand and our products. Lucid Studios draw inspiration from the beauty, innovation, and diversity of our home state of California.

Retail locations serve both as our sales channels and marketing tools in high-foot-traffic locations within urban areas. As of December 31, 2023, we had forty-five Studios and service center locations opened, including locations in Europe and Middle East markets. We expect to increase coverage throughout North America, Europe, and Middle East markets in 2024. These markets are continuing to adopt EV, and we believe that establishing a strong retail presence will enhance our opportunity to increase our share of our total addressable market.

With a focus on convenience, our service operations include vehicle and customer support at customers' physical locations through our mobile service offerings and certified partners for roadside assistance and collision repairs, as well as through our network of brick-and-mortar service centers. The Lucid Air is also designed to enable OTA updates and remote diagnostics.

Rather than investing in a proprietary charging network, we leverage third-party charging networks in North America and Europe. In North America, we have partnerships with Electrify America and Electrify Canada. In Europe, we have partnered with Bosch to aggregate over 1,000 networks across 29 European countries. This gives our customers access to over 630,000 public AC & DC charge points throughout Europe. These partnerships allow us to avoid the capital intensity of establishing our own high-power networks and provides our customers with easy access to established networks across the United States, Canada and Europe.

The Lucid Air is also compatible with Combined Charging System ("CCS") based public and commercial charging stations. Additionally, in 2025, our customers will also have access to the Tesla Supercharging network via a North American Charging Standard ("NACS") adapter. For at home charging, the Lucid Connected Home Charging Station can be installed to provide convenient, simple, and seamless charging at home. The Lucid Air now supports V2V charging and we expect to support further bi-directional capabilities with the Lucid Air and Lucid Connected Home Charging Station.

We have an agreement with the Government of Saudi Arabia, as represented by the Ministry of Finance, under which the Government of Saudi Arabia and its entities and corporate subsidiaries and other beneficiaries undertook to 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 over a ten-year period. We believe that our customer traction is strong and will continue to grow as we expand our footprint in Saudi Arabia.

Government Regulations and Credits

Environmental Regulations

We operate in an industry that is subject to extensive environmental regulation, which has become more stringent over time. The laws and regulations to which we are or may become subject govern, among other things, water use; air emissions; use of recycled materials; energy sources; the storage, handling, treatment, transportation, and disposal of hazardous materials; the protection of the environment, natural resources, and endangered species; and the remediation of environmental contamination. Compliance with such laws and regulations at an international, regional, national, state, provincial and local level is and will be an important aspect of our ability to continue our operations.

Environmental standards applicable to us are established by United States laws and regulations and those of other jurisdictions in which we operate, standards adopted by regulatory agencies and the permits and licenses we are required to obtain. Each of these sources is subject to periodic modifications and what we anticipate will be increasingly stringent requirements. Violations of these laws, regulations or permits and licenses may result in substantial civil and criminal fines, penalties and orders to cease the violating operations or to conduct or pay for corrective works. In some instances, violations may also result in the suspension or revocation of permits and licenses.

Many countries and U.S. states have announced a requirement for the sale of zero-emission vehicles only within proscribed timeframes, some as early as 2030, and we as an EV manufacturer are already able to comply with these requirements across our entire product portfolio as we expand. Our competitors, by contrast, will need to reconcile an expensive infrastructure with factories and equipment tailored for production of ICE vehicles, along with workforces trained to produce ICE vehicles and intellectual property portfolios geared for ICE vehicles.

Emissions Credits

We expect that the manufacture, sale, and/or registration of Zero Emission Vehicles (“ZEVs”) in various regions will earn certain regulatory credits that we can sell to other manufacturers. This may include ZEV credits in up to 16 U.S. jurisdictions referred to collectively as the “ZEV States” that require compliance with program mandates (California, Colorado, Connecticut, Maine, Maryland, Massachusetts, Minnesota, Nevada, New Jersey, New Mexico, New York, Oregon, Rhode Island, Vermont, Virginia and Washington). Lucid’s sales of ZEVs also generate credits that can be sold to other manufacturers under several other regulatory schemes that control emissions from automobiles. This would also include Corporate Average Fuel Economy (“CAFE”) credits under the U.S. Department of Transportation standards, greenhouse gas and other emission limitations credits from U.S. Environmental Protection Agency (“EPA”) programs, Low-Emission Vehicle (“LEV”) credits in California and most of the ZEV States plus Delaware, Pennsylvania and the District of Columbia, and similar credits in each of Europe, Canada, and Middle East.

ZEV credits are calculated under applicable regulation and are paid in relation to ZEVs sold and registered, including BEVs. ZEV programs generally assign ZEV credits to each vehicle manufacturer. Vehicle manufacturers are required to maintain ZEV credits equal to a set percentage of non-EV sold and registered in California and ZEV States. Each vehicle sold and registered in the state earns a number of credits based on the drivetrain type and the all-electric range of the vehicle under the Urban Dynamometer Driving Schedule Test Cycle.

For reference, the ZEV credit requirement in California was 17% in 2023 and will rise to 22% in 2025. If a vehicle manufacturer does not sell enough EVs to meet its quota, it can choose to buy credits from other manufacturers who do or it would be required to pay a $5,000 fine for each credit it is short. We expect this requirement to provide an opportunity to generate revenue from the sale of ZEV credits.

While we expect these environmental regulations to provide a tailwind to our growth, it is possible for certain regulations to result in margin pressures. For example, regulations that effectively impose EV production quotas on auto manufacturers may lead to an oversupply of EV, which in turn could promote price decreases. Changes to these incentives and regulations could affect our revenues and gross margins.

Other Credits and Benefits

We may benefit from additional opportunities under government regulations and legislation, such as the following:

- Customer tax credits and other benefits arising from government regulation may spur interest in our products and business. Our EVs qualify for the $7,500 federal tax credit under IRS Section 45W when sold for commercial uses, including those leased to customers, and may be eligible for incentives for EVs such as in Norway, which currently waives various toll charges and road taxes for BEVs and high-occupancy lane driving privileges available to purchasers in certain U.S. states such as California.
- We may be eligible for various tax credits, abatements and other benefits, including: the federal 30C Alternative Fuel Infrastructure tax credit for alternative fuel infrastructure; the federal 45X Advanced Energy Production Credit; the Qualified Facilities tax credit in Arizona; a California sales and use tax exclusion under the California Alternative Energy and Advanced Transportation Financing Authority; and other hiring and job training grants and income tax credits in both Arizona and California.
- We may also be eligible for a loan pursuant to the Advanced Technology Vehicles Manufacturing Loan Program administered by the U.S. Department of Energy.

EPA Emissions and Certificate of Conformity

The U.S. Clean Air Act requires that we obtain a Certificate of Conformity issued by the EPA and a California Executive Order issued by the California Air Resources Board (“CARB”) certifying that our vehicles comply with applicable emissions requirements. A Certificate of Conformity is required for vehicles sold in the United States, and an Executive Order from CARB is required for vehicles sold in states that have adopted California standards. CARB sets the California standards for emissions control for certain regulated pollutants for new vehicles and engines sold in California. States that have adopted the California emission standards as approved by EPA also recognize the CARB Executive Order for sales of vehicles. In addition to California, there are 17 states plus the District of Columbia that have adopted California's stricter emissions LEV standards, including New York, Massachusetts, Vermont, Maine, Pennsylvania, Connecticut, Rhode Island, Washington, Oregon, New Jersey, Maryland, Delaware, Colorado, Minnesota, Nevada, Virginia and New Mexico.

Although the Lucid Air has zero emissions, we are required to seek an EPA Certificate of Conformity and, for vehicles sold in California or any of the other 18 U.S. jurisdictions that have adopted the stricter California emission standards, a CARB Executive Order. Compliance with the program is required in each state two model years following adoption of the program.

Vehicle Safety and Testing

Our vehicles are subject to, and will be required to comply with, numerous regulatory requirements established by the National Highway Traffic Safety Administration ("NHTSA"), including applicable U.S. Federal Motor Vehicle Safety Standards ("FMVSS"). The Lucid Air fully complies with all applicable FMVSS without any exemptions, and we expect our future vehicles to either fully comply or comply with limited exemptions related to new technologies. Additionally, there are regulatory changes being considered for several FMVSS, and while we anticipate compliance, there is no assurance that we will comply with such changes under the final versions as enacted.

We must self-certify that our vehicles meet all applicable FMVSS, as well as the NHTSA bumper standard, or otherwise are exempt, before our vehicles can be sold in the United States. Numerous FMVSS will apply to our vehicles, such as crash-worthiness requirements, crash avoidance requirements and EV-specific requirements. We will also be required to comply with other federal laws and regulations administered by NHTSA, including, among other things, ensuring our vehicles do not contain defects related to motor vehicle safety, recall requirements, the CAFE standards, Theft Prevention Act standards, consumer information labeling requirements, reporting required notices, bulletins and other communications, Early Warning Reporting, foreign recall reporting, and owner's manual requirements.

The Automobile Information and Disclosure Act requires manufacturers of motor vehicles to disclose certain information regarding the manufacturer's suggested retail price, optional equipment and pricing. In addition, this law requires inclusion of city and highway fuel economy ratings, as determined by the EPA, as well as crash test ratings as determined by NHTSA if such tests are conducted.

We intend to expand our offerings outside of the United States, and in connection with such expansion our vehicles will be subject to foreign safety, environmental and other regulations. Many of those regulations are different from those applicable in the United States and may require redesign and/or retesting. For example, the European Union ("E.U.") has established approval and oversight rules requiring that a national authority certify compliance with heightened safety rules, emissions limits and production requirements before vehicles can be sold in each E.U. member state.

In addition to the various territorial legal requirements we are obligated to meet, the Lucid Air is engineered with the expectation that it will deliver overall five-star performance in the two main voluntary vehicle safety performance assessment programs, the U.S. New Car Assessment Program ("NCAP") and the Euro NCAP. Five-star is the maximum attainable score. These programs have introduced several additional safety related tests aimed at improving the safety of passenger vehicles, both for occupants and pedestrians involved in collisions with vehicles. Some of these tests are derived from legal requirements, such as side impact, but have higher performance requirements. Others are unique to the programs. Areas covered by these tests included:

- Mobile Progressive Deformable Barrier;
- Full Width Rigid Barrier;
- Mobile Side Impact Barrier;
- Side Pole;
- Far Side Impact;
- Whiplash;
- Vulnerable Road Users (Pedestrians and Cyclists);
- Safety Assist; and
- Rescue and Extrication.

ADAS Regulations

We have equipped the Lucid Air with certain advanced driver assistance features. Generally, laws pertaining to driver assistance features and self-driving vehicles are evolving globally, and in some cases may create restrictions on advanced driver assistance or self-driving features that Lucid may develop.

While there are currently no U.S. federal regulations specifically pertaining to self-driving vehicles or self-driving equipment, NHTSA has published recommended guidelines on self-driving vehicles and retains the authority to investigate and/or act on the safety of any vehicle, equipment or features operating on public roads. Certain U.S. states also have legal restrictions on the operation, registration or licensure of self-driving vehicles, and many other states are considering similar restrictions. This regulatory patchwork increases the legal complexity with respect to self-driving vehicles in the United States.

In markets that follow the regulations of the United Nations Economic Commission for Europe, some requirements restrict the design of advanced driver assistance or self-driving features, which can compromise or prevent their use entirely. Other applicable laws, both current and proposed, may hinder the path and timeline to introducing such features in the markets where they apply. Other jurisdictions, including China, continue to consider self-driving regulation. Any implemented regulations may differ materially from those in the United States and Europe, which may further increase the legal complexity of advanced driver assistance and self-driving features and limit or prevent certain features.

Automobile Manufacturer and Dealer Regulation

In the United States, state laws regulate the manufacture, distribution, sale and service of automobiles, and generally require motor vehicle manufacturers and dealers to be licensed in order to sell vehicles directly to residents. Certain states do not permit automobile manufacturers to be licensed as dealers or to act in the capacity of a dealer, or otherwise restrict a manufacturer's ability to deliver or service vehicles. To sell vehicles to residents of states where we are not licensed as a dealer, we expect to conduct the transfer of title out of the state. In certain such states, we expect to open Studios that serve an educational purpose and where the title transfer may not occur.

Some automobile dealer trade associations have challenged the legality of our operations and direct selling operations by OEMs in court and have used administrative and legislative processes to attempt to prohibit or limit such OEMs' ability to operate existing stores or expand to new locations. Certain dealer associations have also actively lobbied state licensing agencies and legislators to interpret existing laws or enact new laws in ways not favorable to our planned direct sales and service model. We expect dealer trade associations to continue to lobby state licensing agencies and legislators to interpret existing laws or enact new laws in ways not favorable to our business model; however, we intend to oppose such efforts to limit our ability to operate and intend to proactively support legislation, and litigation when necessary, that enables our business model.

Battery Safety and Testing Regulation

Our battery packs are designed to conform to mandatory regulations that govern transport of "dangerous goods," defined to include lithium-ion batteries, which may present a risk in transportation. The governing regulations, which are issued by the Pipeline and Hazardous Materials Safety Administration, are based on the United Nations ("U.N.") Recommendations on the Safe Transport of Dangerous Goods Model Regulations and related U.N. Manual Tests and Criteria. The regulations vary by mode of shipping transportation, such as by ocean vessel, rail, truck or air. We plan to complete all applicable transportation tests for our battery packs, demonstrating our compliance with applicable regulations. We use lithium-ion cells in the high voltage battery packs in our vehicles. The use, storage and disposal of battery packs is regulated under federal law.

Our battery packs are intended to meet the applicable compliance requirements of the UN Manual of Tests and Criteria demonstrating our ability to ship battery packs by any method. These tests include:

- Altitude simulation — simulating air transport;
- Thermal cycling — assessing cell and battery seal integrity;
- Vibration — simulating vibration during transport;
- Shock — simulating possible impacts during transport;
- External short circuit — simulating an external short circuit; and
- Overcharge — evaluating the ability of a rechargeable battery to withstand overcharging.

Data Privacy and Cybersecurity Regulation

We are subject to a variety of increasingly stringent federal, state, local and international laws and regulations relating to data privacy and cybersecurity, including, among other laws and regulations, the E.U.'s General Data Protection Regulation ("GDPR"), the UK General Data Protection Regulation ("UK GDPR") (i.e. a version of the GDPR as implemented into the law of the United Kingdom), Saudi Arabia's Personal Data Protection Law ("PDPL"), the rules and regulations promulgated under the authority of the Federal Trade Commission ("FTC"), the Gramm Leach Bliley Act, the California Consumer Privacy Act of 2018 (as amended by the California Privacy Rights Act of 2020, collectively, "CCPA"), certain other comprehensive state data privacy and cybersecurity laws and regulations, and various state data breach notification laws. We are also impacted by regulations obligating us to share vehicle repair-related information with third parties, including repair shops and repair tool hardware developers, under what are commonly called "right-to-repair" laws. In addition, the United Nations Economic Commission for Europe has introduced regulations governing connected vehicle cybersecurity in the E.U. which are mandatory for all new vehicle types from July 2022 and all new vehicles produced from July 2024. See "Risk Factors — Risks Related to Cybersecurity and Data Privacy" for more information regarding applicable cybersecurity and data privacy laws and regulations and risks related to cybersecurity and data privacy and "Item 1C — Cybersecurity" for more information regarding our cybersecurity risk management program.

Competition

We face competition from both traditional automotive OEMs and an increasing number of newer companies focused on electric and other alternative fuel vehicles. We expect this competition to increase, particularly as the transportation sector continues to shift towards low-emission, zero-emission or carbon neutral solutions.

The Lucid Air, the Lucid Gravity, and planned future vehicles are expected to compete with both traditional luxury internal combustion vehicles from established automotive OEMs and electric and other alternative fuel vehicles from both new manufacturers and established automotive OEMs, many of which have entered or have announced plans to enter the alternative fuel and electric vehicle market. Many major automobile manufacturers, including luxury automobile manufacturers, have EVs available today, and other current and prospective automobile manufacturers are also developing EVs. In addition, numerous manufacturers offer hybrid vehicles, including plug-in versions, with which our vehicles also compete.

We believe the primary competitive factors on which we will compete include, but are not limited to:

- product quality, reliability and safety;
- range, efficiency and charging speeds;
- product performance;
- technological innovation, including with respect to ADAS features;
- access to charging options;
- design, styling and luxury;
- service options and customer experience;
- management team experience at bringing EV and other disruptive technologies to market;
- manufacturing efficiency;
- brand recognition and prestige; and
- product price.

We believe that we compete favorably on the basis of these factors. However, many of our current and potential competitors have substantially greater financial, technical, manufacturing, marketing and other resources than us. Our competitors may be able to deploy greater resources to the design, development, manufacturing, distribution, promotion, sales, marketing and support of their products. Additionally, many of our competitors also have greater name recognition, longer operating histories, larger sales forces, broader customer and industry relationships and other tangible and intangible resources that exceed ours. Furthermore, many of our competitors operate with a traditional sales and dealer distribution model for vehicles that may be viewed more favorably by potential customers. These competitors also compete with us in recruiting and retaining qualified research and development, sales, marketing and management personnel, as well as in acquiring technologies complementary to, or necessary for, our products. Additional mergers and acquisitions in the EV and luxury automotive markets may result in even more resources being concentrated in our competitors.

Intellectual Property

Intellectual property is important to our business. Our commercial success depends in part on our ability to obtain, maintain, enforce, defend, and protect the intellectual property and other proprietary technology that we develop, to operate without infringing, misappropriating or otherwise violating the intellectual property and proprietary rights of others; and to prevent others from infringing, misappropriating or violating our intellectual property and proprietary rights. We rely on a combination of patents, trademarks, copyrights, trade secrets, know-how, continuing technological innovation, confidential information and other measures to develop and maintain our proprietary position including through employee, contractor, consultant and third-party nondisclosure and invention assignment agreements and other contractual arrangements.

Regardless of the coverage we seek under our existing patent applications, there is always a risk that alterations from our products or processes may provide sufficient basis for a competitor to avoid infringement claims. In addition, the coverage claimed in a patent application can be significantly reduced before a patent is issued and courts can reinterpret patent scope after issuance. Many jurisdictions, including the United States, permit third parties to challenge issued patents in administrative proceedings, which may result in further narrowing or even cancellation of patent claims. We cannot provide any assurance that any patents will be issued from our pending or any future applications or that any current or future issued patents will adequately protect our intellectual property. For this and other risks related to our intellectual property, proprietary technology, inventions and improvements, please see the section entitled “Risk Factors — Risks Related to Our Business and Operations — Risks Related to Intellectual Property.”

As of December 31, 2023, we owned approximately 189 issued U.S. patents, 103 pending U.S. patent applications, 199 issued foreign patents, 78 pending foreign patent applications and 90 pending Patent Cooperation Treaty patent applications.

As of December 31, 2023, we also owned approximately 9 registered U.S. trademarks and 18 pending U.S. trademark applications, as well as 356 registered foreign trademarks and 156 pending foreign trademark applications in approximately 33 countries worldwide in addition to the European Union.

As of December 31, 2023, we also owned approximately 30 issued U.S. design patents and 58 pending U.S. design patent applications, as well as 177 issued foreign design patents/industrial designs and 93 pending foreign design patent/industrial design applications.

We expect to develop additional intellectual property and proprietary technology as our engineering and validation activities proceed. Technologies that we have and intend to invest in and develop include engineering software, powertrain systems and controls, infotainment, cybersecurity, telematics and electrical architecture hardware and software. As we develop our technology, we will continue to build our intellectual property portfolio, including by pursuing patent and other intellectual property protection when we believe it is possible, cost-effective, beneficial and consistent with our overall intellectual property protection strategy.

In addition to the intellectual property that we own, we also procure key technologies under our supply chain agreements, and we license key technologies under our license agreements.

See “— *Our Vehicles*” and “— *Technology*” above for more information.

The terms of individual issued patents extend for varying periods depending on the date of filing of the patent application or the date of patent issuance and the legal term of patents in the countries in which they are obtained. Generally, utility patents issued for applications filed in the United States are granted a term of 20 years from the earliest effective filing date of a non-provisional patent application, assuming the patent has not been terminally disclaimed over a commonly-owned patent or a patent naming a common inventor, or over a patent not commonly owned but that was disqualified as prior art as the result of activities undertaken within the scope of a joint research agreement. The life of a patent, and the protection it affords, is therefore limited and once the patent lives of our issued patents have expired, we may face competition, including from other competing technologies. The duration of foreign patents varies in accordance with provisions of applicable local law, but typically is also 20 years from the earliest effective filing date. The actual protection afforded by a patent may vary from country to country and can depend upon many factors, including the type of patent, the scope of its coverage, the availability of patent term adjustments or extensions, the availability of legal remedies in a particular country and the validity and enforceability of the patent. As a result, our owned patent portfolio may not provide us with sufficient rights to exclude others from commercializing products similar or identical to ours.

Furthermore, we rely upon trade secrets, know-how, confidential information, unpatented technologies, continuing technological innovation and other proprietary information to develop, protect and maintain our competitive position and aspects of our business that are not amenable to, or that we do not presently consider appropriate for, patent protection and prevent competitors from reverse engineering or copying our technologies. However, the foregoing rights, technologies and information are difficult to protect. We seek to protect them by, in part, using confidentiality agreements with our employees, contractors, consultants and any potential commercial partners and collaborators and invention assignment agreements with our employees. We also have implemented or intend to implement confidentiality agreements or invention assignment agreements with our selected contractors, consultants, and potential commercial partners. These agreements are designed to protect our proprietary information and, in the case of the invention assignment agreements, to grant us ownership of technologies that are developed through a relationship with a third party. These agreements may be breached, and we may not have adequate remedies for any breach. There can be no assurance that these agreements will be self-executing or otherwise provide meaningful protection for our trade secrets or other intellectual property or proprietary information or technology. In addition, our trade secrets may otherwise become known or be independently discovered by competitors. To the extent that our commercial partners, collaborators, employees, contractors, and consultants use intellectual property owned by others in their work for us, disputes may arise as to the rights in related or resulting know-how and inventions.

Our commercial success will also depend in part on not infringing, misappropriating or otherwise violating the intellectual or proprietary rights of third parties. The issuance of third-party patents could require us to alter our development or commercial strategies, change our products or processes, obtain licenses to additional third-party patents or other intellectual property or cease certain activities. Our breach of any license agreements or failure to obtain a license to proprietary rights that we may require to develop or commercialize our future products or technologies may have an adverse impact on us. Given that patent applications in the United States and certain other jurisdictions are maintained in secrecy for 18 months or potentially longer, and since publication of discoveries in the scientific or patent literature often lags behind actual discoveries, we cannot be certain of the patent protection being sought by third parties and/or the priority of inventions covered by such patent applications. Moreover, we may have to participate in interference, revocation, derivation, re-examination, post-grant review, inter partes review or opposition proceedings brought by third parties or declared by the U.S. Patent and Trademark Office or an equivalent foreign body. See "*Risk Factors — Risks Related to Our Business and Operations — Risks Related to Intellectual Property*" for more information regarding these and other risks related to our intellectual property portfolio and their potential effect on us.

HUMAN CAPITAL RESOURCES

At Lucid, we strongly believe in the power of our talented employees and partners to create, build, and support the world's most captivating luxury EV available in the market. We seek to attract and retain employees whose respective professional and personal backgrounds can help craft an unparalleled suite of state-of-the-art, technologically advanced, California-inspired vehicles for consumers worldwide.

Towards these goals, as of December 31, 2023, we employed approximately 6,500 full-time employees globally. Our employees are primarily based at our headquarters in Newark, California, at our regional headquarters in Riyadh, Saudi Arabia, at our EV manufacturing facilities in Casa Grande, Arizona, and King Abdullah Economic City ("KAEC"), Saudi Arabia, and at our retail stores and service centers throughout the United States and Canada, Europe, and Saudi Arabia.

We believe that our mission-first passion to inspire the adoption of sustainable transportation would not be possible without a broad array of experiences, professional and personal backgrounds, and individual identities across our team. We work hard to attract a pool of diverse candidates for all open positions. As of December 31, 2023, approximately 71% of Lucid's employees in the United States were identified as Black or African American, Hispanic or Latino, Asian, American Indian or Alaskan Native, Native Hawaiian or Pacific Islander, and two or more races or ethnicities.

Our Culture

When design is led by inspiration, invention by insight, and engineering by experience, we believe that anything is possible. Our relentless focus on innovation, luxury, and sustainability moves us toward a future where you no longer must choose between doing great things and doing the right thing.

We are a collective of future visionaries; those who can think and do differently, that thrive on challenge and collaboration. Inspired by infinite possibilities, we strive to make a profound difference in the world. We are a team that values innovation, harnesses our passions, and embraces the entrepreneurial mind of limitless potential. We recognize, welcome, and appreciate the unique experiences and diverse perspectives that each of our employees bring with them, that in turn fuel our shared successes.

We strive to foster an open, egalitarian culture where all ideas and concerns can be raised to any member of leadership. It is a core belief that each employee has a unique lens which helps propel Lucid's mission forward. To that end, we urge all employees to communicate their thoughts and to use any channel they deem warranted to share their perspective towards our mission. This approach helps fuel innovation, prevent stumbling blocks, and engages all employees towards being a member of one, unified team.

Safety

We have instilled an expectation and culture of safety in our workplace. As a manufacturing company, we are committed to ensuring workplace health, safety and environmental protection for our employees, suppliers, business partners, customers, and all our stakeholders. We protect the health and safety of our employees through a proactive and systematic approach to safety and health management. To demonstrate this, in 2023, we maintained ISO 45001 and ISO 14001 certifications for our Arizona manufacturing site which validates our system of continuous improvement to reduce occupational risk and improve worker safety.

Diversity, Equity and Inclusion

At Lucid, diversity, equity, inclusion is an essential part of who we are. We value the diverse perspectives, experiences, and identities of our employees who reflect the communities we serve. Our differences spark innovation and drive us forward, which is why we are committed to fostering an equitable and inclusive culture that empowers us to bring our best selves to work and achieve our mission to build a better future together.

Our people centric and data-driven DEI strategy focuses on three pillars:

1. Growing a diverse workforce by attracting, hiring, and promoting talent from all backgrounds
2. Fostering an equitable and inclusive culture by promoting policies, practices, and programs that support and engage all employees
3. Being key contributors to the community by engaging with and investing in local communities where we operate

Of note, Lucid sponsors seven employee resource groups to support and empower historically excluded affinities: Women at Lucid, Pride at Lucid, Veterans at Lucid, Black at Lucid, Hola at Lucid, AaPI at Lucid, and Sustainability at Lucid. These seven groups help foster Lucid’s inclusive and dynamic workforce while helping to fuel our business objective of centering our suite of vehicles on the human experience.

Compensation and Benefits

We offer competitive compensation to attract and retain the best people in the world, and we help care for our people so they can focus on our mission. Our employees' total compensation package includes market-competitive cash compensation and equity awards to all employees. We offer full-time employees equity at the time of hire and through annual equity grants because we want them to be owners of the company and committed to our long-term success. In 2023, we strengthened our support for employees and their families through the introduction of new health and wellness benefits. We are pleased to support employees and families through a comprehensive suite of insurance and retirement offerings, most of which can be individually selected by each employee to best fit their needs.

ENVIRONMENTAL IMPACT

As an EV company relentlessly focused on efficiency, our products are a key part of transforming the transportation space to a more sustainable model. But having sustainable products alone is not enough; we are dedicated to a holistic environmental, social, and governance (“ESG”) strategy to maximize our ability to positively impact our environment and society, meet investor expectations, and instill pride and purpose in our employees and customers.

- ***ESG Strategy****:* Our dedicated ESG team is driving our efforts to implement leading environmental, social, and governance strategy and program. In 2021, we completed a high-level ESG materiality assessment to identify key topics for our ESG strategy. This effort included insight on investors, ratings and rankings, company leadership interviews, research on peers and consumer trends, and a business/investor media review. During 2022 and 2023, we continued to keep a pulse on the dynamic ESG field to allocate resources to the most significant ESG topics to our business. Our ESG Steering Committee, comprised of senior executive leaders, meets on a regular basis to drive our strategic roadmapping in the ESG topics such as climate and GHG emissions, DEI, and ESG partnerships. We enhanced our ESG disclosures, and plan to continue to build our internal capabilities for data collection and disclosure for high-level reporting on ESG performance, in alignment with leading industry standards.
- ***United Nations Global Compact:*** In April 2023, we joined the United Nations Global Compact (“UN Global Compact”), the world’s largest voluntary corporate sustainability initiative that seeks to mobilize a global movement of sustainable companies and stakeholders. The UN Global Compact challenges companies to conduct business responsibly by aligning their operations and strategies with the United Nations’ Ten Principles relating to human rights, labor, environmental practices, and anti-corruption. By joining, we have committed to act in accordance with the UN Sustainable Development Goals. Member organizations commit not only to sustainable practices but also to enhancing transparency. Signatories report yearly on their commitment to the universal sustainability principles and development goals.

- ***Product Efficiency:*** Efficiency is a key measure of the in-house technology embedded in our products, contributing to our goal of a best-in-class experience for our customers while benefiting the environment. The Lucid Air continues to be the longest-range fully electric car (the Lucid Air Grand Touring has an EPA-estimated range of 516 miles per charge) and has some of the highest driving efficiency (the Lucid Air Pure with 4.74 miles of range per kilowatt-hour), and the Lucid Air has one of the lowest coefficient of drag of any vehicle on the market (0.197 coefficient of drag with 19-inch wheels). These achievements are based on a relentless focus on efficiency through the EV powertrain, battery pack and system, and a highly aerodynamic design. This focus on efficiency also enables our vehicles to travel further per electron of energy. Each extra mile that we extract per kilowatt-hour of energy means less energy required and fewer carbon emissions from the electrical grid. This same efficient technology and approach enables the possibility of vehicles with smaller, lower-cost battery packs that retain competitive range — which in turn would benefit the environment by requiring fewer battery cells per vehicle.

- ***Future Adaptations of our Technology:*** We are exploring opportunities to adapt and expand the impact of our technology. For example, by providing our advanced technology access to other organizations and researching other use cases for our compelling technology, we can spread the benefits of efficiency and enable EV adoption through and beyond Lucid's own vehicles. Our state-of-the-art technology is showcased in the execution of the award-winning the Lucid Air lineup. The industry-topping capabilities of the Lucid Air are a compelling proof point for the growing interest in getting access to our technology. In 2023, we entered into the Strategic Technology Arrangement with Aston Martin to provide them technology access to our powertrain and battery system technology, which will be at the center of their all-new in-house battery EV platform. This landmark arrangement marks the first such relationship for Lucid, a realization of a vision that expands the reach of Lucid's products, paves the way for more mainstream applications, and accelerates electrification in the automotive industry.

- ***Environmental Operations:*** From our production facility in Casa Grande, Arizona to our vehicle reassembly facility in Saudi Arabia, we have designed our manufacturing sites to minimize carbon emissions where practical through energy efficiency. Our factory in Casa Grande, Arizona, is the first greenfield EV factory in North America, and it was designed to minimize carbon emissions where practical through energy efficient design and plans for renewable energy generation onsite. We strive to reduce the environmental impact of manufacturing while maintaining our relentless drive to produce high-quality vehicles for our customers. We currently have up to a 1 mega-watt ("MW") capacity solar power system in Arizona (with a total capacity of up to 2 MW including our headquarters in California) and we are actively working to increase renewable energy generation. Our operations pair with an environmental, health, and safety policy that encompasses training, measurement, and monitoring of data, and corrective actions for continuous improvement. Additionally, to emphasize our focus on quality, environment, and occupational health and safety, our Arizona factory has been ISO 9001, 45001, and 14001 certified, a globally recognized Quality Management System ("QMS"), Occupational Health and Safety Management System ("OH&S MS"), and Environmental Management System ("EMS") respectively.

GOVERNANCE

We recognize that sound governance practices are critical to ethical business practices and our overall success as an organization and business.

- ***Corporate Governance:*** Our corporate governance best practices include: a majority independent Board under SEC and Nasdaq rules; a diverse Board with 3 female directors and 4 members of under-represented communities; an independent chairman of the Board; and no classified board structure (all directors must be elected every year).

- ***Business Ethics:*** We have a publicly available Code of Business Conduct and Ethics and a framework to receive and investigate reports of policy violations. The Code of Business Conduct and Ethics is available on our Investor Relations website at https://ir.lucidmotors.com under the subheading "Governance."

- ***Compliance:*** We are implementing a robust compliance program centered around a clear statement of principles and an expectation for both legal compliance and high ethical standards. We intend to achieve these goals through ongoing training and discussions with our employees, clear policies and guidelines, internal controls over financial transactions, technological solutions to automate screenings for legal compliance and a reporting hotline which enables employees and service providers to share allegations of any legal or ethical matters on an anonymous basis.

AVAILABLE INFORMATION

We are required to file annual, quarterly and current reports, proxy statements and other information with the SEC. We also maintain an Investor Relations website at https://ir.lucidmotors.com. Through our website, we make available, free of charge, the following documents of Lucid as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC: Annual Reports on Form 10-K; proxy statements for our annual and special shareholder meetings; Quarterly Reports on Form 10-Q; Current Reports on Form 8-K; Forms 3, 4 and 5 and Schedules 13D; and amendments to those documents. Our SEC filings are available on the SEC's website at www.sec.gov.

Our website, the SEC's website and the information contained therein or linked thereto are not part of this Annual Report.

Item 1A. Risk Factors.

A description of the risks and uncertainties associated with our business is set forth below. You should carefully consider the risks and uncertainties described below, as well as the other information in this Annual Report, including our 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 you could lose all or part of your 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 your 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.
- Reservations and orders for our vehicles are cancellable.
- 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 operation 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 will not have a third-party retail product distribution and full-service network.
- 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 electric vehicles 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 and the Lucid Gravity, 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 face challenges providing charging solutions for our vehicles, both domestically and internationally.
- 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 substantial 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.
- 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 may take actions that conflict with your interests.

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 your 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 obtain, maintain, protect, defend and enforce our intellectual property and defend against claims of intellectual property infringement, misappropriation or other violation;

- 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;
- navigate an evolving and complex regulatory environment;
- 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; and
- successfully design, build, manufacture and market new variants and models of electric vehicles, such as the Lucid Gravity.

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 $2.8 billion for the year ended December 31, 2023. As of December 31, 2023, our accumulated deficit was $10.2 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 and other future products); raw material procurement costs; and general and administrative expenses as we scale our operations and 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 may 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.

Reservations and orders for our vehicles are cancellable.

Delays in customer deliveries, delays in the availability of options, potential changes in customer preferences, competitive developments and other factors could result in significant customer cancellations or cause delays in conversions of reservations to orders. Increases in interest rates could make financing unaffordable for segments of our customer base, resulting in cancellations. Any event or incident which generates negative media coverage about us or the safety or quality of our vehicles could also result in significant customer cancellations. No assurance can be given that reservations or orders will not be cancelled and will ultimately result in the final purchase, delivery and sale or lease of vehicles. Accordingly, the number of reservations and orders have significant limitations as a measure of demand for our vehicles, including demand for particular body styles, models or trim levels, or for future vehicle sales. 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.

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 conflict in Israel and Gaza, COVID-19 or other 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 reservations and 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. Further, the prolonged effects of the COVID-19 pandemic could significantly affect government finances and, accordingly, the continued availability of incentives related to electric vehicle purchases and other governmental support programs.

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 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, analysts 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, analysts and other parties with respect to our liquidity and long-term business prospects.

Maintaining such confidence may be particularly 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. If these new entrants or other traditional automotive manufacturers now producing electric vehicles go out of business, 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 analyst confidence in our long-term prospects.

We will 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 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.

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, any restructuring plan, which involves the reduction of our employee workforce, 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;
- 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 commencement of operations at AMP-2;
- 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;
- 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), 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 assure you 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 "— *Reservations and orders for our vehicles are cancellable* ."

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 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 assure you 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 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 the possibility that resale values could be lower than we expect increases the difficulty of providing leasing terms that appeal to potential customers through such third-party financing partners. 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, COVID-19, or other 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 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. We have released a Lucid Air software update, and expect to launch the Lucid Gravity, with Level 2 (partial automation) ADAS functionality, which we plan to upgrade 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 or trigger cancellations of reservations 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 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 a change 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.

In addition, due to the impacts of climate change, there are increasing risks to our business, including physical risks such as wildfires, floods, tornadoes or other events, that could cause disruptions to our supply chain, manufacturing, and corporate functions. We may incur additional costs and resources preparing for and addressing such risks.

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 and the Lucid Gravity, which could harm our business and prospects.

Our plan to commercially manufacture and sell our vehicles 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 are still in the development and/or testing phase and production of the Lucid Gravity is not scheduled to begin until late 2024, and may occur later 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 and ongoing constraints of semiconductor supply. 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 ramp 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 and the Lucid Gravity, 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 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 their 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 and ongoing constraints of semiconductor supply. 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 such as the COVID-19 pandemic, 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. 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, including as a result of the effects of the COVID-19 pandemic, 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 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. A global semiconductor supply shortage is having wide-ranging effects across multiple industries and the automotive industry in particular, and it has impacted many automotive suppliers and manufacturers, including us, that incorporate semiconductors into the parts they supply or manufacture. We have experienced and may continue to experience an impact on our operations as a result of the 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. 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 cancellations of orders and reservations 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 o f 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 reservations 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 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. For example, a portion of our manufacturing facility in Casa Grande, Arizona, was not constructed in accordance with the contractual requirements. The facility is capable of supporting current production volumes, but it will require repair or remediation to support future production volumes. We have begun to repair or remediate these issues where possible without impacting manufacturing, and we plan to address the bulk of such repairs or remediation as part of the phased build-out of our Casa Grande facility. Although we do not currently expect that we will be required to take vehicle production offline or reduce our planned manufacturing volumes, the repairs or remediation are expected to 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, in the past received, and could in the future receive, results from inspections by local officials at our facilities, both existing and currently under construction, in Casa Grande, Arizona, citing failing marks. We have 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 ensure an ongoing 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, such as the COVID-19 pandemic, 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. 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, 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 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. Although we will attempt to remedy any issues we observe in our products as effectively and rapidly as possible, such efforts could significantly distract management's attention from other important business objectives, may not be timely, may hamper production or may not be to the satisfaction of our customers. Further, our limited operating history and limited field data reduce our ability to evaluate and predict the long-term quality, reliability, durability and performance characteristics of our battery packs, powertrains and vehicles. There can be no assurance that we will be able to detect and fix any defects in our products prior to their sale or lease to customers.

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 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. 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 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. 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 were to pursue development of a proprietary charging solution, we would face significant challenges and barriers, including successfully navigating the complex logistics of rolling out a network and teams in appropriate areas, resolving issues related to inadequate capacity or overcapacity in certain areas, addressing security risks and risks of damage to vehicles, securing agreements with third-party providers to roll out and support a network of charging solutions in appropriate areas, obtaining any required permits and land use rights and filings, and providing sufficient financial resources to successfully roll out the proprietary charging solution, which could require diverting such resources from our other important business initiatives. In addition, our limited experience in providing charging solutions could contribute to additional unanticipated challenges that would hinder our ability to provide such solutions or make the provision of such solutions costlier than anticipated. To the extent we are unable to meet user expectations or experience difficulties in providing charging solutions, demand for our vehicles may suffer, and our reputation and business may be materially and adversely affected.

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. In addition, the COVID-19 pandemic has impacted economic markets, manufacturing operations, supply chains, employment and consumer behavior in nearly every geographic region and industry across the world, and we have been, and may in the future be, adversely affected as a result. 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. 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, 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, and Saudi Arabia enacted the Personal Data Protection Law ("PDPL") which recently received finalized implementing regulations and came into effect in September 2023, followed by a 12 month compliance grace period. 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 are also subject to the UK General Data Protection Regulation ("UK GDPR") (i.e., a version of the GDPR as implemented into UK law). Each of the GDPR, the UK GDPR, the DSL, the PIPL, the PIPEDA, the DPL and the PDPL 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). Lucid Financial Services, 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 Lucid 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 in to 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. See Item 1C "Cybersecurity" included elsewhere in this Annual Report for further information.

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 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. Recent action by the Massachusetts Attorney General, for example, has expedited our timeline to respond to right-to-repair support requests and share such vehicle repair-related information in that state for telematics-enabled vehicles. 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, any restructuring plan, which involves the reduction of our employee workforce, 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 COVID-19 and global conflicts or 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 assure you 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 assure you 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 assure you 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 substantial 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 hinder 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 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 and any future vehicles 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. Federal, state and local laws and industrial standards for electric vehicles are still developing, 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. If compliance results in delays or substantial expenses, our business could be adversely affected.

We currently are, and expect to become, subject to laws and regulations applicable to the supply, 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 substantively goes into effect for Lucid vehicles and batteries delivered in Europe beginning August 2024, with increasing requirements for the durability, marking and recycled content of the high-voltage batteries in our vehicles in subsequent years. Therefore, compliance with such regulations will require additional time and resources to ensure regulatory compliance in those countries. This process may include official review and certification of our vehicles by foreign regulatory agencies prior to market entry, as well as compliance with foreign reporting and recall management systems requirements. 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 and anticipate that we can become a licensed dealer in additional states as we open retail locations in those 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, commercial disputes and other matters that could adversely affect our business, results of operations, cash flows and financial condition. In the ordinary course of business, we have been the subject of complaints or litigation, including claims related to shareholders, business disputes, and employment matters.

For example, 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 Complaint seeks certification of the action as a class action as well as compensatory damages, interest thereon, and attorneys' fees and expenses. 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 plaintiffs' 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. Currently, the parties are litigating the case on appeal.

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. The Company is advancing defendants' fees and expenses incurred in their defense of the actions.

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 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, which is pending before the court. 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 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 Company is advancing defendants' fees and expenses incurred in their defense of the action.

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 to the Illinois First District Appellate Court. and the parties are currently litigating the case on appeal.

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 may be unable to submit specimens of use by the applicable deadline to perfect such trademark rights. For instance, we are evaluating and responding to a claim in a United States Patent and Trademark Office ("USPTO") administrative hearing opposing and requesting cancellation of our trademark application and registration for the use of "Gravity". If we do not prevail in that action, we could ultimately be required to change the name of our SUV, which would force us to incur significant marketing expense in establishing an alternative brand or name.

Litigation and regulatory proceedings may be protracted an d expensive, and the results are difficult to predict. Additionally, our litigation costs could be significant, even if we achieve favorable outcomes. Adverse outcomes with respect to litigation or any of these legal proceedings may result in significant settlement costs or judgments, penalties and fines, or require us to modify, make temporarily unavailable or stop manufacturing or selling our vehicles in some or all markets, 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.

The results of litigation, investigations, claims and regulatory proceedings cannot be predicted with certainty, and determining reserves for pending litigation and other legal and regulatory matters requires significant judgment. There can be no assurance that our expectations will prove correct, and even if these matters are resolved in our favor or without significant cash settlements, these matters, and the time and resources necessary to litigate or resolve them, could harm our business, results of operations, cash flows and financial condition. In addition, the threat or announcement of litigation or investigations by governmental authorities or other parties, irrespective of the merits of the underlying claims, may itself have an adverse impact on the trading price of our common stock.

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 and the Lucid Gravity, 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 industry 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 the Lucid Air, 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 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. 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. 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. 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 tariffs on certain foreign goods, including steel and certain vehicle parts, 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 its 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 legislation that revokes normal trade relations between 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, we are evaluating and responding to a claim in a USPTO administrative hearing opposing and requesting 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 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”) and also 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”). In June 2023, we completed an underwritten public offering of common stock for aggregate net proceeds of $1.2 billion and consummated the private placement to Ayar for aggregate net proceeds of $1.8 billion, after deducting issuance costs. 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 agreements with Panasonic Energy Co., Ltd. and certain of its affiliates to purchase an aggregate of approximately $5 billion of lithium-ion battery cells, subject to certain conditions and adjustments, beginning in 2023 through 2031. 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 suffer 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 and the COVID-19 pandemic, 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 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 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 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 7 “Debt” to the consolidated financial statements included elsewhere in this Annual 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 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 obtaining additional debt financing or equity capital on terms that may be onerous or highly dilutive. Our ability to refinance any future indebtedness will depend on the capital markets and our financial condition at such time. 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, 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;
- limit our ability to borrow 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, and the ABL 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. We cannot assure that there would be any remaining funds after the payment of all of our debt for any distribution to our stockholders.

Any of these factors could harm our business, results of operations and financial condition. In addition, if we incur additional indebtedness, 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 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 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 notes or pay cash upon their conversion.

Noteholders may, subject to a limited exception, require us to repurchase their 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, 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 draw down the full amounts available under the ABL Credit Facility, the SIDF Loan Agreement and the Amended GIB Facility Agreement.

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 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. 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.

We expect our period-to-period financial results to 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, 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 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, especially in new markets; 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; or investment in expansion to new markets. 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 December 31, 2023, 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 December 31, 2023, 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 assure you 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 you to lose some or all of your 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 is volatile, and this volatility may negatively impact the market price of our common stock and the trading price of 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 your investment in our securities and our securities may trade at prices significantly below the price you 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 the number of unit reservations, 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;
- 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, pandemics (such as COVID-19), 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, the COVID-19 pandemic, 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, or the conversion of our 2026 Notes would result in additional dilution to holders 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. If one or more of these stockholders were to sell a substantial portion of the shares they hold, it could cause the trading price of our common stock to decline.

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 December 31, 2023, PIF, both directly and indirectly through Ayar, held 59.8% of our common stock. 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.

Further, this concentration of ownership and voting power allows Ayar to control our decisions, 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. 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 your 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 limits our and certain of our subsidiaries' ability to pay 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 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 your only source of gain on an investment in our common stock.

See the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources" in this Annual Report.

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. You may be unable to sell your 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 and our current certificate of incorporation and our current bylaws may deter third parties from acquiring us and diminish the value of our common stock and the 2026 Notes.

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.

These provisions in our current certificate of incorporation and our current bylaws, as well as Delaware law, 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 trading price of the 2026 Notes 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 or the 2026 Notes.

Item 1B. Unresolved Staff Comments.

None.

Item 1C. Cybersecurity.

At Lucid, cybersecurity risk management is an integral part of our overall enterprise risk management program. We have made significant investments in people, processes, and technology to protect Lucid's connected vehicles, services, confidential business information, and employee and consumer personal data. We have implemented multiple and varied processes and technologies for the avoidance, identification, assessment, mitigation, and remediation of risks from cybersecurity threats and incidents designated to protect against the cybersecurity risk landscape. We are continuously assessing and enhancing our protection, detection, response, and recovery capabilities and regularly engage with the cybersecurity communities including Auto-ISAC, third-party cybersecurity and compliance partners, internal stakeholders, and organizations leading best practices, to support our goals and objectives. At its core, our cybersecurity risk management program integrates multiple teams across the organization, including our IT, digital and physical product, infrastructure, and legal teams, with leadership and oversight by executive management, the Audit Committee of the Board of Directors ("Audit Committee"), and the Board of Directors ("Board").

Governance

Board and Committee Oversight

Our Board has oversight responsibility for our overall enterprise risk management and delegates cybersecurity risk management oversight to the Audit Committee. The Audit Committee oversees Lucid's policies and practices with respect to risk assessment and risk management, including discussing with management (i) Lucid's major financial, cybersecurity, privacy and other information technology risk exposures; (ii) the steps that have been taken to monitor and control such exposures; and (iii) any material cybersecurity threats or incidents. The Audit Committee and the Board receive regular reporting from Lucid's management, including our Senior Director of Security and Compliance and Senior Director of Cybersecurity, Data, and Connectivity, on the status of our cybersecurity program and ad hoc reporting on material cybersecurity threats and incidents.

Management's Role

At the management level, our information security steering committee, with oversight by our VP of IT and General Counsel, is responsible for leading our cybersecurity risk management program and enterprise cybersecurity matters. Under the information security steering committee, we have a cybersecurity risk and compliance committee, led by our Senior Director of Security and Compliance and Senior Director of Cybersecurity, Data, and Connectivity, which is primarily responsible for operational review of cybersecurity threats and incidents as part of our incident response process. The cybersecurity risk and compliance committee receives reports from our cybersecurity team and monitors the prevention, detection, mitigation, and remediation of cybersecurity threats and incidents. For potentially material cybersecurity threats and incidents, we escalate these to the information security steering committee, which, with additional oversight and support from our CEO, would raise such threats and incidents to our Audit Committee Chair and, as appropriate, to our Board as they arise.

Our Senior Director of Security and Compliance and Senior Director of Cybersecurity, Data, and Connectivity, and the dedicated personnel on their teams have industry-recognized certifications such as Certified Information Security Manager, Certified information systems security professional, and Boardroom qualified Technology Expert, and experienced information systems security professionals and information security managers with many years of technical cybersecurity management experience.

Management of Cybersecurity Risk

Our Cybersecurity Risk Management Processes

Our cybersecurity risk management program provides a framework for handling cybersecurity threats and incidents by escalating risks, issues, and key decisions to management, the Audit Committee, and our Board. Our program is designated to protect our products and services, confidential business information (including intellectual property), and employee and consumer data and includes steps for detecting and monitoring cybersecurity threats and incidents, assessing the severity of such threats or incidents, identifying the source of such threats or incidents, including whether such threats or incidents are associated with a third-party vendor or service provider, implementing cybersecurity countermeasures and mitigation strategies and informing management, the Audit Committee, and our Board of potentially material cybersecurity threats and incidents. In addition, our cybersecurity team provides cybersecurity training to employees during the onboarding process and periodic basis thereafter, with specialized training and tabletop exercises for our core incident response teams and executive management on at least an annual basis.

Under the oversight of the information security steering committee, our cybersecurity risk management program is implemented day-to-day by our cybersecurity team, who engage in identifying, considering and assessing risks from cybersecurity threats and incidents on an ongoing basis; establishing processes to monitor such cybersecurity risks; putting in place mitigation and remediation measures; policy review and development; product support and deployment; and maintaining our cybersecurity measures. Our cybersecurity team also implements ongoing data loss prevention tools and capabilities, customer security measures, incident response measures, and processes for management of third-party vendors and service providers. Cybersecurity incident response is driven by our Lucid Data and Security Incident Response Plan. Based upon the severity assessment and ranking, incidents are handled by the relevant teams for technical, operational, and legal risk management.

Lucid has also implemented processes to integrate our cybersecurity risk management processes into our overall enterprise risk management system including within our greater product management, personnel management, and third-party vendor and service provider management processes.

Third-Party Auditors and Consultants in Cybersecurity Risk Management

Our cybersecurity team also periodically engages third-party cybersecurity experts for risk assessment and system enhancements. We utilize third-party auditors and assessors in connection with our cybersecurity risk management program to identify gaps and develop policies, procedures, and strategies designed to improve the program posture. We also use third-party consultants to obtain and will use them to maintain relevant organizational cybersecurity certifications, including UN Regulation 155 Vehicle Cybersecurity Approval. As a general matter, we have from time-to-time utilized third-party cybersecurity consultants on an ad hoc basis in specific instances, including (i) to address potential cybersecurity threats and incidents, (ii) to conduct cybersecurity assessments and penetration testing on high value systems and applications; and (iii) to develop internal capabilities to improve our cybersecurity defense.

Cybersecurity Risk Management of Third-Party Vendors and Service Providers

We have also implemented risk management practices designed to minimize the material cybersecurity risks that arise from utilizing third-party vendors and service providers that receive or have access to Lucid confidential information or personal data. In order to oversee and identify such risks, we have implemented the following processes: (i) a third-party security risk management program designed to assess security risk of new third-party vendors or service providers and develop countermeasures to manage unacceptable risks; (ii) provisions in our third-party vendors and service provider contracts with added security requirements; (iii) training procurement teams on management of third-party vendor and service providers; (iv) role-based access controls for third-party personnel; and (v) data transfer mechanisms for the sharing of data with third parties. While we are in the process of increasing the resiliency of these capabilities across the board, our control over and ability to monitor the security posture of third-party vendors and service providers remains limited and there can be no assurance that we can prevent, mitigate or remediate the risk of any compromise or failure in the security infrastructure owned or controlled by such third parties. Additionally, any contractual protections with such third parties, including our right to indemnification, if any at all, may be limited or insufficient to prevent a negative impact on our business from such compromise or failure.

Item 2. Properties.

We are headquartered in Newark, California. Our principal facilities include properties in North America, Europe and the Middle East, which are primarily for manufacturing, assembly, warehousing, engineering, retail and service, and administrative activities. We have opened forty-five studios and service centers (excluding temporary and satellite service centers) under leases: thirty-eight in North America, five in Europe and two in the Middle East. Our current manufacturing facilities are in Casa Grande, Arizona and Saudi Arabia. We currently lease or own the land on which our material properties are situated, and the leased properties are subject to various lease arrangements with third-party entities.

Excluding our growing portfolio of retail locations, a list of certain of our principal facilities are outlined below:

Primary Use	Location	Owned or Leased
Headquarters	Newark, CA	Leased
Manufacturing (AMP-1, LPM-1)	Casa Grande, AZ	Owned/Leased[1]
Manufacturing (AMP-2)	King Abdullah Economic City, Saudi Arabia	Leased

[1] We own a substantial portion of the AMP-1 property and have an option to purchase the land for the portion of the AMP-1 property that is under lease. The property relating to LPM-1 is under lease.

Item 3. Legal Proceedings.

For a description of our legal proceedings, please see the description set forth in the “Legal Matters” section in Note 16 “Commitments and Contingencies” in the notes to the consolidated financial statements in Item 8 of Part II of this Annual Report, which is incorporated herein by reference.

Item 4. Mine Safety Disclosures.

Not applicable.

Part II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information

Our common stock is listed on the Nasdaq Stock Market LLC under the ticker symbol “LCID.” Prior to July 23, 2021 and before the completion of the Transactions, Churchill’s Class A common stock traded on the New York Stock Exchange under the ticker symbol “CCIV”.

Holders of Record

As of January 31, 2024, there were 227 holders of record of our common stock. The number of beneficial owners is substantially greater than the number of record holders because a large portion of our common stock is held through banks, brokers and other financial institutions.

Dividend Policy

We have not paid any cash dividends on our common stock to date. The payment of cash dividends in the future is dependent upon our revenues and earnings, if any, capital requirements, the terms of any indebtedness and general financial condition. The payment of any cash dividends will be within the discretion of the Board at such time. In addition, the Board is not currently contemplating and does not anticipate declaring any stock dividends in the foreseeable future.

Securities Authorized for Issuance Under Equity Compensation Plans

For a description of securities authorized under our equity compensation plans, see Note 14 “Stock-based awards” to the consolidated financial statements included elsewhere in this Annual Report for more information.

Recent Sales of Unregistered Securities; Use of Proceeds from Registered Offerings

2026 Notes

On December 14, 2021, we issued and sold $1,750,000,000 principal amount of our 1.25% 2026 Notes in a private offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act. Pursuant to the purchase agreement between us and the initial purchasers of the Convertible Notes, we granted the initial purchasers an option, for settlement within a period of 13 days from, and including, December 14, 2021 to purchase up to an additional $262,500,000 principal amount of our 2026 Notes. On December 20, 2021, we issued and sold an additional $262,500,000 principal amount of 2026 Notes pursuant to this option.

At-the-Market Offering and Underwritten Public Offering

On November 8, 2022, we entered into an equity distribution agreement (the “Equity Distribution Agreement”) with BofA Securities, Inc., Barclays Capital Inc. and Citigroup Global Markets Inc., under which we could offer and sell shares of our common stock having an aggregate offering price up to $600.0 million (the “At-the-Market Offering”). During the year ended December 31, 2022, we issued 56,203,334 shares at a weighted average price per share of $10.68, and received net proceeds of $594.3 million after deducting commissions and other issuance costs of $5.7 million. No shares remain available for sale under the Equity Distribution Agreement.

On May 31, 2023, we entered into an underwriting agreement (the “Underwriting Agreement”) with BofA Securities, Inc. (the “Underwriter”), under which the Underwriter agreed to purchase 173,544,948 shares of our common stock at a price per share of $6.83, for aggregate net proceeds of $1.2 billion. In June 2023, we issued the shares to the Underwriter pursuant to the Underwriting Agreement and received aggregate net proceeds of $1.2 billion after deducting issuance costs of $1.1 million.

The shares issued under the Equity Distribution Agreement and Underwriting Agreement were sold pursuant to a shelf registration statement registered under the Securities Act on a registration statement on Form S-3 (File No. 333-267147) and became effective on September 2, 2022, and prospectus supplements filed with the Securities and Exchange Commission on November 8, 2022 and June 2, 2023. We intend to use the net proceeds from the offering for general corporate purposes, which may include capital expenditures and working capital.

Subscription Agreements

On November 8, 2022, we entered into a subscription agreement (the “2022 Subscription Agreement”) with Ayar Third Investment Company, the controlling stockholder of the Company (“Ayar”), pursuant to which Ayar agreed to purchase from us, up to $915.0 million of shares of our common stock in one or more private placements through March 31, 2023. During the year ended December 31, 2022, we issued 85,712,679 shares to Ayar pursuant to the 2022 Subscription Agreement at a weighted average price per share of $10.68, and received aggregate proceeds of $915.0 million.

On May 31, 2023, we entered into a subscription agreement (the “2023 Subscription Agreement”) with Ayar, pursuant to which Ayar agreed to purchase from the Company 265,693,703 shares of our 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, we 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.

Common stock acquired by Ayar under the 2022 Subscription Agreement and the 2023 Subscription Agreement is 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.

The shares issued under the 2022 Subscription Agreement and the 2023 Subscription Agreement were sold in reliance on the exemption from registration provided in Section 4(a)(2) of the Securities Act. We intend to use the net proceeds from the private placements for general corporate purposes, which may include capital expenditures and working capital.

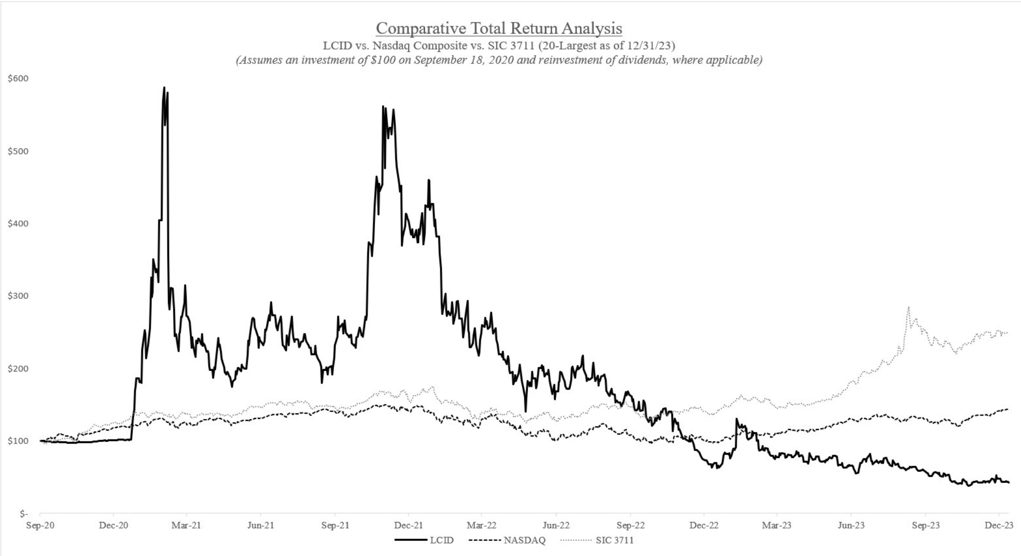
Issuer Purchases of Equity Securities

None.

Stock Performance Graph

This performance graph shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the“Exchange Act”), or incorporated by reference into any of our other filings under the Securities Act of 1933, as amended (the “Securities Act”), or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

The following graph shows a comparison, from September 18, 2020 through December 31, 2023, of the cumulative total return on our common stock, The NASDAQ Composite Index and the 20 largest public companies sharing the same SIC code as us, which is SIC code 3711, “Motor Vehicles and Passenger Car Bodies” (Motor Vehicles and Passenger Car Bodies Public Company Group). Such returns are based on historical results and are not intended to suggest future performance. Data for The NASDAQ Composite Index and the Motor Vehicles and Passenger Car Bodies Public Company Group assumes an investment of $100 on September 18, 2020 and reinvestment of dividends. We have never declared or paid cash dividends on our common stock nor do we anticipate paying any such cash dividends in the foreseeable future.



Item 6. [Reserved].

Item 7. 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 provides information that Lucid management believes is relevant to an assessment and understanding of Lucid's consolidated results of operations and financial condition as of December 31, 2023 and for the fiscal year ended December 31, 2023. The discussion should be read together with our consolidated financial statements and related notes that are included elsewhere in this Annual Report on Form 10-K (this "Annual Report"). For discussion related to our financial condition as of December 31, 2022, results of operations for the fiscal year ended December 31, 2022 and year to year comparison between the years ended December 31, 2022 and 2021, refer to the Annual Report on Form 10-K for the fiscal year ended December 31, 2022 filed on February 28, 2023 with the U.S. Securities and Exchange Commission (the "SEC"). This discussion may contain forward-looking statements based upon Lucid's current expectations, 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 I, Item 1A of this Annual Report.

Overview

We are a technology company with a mission to inspire the adoption of sustainable energy by creating advanced technologies and the most captivating luxury electric vehicles, centered around the human experience. 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, a luxury sport utility vehicle (“SUV”), which is scheduled for start of production in late 2024. After the Lucid Air and the Lucid Gravity, start of production of our Midsize platform is scheduled for late 2026.

Recent Development

Implementation 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”), a related party of PIF, which is an affiliate of Ayar, under which we 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 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, we 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 million. These shares were initially measured at a fair value of $73.2 million and subsequently remeasured to fair value of $81.5 million as of December 31, 2023. We will receive the remaining cash payments of $99 million phased over a period of three years. In connection with the Strategic Technology Arrangement, we will also receive an aggregate of $10 million for integration service fees phased over a period of three years, of which we received $1.6 million during the year ended December 31, 2023. Aston Martin has also committed to an effective minimum spend with us on powertrain components of $225 million.

EV Purchase Agreement

In August 2023, Lucid LLC entered into an 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”), which 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 vehicles that Lucid LLC fails to deliver within six months from the date of the applicable purchase order. The Purchaser also has absolute discretion to decide whether to exercise the option to purchase the additional 50,000 vehicles.

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, COVID-19 or other 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 reservations and 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 Item 1A of Part I of this Annual 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 Item 1A of Part I of this Annual 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 and robust performance together with a sleek exterior design and expansive interior space given our miniaturized key drivetrain components. We anticipated continued consumer demand for the Lucid Air based on its luxurious design, high-performance technology and sustainability leadership, and the growing acceptance of and demand for electric vehicles as a substitute for gasoline-fueled vehicles. We continue to receive significant interest in the Lucid Air from potential customers.

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, including to open studios, hire a sales force, invest in marketing and brand awareness, and establish a robust service center operation. As of December 31, 2023, we have opened forty-five studios and service centers (excluding temporary and satellite service centers): thirty-three in the United States (ten 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, Michigan and New Jersey), five in Canada, two in Germany, one in Netherlands, one in Norway, one in Switzerland, and two in Saudi Arabia. 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 deliver and service the Lucid electric vehicles we manufacture and sell.

Establishing Manufacturing Capacity

Achieving commercialization and growth for each generation of 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 our expansion of AMP-1 and construction of the completely-built-up (“CBU”) portion of AMP-2. 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 experience customer demand for our vehicles at the levels we anticipate, 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 us to invest a significant amount of capital in research and development. The electric vehicle market is highly competitive and includes both established automotive manufacturers and new entrants. To establish market share and attract customers from competitors, we plan to continue to make substantial investments in research and development for the commercialization and continued enhancements of the Lucid Air, the development of the Lucid Gravity, and future generations of our electric vehicles and other products.

Inflationary Pressure

The U.S. and Saudi Arabia economies have experienced increased inflation, including as a result of the COVID-19 pandemic. Our cost to manufacture a vehicle is heavily influenced by the cost of the key components and materials used in the vehicle, cost of labor, as well as cost of equipment used in our manufacturing facilities. As we continue our phased construction of our AMP-1 and AMP-2 facilities, any further increases in material and infrastructure equipment prices and cost of construction labor could lead to higher capital expenditures.

Results of Operations

Revenue

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

	Year Ended December 31,			
	2023	2022	$ Change	% Change
Revenue	$ 595,271	$ 608,181	$ (12,910)	(2) %

We recognize 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 decreased by $12.9 million, or 2% for the year ended December 31, 2023, as compared to the year ended December 31, 2022. The decrease was primarily driven by change in product mix, pricing and incentives offered, partially offset by increases in deliveries of the Lucid Air vehicles during the year ended December 31, 2023.

Cost of Revenue

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

	Year Ended December 31,			
	2023	**2022**	**$ Change**	**% Change**
Cost of revenue	$ 1,936,066	$ 1,646,086	$ 289,980	18 %

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 increased by $290.0 million, or 18% for the year ended December 31, 2023, as compared to the year ended December 31, 2022, primarily due to the increases in the manufacture and sale of the Lucid Air vehicles in 2023 and inventory and firm purchase commitments write-downs. We incurred 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 $926.9 million and $569.5 million in the years ended December 31, 2023 and 2022, respectively, to reduce our inventories to their net realizable values, for any excess or obsolete inventories, and losses from firm purchase commitments. 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 year ended December 31, 2023, 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):

	Year Ended December 31,			
	2023	**2022**	**$ Change**	**% Change**
Research and development	$ 937,012	$ 821,512	$ 115,500	14 %
Selling, general and administrative	797,235	734,574	62,661	9 %
Restructuring charges	24,546	—	24,546	**nm*
Total operating expenses	$ 1,758,793	$ 1,556,086	$ 202,707	13 %

**nm* - not meaningful

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, 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 $115.5 million, or 14% for the year ended December 31, 2023, as compared to the year ended December 31, 2022. The increase was primarily attributable to an increase of $89.4 million for prototype material, engineering, design and testing services and higher personnel-related expenses of $46.1 million ($59.9 million increase due to our growth in headcount, partially offset by $13.8 million lower stock-based compensation expense), partially offset by a decrease of $23.4 million from lower utilization of contractors and professional fees.

Selling, General, and Administrative

Selling, general, and administrative expenses consist 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 and planned future generations of our electric vehicles, we expect that our selling, general and administrative costs will increase.

We are incurring additional expenses as a result of operating as a public company, including expenses necessary to comply with the rules and regulations applicable to companies listed on a national securities exchange and related to compliance and reporting obligations pursuant to the rules and regulations of the SEC, as well as higher expenses for general and director and officer insurance, investor relations, and professional services.

Selling, general, and administrative expense increased by $62.7 million, or 9% for the year ended December 31, 2023, as compared to the year ended December 31, 2022. The increase was primarily attributable to increases in allocated facilities costs of $61.2 million, sales and marketing expenses of $22.7 million and other general corporate expenses of $17.5 million, partially offset by lower personnel-related expenses of $37.3 million ($112.8 million lower stock-based compensation expense mainly driven by the vesting of the four tranches of CEO performance-based awards during the year ended December 31, 2022, partially offset by $75.5 million increase due to our growth in headcount).

Restructuring Charges

On March 28, 2023, we announced a restructuring plan (the “Restructuring Plan”) intended to reduce operating expenses in response to evolving business needs and productivity improvement through a reduction in workforce. We substantially completed the Restructuring Plan in 2023.

Restructuring charges of $24.5 million for the year ended December 31, 2023 was 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):

	Year Ended December 31,			
	2023	2022	$ Change	% Change
Other income (expense), net:				
Change in fair value of common stock warrant liability	$ 86,926	$ 1,254,218	$ (1,167,292)	(93)%
Change in fair value of equity securities	5,999	—	5,999	*nm
Interest income	204,274	56,756	147,518	260 %
Interest expense	(24,915)	(30,596)	5,681	(19)%
Other income (expense), net	(90)	9,532	(9,622)	(101)%
Total other income (expense), net	$ 272,194	$ 1,289,910	$ (1,017,716)	(79)%

**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 Lucid Group 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 balance sheet date. Changes in the fair value of our common stock warrant liability were recognized in the consolidated statements of operations and comprehensive loss.

The Private Placement Warrants remained unexercised as of December 31, 2023. The liability was remeasured to fair value, resulting in gains of $86.9 million and $1,254.2 million for the years ended December 31, 2023 and 2022, respectively, and was classified within change in fair value of common stock warrant liability in the consolidated statements of operations and comprehensive loss. See Note 10 “Common Stock Warrant Liability” to our consolidated financial statements included elsewhere in this Annual Report for more information.

Change in Fair Value of Equity Securities

In connection with the commencement of the Strategic Technology Arrangement with Aston Martin, the Company 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 balance sheet date. Such shares were initially measured at a fair value of $73.2 million and subsequently remeasured to fair value of $81.5 million as of December 31, 2023. The change in fair value resulted in an unrealized gain of $6.0 million for the year ended December 31, 2023, and was classified within change in fair value of equity securities in the consolidated statements of operations and comprehensive loss. See Note 6 “Fair Value Measurements and Financial Instruments” and Note 20 “Related Party Transactions” to our consolidated financial statements included elsewhere in this Annual Report for more information.

Interest Income

Interest income increased by $147.5 million for the year ended December 31, 2023, as compared to the year ended December 31, 2022, primarily due to higher book yield from our investments in available-for-sale securities under the investment program which started in June 2022.

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”), interest from GIB credit facility and on our finance leases, and capitalized interest on construction in progress related to significant capital asset construction.

Interest expense decreased by $5.7 million for the year ended December 31, 2023, as compared to the year ended December 31, 2022, primarily due to an increase of $9.7 million in interest capitalized on construction in progress related to significant capital asset construction, partially offset by increases of $3.6 million in interest expense from the GIB credit facility, and commitment fees and amortization of deferred issuance costs from the ABL Credit Facility.

Other Income (Expense), net

Other income (expense), net primarily consists of foreign currency gains and losses and dividend income from our investments. 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 income (expense), net decreased by $9.6 million for the year ended December 31, 2023, as compared to the year ended December 31, 2022, primarily due to dividend income earned from our investments in 2022.

Provision for Income Taxes

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

	Year Ended December 31,			
	2023	2022	$ Change	% Change
Provision for income taxes	$ 1,026	$ 379	$ 647	171 %

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 December 31, 2023, Lucid had $4.32 billion of cash, cash equivalents and investments. Since inception, our sources of cash are predominantly from proceeds received upon the completion of the Merger, the issuance of convertible debt and proceeds from equity offerings.

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 AMP-2 CBU portion 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 $1.5 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 December 31, 2023, our total minimum lease payments are $495.1 million, of which $65.2 million is due in fiscal year 2024. We also have non-cancellable long-term commitments of $4.9 billion, primarily relating to certain inventory component purchases. For details regarding these obligations, refer to Note 15 “Leases” and Note 16 “Commitments and Contingencies” to the consolidated financial statements included elsewhere in this Annual 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 December 31, 2023 and 2022, 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, 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 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 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 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 $110.7 million) to SAR 1.77 billion (approximately $472.0 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 December 31, 2023 and 2022, 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, 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. 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. There were no unfulfilled conditions and contingencies attached to the payments received.

Gulf International Bank ("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 $266.7 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 December 31, 2023, we had outstanding borrowings of SAR 272 million (approximately $72.5 million) with weighted average interest rate of 7.49%. As of December 31, 2023, availability under the GIB Credit Facility was SAR 727 million (approximately $193.9 million), after giving effect to the outstanding letters of credit. As of December 31, 2022, we had outstanding borrowings of SAR 36 million (approximately $9.6 million) with interest rate of 6.40% from the Working Capital Facility. As of December 31, 2022, available borrowings were SAR 650 million (approximately $173.0 million) and SAR 314 million (approximately $83.5 million) under the Bridge Facility and Working Capital Facility, respectively. The outstanding borrowings were recorded within other current liabilities in the consolidated balance sheets. As of December 31, 2023 and 2022, 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. 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 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 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 December 31, 2023 and 2022, we were in compliance with applicable covenants under the ABL Credit Facility.

As of December 31, 2023 and 2022, we had no outstanding borrowings under the ABL Credit Facility. Outstanding letters of credit under the ABL Credit Facility were $45.4 million and $37.4 million as of December 31, 2023 and 2022, respectively. Availability under the ABL Credit Facility was $413.4 million (including $144.0 million cash and cash equivalents) and $441.4 million (including $37.3 million cash and cash equivalents) as of December 31, 2023 and 2022, respectively, after giving effect to the borrowing base and the outstanding letters of credit.

At-the-Market Offering, Subscription Agreements and Underwriting Agreement

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 "Subscription Agreement") pursuant to the 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 12 “Stockholders’ Equity” to the consolidated financial statements included elsewhere in this Annual Report, for more information.

We have generated significant losses from our operations as reflected in our accumulated deficit of $10.2 billion and $7.4 billion as of December 31, 2023 and 2022, 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 Item 1A of Part I of this Annual Report.

Cash Flows

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

	Year Ended December 31,	
	2023	2022
Cash used in operating activities	$ (2,489,753)	$ (2,226,258)
Cash used in investing activities	(946,975)	(3,681,677)
Cash provided by financing activities	3,070,915	1,347,235
Net decrease in cash, cash equivalents, and restricted cash	$ (365,813)	$ (4,560,700)

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 increased by $263.5 million to $2,489.8 million during the year ended December 31, 2023, as compared to the year ended December 31, 2022. The increase was primarily due to the increase in net loss excluding non-cash expenses and gains of $195.9 million and an overall increase in net operating assets and liabilities of $67.6 million. The change in net operating assets and liabilities was mainly attributable to advances to suppliers and timing of payments.

Cash Used in Investing Activities

Our cash flows used in investing activities primarily relate to purchases of investments and capital expenditures to support our growth. We continue to experience negative cash flows from investing activities as we expand our business and continue to build our infrastructure.

Net cash used in investing activities decreased by $2,734.7 million to $947.0 million during the year ended December 31, 2023, as compared to the year ended December 31, 2022. The decrease was primarily attributable to an increase in proceeds from maturities and sales of investments of $2,719.6 million, partially offset by an increase in purchases of investments of $144.2 million during the year ended December 31, 2023 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 increased by $1,723.7 million to $3,070.9 million during the year ended December 31, 2023, as compared to the year ended December 31, 2022, primarily attributable to higher net proceeds of $1.5 billion from our equity offerings in 2023.

Critical Accounting Estimates

The consolidated financial statements and the related notes thereto included elsewhere in this Annual Report are prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP"). The preparation of our 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 consolidated financial condition and results of our operations. For more information about our accounting policies, see Note 2 "Summary of Significant Accounting Policies" to the consolidated financial statements included elsewhere in this Annual Report.

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 Company is considered a fulfillment activity.

Payment is typically received at or prior to the transfer of control 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 full 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. If our inventory on-hand is in excess of future demand forecast and market conditions, the excess amounts are written-off.

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. 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.

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.

Recently Adopted Accounting Pronouncements

See Note 2 “Summary of Significant Accounting Policies” to our consolidated financial statements included elsewhere in this Annual Report for more information.

Item 7A. Qualitative and Quantitative 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 $4.32 billion as of December 31, 2023. 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 December 31, 2023, a hypothetical 100 basis point increase in interest rates would result in $13.4 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 (together with its subsidiaries, “Aston Martin”). The fair value of these equity securities was $81.5 million as of December 31, 2023. 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 December 31, 2023 by $8.2 million.

Inflationary Pressure

The U.S. and Saudi Arabia economies have experienced increased inflation, including as a result of the COVID-19 pandemic. Our cost to manufacture a vehicle is heavily influenced by the cost of the key components and materials used in the vehicle, cost of labor, as well as cost of equipment used in our manufacturing facilities. As we continue our phased construction of our AMP-1 and AMP-2 facilities, any further increases in material and infrastructure equipment prices and cost of construction labor 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 8. Financial Statements and Supplementary Data.

Index of Consolidated Financial Statements for the fiscal years ended December 31, 2023, 2022 and 2021.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders
Lucid Group, Inc.:

Opinions on the Consolidated Financial Statements and Internal Control Over Financial Reporting

We have audited the accompanying consolidated balance sheet of Lucid Group, Inc. and subsidiaries (the Company) as of December 31, 2023, the related consolidated statements of operations and comprehensive loss, convertible preferred stock and stockholders' equity (deficit), and cash flows for the year then ended, and the related notes (collectively, the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2023, and the results of its operations and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023 based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audit of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Evaluation of net realizable value of certain inventories

As discussed in Notes 2 and 5 to the consolidated financial statements, the Company has inventories with a carrying value of $696.2 million as of December 31, 2023. The Company adjusts the carrying value of inventory when the cost of inventory exceeds the estimated net realizable value. The Company records inventory write-downs for excess or obsolete inventories based upon assumptions about current and future demand forecasts. Additionally, the Company reviews inventory to determine whether the carrying value exceeds the net amount realizable upon the ultimate sale of the inventory, requiring the Company to determine the estimated selling price of vehicles and the estimated cost to convert the inventory on-hand into a finished product.

We identified the evaluation of the Company's determination of net realizable value of certain inventories as a critical audit matter. Subjective auditor judgment and significant audit effort were required to assess key inputs within the Company's determination of net realizable value of certain inventories. Specifically, the key inputs within the calculation include the estimated selling prices and the estimated cost to convert the inventory on-hand into a finished product.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls over the Company's inventory process, including controls related to the estimated selling prices and the estimated cost to convert the inventory on-hand into a finished product. We evaluated estimated selling prices by comparing them to internal sales documentation, actual sales, peer company data, and relevant market information. We evaluated the Company's ability to accurately forecast the estimated cost to convert inventory on-hand by comparing historical production projections to actual results. We assessed the estimated cost to convert the inventory on-hand by comparing it to future sales projections. For certain inventories, we also evaluated the estimated cost to convert inventory on-hand by comparing the historical estimated cost to convert to actual results.

/s/ KPMG LLP

We have served as the Company's auditor since 2023.

Santa Clara, California
February 27, 2024

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Lucid Group, Inc.

Opinion on the financial statements

We have audited the accompanying consolidated balance sheet of Lucid Group, Inc. (a Delaware corporation) and subsidiaries (the “Company”) as of December 31, 2022, the related consolidated statements of operations and comprehensive loss, convertible preferred stock and stockholders’ equity (deficit), and cash flows for each of the two years in the period ended December 31, 2022, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2022, in conformity with accounting principles generally accepted in the United States of America.

Basis for opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ GRANT THORNTON LLP

We served as the Company’s auditor from 2020 to 2022.

San Francisco, California
February 28, 2023

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

	December 31, 2023	December 31, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,369,947	$ 1,735,765
Short-term investments	2,489,798	2,177,231
Accounts receivable, net	51,822	19,542
Inventory	696,236	834,401
Prepaid expenses	69,682	63,548
Other current assets	79,670	81,541
Total current assets	4,757,155	4,912,028
Property, plant and equipment, net	2,810,867	2,166,776
Right-of-use assets	221,508	215,160
Long-term investments	461,029	529,974
Other noncurrent assets	262,159	55,300
TOTAL ASSETS	**$ 8,512,718**	**$ 7,879,238**
LIABILITIES		
Current liabilities:		
Accounts payable	$ 108,724	$ 229,084
Accrued compensation	92,494	63,322
Finance lease liabilities, current portion	8,202	10,586
Other current liabilities	798,990	634,567
Total current liabilities	1,008,410	937,559
Finance lease liabilities, net of current portion	77,653	81,336
Common stock warrant liability	53,664	140,590
Long-term debt	1,996,960	1,991,840
Other long-term liabilities	524,339	378,212
Total liabilities	3,661,026	3,529,537
Commitments and contingencies (Note 16)		
STOCKHOLDERS' EQUITY		
Common stock, par value $ 0.0001 ; 15,000,000,000 shares authorized as of December 31, 2023 and 2022; 2,300,111,489 and 1,830,172,561 shares issued and 2,299,253,664 and 1,829,314,736 shares outstanding as of December 31, 2023 and 2022, respectively	230	183
Additional paid-in capital	15,066,080	11,752,138
Treasury stock, at cost, 857,825 shares at December 31, 2023 and 2022	(20,716)	(20,716)
Accumulated other comprehensive income (loss)	4,850	(11,572)
Accumulated deficit	(10,198,752)	(7,370,332)
Total stockholders' equity	4,851,692	4,349,701
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 8,512,718**	**$ 7,879,238**

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

LUCID GROUP, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(in thousands, except share and per share data)

	Year Ended December 31,		
	2023	2022	2021
Revenue	$ 595,271	$ 608,181	$ 27,111
Costs and expenses			
Cost of revenue	1,936,066	1,646,086	154,897
Research and development	937,012	821,512	750,185
Selling, general and administrative	797,235	734,574	652,475
Restructuring charges	24,546	—	—
Total cost and expenses	3,694,859	3,202,172	1,557,557
Loss from operations	(3,099,588)	(2,593,991)	(1,530,446)
Other income (expense), net			
Change in fair value of forward contracts	—	—	(454,546)
Change in fair value of convertible preferred stock warrant liability	—	—	(6,976)
Change in fair value of common stock warrant liability	86,926	1,254,218	(582,760)
Change in fair value of equity securities	5,999	—	—
Transaction costs expensed	—	—	(2,717)
Interest income	204,274	56,756	—
Interest expense	(24,915)	(30,596)	(1,374)
Other income (expense), net	(90)	9,532	(893)
Total other income (expense), net	272,194	1,289,910	(1,049,266)
Loss before provision for income taxes	(2,827,394)	(1,304,081)	(2,579,712)
Provision for income taxes	1,026	379	49
Net loss	(2,828,420)	(1,304,460)	(2,579,761)
Deemed dividend related to the issuance of Series E convertible preferred stock	—	—	(2,167,332)
Net loss attributable to common stockholders, basic	(2,828,420)	(1,304,460)	(4,747,093)
Change in fair value of dilutive warrants	—	(1,254,218)	—
Net loss attributable to common stockholders, diluted	$ (2,828,420)	$ (2,558,678)	$ (4,747,093)
Weighted average shares outstanding attributable to common stockholders			
Basic	2,081,772,622	1,678,346,079	740,393,759
Diluted	2,081,772,622	1,693,258,608	740,393,759
Net loss per share attributable to common stockholders			
Basic	$ (1.36)	$ (0.78)	$ (6.41)
Diluted	$ (1.36)	$ (1.51)	$ (6.41)
Other comprehensive income (loss)			
Net unrealized gains (losses) on investments, net of tax	$ 12,669	$ (11,572)	$ —
Foreign currency translation adjustments	3,753	—	—
Total other comprehensive income (loss)	16,422	(11,572)	—
Comprehensive loss	(2,811,998)	(1,316,032)	(2,579,761)
Deemed dividend related to the issuance of Series E convertible preferred stock	—	—	(2,167,332)
Comprehensive loss attributable to common stockholders	$ (2,811,998)	$ (1,316,032)	$ (4,747,093)

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

LUCID GROUP, INC.
CONSOLIDATED STATEMENTS OF CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS’ EQUITY (DEFICIT)
(in thousands, except share data)

	Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders’ Equity (Deficit)
	Shares[1]	Amount	Shares[1]	Amount					
Balance as of January 1, 2021	**957,159,704**	**$ 2,494,076**	**28,791,702**	**$ 3**	**$ 38,113**	**$ —**	**$ —**	**$ (1,356,893)**	**$ (1,318,777)**
Net loss	—	—	—	—	—	—	—	(2,579,761)	(2,579,761)
Repurchase of Series B convertible preferred stock	(3,525,365)	—	—	—	—	—	—	—	—
Issuance of Series D convertible preferred stock upon exercise of warrants	1,546,799	12,936	—	—	—	—	—	—	—
Issuance of Series E convertible preferred stock	200,728,229	3,206,159	—	—	(22,395)	—	—	(2,129,218)	(2,151,613)
Stock-based compensation related to Series E convertible preferred stock	—	123,614	—	—	—	—	—	—	—
Conversion of convertible preferred stock into common stock in connection with the reverse recapitalization	(1,155,909,367)	(5,836,785)	1,155,909,367	116	5,836,669	—	—	—	5,836,785
Issuance of common stock and common stock warrants upon the reverse recapitalization, net of issuance costs	—	—	425,395,023	42	3,590,914	—	—	—	3,590,956
Tax withholding payments for net settlement of employee awards	—	—	—	—	(22,063)	—	—	—	(22,063)
Treasury stock repurchase	—	—	(857,825)	—	—	(20,716)	—	—	(20,716)
Issuance of common stock upon vesting of employee RSUs	—	—	601,176	—	—	—	—	—	—
Issuance of common stock upon exercise of common stock warrants	—	—	26,640,121	3	173,270	—	—	—	173,273
Redemption of public warrants	—	—	—	—	(4)	—	—	—	(4)
Issuance of common stock upon exercise of stock options	—	—	11,076,026	1	8,131	—	—	—	8,132
Stock-based compensation	—	—	—	—	393,143	—	—	—	393,143
Balance as of December 31, 2021	**—**	**—**	**1,647,555,590**	**165**	**9,995,778**	**(20,716)**	**—**	**(6,065,872)**	**3,909,355**
Net loss	—	—	—	—	—	—	—	(1,304,460)	(1,304,460)
Other comprehensive loss	—	—	—	—	—	—	(11,572)	—	(11,572)
Tax withholding payments for net settlement of employee awards	—	—	—	—	(218,789)	—	—	—	(218,789)
Issuance of common stock upon vesting of employee RSUs	—	—	15,217,096	1	(1)	—	—	—	—
Issuance of common stock under employee stock purchase plan	—	—	2,106,158	—	24,562	—	—	—	24,562
Issuance of common stock upon exercise of stock options	—	—	22,519,879	2	17,786	—	—	—	17,788
Issuance of common stock under At-the-Market Offering, net of issuance costs	—	—	56,203,334	6	594,311	—	—	—	594,317
Issuance of common stock under 2022 Subscription Agreement	—	—	85,712,679	9	914,991	—	—	—	915,000
Stock-based compensation	—	—	—	—	423,500	—	—	—	423,500
Balance as of December 31, 2022	**—**	**—**	**1,829,314,736**	**183**	**11,752,138**	**(20,716)**	**(11,572)**	**(7,370,332)**	**4,349,701**
Net loss	—	—	—	—	—	—	—	(2,828,420)	(2,828,420)
Other comprehensive income	—	—	—	—	—	—	16,422	—	16,422
Tax withholding payments for net settlement of employee awards	—	—	—	—	(17,615)	—	—	—	(17,615)
Issuance of common stock upon vesting of employee RSUs	—	—	16,947,760	2	(2)	—	—	—	—
Issuance of common stock under employee stock purchase plan	—	—	4,748,875	—	23,836	—	—	—	23,836
Issuance of common stock upon exercise of stock options	—	—	9,003,642	1	10,342	—	—	—	10,343
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, net of issuance costs	—	—	265,693,703	27	1,812,614	—	—	—	1,812,641
Stock-based compensation	—	—	—	—	300,560	—	—	—	300,560
Balance as of December 31, 2023	**—**	**$ —**	**2,299,253,664**	**$ 230**	**$ 15,066,080**	**$ (20,716)**	**$ 4,850**	**$ (10,198,752)**	**$ 4,851,692**

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

[1] The number of shares of convertible preferred stock and common stock issued and outstanding prior to the Merger have been retroactively adjusted by the Exchange Ratio (as defined in Note 4 “Reverse Recapitalization”) to give effect to the reverse recapitalization treatment of the Merger. See Note 1 “Description of Business” and Note 4 “Reverse Capitalization” for more information.

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

	Year Ended December 31,		
	2023	**2022**	**2021**
Cash flows from operating activities:			
Net loss	$ (2,828,420)	$ (1,304,460)	$ (2,579,761)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	233,531	186,583	62,907
Amortization of insurance premium	39,507	35,620	18,474
Non-cash operating lease cost	26,201	19,711	12,563
Stock-based compensation	257,283	423,500	516,757
Inventory and firm purchase commitments write-downs	906,069	569,479	48,884
Change in fair value of contingent forward contract liability	—	—	454,546
Change in fair value of preferred stock warrant liability	—	—	6,976
Change in fair value of common stock warrant liability	(86,926)	(1,254,218)	582,760
Net accretion of investment discounts/premiums	(105,432)	(20,695)	—
Change in fair value of equity securities	(5,999)	—	—
Other non-cash items	34,205	10,353	289
Changes in operating assets and liabilities:			
Accounts receivable	(32,509)	(16,498)	(2,888)
Inventory	(658,010)	(1,256,349)	(175,091)
Prepaid expenses	(45,641)	(28,822)	(66,980)
Other current assets	4,758	(43,591)	(14,704)
Other noncurrent assets	(121,790)	(43,230)	5,889
Accounts payable	(139,519)	180,469	4,354
Accrued compensation	29,172	30,958	16,167
Other current liabilities	(71,680)	253,904	55,437
Other long-term liabilities	75,447	31,028	(4,712)
Net cash used in operating activities	(2,489,753)	(2,226,258)	(1,058,133)
Cash flows from investing activities:			
Purchases of property, plant and equipment	(910,644)	(1,074,852)	(421,220)
Proceeds from government grant	97,500	97,267	—
Purchases of investments	(3,998,282)	(3,854,129)	—
Proceeds from maturities of investments	3,720,890	1,149,714	—
Proceeds from sale of investments	148,388	—	505
Other investing activities	(4,827)	323	22
Net cash used in investing activities	$ (946,975)	$ (3,681,677)	$ (420,693)

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

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

	Year Ended December 31,		
	2023	2022	2021
Cash flows from financing activities:			
Proceed from issuance of convertible notes, net of issuance costs	$ —	$ —	$ 2,002,437
Payment of transaction costs for the issuance of convertible notes	—	—	(15,883)
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, net of issuance costs	1,812,641	—	—
Proceeds from issuance of common stock under At-the-Market Offering, net of issuance costs	—	594,317	—
Proceeds from issuance of common stock under 2022 Subscription Agreement	—	915,000	—
Proceeds from short-term insurance financing note	—	—	41,935
Payment for short-term insurance financing note	—	(15,330)	(27,887)
Payment for finance lease liabilities	(5,425)	(4,977)	(3,088)
Proceeds from borrowings	62,911	29,818	—
Repayments for borrowings	—	(20,223)	—
Proceeds from failed sale-leaseback transaction	—	31,700	—
Repurchase of Series B convertible preferred stock	—	—	(3,000)
Proceeds from issuance of Series D convertible preferred stock	—	—	3,000
Proceeds from issuance of Series E convertible preferred stock	—	—	600,000
Proceeds from exercise of stock options	10,343	17,788	8,132
Proceeds from the exercise of public warrants	—	—	173,273
Proceeds from the reverse capitalization	—	—	4,439,153
Payment of transaction costs related to the reverse recapitalization	—	—	(38,865)
Proceeds from employee stock purchase plan	23,836	24,562	—
Treasury stock repurchase	—	—	(20,716)
Tax withholding payments for net settlement of employee awards	(17,615)	(218,789)	(22,063)
Payment for credit facility issuance costs	—	(6,631)	—
Net cash provided by financing activities	3,070,915	1,347,235	7,136,428
Net decrease in cash, cash equivalents, and restricted cash	(365,813)	(4,560,700)	5,657,602
Beginning cash, cash equivalents, and restricted cash	1,737,320	6,298,020	640,418
Ending cash, cash equivalents, and restricted cash	$ 1,371,507	$ 1,737,320	$ 6,298,020
Supplemental disclosure of cash flow information:			
Cash paid for interest, net of amounts capitalized	$ 18,182	$ 23,199	$ 627
Cash paid for taxes	$ 37	$ 480	$ —
Supplemental disclosure of non-cash investing and financing activity:			
Purchases of property, plant and equipment included in accounts payable and other current liabilities	$ 35,849	$ 42,728	$ 101,057
Property, plant and equipment and right-of-use assets obtained through leases	$ 32,477	$ 157,894	$ 93,771
Equity securities obtained through Strategic Technology Arrangement	$ 73,193	$ —	$ —
Issuance of Series D convertible preferred stock upon exercise of preferred stock warrants	$ —	$ —	$ 9,936
Issuance of Series E convertible preferred stock contingent forward contracts	$ —	$ —	$ 2,167,332
Capital contribution upon forfeit of Series E awards	$ —	$ —	$ 15,719
Issuance of Series E convertible preferred stock upon settlement of contingent forward contracts	$ —	$ —	$ 2,621,877
Issuance of common stock upon conversion of preferred stock in connection with the reverse recapitalization	$ —	$ —	$ 5,836,785

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

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.

Lucid was originally incorporated in Delaware on April 30, 2020 under the name Churchill Capital Corp IV (formerly known as Annetta Acquisition Corp) (“Churchill”) as a special purpose acquisition company with the purpose of effecting a merger with one or more operating businesses. On February 22, 2021, Churchill entered into a definitive merger agreement (the “Merger Agreement”) with Atieva, Inc. (“Legacy Lucid”) in which Legacy Lucid would become a wholly owned subsidiary of Churchill (the “Merger”). Upon the closing of the Merger on July 23, 2021 (the “Closing”), Churchill was immediately renamed to “Lucid Group, Inc.” The Merger between Churchill and Legacy Lucid was accounted for as a reverse recapitalization. See Note 4 “Reverse Recapitalization” for more information.

Throughout the notes to the 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 December 31, 2023, the Company has incurred operating losses and negative cash flows from operating activities. For the years ended December 31, 2023, 2022 and 2021, the Company has incurred net losses of $ 2.8 billion, $ 1.3 billion and $ 2.6 billion, respectively. The Company had an accumulated deficit of $ 10.2 billion as of December 31, 2023.

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 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. Historically, the Company funded operations primarily with issuances of common stock, convertible preferred stock and convertible notes. Upon the completion of the Merger, the Company received $ 4,400.3 million in cash proceeds, net of transaction costs. In December 2021, the Company issued an aggregate principal amount of $ 2,012.5 million of 1.25 % convertible senior notes due in December 2026.

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 $ 266.7 million revolving credit facility (the “GIB Credit Facility”), which will bear interest at a rate of 1.40 % per annum over SAIBOR (based on the term of borrowing) and associated fees. See Note 7 “Debt” for more information.

On November 8, 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 Third Investment Company, the controlling stockholder of the Company (“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. See Note 12 “Stockholders’ Equity” for more information.

On May 31, 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. On May 31, 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 12 “Stockholders’ Equity” 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; further develop its supply chain and manufacturing; and hire additional management and other key 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.

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, COVID-19 or other 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 reservations and 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 Item 1A of Part I of this Annual Report on Form 10-K (the “Annual 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 consolidated financial statements included herein have been prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP"). The 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. Certain prior-period amounts have been reclassified in the accompanying consolidated financial statements and notes thereto in order to conform to the current period presentation.

Segment Reporting

Operating segments are defined as components of an entity for which separate financial information is available and that is regularly reviewed by the Chief Operating Decision Maker ("CODM") in deciding how to allocate resources to an individual segment and in assessing performance. The Company's CODM is its Chief Executive Officer. The Company has determined that it operates in one operating and one reportable segment, as the CODM reviews financial information presented on a consolidated basis for purposes of making operating decisions, allocating resources, and evaluating financial performance.

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 contingent forward contracts liability, estimates of residual value guarantee ("RVG") liability, deferred revenue related to technology access fees and over-the-air ("OTA") software updates, sales return reserves, fair value of common stock prior to the Merger and other 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.

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 and other noncurrent 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):

	December 31,		
	2023	2022	2021
Cash and cash equivalents	$ 1,369,947	$ 1,735,765	$ 6,262,905
Restricted cash included in other current assets	1,560	1,555	10,740
Restricted cash included in other noncurrent assets	—	—	24,375
Total cash, cash equivalents, and restricted cash	$ 1,371,507	$ 1,737,320	$ 6,298,020

Investments

The Company's investments in marketable debt securities have been classified and accounted for as available-for-sale and they are stated at fair value. The Company classifies its investments as either short-term or long-term based on each instrument's underlying contractual maturity date. Unrealized gains and losses on our investments of available-for-sale securities are recorded in accumulated other comprehensive income (loss) which is included within stockholders' equity. Interest, as well as amortization and accretion of purchase premiums and discounts on its investments of available-for-sale securities are included in interest income. The cost of securities sold is determined using the specific identification method. Realized gains and losses on the sale of available-for-sale securities are recorded in other income (expense), net in the consolidated statements of operations and comprehensive loss.

The Company regularly reviews its investment portfolio of available-for-sale securities for allowance for credit losses. Factors considered include severity of declines in fair values below amortized costs, adverse conditions related to securities, creditworthiness of the security issuers, and collectability of principal and interest payments.

Equity Securities

The Company's equity securities with readily determinable fair value are measured and stated at fair value with unrealized gains and losses recorded in the consolidated statements of operations and comprehensive loss.

Accounts Receivable, Net

Accounts receivable consist of receivables from our customers and from financial institutions offering financing products to our customers for the sale of vehicles, sales of powertrain kits and services. The Company provides an allowance against accounts receivable for any potential uncollectible amounts. The Company recorded immaterial allowance for uncollectible amounts as of December 31, 2023 and 2022.

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 at times its deposits may exceed federally insured limits. As of December 31, 2023, accounts receivables from 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"), represented 68.5 % of the total accounts receivable balance. See Note 20 "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.

Inventory

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. The Company records inventory write-downs for excess or obsolete inventories based upon assumptions about current and future demand forecasts. If inventory on-hand is in excess of future demand forecast and market conditions, the excess amounts are written-off.

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

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

Property, Plant, and Equipment, Net

Property, plant, and equipment are stated at cost, less accumulated depreciation. Depreciation is recorded using the straight-line method over the estimated useful lives of the related assets. Interest expense capitalized for significant capital asset construction in progress is included within property, plant and equipment, net and is amortized over the life of the related assets. The Company capitalizes qualified costs incurred during the application development stage of internal use software. Costs incurred during the preliminary project stage and post-implementation stage are expensed.

The Company generally uses the following estimated useful lives for each asset category:

Asset Category	Life (years)
Machinery, tooling and vehicles	3 - 7
Computer equipment and software	3
Furniture and fixtures	5
Finance leases	Shorter of the lease term or the estimated useful lives of the assets
Building and improvements	15 - 40
Leasehold improvements	Shorter of remaining lease term or the estimated useful lives of the assets

Expenditures for repair and maintenance costs are expensed as incurred, and expenditures for major renewals and improvements that increase functionality of the asset are capitalized and depreciated ratably over the identified useful life. Upon disposition or retirement of property and equipment, the related cost and accumulated depreciation and amortization are removed, and any gain or loss is reflected in the consolidated statement of operations and comprehensive loss. The disposition loss on fixed assets recorded for the years ended December 31, 2023, 2022 and 2021 was immaterial.

Impairment of Long-Lived Assets

Long-lived assets, including property, plant and equipment and right-of-use ("ROU") assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset or asset group be tested for potential impairment, the Company first compares undiscounted cash flows expected to be generated by that asset or asset group to its carrying amount. If the carrying amount of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent the carrying amount of the underlying asset exceeds its fair value. The Company recognized impairment loss of $ 15.3 million for the year ended December 31, 2023. Impairment loss recognized for the years ended December 31, 2022 and 2021 was immaterial .

Leases

The Company has lease agreements with lease and non-lease components and has elected not to utilize the practical expedient to account for lease and non-lease components together, rather the Company accounts for the lease and non-lease components separately in the consolidated financial statements. The Company has also elected not to record ROU assets and corresponding lease liabilities for short-term leases having initial terms of 12 months or less if the leases do not contain a purchase option or renewal term that the Company is reasonably certain to exercise. Instead, the Company recognizes lease payments on a straight-line basis over the lease term.

Operating lease assets are included within operating lease ROU assets. Finance lease assets are included within property, plant and equipment, net. The corresponding operating lease liabilities are included within other current liabilities and other long-term liabilities; the finance lease liabilities are included within finance lease liabilities, current portion and finance lease liabilities, net of current portion on the Company's consolidated balance sheets as of December 31, 2023 and 2022.

All lease assets and lease liabilities are recognized based on the present value of lease payments over the lease term. The Company estimates the Company's incremental borrowing rate based on the information available at lease commencement date in determining the present value of lease payments.

Foreign Currency

The Company determines the functional currency of our foreign subsidiaries based on the primary currency in which they operate. The Company translates all assets and liabilities of foreign subsidiaries to U.S. dollars at the current exchange rate as of each balance sheet date. Revenue and expenses are translated at the average exchange rate prevailing during the period. Any resulting translation adjustments are included in accumulated other comprehensive income (loss). The assets and liabilities of foreign subsidiaries whose local currency is not their functional currency are remeasured from their local currency to their functional currency and then translated to U.S. Dollars.

Foreign currency transaction gains and losses are a result of the effect of exchange rate changes on transactions denominated in currencies other than the functional currency. Gains and losses arising from foreign currency transactions and the effects of remeasurements are recorded within other income (expense), net within the Company's consolidated statements of operations and comprehensive loss. Foreign currency transaction gains and losses were not material for the years ended December 31, 2023, 2022 and 2021.

Revenue from Contracts with Customers

The Company follows a five-step process in which the Company identifies the contract, identifies the related performance obligations, determines the transaction price, allocates the transaction price to the identified performance obligations, and recognizes 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 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 Company is considered a fulfillment activity.

Payment is typically received at or prior to the transfer of control 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. The Company's vehicle contracts do not contain a significant financing component. The Company has elected to exclude sales taxes from the measurement of the transaction price. The Company estimates 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 the Company's performance obligations.

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 December 31, 2023 and 2022.

The Company provides 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

The Company provides an RVG to its commercial banking partner in connection with its vehicle leasing program. Under the vehicle leasing program, the Company generally receives full payment for the vehicle sales price at the time of delivery or shortly after delivery, does not bear casualty and credit risks during the lease term, and is 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. During the years ended December 31, 2023 and 2022, vehicle sales with RVG totaled $ 190.9 million and $ 31.1 million, respectively. At the lease inception, the Company is 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.

The Company accounts for the vehicle leasing program in accordance with ASC 842, *Leases,* ASC 460, *Guarantees* and ASC 606, *Revenue from Contracts with Customers*. The Company is the lessor at inception of a lease and immediately transfers the lease as well as the underlying vehicle to its commercial banking partner, with the transaction being accounted for as a sale under ASC 606. 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 residual value guarantee liability. The RVG liabilities were not material as of December 31, 2023 and 2022. As the Company accumulates 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.

As of December 31, 2023 and 2022, the Company recorded $ 28.7 million and $ 15.4 million of total deferred revenue related to OTA and remarketing activities for vehicle sales, respectively. The Company recorded $ 7.7 million and $ 4.0 million of the total deferred revenue within other current liabilities and the remaining $ 21.0 million and $ 11.4 million within other long-term liabilities in the consolidated balance sheets as of December 31, 2023 and 2022, respectively. Revenue recognized during the years ended December 31, 2023 and 2022 from the prior period deferred revenue balances was not material.

Other

Other consists of revenue from non-warranty after-sales vehicle services, sales of battery pack systems, powertrain kits, retail merchandise, and regulatory credits. Battery pack system and powertrain kits revenue consists of the sales of battery pack systems or powertrain kits, supplies and related services for vehicles. The sale of battery pack systems, powertrain kits along with related supplies, and regulatory credits is a single performance obligation recognized at the point in time when control is transferred to the customer. Shipping and handling provided by the Company is considered a fulfillment activity. While customers generally have the right to return defective or non-conforming products, past experience has demonstrated that product returns have been immaterial. Customer remedies may include either a cash refund or an exchange of the returned product. Payment for the products sold are received upon invoice or in accordance with payment terms customary to the business. The Company’s battery pack system or powertrain kits contracts do not contain a significant financing component. The Company has elected to exclude sales taxes from the measurement of the transaction price.

Control transfers to the customer when the product or regulatory credit is delivered or transferred to the customer as the customer can then direct the use of the product or regulatory credit and obtain substantially all of the remaining benefits from the asset at that point in time.

Cost of Revenue

Vehicle Sales

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.

Other

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.

Warranties

The Company provides a manufacturer’s warranty on all vehicles it sells and accrues a warranty reserve for warranty coverage, as applicable. These estimates are based on actual claims incurred to date and an estimate of the nature, frequency, and costs of future claims. The Company accrues a warranty reserve for all products sold which includes the Company’s best estimates of the projected costs related to recalls identified and special campaigns to repair or replace items under warranties. Changes to the Company’s historical or projected warranty experience may cause material changes to the warranty reserve in the future. The portion of the warranty reserve for costs expected to be incurred within the next 12 months is included within other current liabilities, while the remaining balance is included within other long-term liabilities in the consolidated balance sheets. The warranty expense is recorded as a component of cost of revenue in the consolidated statements of operations and comprehensive loss.

Income Taxes

The Company utilizes the liability method to account for income taxes, under which deferred tax assets and liabilities arise from the temporary differences between the tax basis of an asset or liability and its reported amount in the consolidated financial statements, as well as from net operating loss and tax credit carryforwards. Deferred tax amounts are determined by using the tax rates expected to be in effect when the taxes will actually be paid, or refunds received, as provided for under currently enacted tax law.

The Company recognizes deferred tax assets to the extent that these assets are more likely than not to be realized. In making such a determination, all available positive and negative evidence are considered, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations. If it is determined that deferred tax assets would be realized in the future in excess of their net recorded amount, an adjustment would be made to the deferred tax asset valuation allowance, which would reduce the provision for income taxes.

The Company records uncertain tax positions on the basis of a two-step process which includes (1) determining whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position, and (2) for those tax positions that meet the more-likely-than-not recognition threshold, the Company recognizes the amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authority.

The Company's policy is to recognize interest related to unrecognized tax benefits in other income (expense), net and to recognize penalties in general and administrative expenses in the consolidated statements of operations and comprehensive loss. Accrued interest and penalties are included within other current liabilities in the consolidated balance sheets.

Stock-Based Compensation

The Company issues stock-based compensation awards to employees, officers, directors, and non-employees in the form of stock options, restricted stock units ("RSUs") and employee stock purchase plan (the "ESPP"). The Company measures and recognizes compensation expense for stock-based awards based on the awards' fair value on the date of grant. The Company accounts for forfeitures of stock-based awards when they occur. The fair value of RSUs that vest based on service and/or performance conditions is measured using the fair value of the Company's common stock on the date of the grant. The fair value of RSUs that vest based on service and market conditions is measured using a Monte Carlo simulation model on the date of grant. The fair value of stock options that vest based on service condition is measured using the Black-Scholes option pricing model on the date of grant. The Monte Carlo simulation model and the Black-Scholes option pricing model require the input of assumptions, including the fair value of the Company's common stock, the expected term of the award, the expected volatility of the Company's common stock, risk-free interest rates, and the expected dividend yield of the Company's common stock. The assumptions used to determine the fair value of the awards represent management's best estimates. These estimates involve inherent uncertainties and the application of management's judgment.

The fair value of awards that vest based on only continuous service is recognized on a straight-line basis over the requisite service period. The fair value of awards that vest based on performance or market conditions is recognized over the requisite service period using the accelerated attribution method. Stock-based compensation expense is only recognized for awards with performance conditions once the performance condition becomes probable of being achieved. The performance-based RSUs granted prior to the Closing of the Merger vested upon the Closing of the Merger. The performance-based RSUs granted after the Closing of the Merger will vest based on the actual achievement of corporate performance goals and individual performance. The RSUs with market conditions will vest only if the Company achieves certain market capitalization targets.

Comprehensive Loss

Comprehensive loss is composed of two components: net loss and other comprehensive income (loss). Other comprehensive income (loss) refers to net unrealized gains or losses on investments in available-for sale securities and foreign currency translation adjustments that are recorded as an element of stockholders' equity and are excluded from the determination of net loss.

Research and Development

Research and development expenses consist primarily of materials, supplies, personnel-related expenses, contractor fees, engineering design and testing expenses, and allocated facilities cost. Substantially all of the Company's research and development expenses are related to developing new products, related technologies, and services and improving existing products and services. Research and development expenses have been expensed as incurred and included in the consolidated statements of operations and comprehensive loss.

Selling, General, and Administrative

Selling, general and administrative expense consist 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.

Advertising

Advertising costs are expensed as incurred and are included in sales and marketing expenses in the consolidated statements of operations and comprehensive loss. Advertising costs were $ 35.3 million for the year ended December 31, 2023. These costs were not material for the years ended December 31, 2022 and 2021, respectively.

Restructuring

The Company's restructuring charges primarily consist of severance payments, employee benefits, employee transition and stock-based compensation expenses associated with the management-approved restructuring plan. One-time employee termination benefits are recognized at the time of communication to employees, unless future service is required, in which case the costs are recognized over the future service period. Ongoing employee termination benefits are recognized when payments are probable and amounts are reasonably estimable. Other costs are recognized as incurred.

Commitments and Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount within a range of loss can be reasonably estimated. When no amount within the range is a better estimate than any other amount, the Company accrues for the minimum amount within the range. Legal costs incurred in connection with loss contingencies are expensed as incurred.

Net Loss Per Share

Basic and diluted net loss per share attributable to common stockholders is computed in conformity with the two-class method required for participating securities. The Company considers all series of its convertible preferred stock to be participating securities as the holders of such shares have the right to receive nonforfeitable dividends on a pari passu basis in the event that a dividend is paid on common stock. Under the two-class method, the net loss attributable to common stockholders is not allocated to the convertible preferred stock as the preferred stockholders do not have a contractual obligation to share in the Company's losses.

Basic net loss per share is computed by dividing net loss attributable to common stockholders by the weighted-average number of shares of common stock outstanding during the period. Diluted net loss per share is computed by giving effect to all potentially dilutive common share equivalents to the extent they are dilutive. Potentially dilutive shares of Private Placement Warrants under treasury stock method are included in the computation of diluted net loss per share when their effect is dilutive. For purposes of this calculation, Private Placement Warrants, stock options outstanding, RSUs outstanding, potential shares issued under ESPP and if-converted common shares from convertible note are considered to be common stock equivalents.

Common Stock Warrants

The Company accounts for warrants for shares of the Company's common stock that are not indexed to its own stock as liabilities at fair value on the balance sheet. Liability-classified common stock warrants are subject to remeasurement to fair value as of any respective exercise date and as of each subsequent balance sheet date with changes in fair value recorded in the Company's statement of operations and comprehensive loss. For issued or modified common stock warrants outstanding that meet all of the criteria for equity classification, the common stock warrants are recorded as a component of additional paid-in capital and are not remeasured to fair value in subsequent reporting periods.

The Company's publicly traded common stock warrants (the "Public Warrants") are equity-classified instruments because they are deemed indexed to the Company's own common stock and do not contain any provision that could require net cash settlement unless the holders of the underlying shares would also receive the same form of consideration as the holders of Public Warrants. The Company's privately placed common stock warrants (the "Private Placement Warrants") are liability-classified instruments because they are not deemed indexed to the Company's own common stock.

Government Grants

The Company recognizes government grants once there is reasonable assurance to receive the grants and meet all the conditions specified in the grants. Grants related to income are recorded as deductions to the related expenses for which the grants are intended to compensate. Grants related to fixed assets are recorded as a deduction in calculating the carrying amount of the related assets and are recognized in profit or loss over the life of a depreciable asset through reduced depreciation expense. Grants received in advance of the acquisition or construction of assets are recorded initially in deferred liability and then as a deduction in calculating the carrying amount of the related fixed assets upon acquisition or construction of the assets.

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.

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.

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 March 28, 2023, the Company announced a restructuring plan (the "Restructuring Plan") intended to reduce operating expenses in response to evolving business needs and productivity improvement through a reduction in workforce. The Company substantially completed the Restructuring Plan in 2023.

During the year ended December 31, 2023, the Company recorded charges of $ 24.5 million related to severance payments, employee benefits, employee transition and stock-based compensation, net of a reversal of previously recognized stock-based compensation expense. These charges were recorded within restructuring charges in the consolidated statements of operations and comprehensive loss.

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

	Year Ended December 31, 2023
Restructuring liabilities - beginning of period	$ —
Restructuring charges excluding non-cash items[1]	25,989
Cash payments	(25,935)
Restructuring liabilities - end of period	$ 54

[1] Excluded non-cash items of $ 1.4 million for the year ended December 31, 2023, 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 December 31, 2023, restructuring liabilities associated with the Restructuring Plan included in accrued compensation in the consolidated balance sheet was immaterial.

NOTE 4 – REVERSE RECAPITALIZATION

On July 23, 2021, upon the consummation of the Merger, all holders of 451,295,965 issued and outstanding Legacy Lucid common stock received shares of Lucid common stock at a deemed value of $ 10.00 per share after giving effect to the exchange ratio of 2.644 (the "Exchange Ratio") resulting in 1,193,226,511 shares of Lucid common stock issued and outstanding as of the Closing and all holders of 42,182,931 issued and outstanding Legacy Lucid equity awards received Lucid equity awards covering 111,531,080 shares of Lucid common stock at a deemed value of $ 10.00 per share after giving effect to the Exchange Ratio, based on the following events contemplated by the Merger Agreement:

- the cancellation and conversion of all 437,182,072 issued and outstanding shares of Legacy Lucid preferred stock into 437,182,072 shares of Legacy Lucid common stock at the conversion rate as calculated pursuant to Legacy Lucid's memorandum and articles of association at the date and time that the Merger became effective;
- the surrender and exchange of all 451,295,965 issued and outstanding shares of Legacy Lucid common stock (including Legacy Lucid common stock resulting from the conversion of the Legacy Lucid preferred stock) into 1,193,226,511 shares of Lucid common stock as adjusted by the Exchange Ratio;
- the cancellation and exchange of all 25,764,610 granted and outstanding vested and unvested Legacy Lucid Options, which became 68,121,210 Lucid Options exercisable for shares of Lucid common stock with the same terms and vesting conditions except for the number of shares exercisable and the exercise price, each of which was adjusted by the Exchange Ratio; and
- the cancellation and exchange of all 16,418,321 granted and outstanding vested and unvested Legacy Lucid RSUs, which became 43,409,870 Lucid RSUs for shares of Lucid common stock with the same terms and vesting conditions except for the number of shares, which was adjusted by the Exchange Ratio.

The other related events that occurred in connection with the Closing are summarized below:

- Churchill entered into separate private placement subscription agreements (the "PIPE Investment") contemporaneously with the execution of the Merger Agreement pursuant to which Churchill agreed to sell and issue an aggregate of 166,666,667 shares of common stock at a purchase price of $ 15.00 per share for an aggregate purchase price of $ 2,500.0 million. The PIPE Investment closed simultaneously with the Closing of the Merger;
- Churchill Sponsor IV LLC (the "Churchill Sponsor") exercised its right to convert the outstanding and unpaid amount of $ 1.5 million under the working capital loan provided by the Churchill Sponsor to Churchill into an additional 1,500,000 Private Placement Warrants at a price of $ 1.00 per warrant in satisfaction of such loan;
- Churchill and the Churchill Sponsor entered into a letter agreement (the "Sponsor Agreement"), pursuant to which the Churchill Sponsor agreed that 17,250,000 shares of Churchill's issued and outstanding common stock beneficially held by the Churchill Sponsor (the "Sponsor Earnback Shares") and 14,783,333 Private Placement Warrants beneficially held by the Churchill Sponsor (the "Sponsor Earnback Warrants") to purchase shares of the Churchill's common stock shall become subject to transfer restrictions and contingent forfeiture provisions upon the Closing of the Merger until Lucid's stock price exceeded certain predetermined levels in the post-Merger period. Any such shares and warrants not released from these transfer restrictions during the earnback period, which expires on the fifth anniversary of the Closing, will be forfeited back to Lucid for no consideration. See Note 13 "Earnback Shares and Warrants" for more information; and
- Churchill redeemed 21,644 public shares of Churchill's Class A common stock at approximately $ 10.00 per share for an aggregate payment of $ 0.2 million.

After giving effect to the Merger and the redemption of Churchill shares as described above, the number of shares of common stock issued and outstanding immediately following the consummation of the Merger was as follows:

	Shares
Churchill public shares, prior to redemptions	207,000,000
Less redemption of Churchill shares	(21,644)
Churchill public shares, net of redemptions	206,978,356
Churchill Sponsor shares[1]	51,750,000
PIPE shares[2]	166,666,667
Total shares of Churchill common stock outstanding immediately prior to the Merger	425,395,023
Legacy Lucid shares	1,193,226,511
Total shares of Lucid common stock outstanding immediately after the Merger [3][4]	1,618,621,534

[1] The 51,750,000 shares beneficially owned by the Churchill Sponsor as of the Closing of the Merger includes the 17,250,000 Sponsor Earnback Shares.

[2] Reflects the sale and issuance of 166,666,667 shares of common stock to the PIPE Investors at $ 15.00 per share.

[3] Excludes 111,531,080 shares of common stock as of the Closing of the Merger to be reserved for potential future issuance upon the exercise of Lucid Options or settlement of Lucid RSUs.

[4] Excludes the 85,750,000 warrants issued and outstanding as of the Closing of the Merger, which includes the 41,400,000 Public Warrants and the 44,350,000 Private Placement Warrants. The 44,350,000 Private Placement Warrants beneficially owned by the Churchill Sponsor as of the consummation of the Merger includes the 14,783,333 Sponsor Earnback Warrants.

The Merger has been accounted for as a reverse recapitalization under U.S. GAAP. Under this method of accounting, Churchill has been treated as the acquired company for financial reporting purposes. The reverse recapitalization accounting treatment was primarily determined based on the stockholders of Legacy Lucid having a relative majority of the voting power of Lucid and having the ability to nominate the majority of the members of the Lucid board of directors, senior management of Legacy Lucid comprise the senior management of Lucid, and the strategy and operations of Legacy Lucid prior to the Merger comprise the only ongoing strategy and operations of Lucid. Accordingly, for accounting purposes, the financial statements of Lucid represent a continuation of the financial statements of Legacy Lucid with the Merger being treated as the equivalent of Legacy Lucid issuing shares for the net assets of Churchill, accompanied by a recapitalization. The net assets of Churchill were recognized as of the Closing at historical cost, with no goodwill or other intangible assets recorded. Operations prior to the Merger are presented as those of Legacy Lucid and the accumulated deficit of Legacy Lucid has been carried forward after Closing.

All periods prior to the Merger have been retrospectively adjusted using the Exchange Ratio for the equivalent number of shares outstanding immediately after the Closing to effect the reverse recapitalization.

In connection with the Closing of the Merger, the Company raised $ 4,439.2 million of gross proceeds, including the contribution of $ 2,070.1 million of cash held in Churchill's trust account from its initial public offering along with $ 2,500.0 million of cash raised by Churchill in connection with the PIPE Investment and $ 0.4 million of cash held in the Churchill operating cash account. The gross proceeds were net of $ 0.2 million paid to redeem 21,644 shares of Churchill Class A common stock held by public stockholders and $ 131.4 million in costs incurred by Churchill prior to the Closing. The Company additionally incurred $ 38.9 million of transaction costs, consisting of banking, legal, and other professional fees, of which $ 36.2 million was recorded as a reduction to additional paid-in capital of proceeds and the remaining $ 2.7 million was expensed in July 2021. The total net cash proceeds to the Company were $ 4,400.3 million.

NOTE 5 – BALANCE SHEETS COMPONENTS

Inventory

Inventory as of December 31, 2023 and 2022 was as follows (in thousands):

	December 31, 2023	December 31, 2022
Raw materials	$ 210,283	$ 464,731
Work in progress	53,227	34,311
Finished goods	432,726	335,359
Total Inventory	$ 696,236	$ 834,401

Inventory as of December 31, 2023 and 2022 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. During the years ended December 31, 2023, 2022, and 2021, the Company recorded write-downs of $ 926.9 million, $ 569.5 million, and $ 48.9 million, respectively, to reduce its inventories to its net realizable values, for any excess or obsolete inventories, and losses from firm purchase commitments.

Property, plant and equipment, net

Property, plant and equipment, net as of December 31, 2023 and 2022 was as follows (in thousands):

	December 31, 2023	December 31, 2022
Land and land improvements	$ 69,718	$ 64,677
Building and improvements [(1)]	576,097	197,406
Machinery, tooling and vehicles [(2)]	1,045,485	743,006
Computer equipment and software	74,336	48,899
Leasehold improvements	221,619	182,904
Furniture and fixtures	45,315	27,803
Finance leases	94,285	97,992
Construction in progress	1,185,413	1,077,179
Total Property, plant and equipment	3,312,268	2,439,866
Less accumulated depreciation and amortization	(501,401)	(273,090)
Property, plant and equipment, net	$ 2,810,867	$ 2,166,776

[(1)] As of December 31, 2023, $ 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. See Note 20 "Related Party Transactions" for more information.

[(2)] Included $ 32.5 million of service loaner vehicles as of December 31, 2023.

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, which is 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):

	December 31, 2023	December 31, 2022
Machinery and tooling	$ 728,751	$ 515,662
Construction of AMP-1 and AMP-2[(1)]	430,878	526,720
Leasehold improvements	25,784	34,797
Total construction in progress	$ 1,185,413	$ 1,077,179

[(1)] As of December 31, 2023 and 2022, $ 12.1 million and $ 33.3 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 2 "Summary of Significant Accounting Policies" and Note 20 "Related Party Transactions" for more information.

Depreciation and amortization expense was $ 233.5 million, $ 186.6 million and $ 62.9 million for the years ended December 31, 2023, 2022 and 2021, respectively. The amount of interest capitalized on construction in progress related to significant capital asset construction was $ 12.4 million and $ 2.7 million for the years ended December 31, 2023 and 2022, respectively. No interest was capitalized for the year ended December 31, 2021.

Other current liabilities

Other current liabilities as of December 31, 2023 and 2022 were as follows (in thousands):

	December 31, 2023	December 31, 2022
Engineering, design, and testing accrual	$ 42,176	$ 28,686
Construction in progress	156,414	167,462
Accrued purchases[(1)]	44,957	157,162
Retail leasehold improvements accrual	6,005	9,099
Third-party services accrual	41,478	34,951
Tooling liability	49,925	21,714
Short-term borrowings	72,533	9,595
Operating lease liabilities, current portion	28,431	11,269
Reserve for loss on firm inventory purchase commitments	143,566	22,640
Accrued warranty	22,677	10,464
Other current liabilities	190,828	161,525
Total other current liabilities	$ 798,990	$ 634,567

[(1)] 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 December 31, 2023 and 2022 were as follows (in thousands):

	December 31, 2023	December 31, 2022
Operating lease liabilities, net of current portion	$ 244,122	$ 243,843
Other long-term liabilities[(1)(2)]	280,217	134,369
Total other long-term liabilities	$ 524,339	$ 378,212

[(1)] As of December 31, 2023 and 2022, $ 62.5 million and $ 64.0 million, of capital expenditure support received from MISA was recorded as deferred liability within other long-term liabilities in the consolidated balance sheets, respectively. See Note 2 "Summary of Significant Accounting Policies" and Note 20 "Related Party Transactions" for more information.

[2] As of December 31, 2023, $ 107.8 million of deferred revenue was recorded within other long-term liabilities in the consolidated balance sheet, 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 20 "Related Party Transactions" for more information.

Accrued warranty

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

	Year Ended December 31,	
	2023	2022
Accrued warranty - beginning of period	$ 22,949	$ 1,282
Warranty costs incurred	(50,923)	(11,557)
Provision for warranty[1]	74,050	33,224
Accrued warranty - end of period[2]	$ 46,076	$ 22,949

[1] Provision for warranty for the years ended December 31, 2023 and 2022 included estimated costs related to the recalls identified and/or special campaigns to repair or replace items under warranties.

[2] Accrued warranty balance of $ 22.7 million and $ 10.4 million, respectively, was recorded within other current liabilities, and $ 23.4 million and $ 12.5 million, respectively, was recorded within other long-term liabilities, in the consolidated balance sheets as of December 31, 2023 and 2022.

NOTE 6 - 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 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 consolidated balance sheets. The Company's short-term and long-term investments are classified as available-for-sale securities.

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 December 31, 2023 and 2022 (in thousands):

	December 31, 2023						
					Reported As:		
	Amortized cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	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

	December 31, 2022						
					Reported As:		
	Amortized cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Cash and cash equivalents	Short-Term Investments	Long-Term Investments
Cash	$ 321,667	$ —	$ —	$ 321,667	$ 321,667	$ —	$ —
Level 1:							
Money market funds	1,377,540	—	—	1,377,540	1,377,540	—	—
U.S. Treasury securities	1,861,449	151	(9,431)	1,852,169	—	1,570,591	281,578
Subtotal	3,238,989	151	(9,431)	3,229,709	1,377,540	1,570,591	281,578
Level 2:							
U.S. government agency securities	43,477	46	(18)	43,505	—	43,505	—
Certificates of deposit	174,037	67	(132)	173,972	—	173,972	—
Commercial paper	238,224	63	(122)	238,165	19,761	218,404	—
Corporate debt securities	438,148	208	(2,404)	435,952	16,797	170,759	248,396
Subtotal	893,886	384	(2,676)	891,594	36,558	606,640	248,396
Total	$ 4,454,542	$ 535	$ (12,107)	$ 4,442,970	$ 1,735,765	$ 2,177,231	$ 529,974

During the years ended December 31, 2023 and 2022, there were immaterial 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 $ 11.1 million and $ 7.5 million as of December 31, 2023 and 2022, respectively, and was recorded in other current assets on its consolidated balance sheets. As of December 31, 2023 and 2022, 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:

	December 31, 2023	
	Amortized cost	Estimated Fair Value
Within one year	$ 2,491,627	$ 2,489,798
After one year through three years	458,117	461,029
Total	$ 2,949,744	$ 2,950,827

On November 6, 2023, the Company received 28,352,273 ordinary shares of Aston Martin with an initial fair value of $ 73.2 million. 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. Such equity securities were remeasured to a fair value of $ 81.5 million as of December 31, 2023 and were recorded in other noncurrent assets in the consolidated balance sheet. During the year ended December 31, 2023, the Company recognized $ 6.0 million of unrealized gain in change in fair value of equity securities in the consolidated statement of operations and comprehensive loss. During the year ended December 31, 2023, the Company also recognized $ 2.3 million of unrealized foreign currency gain related to these equity securities in other income (expense), net in the consolidated statement of operations and comprehensive loss. See Note 20 “Related Party Transactions” for more information.

Level 3 liabilities consist of common stock warrant liability of which the fair value was measured upon issuance and is remeasured at each reporting date. Level 3 liabilities also consist of residual value guarantee liabilities, of which the fair value measurement is nonrecurring and measured upon delivery of vehicles. The valuation methodology and underlying assumptions are discussed further in Note 2 “Summary of Significant Accounting Policies” and Note 10 “Common Stock Warrant Liability”. Significant increases (decreases) in the unobservable inputs used in determining the fair value would result in a significantly higher (lower) fair value measurement. The following table presents a reconciliation of the common stock warrant liability measured and recorded at fair value on a recurring basis (in thousands):

	Year Ended December 31,	
	2023	2022
Fair value-beginning of period	$ 140,590	$ 1,394,808
Change in fair value	(86,926)	(1,254,218)
Fair value-end of period	$ 53,664	$ 140,590

NOTE 7 – 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 2026 Notes have been designated 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 will be 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 ending 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 December 31, 2023 and 2022 (in millions):

	December 31, 2023	December 31, 2022
Principal Amount	$ 2,012.5	$ 2,012.5
Unamortized Debt Discounts and Issuance Costs	(15.5)	(20.7)
Net Carrying Amount	$ 1,997.0	$ 1,991.8
Fair Value (Level 2)	$ 1,061.6	$ 1,041.5

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

	Year Ended December 31,		
	2023	2022	2021
Contractual interest	$ 25.2	$ 25.2	$ 1.2
Amortization of debt discounts and debt issuance costs	5.2	5.0	0.2
Interest expense	$ 30.4	$ 30.2	$ 1.4

The 2026 Notes were not eligible for conversion as of December 31, 2023 and 2022. 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 December 31, 2023 and 2022, 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 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 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 $ 110.7 million) to SAR 1.77 billion (approximately $ 472.0 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 December 31, 2023 and 2022 , 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 $ 266.7 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 December 31, 2023, the Company had outstanding borrowings of SAR 272 million (approximately $ 72.5 million) with weighted average interest rate of 7.49 %. As of December 31, 2023, availability under the GIB Credit Facility was SAR 727 million (approximately $ 193.9 million), after giving effect to the outstanding letters of credit. As of December 31, 2022, the Company had outstanding borrowings of SAR 36 million (approximately $ 9.6 million) with interest rate of 6.40 % from the Working Capital Facility. As of December 31, 2022, available borrowings were SAR 650 million (approximately $ 173.0 million) and SAR 314 million (approximately $ 83.5 million) under the Bridge Facility and Working Capital Facility, respectively. The outstanding borrowings were recorded within other current liabilities in the consolidated balance sheets. The Company recorded interest expenses of SAR 8 million (approximately $ 2.2 million) for the year ended December 31, 2023. The interest expense recorded for the year ended December 31, 2022 was immaterial . As of December 31, 2023 and 2022, 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. 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 ("FCCR") financial covenant, in each case on terms set forth in the credit agreement governing the ABL Credit Facility. As of December 31, 2023 and 2022, the Company was in compliance with applicable covenants under the ABL Credit Facility.

As of December 31, 2023 and 2022, the Company had no outstanding borrowings under the ABL Credit Facility. Outstanding letters of credit under the ABL Credit Facility were $ 45.4 million and $ 37.4 million as of December 31, 2023 and 2022, respectively. Availability under the ABL Credit Facility was $ 413.4 million (including $ 144.0 million cash and cash equivalents) and $ 441.4 million (including $ 37.3 million cash and cash equivalents) as of December 31, 2023 and 2022, 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 consolidated balance sheets and amortized over the facility term using the straight-line method. The Company recorded amortization of the deferred issuance costs and commitment fee of $ 3.7 million and $ 2.1 million for the years ended December 31, 2023 and 2022, respectively.

NOTE 8 - CONTINGENT FORWARD CONTRACTS

In September 2020, the Company and Ayar entered into a stock purchase agreement for the Company's Series E convertible preferred stock (the "Series E Preferred Stock Purchase Agreement"). In February 2021, the Company and Ayar entered into Amendment No. 1 to the Series E Preferred Stock Purchase Agreement ("Amendment No. 1"). Under the Amendment No. 1, Ayar and the Company agreed to enter into the third closing of additional 133,818,821 Series E convertible preferred stock at $ 2.99 per share, aggregating to $ 400.0 million. Upon the signing of the Amendment No. 1, the Company received the issuance proceeds of $ 400.0 million from Ayar in February 2021.

Amendment No. 1 also allowed the Company to provide an opportunity to all current convertible preferred stockholders other than Ayar ("Eligible Holders") to enter into the fourth closing to purchase up to 23,737,221 shares of Series E convertible preferred stock on a pro rata basis at $ 2.99 per share, aggregating to $ 71.0 million. In addition, the amendment allowed the Company to offer for purchase at the fourth closing at $ 2.99 per share, a number of Series E Preferred Stock to senior management employees, directors, consultants, advisors and/or contractors of the Company ("Additional Purchasers") and Ayar. Refer to Note 11 "Convertible Preferred Stock".

In April 2021, the Company issued 66,909,408 Series E convertible preferred stock from the fourth closing at $ 2.99 per share for cash consideration of $ 200.0 million. The Company received $ 107.1 million of the total issuance proceeds in March 2021 and the remaining $ 92.9 million in April 2021. See Note 11 "Convertible Preferred Stock" for more information.

The Company determined the right to participate in future Series E convertible preferred share financing to be a freestanding financial instrument similar to a derivative liability in the form of contingent forward contracts and recorded the initial valuation of $ 1,444.9 million and $ 722.4 million for the third closing and fourth closing, respectively, as contingent forward contract liabilities. Since the contingent forward contract liability related to the third closing was fully settled in the same month following the execution of the amendment, the Company recorded no related fair value remeasurements in the consolidated statements of operations and comprehensive loss.

The Company issued Offer Notices to certain of the Company's management and members of the Board of Directors in March 2021 and April 2021. The Series E convertible preferred stock issued from the fourth closing included 3,034,194 shares to the Company's management and 1,658,705 shares to members of the Board of Directors. The total issuance to the Company's management included 535,275 shares offered to the CEO in April 2021. The offer to employees in the fourth closing to participate in future Series E convertible preferred stock financing represents a fully vested, equity classified award. The Company recorded the award's full fair value on each recipient's grant date as stock-based compensation, and derecognized the related contingent forward contract liability. The Company revalued the contingent forward contract liability for the remaining participants and recorded $ 454.5 million fair value remeasurement loss related to the contingent forward contract liability for the year ended December 31, 2021, with the final fair value of the contingent forward contract liability of $ 1.2 billion reclassified into Series E convertible preferred stock upon the fourth closing in April 2021. There was no related outstanding contingent forward contract liability as of December 31, 2021.

The fair value of the Series E convertible preferred stock contingent forward contract liability for the third closing was determined using a forward payoff. The Company's inputs used in determining the fair value on the issuance date and settlement date, were as follows:

Stock Price	$ 13.79
Volatility	100.00 %
Expected term (in years)	0.01
Risk-free rate	0.03 %

The fair value of the Series E convertible preferred stock contingent forward contract liability for the fourth closing was determined using a forward and an option payoff. The Company's inputs used in determining the fair value on the issuance date were as follows:

Fair value of Series E convertible preferred share	$ 13.79
Volatility	100.00 %
Expected term (in years)	0.11
Risk-free rate	0.03 %

The fair value of the Series E convertible preferred stock contingent forward contract liability for the fourth closing was determined as the difference between the Series E convertible preferred stock fair value and the purchase price. The Company estimated the fair value of each of the Series E convertible preferred stock on the settlement date by taking the closing price of Churchill's Class A common stock on April 1, 2021 of $ 23.78 multiplied by the expected exchange ratio at the time, and discounted for lack of marketability.

NOTE 9 - CONVERTIBLE PREFERRED STOCK WARRANT LIABILITY

The Company's issued and outstanding convertible preferred stock warrants to purchase a total of 1,546,799 shares of Series D convertible preferred stock, with an exercise price of $ 1.94 per share were recorded at fair value using a Monte-Carlo simulation at issuance and have been subsequently remeasured to fair value each reporting period with the changes recorded in the consolidated statements of operations and comprehensive loss. In February 2021, all the outstanding convertible preferred stock warrants were settled in its entirety at an exercise price of $ 1.94 per share for an aggregate purchase price of $ 3.0 million. Upon final settlement, the Company converted the warrant into $ 12.9 million Series D convertible preferred stock, and recorded $ 7.0 million losses related to fair value remeasurements of the warrants in the consolidated statement of operations and comprehensive loss for the year ended December 31, 2021.

NOTE 10 - 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 fair value of $ 140.6 million as of December 31, 2022. The Private Placement Warrants remained unexercised and were remeasured to fair value of $ 53.7 million as of December 31, 2023. The Company recognized gains of $ 86.9 million and $ 1,254.2 million, and a loss of $ 582.8 million for the years ended December 31, 2023, 2022 and 2021, respectively, in the consolidated statements of operations and comprehensive loss.

The 44,350,000 Private Placement Warrants included the 14,783,333 Sponsor Earnback Warrants subject to the contingent forfeiture provisions. The earnback triggering events were satisfied during the year ended December 31, 2021 such that the 14,783,333 Sponsor Earnback Warrants vested and are no longer subject to the transfer restrictions and contingent forfeiture provisions. See Note 13 "Earnback Shares and Warrants" for more information.

The Company initially estimated the fair value of the Private Placement Warrants that were subject to the contingent forfeiture provisions using a Monte-Carlo simulation which estimates a distribution of potential outcomes over the earnback period related to the achievement of the volume-weighted average trading sale price (the "VWAP") thresholds. The present value of the payoff in each simulation is calculated, and the fair value of the liability is determined by taking the average of all present values. The fair value of the Private Placement Warrants that were subject to the contingent forfeiture provisions were as follows:

	July 23, 2021
Fair value of Tranche 1 with $ 20.00 VWAP threshold per share	$ 18.16
Fair value of Tranche 2 with $ 25.00 VWAP threshold per share	$ 18.07
Fair value of Tranche 3 with $ 30.00 VWAP threshold per share	$ 17.92

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 were as follows:

	December 31, 2023	December 31, 2022
Fair value of Private Placement Warrants per share	$ 1.21	$ 3.17

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:

	December 31, 2023	December 31, 2022
Volatility	85.0 %	80.0 %
Expected term (in years)	2.6	3.6
Risk-free rate	4.1 %	4.1 %
Dividend yield	— %	— %

NOTE 11 – CONVERTIBLE PREFERRED STOCK

Convertible Preferred Stock

Upon the Closing of the Merger, the Company cancelled and converted all 1,155,909,367 shares of issued and outstanding convertible preferred stock into 1,155,909,367 shares of Lucid common stock based upon the conversion rate as calculated pursuant to Legacy Lucid's memorandum and articles of association at the date and time that the Merger became effective. As of December 31, 2023 and 2022, there were no issued and outstanding shares of convertible preferred stock.

In 2014 through April 2021, the Company had issued Series A, Series B, Series C, and Series D and Series E convertible preferred stock ("Series A," "Series B," "Series C," "Series D," "Series E," respectively) (collectively, the "Convertible Preferred Stock").

Convertible Preferred Stock was carried at its issuance price, net of issuance costs.

Fifth Company Repurchase (Series B - December 2020)

On December 22, 2020, the Company repurchased 3,525,332 Series B convertible preferred stock for a total of $ 3.0 million. The Company recognized $ 1.0 million in additional paid-in capital in the consolidated balance sheet as of December 31, 2020, related to the difference in fair value of the consideration payable and the $ 4.0 million aggregate carrying value of the Series B shares repurchased. As of the date of extinguishment and as of December 31, 2020, the Series B convertible preferred stock subject to repurchase had been mandatorily redeemable within 45 days of the agreement and accordingly had been reclassified to other current liabilities in the consolidated balance sheet.

Series E Convertible Preferred Stock Issuance

In February 2021, the Company and Ayar entered into Amendment No. 1 to the original Series E Preferred Stock Purchase Agreement ("Amendment No. 1"). Under the Amendment No. 1, Ayar and the Company agreed to enter into the third closing of additional 133,818,821 shares of Series E convertible preferred stock at $ 2.99 per share, aggregating to $ 400.0 million. Upon the signing of the Amendment No. 1, the Company received the issuance proceeds of $ 400.0 million from Ayar in February 2021.

Amendment No. 1 also allowed the Company to provide an opportunity to all current convertible preferred stockholders other than Ayar ("Eligible Holders") to enter into the fourth closing to purchase up to 23,737,221 shares of Series E convertible preferred stock on a pro rata basis at $ 2.99 per share, aggregating to $ 71.0 million. In addition, the amendment allowed the Company to offer for purchase at the fourth closing at $ 2.99 per share, a number of Series E Preferred Stock to senior management employees, directors, consultants, advisors and/or contractors of the Company ("Additional Purchasers"). The aggregate number of Series E Preferred Stock sold at the third closing and fourth closing would not exceed 200.7 million shares ("Extension Amount"). Ayar committed to purchase the entire Extension Amount to the extent not subscribed by Eligible Holders or Additional Purchasers.

In April 2021, the Company issued 66,909,408 Series E convertible preferred stock from the fourth closing at $ 2.99 per share for cash consideration of $ 200.0 million. The Company received $ 107.1 million of the entire cash consideration in March 2021, and the remaining $ 92.9 million in April 2021. The Company issued Offer Notices to certain of the Company's management and members of the Board of Directors in March 2021 and April 2021. The Series E convertible preferred stock issued from the fourth closing included 3,034,194 shares to the Company's management and 1,658,705 shares to members of the Board of Directors. The total issuance to the Company's management includes 535,275 shares offered to the CEO in April 2021. The offer to employees to participate in a future Series E convertible preferred stock financing represented a fully vested, equity classified award. The excess of the award's fair value over the purchase price of $ 123.6 million on each recipient's grant date during the year ended December 31, 2021 was recorded as stock-based compensation.

Along with the execution of Amendment No. 1, the Company also increased the authorized number of common shares and convertible preferred stock to 1,316,758,889 and 1,155,909,398 stock, respectively.

NOTE 12 – STOCKHOLDERS' EQUITY

Preferred Stock

The Company has authorized the issuance of 10,000,000 shares of undesignated preferred stock with a par value of $ 0.0001 per share with rights and preferences, including voting rights, designated from time-to-time by the Board of Directors. As of December 31, 2023 and 2022, there were no issued and outstanding shares of preferred stock.

Common Stock

On July 23, 2021, in connection with the reverse recapitalization treatment of the Merger, the Company effectively issued 425,395,023 new shares of common stock upon the Closing. The Company also converted all 1,155,909,367 shares of its issued and outstanding convertible preferred stock into 1,155,909,367 new shares of common stock as of the Closing of the Merger based upon the conversion rate as calculated pursuant to Legacy Lucid’s memorandum and articles of association. Immediately following the Merger, there were 1,618,621,534 shares of common stock outstanding with a par value of $ 0.0001 . The holder of each share of common stock is entitled to one vote.

On November 8, 2022, the Company entered into 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. During the year ended December 31, 2022, the Company issued 56,203,334 shares at a weighted average price per share of $ 10.68 and received net proceeds of $ 594.3 million after deducting commissions and other issuance costs of $ 5.7 million. No shares remain available for sale under the Equity Distribution Agreement.

On November 8, 2022, the Company also entered into the 2022 Subscription Agreement, 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. During the year ended December 31, 2022, the Company issued 85,712,679 shares to Ayar pursuant to the 2022 Subscription Agreement at a weighted average price per share of $ 10.68 , and received aggregate proceeds of $ 915.0 million.

On May 31, 2023, the Company entered into the Underwriting Agreement with the Underwriter, under which the Underwriter agreed to purchase 173,544,948 shares of the Company’s common stock at a price per share of $ 6.83 , for aggregate net proceeds to the Company of $ 1.2 billion. In June 2023, the Company issued the shares to the Underwriter pursuant to the Underwriting Agreement and received aggregate net proceeds of $ 1.2 billion after deducting issuance costs of $ 1.1 million.

On May 31, 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 to the Company 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.

Issuance costs incurred were recorded as a reduction of the gross proceeds received from the equity offerings within additional paid-in capital in the consolidated balance sheets.

Common Stock Warrants

On July 23, 2021, in connection with the reverse recapitalization treatment of the Merger, the Company effectively issued 41,400,000 publicly-traded warrants to purchase shares of its common stock. Each whole warrant entitled the holder to purchase one share of the Company’s common stock at a price of $ 11.50 per share. The Public Warrants were exercisable as of August 22, 2021 and expire on July 23, 2026, if not yet exercised by the holder or redeemed by the Company.

During the year ended December 31, 2021, an aggregate of 41,034,197 Public Warrants were exercised, of which 25,966,976 were exercised on a cashless basis. The aggregate cash proceeds received from the exercise of these Public Warrants were $ 173.3 million. The Company redeemed the remaining 365,803 Public Warrants that were not exercised by the holders at a redemption price of $ 0.01 per warrant.

A summary of activity of the Company's issued and outstanding Public Warrants was as follows:

	December 31, 2021
Public Warrants issued in connection with Merger on July 23, 2021	41,400,000
Number of Public Warrants exercised	(41,034,197)
Public Warrants redeemed	(365,803)
Issued and outstanding Public Warrants as of December 31, 2021	—

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 years ended December 31, 2023 and 2022.

Common Stock Reserved for Issuance

The Company's common stock reserved for future issuances as of December 31, 2023 was as follows:

	December 31, 2023
Private Placement Warrants to purchase common stock	44,350,000
Stock options outstanding	32,911,135
Restricted stock units outstanding	64,005,564
Shares available for future grants under equity plans	18,326,354
If-converted common shares from convertible note	36,737,785
Total shares of common stock reserved	196,330,838

NOTE 13 – EARNBACK SHARES AND WARRANTS

During the period between the Closing and the five-year anniversary of the Closing, the Churchill Sponsor has subjected the 17,250,000 Sponsor Earnback Shares of issued and outstanding common stock and 14,783,333 Sponsor Earnback Warrants of issued and outstanding Private Placement Warrants to potential forfeiture to Lucid for no consideration until the occurrence of each tranche's respective earnback triggering event. The earnback triggering events related to achieving a volume-weighted average trading sale price greater than or equal to $ 20.00 , $ 25.00 , and $ 30.00 , respectively, for any 40 trading days within any 60 consecutive trading day period were satisfied during the year ended December 31, 2021. As a result, the 17,250,000 Sponsor Earnback Shares of issued and outstanding common stock and 14,783,333 Sponsor Earnback Warrants of issued and outstanding Private Placement Warrants were vested and no longer subject to the transfer restrictions and contingent forfeiture provisions.

NOTE 14 – STOCK-BASED AWARDS

Legacy Lucid 2021 Stock Incentive Plan

In January 2021, the Company's Board of Directors adopted and the stockholders approved the 2021 Stock Incentive Plan (the "2021 Plan"). The 2021 Plan replaced the Company's 2014 Plan, adopted by the Board of Directors in May 2014 (the "2014 Plan"). The 10,526,235 shares reserved for future issuance under the 2014 Plan were removed and added to the share reserve under the 2021 Plan. The 2021 Plan provided for the grant of incentive stock options, non-statutory stock options, restricted shares, RSU, share appreciation rights, performance-based awards and cash-based awards to the Company's employees, directors, and consultants.

Lucid 2021 Stock Incentive Plan and ESPP

In July 2021, the Company's Board of Directors adopted and the stockholders approved the 2021 Incentive Plan (the "2021 Incentive Plan"), which includes an ESPP as an addendum. The 2021 Incentive Plan replaced the 2021 Plan. The 2021 Incentive Plan provides for the grant of restricted shares, non-qualified stock options, incentive stock options, unrestricted shares, stock appreciation rights, restricted stock units and cash awards. Shares of common stock underlying awards that are forfeited or cancelled generally are returned to the pool of shares available for issuance under the 2021 Incentive Plan.

The Company had 18,326,354 shares of common stock available for issuance under the 2021 Incentive Plan, including the ESPP, as of December 31, 2023.

Stock Options

The Company's outstanding stock options generally expire between 7 years to 10 years from the date of grant and are exercisable when the options vest. Incentive stock options and non-statutory options generally vest over four years , the majority of which vest at a rate of 25 % on the first anniversary of the grant date, with the remainder vesting ratably each month over the next three years . A summary of stock option activity for the year ended December 31, 2023 was as follows:

	Outstanding Options			
	Number of Options	Weighted Average Exercise Price	Weighted-Average Remaining Contractual Term	Intrinsic Value (in thousands)
Balance as of December 31, 2022	39,011,116	$ 1.19	6.5	$ 224,721
Options granted	4,829,886	7.61		
Options exercised	(9,003,642)	1.15		
Options canceled	(1,926,225)	3.83		
Balance as of December 31, 2023	32,911,135	$ 1.99	5.5	$ 91,785
Options vested and exercisable as of December 31, 2023	26,806,933	$ 1.17	5.2	$ 86,227

The weighted-average grant-date fair value for options granted for the year ended December 31, 2023 is $ 3.61 . Aggregate intrinsic value represents the difference between the exercise price of the options and the fair value of common shares. The aggregate intrinsic value of options exercised was $ 50.1 million, $ 475.5 million and $ 206.7 million for the years ended December 31, 2023, 2022 and 2021, respectively.

The total fair value of stock options granted during the years ended December 31, 2023 and 2021 was $ 17.4 million and $ 24.0 million, respectively, which is recognized over the respective vesting periods. No stock options were granted during the year ended December 31, 2022. The total fair value of stock options vested during the years ended December 31, 2023, 2022 and 2021, was $ 5.4 million, $ 5.5 million and $ 6.2 million, respectively.

The Company estimates the fair value of the options utilizing the Black-Scholes option pricing model, which is dependent upon several variables, including expected option term, expected volatility of the Company's share price over the expected term, expected risk-free interest rate over the expected option term, and expected dividend yield rate over the expected option term, and actual forfeiture rates. A summary of the weighted-average assumptions the Company utilized to record compensation expense for stock options granted during the years ended December 31, 2023 and 2021 was as follows:

	December 31, 2023	December 31, 2021
Volatility	83.9 %	48.4 %
Expected term (in years)	5.0	6.6
Risk-free interest rate	4.1 %	1.5 %
Expected dividends	— %	— %

As of December 31, 2023, unrecognized stock-based compensation cost related to outstanding unvested stock options that are expected to vest was $ 15.1 million, which is expected to be recognized over a weighted-average period of 3.2 years.

Restricted Stock Units ("RSUs")

A summary of RSUs activity for the year ended December 31, 2023 was as follows:

	Restricted Stock Units			
	Time-Based Shares	Performance-Based Shares	Total Shares	Weighted-Average Grant-Date Fair Value
Balance as of December 31, 2022	38,570,298	2,090,140	40,660,438	$ 19.38
Granted	44,809,648	7,896,791	52,706,439	6.66
Vested	(19,620,735)	—	(19,620,735)	15.62
Cancelled/Forfeited	(9,059,472)	(681,106)	(9,740,578)	13.89
Balance as of December 31, 2023	54,699,739	9,305,825	64,005,564	$ 10.90

Time-based RSUs granted prior to the Closing of Merger are subject to both performance-based and service-based vesting conditions. The performance condition was satisfied upon the Closing of the Merger, and the service condition will be met generally over 4.0 years. The Company granted 13,834,748 shares of the time-based RSUs to the CEO that will vest in sixteen equal quarterly installments, beginning on December 5, 2021, and are subject to continuous employment. The service condition for 25 % of the Company's non-CEO RSUs granted prior to the Closing of Merger was satisfied 375 days after the Closing. The remaining RSUs will be satisfied in equal quarterly installments thereafter, subject to continuous employment. The Company recognizes compensation expense for these time-based RSUs on a graded vesting schedule over the requisite vesting period. Fair value of these time-based RSUs was measured using the fair value of the Company's common stock on the date of the grant, as based on the market price of Churchill's stock adjusted for the expected exchange ratio at the time, and discounted for lack of marketability.

Time-based RSUs granted subsequent to the Closing of Merger are only subject to service-based vesting conditions and the compensation expense is recognized on a straight-line basis over the requisite service period. The fair value of these time-based RSUs granted after the Closing of the Merger was measured using the fair value of the Company's common stock on the date of the grant.

As of December 31, 2023, unrecognized stock-based compensation cost related to outstanding unvested time-based RSUs that are expected to vest was $ 444.3 million, which is expected to be recognized over a weighted-average period of 2.1 years. The total fair value of time-based RSUs vested during the years ended December 31, 2023, 2022, and 2021 was $ 121.1 million, $ 190.9 million, and $ 50.5 million, respectively.

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 market conditions will be satisfied and vest in five tranches based on the achievement of market capitalization goals applicable to each tranche over a six-month period subject to the CEO's continuous employment through the applicable vesting date. Any CEO performance-based RSUs that have not vested within five years after the Closing will be forfeited. 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 Company recorded stock-based compensation expense of $ 85.4 million during the year ended December 31, 2022. 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. There were no performance-based RSUs vested for the years ended December 31, 2023 and 2021. The total fair value of performance-based RSUs vested during the year ended December 31, 2022 was $ 315.3 million. For the years ended December 31, 2023 and 2022, the Company withheld 1.9 million and 9.4 million shares, respectively, of common stock by net settlement to meet the related tax withholding requirements related to the CEO time-based and performance-based RSUs, and nil for the year ended December 31, 2021.

During the year ended December 31, 2023, the Company granted performance-based RSUs to certain employees. Performance-based RSUs granted to certain employees are subject to (i) annual corporate performance conditions and 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 individual performance. 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, 2023, the Company recorded stock-based compensation expenses of $ 7.9 million related to these performance-based RSUs. As of December 31, 2023, the unamortized expense for the performance-based RSUs was $ 13.5 million, which will be recognized over a weighted-average period of 1.3 years contingent upon realization of the corporate performance conditions and individual performance.

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.

If the market value of our common stock on the purchase date is lower than the market value at the beginning of the offering period, the ongoing offering terminates immediately following the purchase of ESPP shares on the purchase date and participants in the terminated offering are automatically enrolled in the new offering resulting in a reset of the offering price and a modification charge to be recognized over the new offering period. During the years ended December 31, 2023 and 2022, there were two ESPP resets that resulted in modification charges of $ 23.2 million and $ 19.9 million, respectively, which are being recognized until the new offering period ending in November 2025.

The Company issued 4,748,875 and 2,106,158 shares at a weighted-average price of $ 5.02 and $ 11.66 for the years ended December 31, 2023 and 2022, respectively. No shares were issued during the year ended December 31, 2021. As of December 31, 2023, unrecognized stock-based compensation cost related to the ESPP was $ 37.5 million, which is expected to be recognized over a weighted-average period of 1.9 years.

Stock-based Compensation Expense

Total employee and nonemployee stock-based compensation expense for the years ended December 31, 2023, 2022 and 2021, was classified in the consolidated statements of operations and comprehensive loss as follows (in thousands):

	Year Ended December 31,		
	2023	2022	2021
Cost of revenue	$ 3,590	$ 41,753	$ 8,737
Research and development	137,703	151,549	137,303
Selling, general and administrative	117,433	230,198	370,717
Restructuring charges	(1,443)	—	—
Total	$ 257,283	$ 423,500	$ 516,757

For the year ended December 31, 2023, stock-based compensation expense capitalized as part of the cost of inventory was $ 43.3 million. Total stock-based compensation expense for the year ended December 31, 2021 included $ 383.2 million stock-based compensation expense related to the RSUs and $ 123.6 million stock-based compensation expense related to the Series E convertible preferred stock issuance in March 2021 and April 2021. Refer to Note 8 “Contingent Forward Contracts” and Note 11 “Convertible Preferred Stock” for more information.

NOTE 15 – 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. The Company has determined if an arrangement is a lease, or contains a lease, including embedded leases, at inception and records the leases in the Company’s financial statements upon lease commencement, which is the date when the underlying asset is made available for use by the lessor.

Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. Our assessed lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Certain operating leases provide for annual increases to lease payments based on an index or rate. The Company estimates the annual increase in lease payments based on the index or rate at the lease commencement date. Differences between the estimated lease payment and actual payment are expensed as incurred. Lease expense for finance lease payments is recognized as amortization expense of the finance lease ROU asset and interest expense on the finance lease liability over the lease term.

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 December 31, 2023 and 2022, assets associated with the finance lease were $ 79.3 million. As of December 31, 2023 and 2022, liabilities associated with the finance lease were $ 80.6 million and $ 81.1 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 consolidated balance sheets as of December 31, 2023 and 2022.

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

	December 31, 2023	December 31, 2022
Operating leases:		
Right-of-use assets	$ 221,508	$ 215,160
Other current liabilities	$ 28,431	$ 11,269
Other long-term liabilities	244,122	243,843
Total operating lease liabilities	$ 272,553	$ 255,112
Finance leases:		
Property, plant and equipment, net	$ 85,055	$ 90,386
Total finance lease assets	$ 85,055	$ 90,386
Finance lease liabilities, current portion	$ 8,202	$ 10,586
Finance lease liabilities, net of current portion	77,653	81,336
Total finance lease liabilities	$ 85,855	$ 91,922

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

	Year Ended December 31,		
	2023	2022	2021
Operating lease expense:			
Operating lease expense [(1)]	$ 55,307	$ 44,617	$ 31,097
Variable lease expense	1,770	1,712	2,406
Finance lease expense:			
Amortization of leased assets	$ 5,252	$ 4,812	$ 3,020
Interest on lease liabilities	4,867	2,453	460
Total finance lease expense	$ 10,119	$ 7,265	$ 3,480
Total lease expense	$ 67,196	$ 53,594	$ 36,983

[(1)] Excluded short-term leases, which were not material.

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

	December 31, 2023	December 31, 2022
Weighted-average remaining lease term (in years):		
Operating leases	6.8	7.6
Finance leases	2.6	3.5
Weighted-average discount rate:		
Operating leases	11.01 %	10.52 %
Finance leases	5.59 %	5.57 %

Supplemental cash flow information related to leases where the Company is the lessee was as follows (in thousands):

	Year Ended December 31,		
	2023	2022	2021
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows from operating leases	$ 44,965	$ 15,482	$ 10,019
Operating cash flows from finance leases (interest payments)	5,430	509	460
Financing cash flows from finance leases	5,425	4,977	3,088
Leased assets obtained in exchange for new operating lease liabilities	32,558	73,502	84,078
Leased assets obtained in exchange for new finance lease liabilities	—	84,392	9,693

As of December 31, 2023, 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	$ 56,847	$ 8,340
2025	62,261	6,619
2026	59,146	82,488
2027	51,331	117
2028	47,464	37
Thereafter	120,441	—
Total minimum lease payments	397,490	97,601
Less: Interest	(124,937)	(11,746)
Present value of lease obligations	272,553	85,855
Less: Current portion	(28,431)	(8,202)
Long-term portion of lease obligations	$ 244,122	$ 77,653

As of December 31, 2023, the Company entered into additional leases for facilities and equipment that have not yet commenced with undiscounted future lease payments of $ 11.5 million. The leases are expected to commence over the next twelve months.

NOTE 16 - COMMITMENTS AND CONTINGENCIES

Contractual Obligations

As of December 31, 2023 and 2022, the Company had $ 270.2 million and $ 593.9 million, respectively, in commitments related to AMP-1 and AMP-2 plant and equipment. These commitments represent future expected payments on open purchase orders entered into as of December 31, 2023 and 2022.

The Company's non-cancellable long-term commitments primarily related to certain inventory component purchases. The estimated future payments having a remaining term in excess of one year as of December 31, 2023 were as follows (in thousands):

Years ended December 31,	Minimum Purchase Commitment[1]
2024	$ 344,793
2025	462,918
2026	706,427
2027	703,205
2028	692,764
Thereafter	2,016,409
Total	$ 4,926,516

[1] Included minimum purchase commitment of approximately $ 4.9 billion of battery cells from Panasonic Energy Co., Ltd. and certain of its affiliates.

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 Complaint seeks certification of the action as a class action as well as compensatory damages, interest thereon, and attorneys' fees and expenses. 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. Currently, the parties are litigating the case on appeal.

On December 3, 2021, the Company received a subpoena from the SEC requesting the production of certain documents related to an investigation by the SEC related to the business combination between the Company (f/k/a Churchill Capital Corp IV) and Legacy Lucid and certain projections and statements. The Company responded and fully cooperated with the SEC in its review. On April 27, 2023, SEC staff informed the Company that the SEC has concluded this matter and it does not intend to recommend an enforcement action by the SEC against the Company.

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. The Company is advancing defendants' fees and expenses incurred in their defense of the actions.

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 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, which is pending before the court. 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 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 Company is advancing defendants' fees and expenses incurred in their defense of the action.

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 to the Illinois First District Appellate Court and the parties are currently litigating the case on appeal.

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, we are evaluating and responding to a claim in a United States Patent and Trademark Office administrative hearing opposing and requesting 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 $ 56.3 million and $ 52.5 million as of December 31, 2023 and 2022, respectively, for which no liabilities are recorded in the consolidated balance sheets.

NOTE 17 - INCOME TAXES

The components of loss before provision for income taxes for the years ended December 31, 2023, 2022 and 2021, were as follows (in thousands):

	Year Ended December 31,		
	2023	2022	2021
Loss subject to domestic income taxes	$ (2,825,820)	$ (1,306,245)	$ (2,580,324)
Loss subject to foreign income taxes	(1,574)	2,164	612
	$ (2,827,394)	$ (1,304,081)	$ (2,579,712)

The Company recorded provision for income taxes in connection with its domestic, state, and foreign subsidiaries for the years ended December 31, 2023, 2022 and 2021, respectively, as follows (in thousands):

	Year Ended December 31,		
	2023	2022	2021
Current			
Federal	$ —	$ —	$ 18
State	24	14	4
Foreign	1,002	365	27
Total current tax expense	$ 1,026	$ 379	$ 49
Deferred			
Federal	$ —	$ —	$ —
State	—	—	—
Foreign	—	—	—
Total deferred tax expense	$ —	$ —	$ —
Total provision for income taxes	$ 1,026	$ 379	$ 49

The reconciliation of taxes at the federal statutory rate to our provision for income taxes for the years ended December 31, 2023, 2022 and 2021 were as follows:

	Year Ended December 31,		
	2023	2022	2021
Statutory federal income tax rate	21.0 %	21.0 %	21.0 %
Stock-based compensation	(1.5)	(0.6)	(2.9)
Change in fair value of warrant liability	0.6	20.2	(8.5)
Tax-exempt interest	—	0.4	—
Nondeductible expenses	(1.5)	0.4	(0.3)
Tax credits	0.7	1.4	0.7
Change in valuation allowance	(19.3)	(42.8)	(10.0)
Provision for income taxes	— %	— %	— %

The amount of provision for income taxes differs from the expected benefit due to the impact of the U.S. valuation allowance, as well as income taxes associated with foreign operations.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company’s deferred taxes as of December 31, 2023 and 2022, were as follows (in thousands):

	December 31,	
	2023	2022
Deferred tax assets:		
Net operating loss carryforwards	$ 1,240,197	$ 974,097
Tax credit carryforwards	139,672	104,678
Stock-based compensation expense	12,322	26,438
Capitalization of research and development costs	333,958	174,564
Accruals and reserves	215,087	100,622
Lease liability	88,407	84,635
Inventory	271,784	—
Other	21,815	19,037
Total deferred tax assets	2,323,242	1,484,071
Valuation allowance	(2,137,851)	(1,374,265)
Total deferred tax assets, net of valuation allowance	185,391	109,806
Deferred tax liabilities:		
Depreciation	(49,754)	(39,618)
Right-of-use assets	(74,565)	(70,188)
Tax accounting method change	(61,072)	—
Total deferred tax liabilities	(185,391)	(109,806)
Deferred tax assets (liabilities), net of valuation allowance	$ —	$ —

The Company does not anticipate foreign earnings would be subject to U.S. taxation upon repatriation. However, distributions of unremitted foreign earnings may be subject to foreign withholding taxes. Accordingly, provisions have not been made on the Company’s basis differences in investments that primarily result from earnings in foreign subsidiaries which are indefinitely reinvested. If recorded, the deferred tax liability associated with indefinitely reinvested basis differences would be immaterial to the financial statements.

A valuation allowance is recognized if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax asset will not be realized in a particular tax jurisdiction. All available evidence, both positive and negative, is considered to determine whether, based on the weight of that evidence, a valuation allowance is needed for some portion or all of a deferred tax asset. Judgment must be used in considering the relative impact of negative and positive evidence. Based on the weight of the available evidence, which includes the Company’s historical operating losses, lack of taxable income, and the accumulated deficit, as of December 31, 2023 and 2022, the Company provided a full valuation allowance against its U.S. and state deferred tax assets. The valuation allowance for deferred tax assets was $ 2,137.9 million and $ 1,374.3 million, as of December 31, 2023 and 2022, respectively. The valuation allowance on our net deferred taxes increased by $ 763.6 million and $ 701.4 million during the years ended December 31, 2023 and 2022, respectively.

The Company had federal, state, and foreign net operating loss carryforwards of $ 4,471.1 million, $ 3,980.4 million, and $ 1.7 million, respectively, as of December 31, 2023, which will begin to expire at various dates beginning in 2024. The Company also had federal and state tax research and development tax credit carryforwards of $ 158.2 million and $ 121.2 million, respectively. The federal research and development tax credit carryforwards will expire at various dates beginning in 2036, if not utilized. The state research and development tax credit carryforwards do not expire.

The Internal Revenue Code of 1986, as amended, imposes restrictions on the utilization of net operating losses and certain credits in the event of an “ownership change” of a corporation. Accordingly, a company’s ability to use net operating losses and certain credits may be limited as prescribed under.

Internal Revenue Code Section 382, which provide for limitations on net operating losses carryforwards and certain built in losses following ownership changes, and Section 383, which provides for special limitations on certain excess credits, etc. (collectively, “IRC Section 382”). Utilization of the carryforwards may be subject to substantial annual limitation due to the ownership change limitations provided by the IRC Section 382 and similar state provisions, resulting in a reduction in the gross deferral tax assets before considering the valuation allowance. The Company has completed a formal Section 382 study of our equity transactions through December 31, 2020. The study determined that the Company experienced an “ownership change” in 2016, and the Company will not be able to utilize $ 12.0 million of our U.S. federal net operating loss and $ 3.0 million of U.S. federal research and development tax credit carryforwards.

Uncertain Tax Positions

The following table summarizes the activity related to unrecognized tax benefits for the years ended December 31, 2023, 2022 and 2021 (in thousands):

	December 31,		
	2023	2022	2021
Unrecognized benefit—beginning of period	$ 105,234	$ 72,330	$ 42,894
Gross increases—prior-period tax positions	539	—	—
Gross decreases—prior-period tax positions	(581)	—	—
Gross increases—current-period tax positions	35,575	32,916	31,336
Gross decrease—current-period tax positions	—	—	—
Statute lapse	—	(12)	(1,900)
Unrecognized benefit—end of period	$ 140,767	$ 105,234	$ 72,330

As of December 31, 2023, 2022 and 2021, the total amount of unrecognized tax benefits was $ 140.8 million, $ 105.2 million, and $ 72.3 million, respectively, of which $ 1.1 million, $ 0.6 million and $ 0.5 million, if recognized for respective periods, would favorably impact the Company's effective tax rate. The Company does not anticipate a significant change in the total amount of unrecognized tax benefits within the next 12 months.

Related to the unrecognized tax benefits above, the interest expense and penalty expense recognized as part of provision for income taxes in the consolidated statements of operations and comprehensive loss for the years ended December 31, 2023, 2022 and 2021 were not material. As of December 31, 2023 and 2022, the Company recorded immaterial liability for interest expense and penalties, which was included within other long-term liabilities in the consolidated balance sheets.

The Company files U.S., state, and foreign income tax returns with varying statutes of limitations. The federal, state, and foreign returns statutes of limitations remains open for all years. There are currently no income tax audits underway by U.S., state, or foreign tax authorities.

NOTE 18 - NET LOSS PER SHARE

The weighted-average number of shares of common stock outstanding prior to the Merger have been retroactively adjusted by the Exchange Ratio to give effect to the reverse recapitalization treatment of the Merger. Shares of common stock issued as a result of the conversion of Legacy Lucid convertible preferred stock in connection with the Closing have been included in the basic net loss per share calculation on a prospective basis.

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

	Year Ended December 31,		
	2023	2022	2021
Net loss	$ (2,828,420)	$ (1,304,460)	$ (2,579,761)
Deemed dividend related to the issuance of Series E convertible preferred stock	—	—	(2,167,332)
Net loss attributable to common stockholders, basic	(2,828,420)	(1,304,460)	(4,747,093)
Change in fair value of dilutive warrants	—	(1,254,218)	—
Net loss attributable to common stockholders, diluted	$ (2,828,420)	$ (2,558,678)	$ (4,747,093)
Weighted-average shares outstanding, basic	2,081,772,622	1,678,346,079	740,393,759
Private Placement Warrants using the treasury stock method	—	14,912,529	—
Weighted-average shares outstanding, diluted	2,081,772,622	1,693,258,608	740,393,759
Net loss per share:			
Basic	$ (1.36)	$ (0.78)	$ (6.41)
Diluted	$ (1.36)	$ (1.51)	$ (6.41)

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	December 31, 2023	2022	2021
Private Placement Warrants to purchase common stock	44,350,000	—	44,350,000
Options outstanding to purchase common stock	32,911,135	39,011,116	64,119,902
RSUs outstanding	57,124,659	38,570,298	32,210,200
Employee stock purchase plan	14,111,934	11,826,419	—
If-converted common shares from convertible note	36,737,785	36,737,785	36,737,785
Total	185,235,513	126,145,618	177,417,887

The 6,880,905 , 2,090,140 , and 16,024,411 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 market or corporate and individual performance conditions have not been satisfied as of December 31, 2023, 2022 and 2021, respectively.

NOTE 19 - 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 Company made no matching contribution to the 401(k) Plan for the years ended December 31, 2023, 2022 and 2021.

NOTE 20 - RELATED PARTY TRANSACTIONS

Public Investment Fund Internship Agreement

In July 2021, the Company entered into an agreement with PIF, which is an affiliate of Ayar, to implement a recruitment and talent development program pursuant to which the Company agreed to evaluate, employ and train participants nominated by PIF during six-month internships, and PIF agreed to reimburse us for expenses related to participant wages, visa fees, medical insurance, airfare and housing incurred by us. The program ended during the year ended December 31, 2022. The expenses incurred under the agreement were nil , $ 1.0 million, and nil for the years ended December 31, 2023, 2022 and 2021, respectively. The amount due from PIF was nil and $ 1.0 million as of December 31, 2023 and 2022, respectively.

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 Year 2047. The right-of-use asset related to this lease was $ 4.5 million and $ 4.8 million as of December 31, 2023 and 2022, respectively. The lease liability was $ 5.7 million and $ 5.4 million as of December 31, 2023 and 2022, respectively. The right-of-use asset and lease liability were recorded in right-of-use assets and other current liabilities in the consolidated balance sheets, respectively. The lease expense recorded for the years ended December 31, 2023 and 2022 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 Year 2029. The right-of-use asset and lease liability related to this lease were $ 2.3 million as of December 31, 2023. The right-of-use asset and lease liability were recorded in right-of-use assets and other current liabilities in the consolidated balance sheet, respectively. The lease expense recorded for the year ended December 31, 2023 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 7 "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, 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. 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. There were no unfulfilled conditions and contingencies attached to the payments received. In 2023 and 2022, payment receipts were classified as investing cash inflows in the consolidated statements of cash flows.

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).

On March 12, 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 $ 266.7 million) GIB Credit Facility which may be used for general corporate purposes. See Note 7 "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 under these agreements were SAR 444.6 million (approximately $ 118.6 million) and SAR 109.5 million (approximately $ 29.1 million) as of December 31, 2023 and 2022, respectively. Amounts due to Al Bawani under these agreements were SAR 74.0 million (approximately $ 19.7 million) and SAR 42.1 million (approximately $ 11.2 million) as of December 31, 2023 and 2022, respectively, and were recorded within other current liabilities in the consolidated balance sheets.

Subscription Agreements

On November 8, 2022, the Company 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 shares of its common stock in one or more private placements through March 31, 2023. In December 2022, the Company issued 85,712,679 shares at a weighted average price per share of $ 10.68 , and received aggregate proceeds of $ 915.0 million.

On May 31, 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. See Note 12 "Stockholders' Equity" for more information.

Common stock acquired by Ayar under the 2022 Subscription Agreement and 2023 Subscription Agreement is 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.

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 of SAR 29.3 million (approximately $ 7.8 million) during a one-year program.

During the year ended December 31, 2023, the Company received a payment of SAR 8.8 million (approximately $ 2.3 million) in cash. The Company recorded $ 1.8 million as deferred liability within other current liabilities in the consolidated balance sheet as of December 31, 2023. The deduction recorded to operating expenses in the consolidated statement of operations and comprehensive loss was immaterial, for the year ended December 31, 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 vehicles that Lucid LLC fails to deliver within six months from the date of the applicable purchase order. The Purchaser also has absolute discretion to decide whether to exercise the option to purchase the additional 50,000 vehicles. The Company recognized net vehicle sales amount of $ 43.7 million during the year ended December 31, 2023. Accounts receivable balance of $ 35.5 million from the Purchaser was recorded within accounts receivable, net in the consolidated balance sheet as of December 31, 2023.

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 million. These shares were initially measured at a fair value of $ 73.2 million and subsequently remeasured to fair value of $ 81.5 million as of December 31, 2023. 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 $ 1.6 million during the year ended December 31, 2023. 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 December 31, 2023, the Company recorded $ 107.8 million as deferred revenue within other long-term liabilities, in the consolidated balance sheets. Aston Martin has also committed to an effective minimum spend with the Company on powertrain components of $ 225 million.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

Not applicable.

Item 9A. 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 Annual Report on Form 10-K.

Based on their evaluation, our principal executive officer and principal financial officer concluded that as of December 31, 2023, 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.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles in the United States ("U.S. GAAP").

Our management, under the supervision of our principal executive officer and principal financial officer, conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control—Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2023, to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of consolidated financial statements for external reporting purposes in accordance with U.S. GAAP.

The effectiveness of our internal control over financial reporting as of December 31, 2023 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report, which is included in Item 8 of Part II of this Annual Report on Form 10-K.

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 December 31, 2023, 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.

Item 9B. Other Information.

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 December 31, 2023, as such terms are defined under Item 408(a) of Regulation S-K.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information required by this Item will be included in the Company's Proxy Statement to be filed with the SEC within 120 days after December 31, 2023 in connection with the solicitation of proxies for the Company's 2024 annual meeting of stockholders, and is incorporated herein by reference.

Item 11. Executive Compensation.

The information required by this Item will be included in the Company's Proxy Statement to be filed with the SEC within 120 days after December 31, 2023, and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required by this Item will be included in the Company's Proxy Statement to be filed with the SEC within 120 days after December 31, 2023, and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required by this Item will be included in the Company's Proxy Statement to be filed with the SEC within 120 days after December 31, 2023, and is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services.

The information required by this Item will be included in the Company's Proxy Statement to be filed with the SEC within 120 days after December 31, 2023, and is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a)(1) The financial statements filed as part of this Annual Report are listed in Item 8 of this Annual Report.

(a)(2) No financial statement schedules are required to be filed as part of this Annual Report because all such schedules have been omitted. Such omission has been made on the basis that information is provided in the financial statements, or in the related notes thereto, in Item 8 of this Annual Report or is not required to be filed as the information is not applicable.

(a)(3) The exhibits listed on the Exhibit Index to this Annual Report are incorporated herein by reference.

EXHIBIT INDEX

		Incorporation by Reference				
Exhibit Number		Form	File Number	Filing Date	Exhibit Number	Filed Herewith
2.1	Agreement and Plan of Merger, dated as of February 22, 2021, by and among Churchill Capital Corp IV, Air Merger Sub, Inc., and Atieva, Inc.	8-K	001-39408	July 26, 2021	2.1	
3.1	Third Amended and Restated Certificate of Incorporation	8-K	001-39408	April 25, 2023	3.1	
3.2	Second Amended and Restated Bylaws	8-K	001-39408	March 3, 2023	3.2	
4.1	Specimen Class A Common Stock Certificate of Lucid Group, Inc.	8-K	001-39408	July 26, 2021	4.1	
4.2	Specimen Warrant Certificate (included as Exhibit A to Exhibit 4.2 herewith)	8-K	001-39408	August 4, 2020	4.1	
4.3	Warrant Agreement, dated July 29, 2020, between Continental Stock Transfer &Trust Company and Churchill Capital Corp IV	8-K	001-39408	August 4, 2020	4.1	
4.4	Indenture, dated as of December 14, 2021, between Lucid Group, Inc. and U.S.Bank National Association, as trustee	8-K	001-39408	December 14, 2021	4.1	
4.5	Form of certificate representing the 1.25% Convertible Senior Notes due 2026 (included as Exhibit A to Exhibit 4.5 herewith)	8-K	001-39408	December 14, 2021	4.1	
4.6	Description of Registrant's Securities	10-K	001-39408	February 28, 2022	4.6	
10.1^	Form of Indemnification Agreement	S-4/A	333-254543	May 14, 2021	10.22	
10.2^	Lucid Group, Inc. 2021. Performance Bonus Plan	8-K	001-39408	July 26, 2021	10.25	
10.3^	Lucid Group, Inc. 2021 Executive Severance Benefit Plan and Summary Plan Description	8-K	001-39408	July 26, 2021	10.26	
10.4^	Form of Participation Agreement under the Lucid Group, Inc. 2021 Executive Severance Benefit Plan	8-K	001-39408	July 26, 2021	10.27	
10.5^	Lucid Group, Inc. Second Amended and Restated 2021 Stock Incentive Plan (including the Lucid Group, Inc. 2021 Employee Stock Purchase Plan, attached thereto)	8-K	001-39408	April 25, 2023	10.1	
10.6^	Form of Stock Option Agreement under the Second Amended and Restated 2021 Stock Incentive Plan	10-Q	001-39408	November 7, 2023	10.2	
10.7^	Form of PSU Agreement under the Second Amended and Restated 2021 Stock Incentive Plan	10-Q	001-39408	November 7, 2023	10.3	
10.8^	Form of RSU Agreement under the Second Amended and Restated 2021 Stock Incentive Plan	10-Q	001-39408	November 7, 2023	10.4	
10.9	Investor Rights Agreement, dated as of February 22, 2021, by and among Churchill Capital Corp IV, Ayar Third Investment Company, Churchill Sponsor IV LLC and the other parties named therein	8-K	001-39408	February 23, 2021	10.1	
10.10	Amendment No. 1 to the Investor Rights Agreement, dated November 8, 2022, between Lucid Group, Inc., Ayar Third Investment Company and the other parties thereto	8-K	001-39408	November 8, 2022	10.2	
10.11	Amendment No. 2 to the Investor Rights Agreement, dated May 31, 2023, between Lucid Group, Inc., Ayar Third Investment Company and the other parties thereto	8-K	001-39408	June 5, 2023	10.2	
10.12	Form of Subscription Agreement	8-K	001-39408	February 23, 2021	10.2	

10.13	Amended and Restated Sponsor Agreement, dated as of February 22, 2021, by and among Churchill Capital Corp IV, Churchill Sponsor IV LLC, and Michael Klein, Lee Jay Taragin, Glenn R. August, William J. Bynum, Bonnie Jonas, Mark Klein, Malcom S. McDermid and Karen G. Mills	8-K	001-39408	February 23, 2021	10.3	
10.14	Promissory Note, dated as of February 22, 2021, by and between Churchill Capital Corp IV and Churchill Sponsor IV LLC	8-K	001-39408	February 23, 2021	10.4	
10.15^	Form of Option Agreement under the Lucid Group, Inc. 2021 Stock Incentive Plan	S-4	333-254543	March 22, 2021	10.6	
10.16^	Form of RSU Agreement under the Lucid Group, Inc. 2021 Stock Incentive Plan	S-4	333-254543	March 22, 2021	10.7	
10.17^	Atieva, Inc. 2009 Share Plan	S-4	333-254543	March 22, 2021	10.8	
10.18^	Form of Amended and Restated Notice of Share Option Grant under the Atieva, Inc. 2009 Share Plan	S-4	333-254543	March 22, 2021	10.9	
10.19^	Atieva, Inc. 2014 Share Plan, as amended January 11, 2021	S-4	333-254543	March 22, 2021	10.10	
10.20^	Form of Amended and Restated Notice of Share Option Grant under the Atieva, Inc. 2014 Share Plan	S-4	333-254543	March 22, 2021	10.11	
10.21^	Atieva, Inc. 2021 Stock Incentive Plan, as amended February 22, 2021	S-4	333-254543	March 22, 2021	10.12	
10.22^	Form of Stock Option Agreement under the Atieva, Inc. 2021 Stock Incentive Plan	S-4	333-254543	March 22, 2021	10.13	
10.23^	Form of RSU Agreement under the Atieva, Inc. 2021 Stock Incentive Plan	S-4	333-254543	March 22, 2021	10.14	
10.24^	Form of RSU Agreement under the Atieva, Inc. 2021 Stock Incentive Plan (for Rule 144 Affiliates)	S-4	333-254543	March 22, 2021	10.15	
10.25^	Atieva USA, Inc. Severance Benefit Plan	S-4	333-254543	March 22, 2021	10.16	
10.26	Lease by and between CADC Partners, LLC and Atieva USA, Inc., dated January 17, 2020	S-4	333-254543	March 22, 2021	10.19	
10.27^	Transaction Bonus Letter Agreement, dated March 29, 2021	S-4/A	333-254543	May 14, 2021	10.23	
10.28^	Notice of Restricted Stock Unit Grant, dated March 27, 2021	S-4/A	333-254543	May 14, 2021	10.24	
10.29^	Offer of Employment to Sherry House, dated April 1, 2021	S-4/A	333-254543	May 14, 2021	10.25	
10.30^	Offer of Employment to Gagan Dhingra, dated October 29, 2021	10-K	001-39408	February 28, 2022	10.27	
10.31^	Offer of Employment to Marc Winterhoff, dated November 7, 2023					X
10.32^	Separation Agreement between Lucid Group, Inc. and Sherry House, dated December11, 2023					X
10.33#	Loan Agreement, dated as of February 27, 2022, between Lucid LLC and Saudi Industrial Development Fund (English version only)	10-Q	001-39408	May 5, 2022	10.1	
10.34#	Side Letter to Loan Agreement, dated as of February 27, 2022, between Lucid LLC and Saudi Industrial Development Fund (English version only)	10-Q	001-39408	May 5, 2022	10.2	
10.35	Letter of Undertaking, dated as of April 20, 2022, between Lucid LLC and Ministry of Finance of the Kingdom of Saudi Arabia (English version only)	10-Q	001-39408	May 5, 2022	10.3	
10.36	Credit Agreement, dated as of June 9, 2022, by and among Lucid Group, Inc., 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	8-K	001-39408	June 15, 2022	10.1	
10.37	Facilities Letter, entered into as of April 29, 2022, between Lucid LLC and Gulf International Bank Saudi Arabia (English version only)	10-Q	001-39408	August 3, 2022	10.2	
10.38	Lease and Option to Purchase between Pinal County, as landlord, and Lucid USA, Inc., as tenant, dated August 10, 2022	10-Q	001-39408	November 8, 2022	10.1	
10.39	Subscription Agreement, dated November 8, 2022, between Lucid Group, Inc. and Ayar Third Investment Company	8-K	001-39408	November 8, 2022	10.1	
10.40	Subscription Agreement, dated May 31, 2023, between Lucid Group, Inc. and Ayar Third Investment Company	8-K	001-39408	June 5, 2023	10.1	
10.41	Amendment to the Credit Facility Agreement, entered into on March 12, 2023, between Lucid LLC and Gulf International Bank Saudi Arabia (English version only)	10-Q	001-39408	May 8, 2023	10.1	

10.42#	Implementation Agreement, dated June 26, 2023, by and among Lucid Group, Inc., Atieva, Inc., Lucid Group Technologies, LLC, Aston Martin Lagonda Global Holdings plc and Aston Martin Lagonda Limited	10-Q	001-39408	August 7, 2023	10.4	
10.43	Electric Vehicle Purchase Agreement, dated August 7, 2023, between the Government of the Kingdom of Saudi Arabia (as Represented by the Ministry of Finance) and Lucid LLC.	10-Q	001-39408	November 7, 2023	10.1	
10.44#	General Terms and Conditions for Prototype and Production Parts and Services, effective as of December 1, 2022, by and between Lucid USA, Inc. and Panasonic Energy Co., Ltd.	10-K	001-39408	February 28, 2023	10.34	
10.45#	Production Pricing Agreement, effective as of December 1, 2022, by and between Lucid USA, Inc. and Panasonic Corporation of North America doing business as Panasonic Industrial Devices Sales Company of America	10-K	001-39408	February 28, 2023	10.35	
10.46#	Production Pricing Agreement, effective as of December 1, 2022, by and between Lucid USA, Inc. and Panasonic Energy Corporation of North America	10-K	001-39408	February 28, 2023	10.36	
10.47	Affiliate Participation Agreement, effective as of December 1, 2022, by and between Panasonic Corporation of North America doing business as Panasonic Industrial Devices Sales Company of America and Lucid USA, Inc.	10-K	001-39408	February 28, 2023	10.37	
10.48	Affiliate Participation Agreement, effective as of December 1, 2022, by and between Panasonic Energy Corporation of North America and Lucid USA, Inc.	10-K	001-39408	February 28, 2023	10.38	
10.49#	Interim Supply Agreement, dated June 26, 2023, by and among Lucid Group Technologies, LLC, Atieva, Inc., and Aston Martin Lagonda Limited.					X
21.1	List of Significant Subsidiaries of Lucid Group, Inc.					X
23.1	Consent of Independent Registered Public Accounting Firm (KPMG LLP).					X
23.2	Consent of Independent Registered Public Accounting Firm (Grant Thornton LLP).					X
31.1	Certification of Principal Executive Officer Required Under Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended					X
31.2	Certification of Principal Financial Officer Required Under Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended					X
32.1	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					X
32.2	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					X
97.1	Lucid Group, Inc. Compensation Recoupment Policy					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

^ Indicates management contract or compensatory plan

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

Item 16. Form 10-K Summary.

None.

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: February 27, 2024	By:	/s/ Gagan Dhingra
		Gagan Dhingra
		Interim Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Date: February 27, 2024	By:	/s/ Peter Rawlinson
		Peter Rawlinson
		Chief Executive Officer (Principal Executive Officer)
Date: February 27, 2024	By:	/s/ Gagan Dhingra
		Gagan Dhingra
		Interim Chief Financial Officer (Interim Principal Financial Officer and Principal Accounting Officer)
Date: February 27, 2024	By:	/s/ Turqi Alnowaiser
		Turqi Alnowaiser
		Director
Date: February 27, 2024	By:	/s/ Glenn R. August
		Glenn R. August
		Director
Date: February 27, 2024	By:	/s/ Andrew Liveris
		Andrew Liveris
		Director
Date: February 27, 2024	By:	/s/ Sherif Marakby
		Sherif Marakby
		Director
Date: February 27, 2024	By:	/s/ Nichelle Maynard-Elliott
		Nichelle Maynard-Elliott
		Director
Date: February 27, 2024	By:	/s/ Chabi Nouri
		Chabi Nouri
		Director
Date: February 27, 2024	By:	/s/ Ori Winitzer
		Ori Winitzer
		Director

Date: February 27, 2024	By:	/s/ Janet S. Wong
		Janet S. Wong
		Director

November 7, 2023

Marc Winterhoff

Re: Offer of Employment

Dear Marc,

It gives me great pleasure to offer you the exempt position with Lucid USA, Inc. (doing business as Lucid Motors) (the “Company”) as Chief Operating Officer, reporting to Peter Rawlinson, CEO and CTO. Unless otherwise mutually agreed by you and the Company, you will begin your position on December 4, 2023 (“Hire Date”). The terms and conditions of your employment with the Company will be as set forth below.

<u>Base Salary and Other Compensation</u>

You will be paid the following compensation during your employment:

- You will be paid a base salary of $22,884.61 per bi-weekly pay period ($595,000 annualized), less applicable tax and other withholdings.

- In addition to your base salary, you will be eligible to earn a target incentive bonus of 90% of your base salary, less applicable tax and other withholdings, as determined by the Company in its discretion based upon the Company's performance and your individual performance. The bonus will be paid in the first quarter of the following year on a date determined by the Company in its sole discretion. You must be employed on the date the bonus is paid to be eligible to receive the bonus. Your eligibility for this bonus will begin on your start date for the performance year of 2024.

- The Company is pleased to offer you a one-time sign-on bonus of $3,350,000 less applicable taxes and other withholdings. This sign-on bonus will be advanced within 30 days following your Hire Date but will only become earned in the event that you (i) successfully continue employment with the Company in good standing (as determined by the Company in its sole discretion) through August 1, 2027, (ii) are terminated without Cause or experience a Constructive Termination (each as defined in the Lucid Group, Inc. Executive Severance Benefit Plan (the “Severance Plan”)) prior to August 1, 2027 (subject to your satisfaction of the release requirement set forth in the Severance Plan) or (iii) are terminated due to death or Disability (as defined in the Lucid Group, Inc. Amended and Restated 2021 Stock Incentive Plan (the “Stock Plan”)) prior to August 1, 2027. If you resign from your employment with the Company other than due to a Constructive Termination or if you are terminated for Cause, in each case, before August 1, 2027, you will immediately repay the Company the following (gross) amount of this sign-on bonus:

Termination Date	Clawback Amount
On or prior to November 30, 2024	$3,350,000
On or after December 1, 2024 but on or prior to July 31, 2025	$2,100,000
On or after August 1, 2025 but on or prior to November 31, 2025	$1,800,000
On or after December 1, 2025 but on or prior to July 31, 2026	$550,000
On or after August 1, 2026 and on or prior to July 31, 2027	$250,000

- Your place of employment will be the Newark, CA headquarters for Lucid Motors, provided that you will be required to travel as needed for business purposes.

- You will be expected to relocate to the Newark, CA area by September 2, 2024. In connection with your relocation, you will be provided senior executive relocation support. The Company is pleased to offer employee relocation support through a managed service. Any advanced relocation costs will only become earned as follows: in the event that you (i) successfully remain employed through September 1, 2025, (ii) are terminated without Cause or experience a Constructive Termination prior to September 1, 2025 (subject to your satisfaction of the release requirement set forth in the Severance Plan) or (iii) are terminated due to death or Disability prior to September 1, 2025, one hundred percent (100%) of the advanced relocation costs will become earned. If you resign from your employment with the Company other than due to a Constructive Termination or if you are terminated for Cause, in each case, before September 1, 2025, you will immediately repay the Company the full (gross) amount of any advanced relocation costs.

Severance

You will be eligible to participate in the Severance Plan. Upon your acceptance of this offer and after your start of employment with the Company and the successful completion (as determined by the Company in its sole discretion) of your background check, you will receive a Participation Agreement substantially in the form attached hereto as Exhibit A for your review and signature. Subject to your acceptance of this Participation Agreement under the Severance Plan and the successful completion (as determined by the Company in its sole discretion) of your background check, you will be eligible for the severance benefits described in the Severance Plan and your Participation Agreement.

In addition to any severance that you may be eligible to receive under the Severance Plan, and unless it would be duplicative of any other benefit that you may become entitled to, if you are terminated without Cause or experience a Constructive Termination, subject to your satisfaction of the release requirement set forth in the Severance Plan, you will receive an amount equal to your incentive bonus for the year in which your employment terminates based on projected actual Company performance at the time of your termination as determined in the Board's sole discretion, prorated based on the number of full months that you were employed during the year in which your employment terminates.

Employee Benefits

You will be eligible to participate in the Company employee benefit plans that the Company makes available to similarly situated employees. The Company provides a competitive benefit package that currently includes major medical, vision, and dental insurance plans, paid time off, flexible spending account and a 401(k) program. The eligibility dates of the benefits are as follows:

- Group health insurance benefits: commence on hire date
- Vacation days and sick days: accrual starts on hire date
- Flexible spending account: eligibility starts on hire date but can take up to 3 pay periods before any payroll deductions are actually deposited into account
- 401(k) program: eligibility starts on hire date but can take up to 3 pay periods before any payroll deductions are actually deposited into account

Equity-based Awards

The Company has received approval from the Board of Directors of Lucid Group, Inc. (the "Board") to provide you with new hire equity-based awards having a total grant value of $10,000,000. Such equity-based awards will be allocated through three awards as follows, subject to commencement of your employment with the Company (collectively, the "Sign-On Awards"):

- RSUs: An award of restricted stock units ("RSUs") with a grant value of $3,000,000. The RSUs will generally be eligible to vest over four years as follows: 1/4 will be eligible to vest on the first Company Vesting Date (as defined below) to occur on or following the first anniversary of your Hire Date, and 1/16 of the total RSUs granted will vest quarterly thereafter on each subsequent Company Vesting Date, subject to your continued employment through each vesting date. "Company Vesting Date" means March 5, June 5, September 5, and December 5 of each calendar year.

- Premium-priced Options: An award of premium-priced stock options to purchase shares of Lucid Group, Inc. stock with a grant value of $1,000,000. The exercise price of the stock options will be equal to 125% of the volume-weighted average closing stock price of Lucid Group, Inc. stock for the 30 trading days ending on the grant date (but no less than the closing price on the date of grant). The stock options will generally be eligible to vest over four years as follows: 1/4 will be eligible to vest on the first anniversary of the Hire Date, and 1/48 of the total options granted will vest on each subsequent monthly anniversary thereafter, subject to your continued employment through each vesting date.

- Performance-based restricted stock units ("PSUs"): The Company has received approval from the Board to provide you with an award, under the next performance cycle that is established by the Board, of PSUs with a grant value of $6,000,000. We expect the Board to approve PSU grants for the next performance cycle during the first quarter of 2024. The PSUs will generally provide you the opportunity to earn shares of Lucid Group, Inc. stock (and/or cash equivalent) based on the satisfaction of key financial corporate objectives and/or individual objectives for the performance cycle duration which will be established by the Board.

The number of RSUs, premium-priced stock options and PSUs granted in respect of the Sign-On Awards will be determined using the Company's standard conversion methodology. The Sign-On Awards are subject in all respects to approval by the Board and the terms and conditions of the applicable equity incentive plan and award agreements, which you will be required to enter into to receive the Sign-On Awards.

With respect to the Sign-On Awards only, to the extent that you have entered into the applicable award agreement, if you are terminated without Cause or experience a Constructive Termination, subject to your satisfaction of the release requirement set forth in the Severance Plan, (i) the RSUs and the premium-price stock options will vest in full and (ii) the PSUs will service-vest in full, but will remain subject to the applicable performance-vesting conditions based on actual performance.

You will be eligible to receive additional equity-based awards under the Company's equity incentive plan from time to time, with any new awards made in the sole discretion of the Board and with the expectation that you will receive any such awards beginning in 2025. The amount of such periodic or annual equity-based awards may vary year-to-year based on performance or other considerations as may be determined by the Board in its discretion. In order to receive your awards, you will be required to enter into award agreements setting forth the terms and conditions that govern your grants.

Proof of Right to Work

Your employment is contingent upon providing appropriate documentation for the completion of your new hire forms, including proof that you are presently eligible to work in the United States for I-9 form purposes. Failure to provide appropriate documentation within three days of your hire date will result in immediate termination of employment in accordance with the terms of the Immigration Reform and Control Act.

Confidential Information and Invention Assignment Agreement; Arbitration Agreement

Your acceptance of this offer and commencement of employment with the Company is contingent upon the execution, and delivery to an officer of the Company, of the Company's (i) Confidential Information and Invention Assignment Agreement and (ii) Arbitration Agreement, in each case, prior to or on your Hire Date.

Background Checks

This offer is contingent upon the successful completion (as determined by the Company) of any background or reference checks desired by the Company.

Release From Restrictive Covenants; No Other Restrictions

This offer is contingent upon the Company obtaining any waiver from your current employer as the Company deems necessary to release you, the Company and/or its affiliates, as applicable, from any restrictive covenants that you, the Company and/or its affiliates is subject to with respect to your current employer that could prevent, hinder or interfere with your acceptance of this offer or the exercise of your best efforts in the performance of your duties to the Company or any of its affiliates.

You hereby represent that you are otherwise not subject to any restrictive covenants that could prevent, hinder or interfere with your acceptance of this offer or the exercise of your best efforts in the performance of your duties to the Company or any of its affiliates.

Driver’s License Information

If driving will be one of the essential functions of your job, as a further condition of your employment, you must: (a) authorize the Company to conduct a DMV (or similar) check of your driving record; (b) have maintained an excellent driving record (as determined by the Company in its discretion) for at least the past five (5) years; (c) currently have the appropriate license for the type of driving you will be doing on behalf of the Company; (d) maintain the appropriate license for the type of driving you will be doing on behalf of the Company at all times during your employment; and (e) maintain an excellent driving record (as determined by the Company in its discretion) at all times during your employment with the Company.

Return of Materials

Prior to your employment with the Company, you shall return all materials to your former employer or client, including any electronic storage devices, and ensure that you have not retained any files or records of your former employer or client on any media, including cloud-based storage systems.

Recoupment Policy

You acknowledge and agree that any Covered Compensation (as defined in the Company’s Compensation Recoupment Policy (as may be amended from time to time, the “Recoupment Policy”)) that you receive in the future from the Company or its affiliates shall be subject to the Recoupment Policy.

At-Will Employment

Your employment with the Company is “at will,” and thus you or the Company may terminate our employment relationship at any time, with or without cause or advance notice. The Company reserves the right, in its sole discretion, to change your position, duties, compensation, and/or employee benefits at any time on a prospective basis. This offer shall be governed by and construed under the laws of the state of California.

Integration and Modification

This offer, together with any other documents described herein, sets forth the terms and conditions of our offer of employment with the Company, and supersedes any prior representations or agreements concerning your employment with the Company, whether written or oral. You acknowledge and agree that you are not relying on any statements or representations concerning the Company or your employment with the Company.

We welcome you to Lucid Motors and look forward to working with you. We trust that it will be a mutually rewarding experience. Please confirm your acceptance of this offer by signing and dating this offer on the spaces below and returning it to me.

Sincerely,

/s/ Gale Halsey

Gale Halsey
Vice President, People

I have read and understand the terms and conditions set forth in this offer. Furthermore, in choosing to accept this employment with Lucid USA, Inc. (dba Lucid Motors), I agree that I am not relying on any representations, whether verbal or written, except as specifically set forth in this offer.

/s/ Marc Winterhoff 11/7/2023

Marc Winterhoff

Exhibit A

LUCID GROUP, INC.
EXECUTIVE SEVERANCE BENEFIT PLAN
PARTICIPATION AGREEMENT - CHIEF OPERATING OFFICER

To: Marc Winterhoff

Date: December 4, 2023

On behalf of Lucid Group, Inc., I am pleased to inform you that you have been designated as eligible to be a Participant in the Lucid Group, Inc. Executive Severance Benefit Plan (the "Plan"). The consolidated Plan document and Summary Plan Description is attached to this Participation Agreement. The terms and conditions of your participation in the Plan are as set forth in the Plan and this Participation Agreement and this Participation Agreement is an integral part of the Plan.

The table below designates the benefits that you are eligible to receive pursuant to the Plan if you otherwise meet the eligibility requirements.

SEVERANCE BENEFITS (Refer to the Plan document for specific definitions and terms)			
Termination Event	**Salary Continuation**	**Maximum Duration of COBRA or COBRA Equivalent Payment Period**	**Percentage of Outstanding Unvested Equity Awards That Will Accelerate (to the extent eligible for acceleration under the Plan)**
Non-Change of Control Termination	9 months of your Monthly Base Salary	9 months	None
Change of Control Termination	12 months of your Monthly Base Salary and Monthly Bonus Amount	12 months	100%

Notwithstanding anything to the contrary in the Plan, the payments and benefits set forth in your offer letter dated November 7, 2023 (the "Offer Letter") are not intended to be superseded by the terms of the Plan, and shall operate in addition to the Plan (subject to any reduction to avoid duplication of benefits).

Please refer to the consolidated Plan for an explanation of these benefits and the related defined terms, including, without limitation, "Non-Change of Control Termination" and "Change of Control Termination".

We appreciate your service to the Company. If you wish to participate in this Plan, please carefully review the terms of the Plan and this Participation Agreement (including the acknowledgement on the next page). You will not be considered a Participant in the Plan, unless and until you sign and return the unmodified and signed Participation Agreement no later than 30 days from the date set forth above and commence employment with the Company.

LUCID GROUP, INC.

/s/ Benjamin Uy

Signature

Deputy General Counsel & Assistant Secretary

Title

01/03/2024

Date

LUCID GROUP, INC.
EXECUTIVE SEVERANCE BENEFIT PLAN
PARTICIPATION AGREEMENT - CHIEF OPERATING OFFICER

By accepting participation in the Plan, based on the terms and conditions of the Plan and this Participation Agreement and as evidenced by my signature below, I represent, agree and acknowledge the following:

- I have been provided with the consolidated Plan document and Summary Plan Description, have reviewed and had an opportunity to ask questions of the Company and agree to all terms and conditions,
- I understand any dispute arising under the Plan is subject to binding arbitration as set forth in Section 13(g) of the Plan and, accordingly, I irrevocably waive my right, by participating in this Plan, to bring an action in court and agree to binding arbitration,
- I have either consulted with my personal tax or financial planning advisor and/or lawyer regarding the legal and tax consequences of my participation in the Plan, or I knowingly decline to do so,
- I will rely solely on my advisors and not on any statements or representations of the Company or any of its agents regarding the tax consequences of my participation and, furthermore, I am solely responsible for any tax liability that may arise as a result of my participation in the Plan,
- I irrevocably waive any and all rights related to severance or benefits provided in connection with my termination of employment or service under any and all prior agreements and plans sponsored or provided by the Company or any of its affiliates (other than the severance payments and benefits set forth in my Offer Letter, subject to any reduction to avoid duplication of benefits), and
- I find that the consideration offered to me in this Participation Agreement and the Plan is sufficient for me to waive such rights.

Please return this Participation Agreement signed by you by the deadline specified in the Participation Agreement and retain a copy, along with the Plan document, for your records.

/s/ Marc Winterhoff
Signature

Marc Winterhoff
Print Name

01/03/2024
Date

Separation Agreement

This Separation Agreement (this "Agreement") is between Sherry House ("you") and Lucid USA, Inc. (the "Company") (collectively, the "Parties") as of the date signed below and is intended to provide you with enumerated benefits in exchange for your agreement on the terms set forth herein, and the other terms and conditions set forth in this Agreement.

1. TRANSITION PERIOD. You are resigning your positions as Chief Financial Officer of the Company effective immediately and will submit to the Company contemporaneously with this Agreement a resignation letter in the form attached hereto as Exhibit C. Provided you sign this Separation Agreement, and provided you comply with the terms of this Agreement, your last day of employment with the Company will be December 31, 2023 (the "Separation Date"). All of your positions with the Company and its affiliates will terminate in all capacities as of the Separation Date. Whether or not you sign this Agreement, you will receive on the Separation Date all wages due to you through the Separation Date, your medical benefits will end on the last day of December 2023, all other benefits will end on the Separation Date and you will receive information from the Company regarding your ability to receive benefits under COBRA. You agree that you will not represent to anyone that you are still an employee of the Company, and you will not say or do anything purporting to bind the Company or any of its affiliates, after the Separation Date. During the period December 11, 2023, through December 31, 2023, ("Transition Period") you will remain an employee of the Company and will continue to be paid your salary and benefits. Unless requested by the Company, you will not perform any services for the Company, and your access to the Company systems will be cut off. You agree to promptly cancel all outstanding business travel tickets, hotels, and any other reservations your have purchased for your employment with the Company.

2. SEPARATION. Subject to the conditions herein, and provided you sign the Supplemental Release attached hereto as Appendix A within 10 days after your Separation Date and do not revoke it as provided in the Supplemental Release, the parties agree as follows and the Company will provide, and you will be entitled to, the following consideration (collectively, "Severance Benefits"):

2.1 Qualifying Termination. You and the Company agree that your separation as of the Separation Date shall be a Qualifying Termination under the terms of the Lucid Group, Inc. Executive Severance Benefit Plan (the "Plan") and your Lucid Group, Inc. Executive Severance Benefit Plan Participation Agreement ("Participation Agreement"); provided, that the payments and benefits under this Section 2 represent all of the payments and benefits to which you are entitled under the Plan and Participation Agreement.

2.2 References. If contacted by a potential future employer regarding you, the Company will provide only your dates of employment, last position held, and a statement that you were in good standing throughout your employment. You agree to refer all such requests for information solely to the Company's HR department.

2.3 Salary Continuation. The Company will, as cash severance, continue to pay you your current base salary for a period of nine (9) months following the Separation Date (the "Salary Continuation Period"), equaling a total amount of Four Hundred and One Thousand, Two Hundred and Fifty Dollars ($401,250.00 USD), subject to standard payroll deductions and withholdings ("Salary Continuation"). On the first payroll date on or after the sixtieth (60th) day following the Separation Date, the Company will make the first payment pursuant to this Section 2.3 equal to the aggregate amount of Salary Continuation that the Company would have paid through such date had such payments (if any) commenced on the Separation Date, and the balance of the Salary Continuation will be paid thereafter in monthly installments over the remainder of the Salary Continuation Period.

2.4 Health Coverage Payment. If you are eligible for and timely elect continued group health coverage under COBRA, the Company will pay you a monthly amount approximately equal to the full cost of your monthly COBRA premium payments for yourself and your eligible dependents, plus a tax gross-up payment for any taxes imposed on such COBRA premium payment amount ("Severance Benefit Payments"). Your Severance Benefit Payments will be paid until the earliest to occur of (i) the end of nine (9) months following the Separation Date, (ii) the expiration of your eligibility for continuation coverage under COBRA, or (iii) the date when you become eligible for substantially equivalent group health coverage in connection with new employment or self-employment as contemplated below in this Section 2.4 (as applicable, the "Severance Benefit Period"). On the first payroll date on or after the sixtieth (60th) day following the Separation Date, the Company will make the first payment pursuant to this Section 2.4 equal to the aggregate amount of Severance Benefit Payments that the Company would have paid through such date had such payments (if any) commenced on the Separation Date, and the balance of the Severance Benefit Payments will be paid thereafter in monthly installments over the remainder of the Severance Benefit Period. The Severance Benefit Payments will be subject to standard payroll deductions and withholdings. In addition, as a condition to receiving the Severance Benefit Payments you agree and acknowledge that if you become eligible for substantially equivalent coverage under another employer's group health plan or otherwise cease to be eligible for COBRA during the Severance Benefit Period, you will immediately notify the Company of such event, and all payments and obligations under this Section 2.4 will cease. You acknowledge and agree that the Severance Benefit Payments do not include amounts, if any, payable by you under a health care reimbursement plan, which amounts are your sole responsibility.

2.5 2023 Annual Bonus. You will receive an annual bonus for 2023 equal to $215,000 (the "2023 Annual Bonus"). The 2023 Annual Bonus will be paid to you concurrently with the first installment of Salary Continuation as set forth in Section 2.3.

2.6 Accelerated Vesting. You were granted certain restricted stock units ("RSUs"), performance stock units ("PSUs") and stock options with respect to shares of Atieva, Inc. and/or Lucid Group, Inc.' s common stock ("Lucid Group Common Stock"), which awards now represent the right to acquire Lucid Group Common Stock (collectively, your "Equity Awards"). Under the terms of the plan governing your Equity Awards, and your Equity Award grant documents, vesting of all of your Equity Awards will cease as of the Separation Date (or earlier termination of employment). Notwithstanding the foregoing, (i) you will receive accelerated vesting of (x) 83,987 of your then-unvested RSUs and (y) 136,221 of your then-unvested PSUs (such accelerated Equity Awards, the "Accelerated Awards") and (ii) pursuant to the Plan and Participation Agreement, you will receive accelerated vesting of the Applicable Percentage (as defined below) of your then-unvested RSUs subject to your June 29, 2021 RSU award [(which unvested RSUs will not include any Accelerated Awards)] (such Applicable Percentage, the "Eligible RSUs"). The "Applicable Percentage" shall mean 25% plus 5% per Year of Service (as defined under the Plan), up to 50% maximum. No equity awards other than the Accelerated Awards and the Eligible RSUs are subject to acceleration. You acknowledge that the accelerated vesting of the Accelerated Awards and the Eligible RSUs may impact the tax treatment associated with the Accelerated Awards and the Eligible RSUs and the Company makes no representations or warranties as to the applicable tax treatment. Your Equity Awards will otherwise be subject to the terms of the plans and grant documents pursuant to which they were granted.

2.7 Tax Return Fees. The Company agrees to pay you the sum of $12,500.00 USD to cover costs of preparation of your 2023 tax returns. The Company will pay such amount concurrently with the first installment of Salary Continuation as set forth in Section 2.3.

2.8 Company Vehicle. With respect to the Company-owned Lucid Air that you have previously been provided with, as described in Exhibit B (the "Company Vehicle"), the Company will transfer ownership and title of the Company Vehicle to you and you will be entitled to keep the Company Vehicle. You acknowledge and agree that the transfer of ownership of the Company Vehicle to you will result in imputed taxable income to you. The Company will also pay you a cash amount intended to cover, on an after tax basis, the estimated state and Federal tax liability to you for the imputed income associated with the Company Vehicle, as determined by the Company in its sole discretion.

3. RELEASE OF CLAIMS

3.1 General Release. Subject to the Employee Protections set forth below, in consideration for the continued employment through December 31, 2023 and other terms and conditions offered to you under this Agreement, you hereby generally and completely release the Company, and its affiliated, related, parent, and subsidiary entities, and its and their current and former directors, officers, employees, shareholders, partners, agents, attorneys, predecessors, successors, insurers, affiliates, and assigns (collectively, "Released Parties") from any and all claims, liabilities and obligations, both known and unknown, that arise out of or are in any way related to events, acts, conduct, or omissions occurring prior to or on the date you sign this Agreement (collectively, "Released Claims"). For purposes of this Agreement, "affiliate" shall have the meaning set forth in Rule 405 of the rules and regulations promulgated under the Securities Act of 1933, as amended.

3.2 Scope of Release. The Released Claims include, but are not limited to: (i) all claims arising out of or in any way related to your employment with the Company and/or its affiliates, or the termination of that employment; (ii) all claims related to your compensation or benefits from the Company or its affiliates, including salary, bonuses, commissions, vacation, expense reimbursements, severance pay, fringe benefits, stock, stock options, or any other ownership, equity, or profits interests in the Company or its affiliates; (iii) all claims for breach of contract, wrongful termination, and breach of the implied covenant of good faith and fair dealing; (iv) all tort claims, including claims for fraud, defamation, emotional distress, and discharge in violation of public policy; and (v) all federal, state, and local statutory claims, including claims for discrimination, harassment, retaliation, attorneys' fees, or other claims arising under any and all laws, regulations, orders, or ordinances, including, but not limited to, the federal Civil Rights Act of 1964, the federal Americans with Disabilities Act of 1990, the Family and Medical Leave Act, California Labor Code (including, but not limited to, the Private Attorneys General Act ("PAGA")), the Ralph Civil Rights Act, the Tom Bane Civil Rights Act, the Unruh Civil Rights Act, the California Business and Professions Code, the California Equal Pay Law, the California Whistleblower Protection Laws, the California Family Rights Act, the California Pregnancy Disability Leave Law, or the California Civil Code, all as amended from time to time.

3.3 You further agree that you will not initiate a PAGA lawsuit against the Company or any of the Released Parties related to your employment or any other action, event, or incident that occurred prior to the Effective Date.

3.4 Section 1542 Waiver. YOU UNDERSTAND THAT THIS RELEASE INCLUDES A RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS. In giving the release herein, which includes claims which may be unknown to you at present, you acknowledge that you have read and understand Section 1542 of the California Civil Code, which reads as follows:

"A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party."

You hereby expressly waive and relinquish all rights and benefits under that section and any law of any other jurisdiction of similar effect with respect to your release of any unknown or unsuspected claims herein.

3.5 Excluded Claims. Notwithstanding the foregoing, the following are not included in the Released Claims ("Excluded Claims"): (i) any of the Employee Protections described below, (ii) any rights or claims for indemnification you may have pursuant to California Labor Code §2802 or any written indemnification agreement with the Company to which you are a party, or under applicable law or the Company's organizational documents (or any predecessor thereto); (iii) any rights which are not waivable as a matter of law; (iv) any rights you have to file or pursue a claim for workers' compensation or unemployment insurance; (v) any benefit entitlements vested as of the Separation Date, pursuant to the written terms of any applicable benefit plan sponsored by the Company, (vi) claims under the Age Discrimination in Employment Act of 1967 (as amended by the Older Workers Benefit Protection Act) ("ADEA") and the California Fair Employment and Housing Act, and (vii) any claims for breach of this Agreement. You hereby represent and warrant that, other than the Excluded Claims, you are not aware of any claims you have or might have against any of the Released Parties that are not included in the Released Claims.

4. Employee Protections.

4.1 Notwithstanding anything to the contrary in this Agreement, nothing herein or otherwise limits your ability to communicate directly with and provide information, including documents, not otherwise protected from disclosure by any applicable law or privilege to the Securities and Exchange Commission (the "SEC"), any other federal, state or local governmental agency or commission ("Government Agency") or self-regulatory organization regarding possible legal violations, without disclosure to the Company. The Company may not retaliate against you for any of these activities, and nothing in the Agreement or otherwise requires you to waive any monetary award or other payment that you might become entitled to from the SEC or any other Government Agency or self-regulatory organization. Moreover, nothing in this Agreement or otherwise requires you to notify the Company that you are going to make a report or disclosure to law enforcement.

4.2 Further, nothing in this Agreement precludes you from filing a charge of discrimination or unfair labor practice with the Equal Employment Opportunity Commission or a like charge or complaint with a state or local fair employment or labor Government Agency. However, you may not receive a monetary award or any other form of personal relief from the Company or any other Released Party in connection with any such charge or complaint that you have filed or is filed on your behalf.

4.3 The Defend Trade Secrets Act Of 2016 provides immunity in certain circumstances to Company employees, contractors, and consultants for limited disclosures of Company trade secrets. Specifically, Company employees, contractors, and consultants may disclose trade secrets: (a) in confidence, either directly or indirectly, to a Federal, State, or local government official, or to an attorney, "solely for the purpose of reporting or investigating a suspected violation of law," or (b) "in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal." Additionally, Company employees, contractors, and consultants who file retaliation lawsuits for reporting a suspected violation of law may also use and disclose related Trade Secrets in the following manner: (c) the individual may disclose the trade secret to their attorney, and (d) the individual may use the information in related court proceeding, as long as the individual files documents containing the trade secret under seal, and does not otherwise disclose the trade secret "except pursuant to court order." You shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a Trade Secret that: (1) is made (a) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney, and (b) solely for the purpose of reporting or investigating a suspected violation of law; or (2) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Disclosures to attorneys, made under seal, or pursuant to court order are also protected in certain circumstances under 18 U.S.C. 1833.

4.4 Nothing in this Agreement waives your right to testify in an administrative, legislative, or judicial proceeding when you have been required or requested to attend the proceeding pursuant to a court order, subpoena, or written request from an administrative agency or the legislature. Nothing in this Agreement prevents you from discussing or disclosing information about unlawful acts in the workplace, such as harassment or discrimination or any other conduct that you have reason to believe is unlawful.

4.5 The protections set forth in this Section 4 constitute the "Employee Protections".

5. Non-Disparagement. Subject to the Employee Protections, you agree that you shall not, from the date of this Agreement or at any time thereafter (the "Non-Disparagement Period"), disparage the Company or the Company's current officers, directors, employees, shareholders, parents, subsidiaries, affiliates and agents in any manner likely to be harmful to them or their business, business reputation or personal reputation; *provided that* you may respond accurately and fully to any question, inquiry or request for information to the extent required by legal process. In addition, nothing in this paragraph or this Agreement is intended to prohibit or restrain you in any manner from making disclosures that are protected under the whistleblower provisions of federal law or regulation or under other applicable law or regulation. If contacted by a potential future employer regarding you, the Company will only provide dates of employment, positions held, and a statement that you were in good standing throughout your employment. You agree to refer all such requests for information solely to the Company's HR department. The Company agrees that its current executive officers and directors will not, while serving as an executive officer or director of the Company, disparage you in any manner likely to be harmful to your business reputation or personal reputation; *provided that* the Company may respond accurately and fully to any question, inquiry or request for information to the extent required by legal process.

6. Covenant Not To Sue. A "covenant not to sue" is a legal term which means you promise not to file a lawsuit in court. It is different from the release of claims covered above in this Agreement. Besides waiving and releasing the claims set forth above, you further agree, subject to the Employee Protections, never to sue Company or its affiliates in any forum for any reason or claim covered by the release of claims above. If you sue Company or its affiliates in violation of this covenant, you shall be liable to Company for its reasonable attorneys' fees and other costs incurred in defending against such an action. Notwithstanding this covenant not to sue, you may bring a claim against Company or its affiliates if the claim is excluded from the releases herein.

7. Expense Reimbursements. You agree that, prior to your Separation Date, you will submit your final documented expense reimbursement statement reflecting all business expenses you incurred through the Separation Date, if any, for which you seek reimbursement. The Company will reimburse you for these expenses pursuant to its regular business practice.

8. Return Of Company Property. Subject to the Employee Protections, prior to your Separation Date and to the extent you have not already done so, you shall return to the Company all Company or its affiliates' documents (and all copies thereof) and other Company or affiliate property in your possession or control, and you shall provide the Company with any passcodes or other means necessary to access any returned devices. You agree that you will make a diligent search to locate any such documents, property and information within the timeframe referenced above. In addition, subject to the Employee Protections, if you have used any personally owned computer, server, or e-mail system to receive, store, review, prepare or transmit any confidential or proprietary data, materials or information of the Company or its affiliates, then within five (5) business days from your termination of employment, you must provide the Company with a computer-useable copy of such information and then permanently delete and expunge such confidential or proprietary information from those systems without retaining any reproductions (in whole or in part); and you agree to provide the Company access to your system, as requested, to verify that the necessary copying and deletion is done. **Your timely compliance in all material respects with the provisions of this paragraph is a precondition to your receipt of the Severance Benefits as defined in the Agreement. To the extent that the Company is made aware that you failed to comply in all material respects, or intentionally failed to comply, with the provisions of this paragraph after the effectuation of the Severance Benefits, the failure to return shall be deemed a material breach of this Agreement and the Company shall have the right to demand and rescind the full value of the Severance Benefits.**

9. Confidential Information. Subject to the Employee Protections, you acknowledge and reaffirm your continuing obligations under your Confidential Information and Invention Assignment Agreement ("CIIAA"), including your obligations not to use or disclose any confidential or proprietary information of the Company. **A copy of your CIIAA is attached hereto as Exhibit A.**

10. No Voluntary Adverse Action. Subject to the Employee Protections, you agree that you will not voluntarily provide assistance, information, or advice, directly or indirectly (including through agents or attorneys), to any person or entity in connection with any proposed or pending litigation, arbitration, administrative claim, cause of action, or other formal proceeding of any kind brought against the Company, its parent or subsidiary entities, affiliates, officers, directors, employees, or agents, nor shall you induce or encourage any person or entity to bring any such claims; provided, however, that you must respond accurately and truthfully to any question, inquiry, or request for information to the extent required by legal process (e.g., a valid subpoena or other similar compulsion of law) or as part of a government investigation.

11. Cooperation. Subject to the Employee Protections, you agree to cooperate fully with the Company and its affiliates in connection with its actual or contemplated defense, prosecution, or investigation of any claims or demands by or against third parties, or other matters arising from events, acts, or failures to act that occurred during the period of your employment by the Company or its affiliates. Such cooperation includes, without limitation, making yourself available to the Company or its affiliates upon reasonable notice, without subpoena, to provide complete, truthful and accurate information in witness interviews, depositions, and trial testimony. The Company will reimburse you for reasonable out-of-pocket expenses you incur in connection with any such cooperation (excluding foregone wages, salary, or other compensation) and will make reasonable efforts to accommodate your scheduling needs.

12. No Admissions. You understand and agree that the promises and payments in consideration of the Agreement shall not be construed to be an admission of any liability or obligation by the Company to you or to any other person, and that the Company makes no such admission.

13. ARBITRATION. YOU AND THE COMPANY AGREE THAT ANY AND ALL DISPUTES ARISING OUT OF THE TERMS OF THIS AGREEMENT, ITS INTERPRETATION, AND ANY OF THE MATTERS HEREIN RELEASED, SHALL BE SUBJECT TO ARBITRATION IN ALAMEDA COUNTY, BEFORE JUDICIAL ARBITRATION & MEDIATION SERVICES (" JAMS"), PURSUANT TO ITS EMPLOYMENT ARBITRATION RULES & PROCEDURES ("JAMS RULES"). THE ARBITRATOR MAY GRANT INJUNCTIONS AND OTHER RELIEF IN SUCH DISPUTES. THE ARBITRATOR SHALL ADMINISTER AND CONDUCT ANY ARBITRATION IN ACCORDANCE WITH THE FEDERAL ARBITRATION ACT. THE DECISION OF THE ARBITRATOR SHALL BE FINAL, CONCLUSIVE, AND BINDING ON THE PARTIES TO THE ARBITRATION. THE PARTIES AGREE THAT THE PREVAILING PARTY IN ANY ARBITRATION SHALL BE ENTITLED TO INJUNCTIVE RELIEF IN ANY COURT OF COMPETENT JURISDICTION TO ENFORCE THE ARBITRATION AWARD. EACH PARTY SHALL SEPARATELY PAY FOR ITS RESPECTIVE COUNSEL FEES AND EXPENSES, THE ARBITRATOR SHALL AWARD ATTORNEYS' FEES AND COSTS TO THE PREVAILING PARTY, EXCEPT AS PROHIBITED BY LAW. **THE PARTIES HEREBY AGREE TO WAIVE THEIR RIGHT TO HAVE ANY DISPUTE BETWEEN THEM RESOLVED IN A COURT OF LAW BY A JUDGE OR JURY.** NOTWITHSTANDING THE FOREGOING, THIS SECTION WILL NOT PREVENT EITHER PARTY FROM SEEKING PRELIMINARY INJUNCTIVE RELIEF (OR ANY OTHER PROVISIONAL REMEDY) FROM ANY COURT HAVING JURISDICTION OVER THE PARTIES AND THE SUBJECT MATTER OF THEIR DISPUTE RELATING TO THIS AGREEMENT AND THE AGREEMENTS INCORPORATED HEREIN BY REFERENCE. SHOULD ANY PART OF THE ARBITRATION AGREEMENT CONTAINED IN THIS PARAGRAPH CONFLICT WITH ANY OTHER ARBITRATION AGREEMENT BETWEEN THE PARTIES, THE PARTIES AGREE THAT THIS ARBITRATION AGREEMENT SHALL GOVERN.

14. Tax Consequences. The Company makes no representations or warranties with respect to the tax consequences of the payments and any other consideration provided to you or made on your behalf under the terms of the Agreement. The Company will withhold the appropriate federal, state and local taxes and other withholding, as determined by the Company, from any Severance Benefits and any other amounts paid under this Agreement. You agree and understand that you are responsible for payment, if any, of local, state, and/or federal taxes on the payments and any other consideration provided hereunder by the Company and any penalties or assessments thereon. You further agree to indemnify and hold the Company and its affiliates harmless from any claims, demands, deficiencies, penalties, interest, assessments, executions, judgments, or recoveries by any government agency against the Company or its affiliates for any amounts claimed due on account of (a) your failure to pay or delayed payment of federal or state taxes, or (b) damages sustained by the Company or its affiliates by reason of any such claims, including attorneys' fees and costs. The parties agree that the provisions of the Plan, including Section 7(c) thereof, will be applicable to any and all deferred compensation, as referenced in Section 409A, under this Agreement.

15. Miscellaneous.

15.1 No Other Compensation or Benefits. You acknowledge that, except as expressly provided in the Agreement, you did not earn by the date of the Agreement and will not receive from the Company or its affiliates any additional compensation (e.g., salary, commissions, bonuses or equity), severance or benefits after the Separation Date, with the exception of any vested benefits you may have under the express terms of a written ERISA-qualified benefit plan that is not a severance plan (e.g., 401(k) account).

15.2 Attorneys' Fees. In the event that either you or the Company brings an action to enforce or effect any rights under the Agreement, the prevailing party shall be entitled to recover its costs and expenses, including the costs of mediation, arbitration, litigation, court fees, and reasonable attorneys' fees incurred in connection with such an action.

15.3 Representations. You hereby represent that you have been paid all compensation owed and for all hours worked, have received all the leave and leave benefits and protections for which you are eligible pursuant to the federal Family and Medical Leave Act, any applicable law or Company policy, and have not suffered any on-the-job injury for which you have not already filed a workers' compensation claim.

15.4 Final and Binding. This Agreement is binding on the Parties and their heirs, administrators, representatives, executors, successors, and assigns, and will benefit the Parties and their heirs, administrators, representatives, executors, successors, and assigns.

15.5 Plain Meaning. This Agreement will be interpreted according to its plain meaning, and not strictly for or against you or the Company.

15.6 No Waiver. Your or the Company's failure to insist on performance of any terms in the Agreement, or failure to prosecute a breach of the Agreement, will not be considered a waiver of those terms and conditions, and the Agreement will remain in full force and effect.

15.7 No Oral Modification. Any change or additional obligation assumed in connection with the Agreement will be effective only if it is in writing and signed by both Parties or their authorized representatives. Nothing in the Agreement may be changed, altered, modified, or waived except in a writing that is signed by both of the Parties. This Agreement sets forth the entire agreement and understanding of the parties hereto with respect to the matters covered hereby and supersedes and replaces any express or implied prior agreement with respect to the terms of your employment and the termination thereof which you may have had with the Company or any of its affiliates (including, without limitation, the Plan and the Participation Agreement), and except as specifically set forth in this Agreement, you shall not have any further rights under the Plan or the Participation Agreement.

15.8 Legal Costs. The Parties are each responsible for their own attorneys' fees and any other costs that the Parties may incur in connection with the Agreement, including review of the Agreement.

15.9 Severability. If any provision of the Agreement is declared by a court with jurisdiction or an arbitrator to be illegal, unenforceable or void, that part shall be modified, and the rest enforced. If a court (or an arbitrator) finds any such part incapable of being modified, it shall be severed and the rest of the Agreement enforced.

15.10 Electronic Signature/Transmission. You acknowledge and agree that the Agreement may be executed by electronic signature, including but not limited to signature by DocuSign or similar service, which shall have the same legal validity and enforceability as a manually executed signature or use of a paper-based recordkeeping system to the fullest extent permitted by applicable law. You hereby waive any objection to the contrary. You understand and agree that without limitation, "electronic signature" shall include electronically scanned and transmitted versions of a signature, including but not limited to PDF versions. The Parties further agree that signatures may be delivered by facsimile or electronically and each such signature will be deemed an original.

15.11 Counterparts. The Agreement may be signed in counterparts, and each counterpart will have the same effect as an original.

16. Voluntary Execution Of Agreement. You are signing the Agreement voluntarily and without threat or inappropriate influence by the Company, with the full intent of releasing all claims. You acknowledge that:

16.1 you have read the Agreement;

16.2 you have been represented by legal counsel of your choice or have voluntarily declined to hire an attorney to represent you;

16.3 you understand the terms and consequences of the Agreement and of the releases it contains;

16.4 you are fully aware of the legal and binding effect of the Agreement; and

16.5 this Agreement is a negotiated severance agreement because it is voluntary, deliberate, and informed, provides consideration of value to you, and you have been given notice and an opportunity to retain an attorney or are represented by an attorney.

17. Other Representations. As of the Effective Date:

17.1 You have received all pay/compensation/benefits/leave/time off due to date, including for overtime or vacation;

17.2 You have not suffered any on-the-job injury for which you have not already filed a claim, and the end of your employment is not related to any such injury;

17.3 You do not have any pending lawsuits against any Released Party;

17.4 You were advised in writing, by getting a copy of the Agreement to consult with an attorney before signing below; and

17.5 You are signing the Agreement knowingly and voluntarily.

18. Choice of Law. The Agreement shall be construed and enforced in accordance with the laws of the State of California without regard to conflicts of law principles.

PLEASE READ CAREFULLY. THE AGREEMENT INCLUDES THE RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS

Agreed and signed as of the date last signed below.

By: /s/ Sherry House	12/11/23	By: /s/ Peter Rawlinson	12/11/23
Sherry House	*(Date)*	Lucid USA, Inc.	*(Date)*
		Peter Rawlinson, CEO & CTO	
		peter@lucidmotors.com	

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.

Schedule 5

Unless otherwise defined in this Schedule 5 or, if not defined in this Schedule 5, in the Agreement, capitalized terms in this Schedule 5 shall carry the meanings ascribed to them in the draft Supply Agreement sent by Lucid to AML on May 10, 2023. As used herein:

"Goods" means the goods identified in Exhibit A-4, including any of Lucid's software embedded in such goods and bug fixes and similar updates for such software provided by Lucid to AML, as such goods are modified or updated by the parties (or their Affiliates) in the final deliverables provided pursuant the initial statement of work of the Integration Agreement, or as such goods are otherwise modified from time to time in accordance with Sections 8 and 9 below.

"Integration Agreement" means the integration agreement entered into between AML and Atieva, Inc. in the form set forth in Schedule 4 to the Implementation Agreement.

"Lifecycle Forecast" means the yearly itemized volume forecast of complete vehicle sets of Goods for the Lifecycle as set forth inExhibit A-5.

"Lucid" means Lucid Group Technologies, LLC.

	Topic	Summary of Terms
1.	Forecasting and Binding Commitments	Beginning at least [***] months before AML's estimated initial purchase, AML will provide monthly rolling forecasts for the current Lifecycle Year and the following Lifecycle Year ("Rolling Forecasts"). The [***] months of each Rolling Forecast is binding, in that AML will be required to take or pay for [***]% of the volume of goods in the binding forecast amount for each Lifecycle Year (except that AML shall not be so required to the extent caused by (a) an injunction based on any claim that the Goods infringe a third party's IP rights, (b) a force majeure event impacting Lucid, and/or (c) a force majeure event impacting AML that consists of events beyond AML's reasonable control [***] (and expressly excluding any events that impact AML's payment obligations for delivered Goods)). AML's volumes taken or paid for in each Lifecycle Year will be assessed against such forecast amount on (and including) the last day of such Lifecycle Year.

2.	Supply Commitments	Following acceptance of the Project under the Integration Agreement (it being acknowledged that the parties shall in good faith discuss and agree any amendments to the timelines set out in the Supply Agreement to the extent that acceptance of the Project under the Implementation Agreement is delayed), Lucid will supply and AML will purchase complete vehicle sets of Goods at the prices set forth in Exhibit A-1, subject to agreed price adjustment mechanisms. Exhibit A-1 also sets forth the component-level pricing for each individual component within a complete vehicle set for the purposes of ordering spare or replacement parts. Lucid will maintain capacity of Goods for [***]% of Lifecycle Forecasts, and will accept and fulfil orders within such capacity that are consistent with the applicable Rolling Forecast and Lucid's lead times and other logistics requirements (each as specified in the Supply Agreement). Lucid will use commercially reasonable efforts to accommodate orders in excess of such capacity where feasible with appropriate advance notice. If Lucid requires incremental investment to meet AML's demand beyond the [***]% supply commitment, it will provide a quote to AML and AML will decide whether to fund such investment. Lucid will supply service parts to AML during the aftersales period, i.e. during the Term and, thereafter, for each jurisdiction in which AML sells vehicles incorporating the Goods, for the greater of [***] years, and the period required by Law in that jurisdiction (as of the date, from time to time, on which AML sells vehicles incorporating the Goods). Lucid will also supply replacement parts (i.e. Goods or their components that are damaged in transit or installation through no fault of Lucid) and a reasonable number of prototypes during the Term, each of which AML may order through spot purchase orders. Lucid will share reasonable information with AML regarding aftermarket demand to assist AML with its demand-planning for aftermarket parts. [***]. AML will reasonably determine the manner of packaging. Lucid will deliver Goods and any other components or parts (including prototypes) supplied under the Supply Agreement [***]. Lucid and AML will collaborate in good faith to determine the packaging requirements for prototypes. During the aftersales period, Lucid will provide AML with bug fixes and similar updates for Lucid's software applicable to the Goods, in accordance with Lucid's own service levels, for AML to push to its vehicles incorporating the Goods. The parties agree that the Supply Agreement does not require and will not include any provision requiring any software or technology escrow or similar mechanism.

3.	Minimum Purchase/Shortfall Damages	If, for any Two-year Cycle, AML has received delivery during such Two-year Cycle (except to the extent that AML has not received delivery of ordered Goods as a result of a breach of the Supply Agreement by Lucid) of complete vehicle sets of Goods comprising less than [***]% of the aggregate Lifecycle Forecast for such Two-year Cycle (including Goods paid for but not taken on a take-or-pay basis, and also including any service parts, replacement parts or prototypes that, if ordered together, would comprise a complete vehicle set), AML will pay Lucid shortfall Liquidated Damages equal to US $[***] multiplied by the number of complete vehicle sets of Goods by which AML's purchases fell short of such minimum, provided that the maximum aggregate Liquidated Damages AML will be required to pay Lucid for any Lifecycle Forecast shortfalls will not exceed US $[***]. To the extent that a shortfall was caused by (a) an injunction based on any claim that the Goods infringe a third party's IP rights, (b) a force majeure event impacting Lucid, and/or (c) a force majeure event impacting AML that consists of events beyond AML's reasonable control that make AML or its carrier unable to take possession of the Goods in Casa Grande, AZ or to fulfill its FCA transport activities (and expressly excluding any events that impact AML's payment obligations for delivered Goods), the period in respect of which that shortfall shall be calculated shall be extended, respectively, by the duration of the relevant effect of such injunction or of such force majeure event. AML's obligation to pay Liquidated Damages will lapse once it has purchased [***] complete vehicle sets of Goods (including Goods paid for but not taken on a take-or-pay basis, and also including any service parts, replacement parts or prototypes that, if ordered together, would comprise a complete vehicle set), but without prejudice to any duty to pay Liquidated Damages that have accrued prior to such purchase. If AML purchases more than the [***]% minimum commitment in any Two-year Cycle, the excess will be credited against AML's obligation to make the minimum purchase in any subsequent Two-year Cycle until the excess is exhausted. The Liquidated Damages are Lucid's sole remedy for AML not purchasing the minimum purchase. In the event that AML pays the full $[***] of Liquidated Damages, then either party may terminate the Supply Agreement on [***] months' advance notice. Once AML has purchased and paid for at least [***] vehicle sets of Goods, then either party may terminate the Supply Agreement on [***] months' advance notice. In the case of termination by Lucid as described above, AML will have the right to make a one-time buy of Goods prior to the date of termination of sufficient quantity to meet AML's anticipated future requirements for Goods during the remainder of the Lifecycle. In the case of termination by AML as described above, AML will have the right to make a one-time buy of Goods prior to the date of termination of sufficient quantity to meet AML's anticipated future requirements for Goods during the then following [***] months. Lucid shall manufacture and supply such Goods as soon as reasonably practicable, taking into consideration: (i) Lucid's capacity dedicated to AML, its lead times and other reasonable logistics requirements; and (ii) AML's requirements in relation to the timing of such supply. Lucid's obligation to supply service parts to AML during the aftersales period (ie for [***] years following the Term or such longer period as required by law) shall survive any termination.
4.	Late Delivery / Capacity Constraints	During the first Two-year Cycle, each party will maintain safety stock/buffer inventory of the Goods of at least [***]% of AML's forecasted requirements for the following [***] to mitigate unexpected demand as well as supply constraints or delays. At the end of that first Two-year Cycle, and of every Two-year Cycle thereafter, the parties shall review and agree upon the safety stock/buffer inventory that each party is required to hold during the next Two-year Cycle, provided (i) such required safety stock shall never exceed [***]% of AML's forecasted requirements for the following [***], (ii) the parties shall discuss, in good faith, reduction of the stock/buffer below AML's [***]% forecasted requirements, and (iii) in the event that the parties do not agree any such reduction, each party shall continue to maintain safety stock/buffer inventory of the Goods of at least [***]% of AML's forecasted requirements for the following [***]. In the event of late delivery that cannot be addressed through AML buffer inventory, Lucid will pay for (and, if requested by AML, arrange) expedited shipping (including air freight in severe circumstances), and the parties may agree to adjust safety stock/buffer inventory going forward. During the Term, if Lucid experiences supply constraints in conflict with its supply and capacity obligations to AML for any reason (including a force majeure event), Lucid will use its safety stock to meet its obligations to AML. If Lucid's safety stock, together with the Goods otherwise made available to AML, are insufficient for Lucid to meet its obligations to AML, Lucid will: [***]. Lucid will use reasonable efforts to recover any shortfall of AML-ordered Goods after such supply constraint subsides. Such recoveries will be shared between AML and Lucid [***] as though the supply constraint continues until full recovery has been made.
5.	Inspection	Lucid will undertake an end of line quality check prior to packing. AML's carrier will inspect packages for exterior damage and quantity of packages shipped at

		collection. AML will inspect packages for exterior damage and quantity of packages shipped, as well as visually inspecting a reasonable sampling of the Goods for damage, within [***] of the arrival of such Goods at AML's manufacturing facilities. Any Goods not rejected in writing by AML based on such inspections shall be deemed accepted (provided that such acceptance shall be without prejudice to Lucid's warranty obligations for all Goods, whether inspected or not, including in relation to visual defects or damage that AML identifies during assembly of its vehicles). AML will promptly notify Lucid of any damage or product issues identified promptly after such arrival. Subject to Lucid issuing a return materials authorization (which Lucid shall not unreasonably withhold, condition or delay), AML will ship the relevant Goods to Lucid (at AML's cost, including shipping (subject to the reimbursement of such shipping costs by Lucid in accordance with the product warranty provisions, below)). Lucid will inspect the relevant returned Goods and replace if damaged (at Lucid's cost, including shipping).

6.	Cost Savings	The initial cost basis for the Goods will be determined in accordance with Exhibit A-3. [***]. The parties will work in good faith to determine a reputable, independent validator selection, and shall share the fees for such validator equally. [***]. Adjustments to the price of Goods to be made quarterly based on changes in raw materials costs in accordance with Exhibit A-2.
7.	Payments	Lucid will issue invoices within [***] after the date on which Goods are made available (no earlier than the delivery date) to the carrier at Lucid's dock, with payment due [***] after the date of such invoice.
8.	Change Control	If Lucid wishes to change the Goods in a manner that would not impact their form, fit or function in, or their integration into, AML vehicles, Lucid will use commercially reasonable efforts to provide reasonable advance notice thereof. If Lucid is required by law or regulation, or because a supplier discontinues, EOL's, ceases making available, or otherwise changes its part or component, to make a change to the Goods that would impact their form, fit or function in, or their integration into, AML vehicles, Lucid will in each case provide AML with reasonable, and, to the extent practicable (and unless required by law in a shorter timeframe), at least [***], prior written notice of such changes. Lucid will not make any changes to the Goods that impact form, fit or function in, or their integration into, AML vehicles, other than those required by law or regulation, without AML's prior written consent.
9.	Current Technology	If Lucid makes an incremental improvement or modification to Goods (including any improvement to the energy capacity of a battery module), and such improved or modified Goods are compatible with AML's use, Lucid will notify AML reasonably promptly and, in any event, [***]. If AML desires to migrate to such improved or modified Goods, then the parties will discuss in good faith the pricing for such improved Goods and the NRE fees to be paid by AML for any necessary engineering design and/or testing, and upon the parties' agreement on such pricing and NRE fees, Lucid shall promptly carry out such engineering design and/or testing to implement such improved or modified Goods into AML vehicles, and Lucid will thereafter supply such improved or modified Goods to AML on the terms of the Supply Agreement and at such prices. Lucid's obligations under this Section do not apply to materially different technology, including next generations of the Goods.

10.	Termination for AML Change of Control	Lucid may terminate the Supply Agreement if AML undergoes an AML CoC as defined the Integration Agreement to an OEM with a BEV, provided: (i) Lucid provides notice of termination within 30 days of AML providing Lucid notice of such acquisition; and (ii) there will be a four-year tail period during which the parties' supply and purchase obligations under the Supply Agreement will continue prior to termination taking effect (following which Lucid's aftersales obligations (including in relation to service parts and bug fixes and similar updates to software embedded in Goods) will continue until the end of the aftersales period). [***].
11.	Termination	Either Party may terminate for material unremedied confidentiality breach. Either Party may terminate for unremedied material breach. Lucid may terminate for AML's material, unremedied non-payment (excluding amounts subject to a good faith payment dispute during the period of such dispute). If Lucid fails to deliver at least [***]% of ordered volumes for [***] consecutive months, AML will provide notice to Lucid and the parties would follow an escalation procedure. If Lucid continues to fail to deliver at least [***]% of ordered volumes across the [***], AML may terminate. If a force majeure event continues for [***] months that results in delivery of less than [***]% of the ordered Goods during such event, the unaffected party may terminate. The parties are required to follow an escalation process involving the issuing of a warning notice and a series of executive (and, if needed, CEO) meetings before any termination or suspension.
12.	Product Warranty	Lucid will warrant that the Goods: (i) conform to agreed specifications (which shall at least describe the specification of the Lucid Air Sapphire powertrain components as at the date of the Agreement (i.e., the date of the Implementation Agreement to which this Schedule 5 is attached), as may be modified under the Integration Agreement); (ii) are free from defects in materials and workmanship; (iii) are merchantable and free and clear of third party liens and encumbrances; and (iv) comply with applicable Law. Warranty remedy is limited to: (i) repair or replacement of defective part(s); and (ii) reimbursement of shipping costs to provide such repaired or replacement part(s) to AML. The product warranty is subject to customary exclusions (e.g., defects caused by use or installation in a manner not agreed in advance). Replacements for defective parts are in addition to Lucid's [***]% Lifecycle Forecast supply commitment.
13.	Service Actions	Each party will promptly notify the other if it identifies any alleged material compliance or safety issue that relates to the Goods (including material quality issues that would legally require a recall). Unless required by law to implement a recall immediately, AML shall not implement a withdrawal or recall in relation to the Goods without first promptly providing notice to Lucid and discussing the issue, including conducting a joint root cause analysis if appropriate. Unless required by law to implement a recall immediately, if Lucid elects to implement a recall of the Goods in its own vehicles, Lucid shall notify AML prior to implementing such recall. Subject to the above, each party has discretion to implement a recall for its own vehicles. If AML needs to issue a field service action or recall due to any compliance or safety issue caused by defective Goods, Lucid will replace/repair affected Goods at its cost and reimburse AML for shipping costs to provide such repaired or replacement Goods to AML to the extent that the action/recall was caused by Lucid.

14.	Confidentiality and Return of Confidential Information	All information regarding the Goods or the underlying technology related to the Goods that is not publicly available or known will constitute confidential information. Upon expiration or termination, AML is required to return or delete all Lucid confidential information, provided that AML can retain and use confidential information as is reasonably necessary for AML's ordinary course commercial use and service of the Goods in AML vehicles or as required by applicable law.
15.	IP Infringement Indemnity	Lucid will, at its cost, defend claims against AML, its affiliates, and (if applicable) its and their representatives based on allegations that the Goods infringe a third party's IP rights (subject to customary exclusions) until a final non-appealable judgment or until Lucid is able to settle, with AML's reasonable approval, on terms that grant AML an unconditional release with respect to such claim. In addition, Lucid will pay or reimburse the AML indemnified persons for amounts to be paid for any judgment (including any interim judgment) awarded for such claim or to be paid for such settlement, and will repair or replace infringing Goods that are in AML's possession, including paying for shipping to AML, other than for Goods that have been sold. Lucid shall consult with AML upon its reasonable request, and take AML's views into account in good faith, in relation to its selection of outside counsel for the purposes of the defence of such claim. If AML is required to cease using allegedly infringing Goods, Lucid will use reasonable best efforts to either (at its sole expense and option) obtain a license, or design around the infringement and implement that design (without prejudice to Lucid's indemnification obligations).
16.	Limitations of Liability	Neither party has liability for consequential, indirect, incidental, or similar damages, subject to a specific carve-out for breach of confidentiality obligations. Each party's aggregate liability under the Supply Agreement is limited to: [***]. This does not apply to liability for breach of confidentiality obligations. A breach of the Supply Agreement does not constitute a breach or termination event under any other agreement(s) between the parties or their affiliates.
17.	Force Majeure	Except with respect to AML's obligation to purchase Goods (for which AML's force majeure protection is solely as expressly set forth in Sections 1 and 3), and except for events impacting a party's ability to pay money (for which there is no force majeure protection), events should only constitute force majeure events to the extent they are beyond a party's reasonable control.
18.	Guarantee	Lucid Group, Inc. will guarantee Lucid's performance and payment obligations.

19.	Dispute resolution	Sections 11.8 (Governing Law, Jurisdiction) and 11.9 (Dispute Resolution) of the Integration Agreement shall apply *mutatis mutandis* to this Supply Agreement.
20.	Ongoing cooperation	The parties shall cooperate in good faith with a view to achieving the efficient supply and purchase of the Goods under this Schedule 5, and the applicable arrangements and logistical and operational details associated therewith, including logistical and operational details regarding ordering, manufacturing, invoicing, payment, packaging, ownership, processes related to warranties and disclaimers, testing, acceptance and returns. Except to extent that this Schedule 5 sets forth specific ways of working together, each party shall reasonably take into account the working practices of the other party (in conjunction with its own working practices) in operationalizing the performance of its obligations under this Schedule 5.

EXHIBIT A-1

PRICE

Volume	Incremental Price
[***]	[***]
[***]	[***]
[***]	[***]

Component pricing

First [***] **units**

Component	**Unit Price**
[***]	$ [***]
[***]	$ [***]
[***]	$ [***]
[***]	$ [***]
[***]	$ [***]
	$ [***]
[***]	$ [***]

Next [***] **units**

Component	**Unit Price**
[***]	$ [***]
[***]	$ [***]
[***]	$ [***]
[***]	$ [***]
[***]	$ [***]
	$ [***]
[***]	$ [***]

All additional units after the first [***] **units**

Component	**Unit Price**
[***]	$ [***]
[***]	$ [***]
[***]	$ [***]
[***]	$ [***]
[***]	$ [***]
	$ [***]
[***]	$ [***]

EXHIBIT A-2

RAW MATERIALS INDEX PRICE ADJUSTMENT

On the last business day of each calendar quarter, the prices for Goods (complete vehicle sets) shall be adjusted as follows: [***].

[***]

EXHIBIT A-3

INITIAL COST BASIS DETERMINATION

Cost Basis Establishment Illustrative Example

	Lucid Initial Cost Basis	Independent Validator	Independent Validator Communication to AML
1st Two-Year Cycle	[***]	[***]	[***]
2nd Two-Year Cycle	Lucid Updated Cost Basis	Independent Validator	Independent Validator Communication to AML
	[***]	[***]	[***]

EXHIBIT A-4

GOODS

[***]

EXHIBIT A-5

LIFECYCLE FORECAST

Year	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	Total
Volume	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]

Exhibit 21.1

LIST OF SIGNIFICANT SUBSIDIARIES
AS OF DECEMBER 31, 2023

Name	Jurisdiction
Atieva, Inc.	Delaware
Lucid USA, Inc.	Delaware
Lucid Group USA, Inc	Delaware

EXHIBIT 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the registration statements (Nos. 333-267147, 333-271722, and 333-275372) on Form S-3 and registration statements (Nos. 333-259794, 333-265734, and 333-271725) on Form S-8 of our reports dated February 27, 2024, with respect to the consolidated financial statements of Lucid Group, Inc. and the effectiveness of internal control over financial reporting.

/s/ KPMG LLP

Santa Clara, California
February 27, 2024

EXHIBIT 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our report dated February 28, 2023 with respect to the consolidated financial statements included in the Annual Report of Lucid Group, Inc. on Form 10-K for the year ended December 31, 2023. We consent to the incorporation by reference of said report in the Registration Statements of Lucid Group, Inc. on Forms S-3 (File No. 333-267147, File No. 333-271722 and File No. 333-275372) and Forms S-8 (File No. 333-259794, File No. 333-265734 and File No. 333-271725).

/s/ GRANT THORNTON LLP

San Francisco, California
February 27, 2024

EXHIBIT 31.1

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 Annual Report on Form 10-K 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: February 27, 2024

/s/ Peter Rawlinson

Peter Rawlinson
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

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 Annual Report on Form 10-K 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: February 27, 2024

/s/ Gagan Dhingra
Gagan Dhingra
Interim Chief Financial Officer
(Interim Principal Financial Officer)

EXHIBIT 32.1

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 Annual Report on Form 10-K of the Company for the year ended December 31, 2023 (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: February 27, 2024

/s/ Peter Rawlinson

Peter Rawlinson
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 32.2

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 Annual Report on Form 10-K of the Company for the year ended December 31, 2023 (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: February 27, 2024

/s/ Gagan Dhingra
Gagan Dhingra
Interim Chief Financial Officer
(Interim Principal Financial Officer)

LUCID GROUP, INC.
COMPENSATION RECOUPMENT POLICY

This Lucid Group, Inc. Compensation Recoupment Policy (the "**Policy**") has been adopted by the Compensation Committee of the Board of Directors (the "**Board**") of Lucid Group, Inc. (the "**Company**") effective as of October 2, 2023 (the "**Effective Date**"). This Policy provides for the recoupment of certain executive compensation in the event of an accounting restatement resulting from material noncompliance with financial reporting requirements under U.S. federal securities laws in accordance with the terms and conditions set forth herein. This Policy is intended to comply with the requirements of Section 10D of the Exchange Act (as defined below) and Section 5608 of the Nasdaq Listing Rules.

1. <u>Definitions</u>. For the purposes of this Policy, the following terms shall have the meanings set forth below.

(a) "**Committee**" means the Compensation Committee of the Board or any successor committee thereof. If there is no Compensation Committee of the Board, references herein to the "Committee" shall refer to the Company's committee of independent directors that is responsible for executive compensation decisions, or in the absence of such a compensation committee, the independent members of the Board.

(b) "**Covered Compensation**" means any Incentive-based Compensation "received" by a Covered Executive during the applicable Recoupment Period; *provided* that:

(i) such Covered Compensation was received by such Covered Executive (A) after the Effective Date, (B) after such Covered Executive commenced service as an Executive Officer and (C) while the Company had a class of securities publicly listed on a United States national securities exchange; and

(ii) such Covered Executive served as an Executive Officer at any time during the performance period applicable to such Incentive-based Compensation.

For purposes of this Policy, Incentive-based Compensation is "**received**" by a Covered Executive during the fiscal period in which the Financial Reporting Measure applicable to such Incentive-based Compensation (or portion thereof) is attained, even if the payment or grant of such Incentive-based Compensation is made thereafter.

(c) "**Covered Executive**" means any (i) current or former Executive Officer and (ii) any other employee of the Company and its subsidiaries designated by the Committee as subject to this Policy from time to time.

(d) "**Exchange Act**" means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

(e) "**Executive Officer**" means, with respect to the Company, (i) its president, (ii) its principal financial officer, (iii) its principal accounting officer (or if there is no such accounting officer, its controller), (iv) any vice-president in charge of a principal business unit, division or function (such as sales, administration or finance), (v) any other officer who performs a policy-making function for the Company (including any officer of the Company's parent(s) or subsidiaries if they perform policy-making functions for the Company) and (vi) any other person who performs similar policy-making functions for the Company. Policy-making function is not intended to include policy-making functions that are not significant. The determination as to an individual's status as an Executive Officer shall be made by the Committee and such determination shall be final, conclusive and binding on such individual and all other interested persons.

(f) "**Financial Reporting Measure**" means any (i) measure that is determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, (ii) stock price measure or (iii) total shareholder return measure (and any measures that are derived wholly or in part from any measure referenced in clause (i), (ii) or (iii) above). For the avoidance of doubt, any such measure does not need to be presented within the Company's financial statements or included in a filing with the U.S. Securities and Exchange Commission to constitute a Financial Reporting Measure.

(g) "**Financial Restatement**" means a restatement of the Company's financial statements due to the Company's material noncompliance with any financial reporting requirement under U.S. federal securities laws that is required in order to correct:

(i) an error in previously issued financial statements that is material to the previously issued financial statements; or

(ii) an error that would result in a material misstatement if the error were (A) corrected in the current period or (B) left uncorrected in the current period.

For purposes of this Policy, a Financial Restatement shall not be deemed to occur in the event of a revision of the Company's financial statements due to an out-of-period adjustment (i.e., when the error is immaterial to the previously issued financial statements and the correction of the error is also immaterial to the current period) or a retrospective (1) application of a change in accounting principles; (2) revision to reportable segment information due to a change in the structure of the Company's internal organization; (3) reclassification due to a discontinued operation; (4) application of a change in reporting entity, such as from a reorganization of entities under common control; or (5) revision for stock splits, reverse stock splits, stock dividends or other changes in capital structure.

(h) "**Incentive-based Compensation"** means any compensation (including, for the avoidance of doubt, any cash or equity or equity-based compensation, whether deferred or current) that is granted, earned and/or vested based wholly or in part upon the achievement of a Financial Reporting Measure. For purposes of this Policy, "Incentive-based Compensation" shall also be deemed to include any amounts which were determined based on (or were otherwise calculated by reference to) Incentive-based Compensation (including, without limitation, any amounts under any long-term disability, life insurance or supplemental retirement or severance plan or agreement or any notional account that is based on Incentive-based Compensation, as well as any earnings accrued thereon).

(i) "**Nasdaq**" means The Nasdaq Stock Market, LLC, or any successor thereof.

(j) "**Recoupment Period**" means the three fiscal years completed immediately preceding the date of any applicable Recoupment Trigger Date. Notwithstanding the foregoing, the Recoupment Period additionally includes any transition period (that results from a change in the Company's fiscal year) within or immediately following those three completed fiscal years, provided that a transition period between the last day of the Company's previous fiscal year end and the first day of its new fiscal year that comprises a period of nine (9) to twelve (12) months would be deemed a completed fiscal year.

(k) "**Recoupment Trigger Date**" means the earlier of (i) the date that the Board (or a committee thereof or the officer(s) of the Company authorized to take such action if Board action is not required) concludes, or reasonably should have concluded, that the Company is required to prepare a Financial Restatement, and (ii) the date on which a court, regulator or other legally authorized body directs the Company to prepare a Financial Restatement.

2. <u>Recoupment of Erroneously Awarded Compensation</u>.

(a) In the event of a Financial Restatement, if the amount of any Covered Compensation received by a Covered Executive (the "**Awarded Compensation**") exceeds the amount of such Covered Compensation that would have otherwise been received by such Covered Executive if calculated based on the Financial Restatement (the "**Adjusted Compensation**"), the Company shall reasonably promptly recover from such Covered Executive an amount equal to the excess of the Awarded Compensation over the Adjusted Compensation, each calculated on a pre-tax basis (such excess amount, the "**Erroneously Awarded Compensation**").

(b) If (i) the Financial Reporting Measure applicable to the relevant Covered Compensation is stock price or total shareholder return (or any measure derived wholly or in part from either of such measures) and (ii) the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in the Financial Restatement, then the amount of Erroneously Awarded Compensation shall be determined (on a pre-tax basis) based on the Company's reasonable estimate of the effect of the Financial Restatement on the Company's stock price or total shareholder return (or the derivative measure thereof) upon which such Covered Compensation was received.

(c) For the avoidance of doubt, the Company's obligation to recover Erroneously Awarded Compensation is not dependent on (i) if or when the restated financial statements are filed or (ii) any fault of any Covered Executive for the accounting errors or other actions leading to a Financial Restatement.

(d) Notwithstanding anything to the contrary in Sections 2(a) through (c) hereof, the Company shall not be required to recover any Erroneously Awarded Compensation if both (x) the conditions set forth in either of the following clauses (i) or (ii) are satisfied and (y) the Committee (or a majority of the independent directors serving on the Board) has determined that recovery of the Erroneously Awarded Compensation would be impracticable:

(i) the direct expense paid to a third party to assist in enforcing the recovery of the Erroneously Awarded Compensation under this Policy would exceed the amount of such Erroneously Awarded Compensation to be recovered; *provided* that, before concluding that it would be impracticable to recover any amount of Erroneously Awarded Compensation pursuant to this Section 2(d), the Company shall have first made a reasonable attempt to recover such Erroneously Awarded Compensation, document such reasonable attempt(s) to make such recovery and provide that documentation to Nasdaq;

(ii) recovery of the Erroneously Awarded Compensation would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of Sections 401(a)(13) or 411(a) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**").

(e) The Company shall not indemnify any Covered Executive, directly or indirectly, for any losses that such Covered Executive may incur in connection with the recovery of Erroneously Awarded Compensation pursuant to this Policy, including through the payment of insurance premiums or gross-up payments.

(f) The Committee shall determine, in its sole discretion, the manner and timing in which any Erroneously Awarded Compensation shall be recovered from a Covered Executive in accordance with applicable law, including, without limitation, by (i) requiring reimbursement of Covered Compensation previously paid in cash; (ii) seeking recovery of any gain realized on the vesting, exercise, settlement, sale, transfer or other disposition of any equity or equity-based awards; (iii) offsetting the Erroneously Awarded Compensation amount from any compensation otherwise owed by the Company or any of its affiliates to the Covered Executive; (iv) cancelling outstanding vested or unvested equity or equity-based awards; and/or (v) taking any other remedial and recovery action permitted by applicable law. For the avoidance of doubt, except as set forth in Section 2(d), in no event may the Company accept an amount that is less than the amount of Erroneously Awarded Compensation; *provided* that, to the extent necessary to avoid any adverse tax consequences to the Covered Executive pursuant to Section 409A of the Code, any offsets against amounts under any nonqualified deferred compensation plans (as defined under Section 409A of the Code) shall be made in compliance with Section 409A of the Code.

3. Reporting and Disclosure. The Company shall file all disclosures with respect to this Policy in accordance with the requirements of the U.S. federal securities laws, including any disclosure required by applicable rules of the U.S. Securities and Exchange Commission.

4. Administration. This Policy shall be administered by the Committee. All decisions of the Committee shall be final, conclusive and binding upon the Company and the Covered Executives, their beneficiaries, executors, administrators and any other legal representative. The Committee shall have full power and authority to (i) administer and interpret this Policy; (ii) correct any defect, supply any omission and reconcile any inconsistency in this Policy; and (iii) make any other determination and take any other action that the Committee deems necessary or desirable for the administration of this Policy and to comply with applicable law (including Section 10D of the Exchange Act) and applicable stock market or exchange rules and regulations. Notwithstanding anything to the contrary contained herein, to the extent permitted by Section 10D of the Exchange Act and Section 5608 of the Nasdaq Listing Rules, the Board may, in its sole discretion, at any time and from time to time, administer this Policy in the same manner as the Committee.

5. Amendment/Termination. Subject to Section 10D of the Exchange Act and Section 5608 of the Nasdaq Listing Rules, this Policy may be amended or terminated by the Committee at any time. To the extent that any applicable law, or stock market or exchange rules or regulations require recovery of Erroneously Awarded Compensation in circumstances in addition to those specified herein, nothing in this Policy shall be deemed to limit or restrict the right or obligation of the Company to recover Erroneously Awarded Compensation to the fullest extent required by such applicable law, or stock market or exchange rules and regulations. Unless otherwise required by applicable law, this Policy shall no longer be effective from and after the date that the Company no longer has a class of securities publicly listed on a United States national securities exchange.

6. Interpretation. Notwithstanding anything to the contrary herein, this Policy is intended to comply with the requirements of Section 10D of the Exchange Act and Section 5608 of the Nasdaq Listing Rules (and any applicable regulations, administrative interpretations or stock market or exchange rules and regulations adopted in connection therewith). The provisions of this Policy shall be interpreted in a manner that satisfies such requirements and this Policy shall be operated accordingly. If any provision of this Policy would otherwise frustrate or conflict with this intent, the provision shall be interpreted and deemed amended so as to avoid such conflict.

7. Other Compensation Clawback/Recoupment Rights. Any right of recoupment under this Policy is in addition to, and not in lieu of, any other remedies, rights or requirements with respect to the clawback or recoupment of any compensation that may be available to the Company pursuant to the terms of any other recoupment or clawback policy of the Company (or any of its affiliates) that may be in effect from time to time, any provisions in any employment agreement, offer letter, equity plan, equity award agreement or similar plan or agreement, and any other legal remedies available to the Company, as well as applicable law, or stock market or exchange rules, listing standards or regulations; *provided*, *however*, that any amounts recouped or clawed back under any other policy that would be recoupable under this Policy shall count toward any required clawback or recoupment under this Policy and vice versa.

8. Exempt Compensation. Notwithstanding anything to the contrary herein, the Company has no obligation to seek recoupment of amounts paid to a Covered Executive which are granted, vested or earned based solely upon the occurrence or non-occurrence of nonfinancial events. Such exempt compensation includes, without limitation, base salary, time-vesting awards, compensation awarded on the basis of the achievement of metrics that are not Financial Reporting Measures or compensation awarded solely at the discretion of the Committee or the Board, *provided* that such amounts are in no way contingent on, and were not in any way granted on the basis of, the achievement of any Financial Reporting Measure performance goal.

9. Miscellaneous.

(a) Any applicable award agreement or other document setting forth the terms and conditions of any compensation covered by this Policy shall be deemed to include the restrictions imposed herein and incorporate this Policy by reference and, in the event of any inconsistency, the terms of this Policy will govern. For the avoidance of doubt, this Policy applies to all compensation that is received on or after the Effective Date, regardless of the date on which the award agreement or other document setting forth the terms and conditions of the Covered Executive's compensation became effective, including, without limitation, compensation received under the Lucid Group, Inc. Second Amended and Restated 2021 Stock Incentive Plan and any successor plan thereto.

(b) This Policy shall be binding and enforceable against all Covered Executives and their beneficiaries, heirs, executors, administrators or other legal representatives.

(c) All issues concerning the construction, validity, enforcement and interpretation of this Policy and all related documents, including, without limitation, any employment agreement, offer letter, equity award agreement or similar agreement, shall be governed by, and construed in accordance with, the laws of the State of Delaware, without giving effect to any choice of law or conflict of law rules or provisions (whether of the State of Delaware or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Delaware.

(d) The Covered Executives, their beneficiaries, executors, administrators and any other legal representative and the Company shall initially attempt to resolve all claims, disputes or controversies arising under, out of or in connection with this Policy by conducting good faith negotiations amongst themselves. To ensure the timely and economical resolution of disputes that arise in connection with this Policy, any and all disputes, claims or causes of action arising from or relating to the enforcement, performance or interpretation of this Policy shall be subject exclusively to any arbitration agreement or policy that the applicable Covered Executive may be subject to with respect to the Company from time to time. If no such agreement or policy is in place, then the courts of Alameda County, California and the federal courts of the United States for the Northern District of California shall be the sole and exclusive forums for any and all disputes, claims, or causes of action arising from or relating to the enforcement, performance or interpretation of this Policy. To the fullest extent permitted by law, the Covered Executives, their beneficiaries, executors, administrators, and any other legal representative, and the Company, shall waive (and shall hereby be deemed to have waived) the right to resolve any such dispute through a trial by jury.

(e) If any provision of this Policy is determined to be unenforceable or invalid under any applicable law, such provision will be applied to the maximum extent permitted by applicable law and shall automatically be deemed amended in a manner consistent with its objectives to the extent necessary to conform to any limitations required under applicable law.