UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(MARK ONE)

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

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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). o Yes x No

Number of shares of the registrant's common stock outstanding at August 1, 2023: 2,282,650,261

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

- risks associated with the Restructuring Plan, including the risk that the Restructuring Plan may adversely affect our internal programs and initiatives and our ability to recruit and retain skilled and motivated personnel, the risk that the Restructuring Plan may be distracting to employees and management, the risk that the Restructuring Plan may negatively impact our business operations, reputation, or ability to serve customers, and the risk that the Restructuring Plan may not generate their intended benefits to the extent or as quickly as anticipated;
- the impact of the global COVID-19 pandemic on our supply chain, projected results of operations, financial performance or other financial metrics, or on any of the foregoing risks; and
- other factors disclosed in this Quarterly Report on Form 10-Q or our other filings with the Securities and Exchange Commission (the “SEC”).

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

Frequently Used Terms

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

“2026 Notes” are to the 1.25% Convertible Senior Notes due 2026;

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

“AMP-2” are to our planned Advanced Manufacturing Plant 2, which is currently under construction in Saudi Arabia;

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

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

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

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

“Closing” are to the consummation of the Transactions;

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

“common stock” are to the 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;

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

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

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

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

“Restructuring Plan” are to the Company’s restructuring plan to reduce the Company’s operating expenses that was announced on March 28, 2023;

“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;

“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; and

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

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

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

	June 30, 2023	December 31, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,775,339	$ 1,735,765
Short-term investments	2,473,955	2,177,231
Accounts receivable, net	20,570	19,542
Inventory	849,781	834,401
Prepaid expenses	73,455	63,548
Other current assets	63,828	81,541
Total current assets	6,256,928	4,912,028
Property, plant and equipment, net	2,474,564	2,166,776
Right-of-use assets	223,890	215,160
Long-term investments	288,081	529,974
Other noncurrent assets	171,589	55,300
TOTAL ASSETS	**$ 9,415,052**	**$ 7,879,238**
LIABILITIES		
Current liabilities:		
Accounts payable	$ 140,083	$ 229,084
Accrued compensation	69,001	63,322
Finance lease liabilities, current portion	9,653	10,586
Other current liabilities	666,856	634,567
Total current liabilities	885,593	937,559
Finance lease liabilities, net of current portion	79,123	81,336
Common stock warrant liability	139,259	140,590
Long-term debt	1,994,391	1,991,840
Other long-term liabilities	356,846	378,212
Total liabilities	3,455,212	3,529,537
Commitments and contingencies (Note 11)		
STOCKHOLDERS' EQUITY		
Common stock, par value $0.0001; 15,000,000,000 shares authorized as of June 30, 2023 and December 31, 2022; 2,283,136,640 and 1,830,172,561 shares issued and 2,282,278,815 and 1,829,314,736 shares outstanding as of June 30, 2023 and December 31, 2022, respectively	228	183
Additional paid-in capital	14,904,370	11,752,138
Treasury stock, at cost, 857,825 shares at June 30, 2023 and December 31, 2022	(20,716)	(20,716)
Accumulated other comprehensive loss	(9,950)	(11,572)
Accumulated deficit	(8,914,092)	(7,370,332)
Total stockholders' equity	5,959,840	4,349,701
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 9,415,052**	**$ 7,879,238**

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Revenue	$ 150,874	$ 97,336	$ 300,306	$ 155,011
Costs and expenses				
Cost of revenue	555,805	292,342	1,056,329	538,312
Research and development	233,474	200,381	463,277	386,457
Selling, general and administrative	197,748	163,812	366,518	386,971
Restructuring charges	1,532	—	24,028	—
Total cost and expenses	988,559	656,535	1,910,152	1,311,740
Loss from operations	(837,685)	(559,199)	(1,609,846)	(1,156,729)
Other income (expense), net				
Change in fair value of common stock warrant liability	42,133	334,843	1,331	858,173
Interest income	39,525	2,911	79,530	2,911
Interest expense	(6,690)	(7,189)	(13,798)	(14,908)
Other income (expense), net	(928)	8,277	(261)	9,233
Total other income, net	74,040	338,842	66,802	855,409
Loss before provision for income taxes	(763,645)	(220,357)	(1,543,044)	(301,320)
Provision for income taxes	587	68	716	391
Net loss	(764,232)	(220,425)	(1,543,760)	(301,711)
Net loss attributable to common stockholders, basic	(764,232)	(220,425)	(1,543,760)	(301,711)
Change in fair value of dilutive warrants	—	(334,843)	—	(858,173)
Net loss attributable to common stockholders, diluted	$ (764,232)	$ (555,268)	$ (1,543,760)	$ (1,159,884)
Weighted average shares outstanding attributable to common stockholders				
Basic	1,912,459,833	1,669,303,813	1,871,884,313	1,661,960,471
Diluted	1,912,459,833	1,686,815,404	1,871,884,313	1,684,328,007
Net loss per share attributable to common stockholders				
Basic	$ (0.40)	$ (0.13)	$ (0.82)	$ (0.18)
Diluted	$ (0.40)	$ (0.33)	$ (0.82)	$ (0.69)
Other comprehensive income (loss)				
Net unrealized gains (losses) on investments, net of tax	$ (2,999)	$ (691)	$ 1,036	$ (691)
Foreign currency translation adjustments	586	—	586	—
Total other comprehensive income (loss)	(2,413)	(691)	1,622	(691)
Comprehensive loss attributable to common stockholders	$ (766,645)	$ (221,116)	$ (1,542,138)	$ (302,402)

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

LUCID GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)
(in thousands, except share data)

Three Months Ended June 30, 2023	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Treasury Stock	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
Balance as of March 31, 2023	**1,833,385,174**	**$ 183**	**$ 11,809,781**	**$ (20,716)**	**$ (7,537)**	**$ (8,149,860)**	**$ 3,631,851**
Net loss	—	—	—	—	—	(764,232)	(764,232)
Other comprehensive loss	—	—	—	—	(2,413)	—	(2,413)
Tax withholding payments for net settlement of employee awards	—	—	(3,879)	—	—	—	(3,879)
Issuance of common stock upon vesting of employee RSUs	4,565,661	1	(1)	—	—	—	—
Issuance of common stock under employee stock purchase plan	2,287,592	—	15,089	—	—	—	15,089
Issuance of common stock upon exercise of stock options	2,801,737	—	2,926	—	—	—	2,926
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	—	—	83,633	—	—	—	83,633
Balance as of June 30, 2023	**2,282,278,815**	**$ 228**	**$ 14,904,370**	**$ (20,716)**	**$ (9,950)**	**$ (8,914,092)**	**$ 5,959,840**

Three Months Ended June 30, 2022	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Treasury Stock	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
Balance as of March 31, 2022	**1,666,739,708**	**$ 167**	**$ 9,997,176**	**$ (20,716)**	**$ —**	**$ (6,147,158)**	**$ 3,829,469**
Net loss	—	—	—	—	—	(220,425)	(220,425)
Other comprehensive loss	—	—	—	—	(691)	—	(691)
Tax withholding payments for net settlement of employee awards	—	—	(8,976)	—	—	—	(8,976)
Issuance of common stock upon vesting of employee RSUs	960,651	—	—	—	—	—	—
Issuance of common stock under employee stock purchase plan	751,036	—	12,882	—	—	—	12,882
Issuance of common stock upon exercise of stock options	4,092,216	—	3,735	—	—	—	3,735
Stock-based compensation	—	—	94,392	—	—	—	94,392
Balance as of June 30, 2022	**1,672,543,611**	**$ 167**	**$10,099,209**	**$ (20,716)**	**$ (691)**	**$ (6,367,583)**	**$ 3,710,386**

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

LUCID GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY - continued
(Unaudited)
(in thousands, except share data)

Six months ended June 30, 2023	Common Stock		Additional Paid-In Capital	Treasury Stock	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount					
Balance as of January 1, 2023	**1,829,314,736**	**$ 183**	**$ 11,752,138**	**$ (20,716)**	**$ (11,572)**	**$ (7,370,332)**	**$ 4,349,701**
Net loss	—	—	—	—	—	(1,543,760)	(1,543,760)
Other comprehensive income	—	—	—	—	1,622	—	1,622
Tax withholding payments for net settlement of employee awards	—	—	(10,378)	—	—	—	(10,378)
Issuance of common stock upon vesting of employee RSUs	6,435,734	1	(1)	—	—	—	—
Issuance of common stock under employee stock purchase plan	2,287,592	—	15,089	—	—	—	15,089
Issuance of common stock upon exercise of stock options	5,002,102	—	5,107	—	—	—	5,107
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	—	—	145,594	—	—	—	145,594
Balance as of June 30, 2023	**2,282,278,815**	**$ 228**	**$ 14,904,370**	**$ (20,716)**	**$ (9,950)**	**$ (8,914,092)**	**$ 5,959,840**

Six months ended June 30, 2022	Common Stock		Additional Paid-In Capital	Treasury Stock	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount					
Balance as of January 1, 2022	**1,647,555,590**	**$ 165**	**$ 9,995,778**	**$ (20,716)**	**$ —**	**$ (6,065,872)**	**$ 3,909,355**
Net loss	—	—	—	—	—	(301,711)	(301,711)
Other comprehensive loss	—	—	—	—	(691)	—	(691)
Tax withholding payments for net settlement of employee awards	—	—	(191,241)	—	—	—	(191,241)
Issuance of common stock upon vesting of employee RSUs	8,041,659	1	(1)	—	—	—	—
Issuance of common stock under employee stock purchase plan	751,036	—	12,882	—	—	—	12,882
Issuance of common stock upon exercise of stock options	16,195,326	1	12,848	—	—	—	12,849
Stock-based compensation	—	—	268,943	—	—	—	268,943
Balance as of June 30, 2022	**1,672,543,611**	**$ 167**	**$10,099,209**	**$ (20,716)**	**$ (691)**	**$ (6,367,583)**	**$ 3,710,386**

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

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

	Six Months Ended June 30,	
	2023	2022
Cash flows from operating activities:		
Net loss	$ (1,543,760)	$ (301,711)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	105,201	80,690
Amortization of insurance premium	21,128	14,924
Non-cash operating lease cost	12,278	8,952
Stock-based compensation	125,195	268,943
Inventory and firm purchase commitments write-downs	503,679	178,057
Change in fair value of common stock warrant liability	(1,331)	(858,173)
Other non-cash items	(27,704)	2,404
Changes in operating assets and liabilities:		
Accounts receivable	(978)	1,608
Inventory	(447,962)	(603,852)
Prepaid expenses	(31,035)	6,459
Other current assets	18,488	(32,199)
Other noncurrent assets	(109,758)	(27,556)
Accounts payable	(95,999)	49,596
Accrued compensation	5,679	23,186
Operating lease liabilities	(11,712)	(6,944)
Other current liabilities	(43,380)	179,544
Other long-term liabilities	20,349	7,795
Net cash used in operating activities	(1,501,622)	(1,008,277)
Cash flows from investing activities:		
Purchases of property, plant and equipment	(445,485)	(494,900)
Purchases of investments	(2,147,253)	(1,419,223)
Proceeds from maturities of investments	1,982,489	—
Proceeds from sale of investments	148,388	—
Other investing activities	(4,827)	—
Net cash used in investing activities	(466,688)	(1,914,123)
Cash flows from financing activities:		
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	—
Payment for short-term insurance financing note	—	(15,330)
Payment for finance lease liabilities	(3,079)	(2,401)
Proceeds from borrowings	4,266	6,663
Proceeds from exercise of stock options	5,107	12,849
Proceeds from employee stock purchase plan	15,089	12,882
Tax withholding payments for net settlement of employee awards	(10,378)	(191,241)
Payment for credit facility issuance costs	—	(6,631)
Net cash provided by (used in) financing activities	3,007,870	(183,209)
Net increase (decrease) in cash, cash equivalents, and restricted cash	1,039,560	(3,105,609)
Beginning cash, cash equivalents, and restricted cash	1,737,320	6,298,020
Ending cash, cash equivalents, and restricted cash	$ 2,776,880	$ 3,192,411
Supplemental disclosure of cash flow information:		
Cash paid for interest, net of amounts capitalized	$ 11,307	$ 12,282
Cash paid for taxes	$ 23	$ 480
Supplemental disclosure of non-cash investing and financing activities:		
Purchases of property, plant and equipment included in accounts payable and other current liabilities	$ 13,689	$ 17,240
Property, plant and equipment and right-of-use assets obtained through leases	$ 21,567	$ 47,022

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

NOTE 1 – DESCRIPTION OF BUSINESS

Overview

Lucid Group, Inc. ("Lucid") is a technology and automotive 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.

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

Liquidity

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

From inception through June 30, 2023, the Company had incurred operating losses and negative cash flows from operating activities. For the six months ended June 30, 2023 and 2022, the Company has incurred net losses of $1,543.8 million and $301.7 million, respectively. The Company had an accumulated deficit of $8.9 billion as of June 30, 2023.

In 2021, the Company completed the first phase of the construction of its Advanced Manufacturing Plant 1 in Casa Grande, Arizona ("AMP-1"). 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 its planned Advanced Manufacturing Plant 2 in Saudi Arabia ("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, credit facilities and equity offering. Historically, the Company funded operations primarily with issuances of 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 new five-year senior secured asset-based revolving credit facility ("ABL Credit Facility") with an initial aggregate principal commitment amount of up to $1.0 billion and revolving credit facilities (the "GIB Facility Agreement") with Gulf International Bank ("GIB") in an aggregate principal amount of approximately $266.1 million. The GIB Facility Agreement provided for two committed revolving credit facilities, of which $173.0 million was available as a bridge financing (the "Bridge Facility") and $93.1 million was for general corporate purposes (the "Working Capital Facility").

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

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 “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 Subscription Agreement for $915.0 million. No shares remain available for sale under the Equity Distribution Agreement. See Note 8 “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 approximately $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 approximately $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 8 “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) phase 2 of construction at AMP-1 in Casa Grande, Arizona, (iv) construction of AMP-2 in Saudi Arabia, and (v) expansion of its retail studios and service centers capabilities throughout North America and across the globe. 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 global credit markets may limit the Company’s ability to obtain external financing to fund its operations and capital expenditures on terms favorable to the Company, if at all. See “Risk Factors” in Part II, Item 1A of this Quarterly Report on Form 10-Q (the “Quarterly Report”) for more information regarding risks associated with a global economic recession, including under the caption “*A global economic recession, government closures of banks and liquidity concerns at other financial institutions, or other downturn may have a material adverse impact on our business, prospects, results of operations and financial condition.*”

The COVID-19 pandemic has impacted the global economy and caused significant macroeconomic uncertainty. Infection rates vary across the jurisdictions in which the Company operates. Broader impacts of the pandemic have included inflationary pressure as well as ongoing, industry-wide challenges in logistics and supply chains, such as intermittent supplier delays and a shortfall of semiconductor supply. Because the Company relies on third party suppliers for the development, manufacture, and/or provision and development of many of the key components and materials used in its vehicles, as well as provisioning and servicing equipment in its manufacturing facilities, the Company has been affected by inflation and such industry-wide challenges in logistics and supply chains. While the Company continues to focus on mitigating risks to its operations and supply chain in the current industry environment, the Company expects that these industry-wide trends will continue to impact its cost structure as well as its ability and the ability of its suppliers to obtain parts, components and manufacturing equipment on a timely basis for the foreseeable future.

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. See "Risk Factors" in Part II, Item 1A of this Quarterly Report for additional information regarding risks associated with the COVID-19 pandemic, including under the caption "*The COVID-19 pandemic has adversely affected, and we cannot predict its ultimate impact on, our business, prospects, results of operations and financial condition.*"

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation

The accompanying unaudited condensed consolidated financial statements included herein have been prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP") and applicable rules and regulations of the U.S. Securities and Exchange Commission (the "SEC") regarding interim financial reporting. Certain information and disclosures normally included in the financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes included in the Company's Form 10-K filed with the SEC on February 28, 2023.

In management's opinion, these unaudited condensed consolidated financial statements have been prepared on the same basis as the annual financial statements and reflect all adjustments, which include normal recurring adjustments, necessary for the fair statement of the Company's financial position as of June 30, 2023 and the results of operations for the three and six months ended June 30, 2023 and 2022. The results of operations for the three and six months ended June 30, 2023 are not necessarily indicative of the results to be expected for the full year ending December 31, 2023 or any other future interim or annual period.

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

Use of Estimates

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

Reclassifications

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

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 condensed consolidated statements of cash flows (in thousands):

	June 30, 2023	December 31, 2022	June 30, 2022	December 31, 2021
Cash and cash equivalents	$ 2,775,339	$ 1,735,765	$ 3,157,449	$ 6,262,905
Restricted cash included in other current assets	1,541	1,555	4,039	10,740
Restricted cash included in other noncurrent assets	—	—	30,923	24,375
Total cash, cash equivalents, and restricted cash	$ 2,776,880	$ 1,737,320	$ 3,192,411	$ 6,298,020

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentration of credit risk consist of cash, cash equivalents, and investments. 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.

Concentration of Supply Risk

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

Revenue from Contracts with Customers

Vehicle Sales

Vehicle Sales without Residual Value Guarantee

Vehicle sales revenue is generated from the sale of electric vehicles to customers. There are two performance obligations identified in vehicle sale arrangements. These are the vehicle including an onboard advanced driver assistance system ("ADAS"), and the right to unspecified OTA software updates to be provided as and when available over the term of the basic vehicle warranty, which is generally 4 years. 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 record 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 June 30, 2023 and December 31, 2022.

Vehicle Sales with Residual Value Guarantee

The Company provides an RVG to its commercial banking partner in connection with its vehicle leasing program. Vehicle sales with RVG totaled $36.8 million and $55.5 million during the three and six months ended June 30, 2023, and nil for the same periods in the prior year. 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. As of June 30, 2023 and December 31, 2022, the RVG liability was not material.

Deferred revenue related to OTA and remarketing activities for vehicle sales were $21.7 million and $15.4 million as of June 30, 2023 and December 31, 2022, respectively.

Other

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

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.

Except for the policy described above, there have been no significant changes to accounting policies during the three and six months ended June 30, 2023.

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 the second quarter of 2023.

During the three and six months ended June 30, 2023, the Company recorded charges of $1.5 million and $24.0 million, respectively, 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 on the condensed consolidated statements of operations and comprehensive loss.

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

	Three Months Ended June 30, 2023	Six Months Ended June 30, 2023
Restructuring liabilities - beginning of period	$ 23,939	$ —
Restructuring charges excluding non-cash items[1]	1,532	25,471
Cash payments	(23,766)	(23,766)
Restructuring liabilities - end of period	$ 1,705	$ 1,705

[1] Excluded non-cash items of $1.4 million for the six months ended June 30, 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 June 30, 2023, the restructuring liabilities of $1.7 million associated with the Restructuring Plan were included in accrued compensation on the condensed consolidated balance sheet.

NOTE 4 – BALANCE SHEETS COMPONENTS

Inventory

Inventory as of June 30, 2023 and December 31, 2022 was as follows (in thousands):

	June 30, 2023	December 31, 2022
Raw materials	$ 358,199	$ 464,731
Work in progress	46,159	34,311
Finished goods	445,423	335,359
Total Inventory	$ 849,781	$ 834,401

Inventory was comprised of raw materials, work in progress related to the production of vehicles for sale and finished goods inventory including new vehicles available for sale, vehicles in transit to fulfill customer orders, and internally used vehicles which the Company intends to sell. The Company recorded write-downs of $295.0 million and $522.0 million, respectively, for the three and six months ended June 30, 2023, and $81.7 million and $178.1 million, respectively, for the same periods in the prior year, to reduce our inventories to their 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 June 30, 2023 and December 31, 2022 was as follows (in thousands):

	June 30, 2023	December 31, 2022
Land and land improvements	$ 68,373	$ 64,677
Building and improvements	251,354	197,406
Machinery, Tooling and Vehicles	795,171	743,006
Computer equipment and software	67,270	48,899
Leasehold improvements	207,571	182,904
Furniture and fixtures	31,978	27,803
Finance leases	97,924	97,992
Construction in progress	1,332,611	1,077,179
Total Property, plant and equipment	2,852,252	2,439,866
Less: accumulated depreciation and amortization	(377,688)	(273,090)
Property, plant and equipment, net	$ 2,474,564	$ 2,166,776

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):

	June 30, 2023	December 31, 2022
Machinery and tooling[(1)]	$ 694,757	$ 515,662
Construction of AMP-1 and AMP-2[(1)]	618,681	526,720
Leasehold improvements	19,173	34,797
Total construction in progress	$ 1,332,611	$ 1,077,179

[(1)] As of June 30, 2023 and December 31, 2022, $83.7 million and $33.3 million of capital expenditure support received from Ministry of Investment of Saudi Arabia (“MISA”) was recorded as a deduction to the AMP-2 construction in progress balance, respectively. See Note 15 “Related Party Transactions” for more information.

Depreciation and amortization expense was $55.4 million and $105.2 million, respectively, for the three and six months ended June 30, 2023, and $42.5 million and $80.7 million, respectively, for the same periods in the prior year. The amount of interest capitalized on construction in progress related to significant capital asset construction was $2.2 million and $4.0 million, respectively, for the three and six months ended June 30, 2023, and immaterial for the same periods in the prior year.

Other current liabilities

Other current liabilities as of June 30, 2023 and December 31, 2022 were as follows (in thousands):

	June 30, 2023	December 31, 2022
Engineering, design, and testing accrual	$ 47,498	$ 28,686
Construction in progress	174,273	167,462
Accrued purchases[1]	63,907	157,162
Retail leasehold improvements accrual	6,956	9,099
Third-party services accrual	24,453	34,951
Tooling liability	17,416	21,714
Short-term borrowings	13,864	9,595
Operating lease liabilities, current portion	19,135	11,269
Reserve for loss on firm commitments[2]	84,297	22,640
Accrued warranty	41,556	10,464
Other current liabilities	173,501	161,525
Total Other current liabilities	$ 666,856	$ 634,567

[1] Primarily represent accruals for inventory related purchases and transportation charges that had not been invoiced.
[2] Primarily represent reserve for losses on firm inventory purchase commitments.

Other long-term liabilities

Other long-term liabilities as of June 30, 2023 and December 31, 2022 were as follows (in thousands):

	June 30, 2023	December 31, 2022
Operating lease liabilities, net of current portion	$ 250,547	$ 243,843
Other long-term liabilities[1]	106,299	134,369
Total Other long-term liabilities	$ 356,846	$ 378,212

[1] As of June 30, 2023 and December 31, 2022, $13.6 million and $64.0 million of capital expenditure support received from MISA was recorded as deferred liability within other long-term liabilities, respectively. See Note 15 “Related Party Transactions” for more information.

Accrued warranty

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

	Three Months Ended June 30, 2023	Six Months Ended June 30, 2023
Accrued warranty - beginning of period	$ 25,875	$ 22,949
Warranty costs incurred	(11,570)	(19,830)
Provision for warranty[1]	47,881	59,067
Accrued warranty - end of period[2]	$ 62,186	$ 62,186

[1] Accrued warranty balance as of June 30, 2023 included estimated costs related to the recalls identified and special campaigns to repair or replace items under warranties.
[2] Accrued warranty balance of $41.6 million and $20.6 million were recorded within other current liabilities and other long-term liabilities, respectively, on our condensed consolidated balance sheet as of June 30, 2023.

NOTE 5 - FAIR VALUE MEASUREMENTS AND FINANCIAL INSTRUMENTS

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

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

Cash, cash equivalents and investments are reported at their respective fair values on the Company's condensed consolidated balance sheets. The Company's short-term and long-term investments are classified as available-for-sale securities.

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 June 30, 2023 and December 31, 2022 (in thousands):

	June 30, 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	$ 436,273	$ —	$ —	$ 436,273	$ 436,273	$ —	$ —
Level 1:							
Money market funds	1,871,962	—	—	1,871,962	1,871,962	—	—
U.S. Treasury securities	2,297,523	246	(8,149)	2,289,620	259,284	1,894,287	136,049
Subtotal	4,169,485	246	(8,149)	4,161,582	2,131,246	1,894,287	136,049
Level 2:							
U.S. government agency securities	54,481	3	(95)	54,389	—	54,389	—
Certificates of deposit	79,747	21	(88)	79,680	—	79,680	—
Commercial paper	358,295	34	(134)	358,195	163,433	194,762	—
Corporate debt securities	449,630	388	(2,762)	447,256	44,387	250,837	152,032
Subtotal	942,153	446	(3,079)	939,520	207,820	579,668	152,032
Total	$ 5,547,911	$ 692	$ (11,228)	$ 5,537,375	$ 2,775,339	$ 2,473,955	$ 288,081

	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 three and six months ended June 30, 2023, there were immaterial realized gains or losses on the sale of available-for-sale securities. No realized gains or losses on the sale of available-for-sale securities were recorded during the three and six months ended June 30, 2022. Accrued interest receivable excluded from both the fair value and amortized cost basis of the available-for-sale securities was $6.5 million and $7.5 million as of June 30, 2023 and December 31, 2022, respectively, and was recorded in other current assets on our condensed consolidated balance sheets. As of June 30, 2023 and December 31, 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:

	June 30, 2023	
	Amortized cost	Estimated Fair Value
Within one year	$ 2,482,283	$ 2,473,955
After one year through three years	290,363	288,081
Total	$ 2,772,646	$ 2,762,036

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 7 “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):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Fair value-beginning of period	$ 181,392	$ 871,478	$ 140,590	$ 1,394,808
Change in fair value	(42,133)	(334,843)	(1,331)	(858,173)
Fair value-end of period	$ 139,259	$ 536,635	$ 139,259	$ 536,635

NOTE 6 – DEBT

2026 Notes

In December 2021, the Company issued an aggregate of $2,012.5 million principal amount of 1.25% convertible senior notes due in December 2026 (the "2026 Notes") in a private offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended, at an issuance price equal to 99.5% of the principal amount of 2026 Notes. The 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 June 30, 2023 and December 31, 2022 (in millions):

	June 30, 2023	December 31, 2022
Principal Amount	$ 2,012.5	$ 2,012.5
Unamortized Debt Discounts and Issuance Costs	(18.1)	(20.7)
Net Carrying Amount	$ 1,994.4	$ 1,991.8
Fair Value (Level 2)	$ 1,295.5	$ 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):

	Three Months Ended June 30,		Six Months Ended June 30	
	2023	2022	2023	2022
Contractual interest	$ 6.3	$ 6.4	$ 12.6	$ 12.7
Amortization of debt discounts and debt issuance costs	1.3	1.2	2.6	2.4
Interest expense	$ 7.6	$ 7.6	$ 15.2	$ 15.1

The 2026 Notes were not eligible for conversion as of June 30, 2023 and December 31, 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 June 30, 2023 and December 31, 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 $110.6 million) to SAR 1.77 billion (approximately $471.9 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 June 30, 2023 and December 31, 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 beared interest at a rate of 1.25% per annum over 3-month SAIBOR and the Working Capital Facility beared interest at a rate of 1.70% per annum over 1~3-month SAIBOR and associated fees.

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

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

As of June 30, 2023, the Company had outstanding borrowings of SAR 52 million (approximately $13.9 million) with weighted average interest rate of 7.24%. As of June 30, 2023, availability under the GIB Credit Facility was SAR 947 million (approximately $252.6 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 on the condensed consolidated balance sheets. As of June 30, 2023 and December 31, 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 financial covenant, in each case on terms set forth in the credit agreement governing the ABL Credit Facility. As of June 30, 2023 and December 31, 2022, the Company was in compliance with applicable covenants under the ABL Credit Facility.

As of June 30, 2023 and December 31, 2022, the Company had no outstanding borrowings under the ABL Credit Facility. Outstanding letters of credit under the ABL Credit Facility were $41.0 million and $37.4 million as of June 30, 2023 and December 31, 2022, respectively. Availability under the ABL Credit Facility was $596.2 million (including $140.2 million cash and cash equivalents) and $441.4 million (including $37.3 million cash and cash equivalents) as of June 30, 2023 and December 31, 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 on condensed consolidated balance sheets and amortized over the facility term using the straight-line method. Amortization of the deferred issuance costs and commitment fee were $0.9 million and $1.8 million, respectively, for the three and six months ended June 30, 2023, and were immaterial for the same periods in the prior year.

NOTE 7 - COMMON STOCK WARRANT LIABILITY

On July 23, 2021, in connection with the reverse recapitalization treatment of the Merger, the Company effectively issued 44,350,000 Private Placement Warrants to purchase shares of Lucid’s common stock at an exercise price of $11.50. The Private Placement Warrants were initially recognized as a liability with a fair value of $812.0 million and was remeasured to fair value of $140.6 million as of December 31, 2022. The Private Placement Warrants remained unexercised and were remeasured to fair value of $139.3 million as of June 30, 2023. The Company recognized gains of $42.1 million and $1.3 million, respectively, for the three and six months ended June 30, 2023, and gains of $334.8 million and $858.2 million, respectively, for the same periods in the prior year, in the condensed consolidated statements of operations and comprehensive loss.

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

	June 30, 2023	December 31, 2022
Fair value of Private Placement Warrants per share	$ 3.14	$ 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:

	June 30, 2023	December 31, 2022
Volatility	85.00 %	80.00 %
Expected term (in years)	3.1	3.6
Risk-free rate	4.43 %	4.11 %
Dividend yield	— %	— %

NOTE 8 – 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 June 30, 2023 and December 31, 2022, there were no issued and outstanding shares of preferred stock.

Common Stock

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 approximately $5.7 million. No shares remain available for sale under the Equity Distribution Agreement.

On November 8, 2022, the Company also entered into the 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. In December 2022, the Company issued 85,712,679 shares to Ayar pursuant to the 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 approximately $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 approximately $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 approximately $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 approximately $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 on the condensed consolidated balance sheets.

Treasury Stock

During the year ended December 31, 2021, the Company repurchased an aggregate of 857,825 shares of its common stock, including 712,742 shares from certain employees and 145,083 shares from Board of Directors of the Company's predecessor, Atieva, Inc. at $24.15 per share. No common stock was repurchased during the three and six months ended June 30, 2023 and 2022.

Common Stock Reserved for Issuance

The Company's common stock reserved for future issuances as of June 30, 2023 was as follows:

	June 30, 2023
Private Placement Warrants to purchase common stock	44,350,000
Stock options outstanding	34,849,933
Restricted stock units outstanding	60,503,256
Shares available for future grants under equity plans	36,576,766
If-converted common shares from convertible note	36,737,785
Total shares of common stock reserved	213,017,740

NOTE 9 – STOCK-BASED AWARDS

Stock Options

A summary of stock option activity for the six months ended June 30, 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	6.52	$ 224,721
Options granted	1,776,333	8.56		
Options exercised	(5,002,102)	1.02		
Options canceled	(935,414)	2.25		
Balance as of June 30, 2023	34,849,933	$ 1.56	5.92	$ 192,773
Options vested and exercisable as of June 30, 2023	28,051,811	$ 1.08	5.61	$ 165,688

As of June 30, 2023, unrecognized stock-based compensation cost related to outstanding unvested stock options that are expected to vest was $9.9 million, which is expected to be recognized over a weighted-average period of 2.9 years.

Restricted Stock Units ("RSUs")

A summary of RSUs activity for the six months ended June 30, 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	28,793,438	3,696,694	32,490,132	7.61
Vested	(7,755,145)	—	(7,755,145)	17.96
Cancelled/Forfeited	(4,892,169)	—	(4,892,169)	16.43
Balance as of June 30, 2023	54,716,422	5,786,834	60,503,256	$ 13.48

As of June 30, 2023, unrecognized stock-based compensation cost related to outstanding unvested time-based RSUs that are expected to vest was $544.6 million, which is expected to be recognized over a weighted-average period of 2.4 years.

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

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

The Company recognizes compensation expense using a graded vesting attribution method over the derived service period for the CEO performance-based awards. Stock-based compensation expense is recognized when the relevant performance condition is considered probable of achievement for the performance-based award. During the year ended December 31, 2022, the market condition was met for the CEO performance-based awards for four of the five tranches and certified by the Board of Directors, representing an aggregate of 13,934,271 performance RSUs. We recorded stock-based compensation expense of $85.4 million for the four tranches during the year ended December 31, 2022. As of June 30, 2023, the unamortized expense for the fifth tranche, representing 2,090,140 RSUs, was $2.6 million which will be recognized over a period of 0.2 years. The Company withheld approximately 0.4 million and 0.9 million shares of common stock, respectively, for the three and six months ended June 30, 2023, and 0.5 million and 8.5 million shares of common stock, respectively, for the same periods in the prior year, by net settlement to meet the related tax withholding requirements related to the CEO time-based and performance-based RSUs.

During the three and six months ended June 30, 2023, the Company granted performance-based RSUs to certain employees. Performance-based RSUs granted to certain employees are subject to corporate performance conditions and individual performance. 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. Performance-based RSUs earned are subject to service condition which will be met generally over 3 years. Stock-based compensation expense is recognized when the relevant performance condition is considered probable of achievement for the performance-based award. During the three and six months ended June 30, 2023, the Company recorded stock-based compensation expenses of $0.7 million related to these performance-based RSUs. As of June 30, 2023, the unamortized expense for the performance-based RSUs was $18.2 million which will be recognized over a weighted-average period of 1.6 years.

Employee Stock Purchase Plan ("ESPP")

The ESPP authorizes the issuance of shares of common stock pursuant to purchase rights granted to employees. The plan provides for 24-month offering periods beginning in December and June of each year, and each offering period will consist of four six-month purchase periods. The purchase price for each share purchased during an offering period will be the lesser of 85% of the fair market value of the share on the purchase date or 85% of the fair market value of the share on the offering date. As of June 30, 2023, unrecognized stock-based compensation cost related to the ESPP was $39.1 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 three and six months ended June 30, 2023 and 2022, was classified in the condensed consolidated statements of operations and comprehensive loss as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Cost of revenue	$ 765	$ 10,381	$ 1,339	$ 18,980
Research and development	37,410	39,220	65,393	88,976
Selling, general and administrative	33,201	44,791	59,906	160,987
Restructuring charges	—	—	(1,443)	—
Total	$ 71,376	$ 94,392	$ 125,195	$ 268,943

NOTE 10 – LEASES

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

In August 2022, the Company entered into a four-year agreement ("Lease Agreement") to lease land in Casa Grande, Arizona adjacent to our manufacturing facility. The Company classifies this lease as a finance lease because the Lease Agreement contains a purchase option which the Company is reasonably certain to exercise. As of June 30, 2023 and December 31, 2022, assets associated with the finance lease were $79.3 million. As of June 30, 2023 and December 31, 2022, liabilities associated with the finance lease were $80.9 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 the sales proceeds received as a financial liability within other long-term liabilities on our condensed consolidated balance sheets as of June 30, 2023 and December 31, 2022.

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

	June 30, 2023	December 31, 2022
Operating leases:		
Operating lease right-of-use assets	$ 223,890	$ 215,160
Other current liabilities	$ 19,135	$ 11,269
Other long-term liabilities	250,547	243,843
Total operating lease liabilities	$ 269,682	$ 255,112
Finance leases:		
Property, plant and equipment, net	$ 87,581	$ 90,386
Total finance lease assets	$ 87,581	$ 90,386
Finance lease liabilities, current portion	$ 9,653	$ 10,586
Finance lease liabilities, net of current portion	79,123	81,336
Total finance lease liabilities	$ 88,776	$ 91,922

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Operating lease expense:				
Operating lease expense[1]	$ 13,763	$ 10,749	$ 26,578	$ 20,327
Variable lease expense	423	897	868	1,675
Finance lease expense:				
Amortization of leased assets	$ 1,402	$ 1,133	$ 2,807	$ 2,229
Interest on lease liabilities	1,229	144	2,473	289
Total finance lease expense	$ 2,631	$ 1,277	$ 5,280	$ 2,518
Total lease expense	$ 16,817	$ 12,923	$ 32,726	$ 24,520

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

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

	June 30, 2023	December 31, 2022
Weighted-average remaining lease term (in years):		
Operating leases	7.2	7.6
Finance leases	3.0	3.5
Weighted-average discount rate:		
Operating leases	10.87 %	10.52 %
Finance leases	5.58 %	5.57 %

As of June 30, 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
2023 (remainder of the year)	$ 18,755	$ 5,317
2024	58,927	8,340
2025	59,644	6,619
2026	56,253	82,488
2027	48,538	117
Thereafter	160,794	37
Total minimum lease payments	402,911	102,918
Less: Interest	(133,229)	(14,142)
Present value of lease obligations	269,682	88,776
Less: Current portion	(19,135)	(9,653)
Long-term portion of lease obligations	$ 250,547	$ 79,123

As of June 30, 2023, the Company entered into additional leases for facilities and equipment that have not yet commenced with undiscounted future lease payments of $14.3 million. The leases are expected to commence over the next twelve months.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

Contractual Obligations

As of June 30, 2023 and December 31, 2022, the Company had $438.1 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 June 30, 2023 and December 31, 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 June 30, 2023 were as follows (in thousands):

Years ended December 31,	Minimum Purchase Commitment[1]
2023 (remainder of the year)	$ 123,274
2024	341,573
2025	459,856
2026	703,715
2027	703,205
Thereafter	2,709,174
Total	$ 5,040,797

[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 Company moved to dismiss the Complaint on February 14, 2022 and that motion was granted on January 11, 2023, with Plaintiffs being provided the ability to seek leave to amend. On January 30, 2023, Plaintiffs filed a Motion for Leave to Amend, which the Company opposed. On June 29, 2023, the District Court denied that motion, dismissed the lawsuit and terminated the case. It is unclear at the present time whether Plaintiffs will appeal the dismissal.

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 complaints name 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. The complaints in these actions seek certification of the actions as class actions, as well as compensatory damages, interest thereon, and attorneys' fees and expenses. The Company filed a Motion to Dismiss on February 23, 2023, which is pending before the court. The Company believes that the plaintiffs' claims are without merit and intends to defend itself vigorously, but the Company cannot ensure that defendants' efforts to dismiss the complaint will be successful or that it will avoid liability in these matters.

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 actions.

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 $56.7 million and $52.5 million as of June 30, 2023 and December 31, 2022, respectively, for which no liabilities are recorded on the condensed consolidated balance sheets.

NOTE 12 - INCOME TAXES

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

The Company’s effective tax rate was (0.1)% and 0.0%, respectively, for the three and six months ended June 30, 2023, and 0.0% and (0.1)%, respectively, for the same periods in the prior year, due to minimal profits in foreign jurisdictions and U.S. losses for which no benefit will be realized.

NOTE 13 - NET LOSS PER SHARE

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net loss attributable to common stockholders, basic	$ (764,232)	$ (220,425)	$ (1,543,760)	$ (301,711)
Change in fair value of dilutive warrants	—	(334,843)	—	(858,173)
Net loss attributable to common stockholders, diluted	$ (764,232)	$ (555,268)	$ (1,543,760)	$ (1,159,884)
Weighted-average shares outstanding, basic	1,912,459,833	1,669,303,813	1,871,884,313	1,661,960,471
Private Placement Warrants using the treasury stock method	—	17,511,591	—	22,367,536
Weighted-average shares outstanding, diluted	1,912,459,833	1,686,815,404	1,871,884,313	1,684,328,007
Net loss per share:				
Basic	$ (0.40)	$ (0.13)	$ (0.82)	$ (0.18)
Diluted	$ (0.40)	$ (0.33)	$ (0.82)	$ (0.69)

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:

	June 30,	
Excluded Securities	2023	2022
Private Placement Warrants to purchase common stock	44,350,000	—
Options outstanding to purchase common stock	34,849,933	46,268,897
RSUs outstanding	54,716,422	39,884,884
Employee stock purchase plan	8,764,624	4,482,280
If-converted common shares from convertible note	36,737,785	36,737,785
Total	179,418,764	127,373,846

The 5,786,834 and 2,090,140 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 performance conditions have not been satisfied as of June 30, 2023 and 2022, respectively.

NOTE 14 - 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 three and six months ended June 30, 2023 and 2022.

NOTE 15 - RELATED PARTY TRANSACTIONS

Public Investment Fund Internship Agreement

In July 2021, we entered into an agreement with PIF, which is an affiliate of Ayar, to implement a recruitment and talent development program pursuant to which we 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. Expenses incurred under the agreement were nil during the three and six months ended June 30, 2023, and $0.7 million during the same periods in the prior year. The amount due from PIF was nil and $1 million as of June 30, 2023 and December 31, 2022, respectively.

Lease

In February 2022, we entered into a lease agreement with KAEC, a related party of PIF, which is an affiliate of Ayar, for our first international manufacturing plant in Saudi Arabia. The lease has an initial term of 25 years expiring in Year 2047. The right-of-use assets related to this lease were $4.7 million and $4.8 million as of June 30, 2023 and December 31, 2022, respectively. The lease liabilities were $5.6 million and $5.4 million as of June 30, 2022 and December 31, 2022, respectively. The lease expense recorded for the three and six months ended June 30, 2023 and 2022 was immaterial.

SIDF Loan Agreement

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

MISA Agreements

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

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

In 2022, the Company received support of SAR 366 million (approximately $97.3 million) in cash. The Company recorded $13.6 million and $64.0 million as deferred liability within other long-term liabilities on the condensed consolidated balance sheets as of June 30, 2023 and December 31, 2022, respectively. The Company also recorded $83.7 million and $33.3 million as a deduction in calculating the carrying amount of the related assets on the condensed consolidated balance sheets as of June 30, 2023 and December 31, 2022, respectively. There were no unfulfilled conditions and contingencies attached to the payments received. In 2022, payment receipts were classified as investing cash inflows on the condensed 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 $266.6 million) GIB Credit Facility which may be used for general corporate purposes. See Note 6 "Debt" for more information.

Construction Service Contract

Lucid LLC entered into agreements with Al Bawani Company Limited ("Al Bawani"), an affiliate of PIF, which is an affiliate of Ayar, for certain design and construction services in connection with the development of AMP-2. The capital expenditures incurred under these agreements were SAR 119.8 million (approximately $32.0 million) and SAR 181.9 million (approximately $48.5 million), respectively, for the three and six months ended June 30, 2023, and not material for the same periods in the prior year. Amounts due to Al Bawani under these agreements were SAR 75.1 million (approximately $20.0 million) and SAR 42.1 million (approximately $11.2 million) as of June 30, 2023 and December 31, 2022, respectively.

Subscription Agreements

On November 8, 2022, the Company entered into the 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 approximately $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 approximately $2.0 million. See Note 8 "Stockholders' Equity" for more information.

Common stock acquired by Ayar under the Subscription Agreements is subject to the investor rights agreement dated February 22, 2021 (the "Investor Rights Agreement"), which governs the registration for resale of such common stock. On May 31, 2023, concurrently with entering into the 2023 Subscription Agreement, the Company entered into an amendment to the Investor Rights Agreement (the "Second IRA Amendment"). Pursuant to the Second IRA Amendment, Ayar is entitled to certain registration rights with respect to the shares of common stock Ayar purchased in the private placement.

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

During the three and six months ended June 30, 2023, the Company received a payment of SAR 8.8 million (approximately $2.3 million) in cash. The Company recorded $2.1 million as deferred liability within other current liabilities on the condensed consolidated balance sheet as of June 30, 2023. The deduction recorded to operating expenses on the condensed consolidated statement of operations and comprehensive loss was immaterial for the three and six months ended June 30, 2023.

NOTE 16 – SUBSEQUENT EVENTS

In connection with the preparation of the condensed consolidated financial statements for the three and six months ended June 30, 2023, the Company evaluated subsequent events and concluded there were no subsequent events that required recognition in the condensed consolidated financial statements.

EV Purchase Agreement

In August 2023, Lucid LLC 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 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 the absolute discretion to decide whether to exercise the option to purchase the additional 50,000 vehicles.

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

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q (the "Quarterly Report") and our Annual Report on Form 10-K for the year ended December 31, 2022, filed with the SEC on February 28, 2023. This discussion may contain forward-looking statements based upon Lucid's current expectation, estimates and projections that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors", in Part II, Item 1A of this Quarterly Report.

Overview

We are a technology and automotive 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 technology innovation, vertical integration, and a "clean sheet" approach to engineering and design have 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 on-brand and 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. We expect to launch additional vehicles over the coming decade. We have already commenced design and engineering work for the Lucid Gravity, a luxury sports utility vehicle ("SUV") that is expected to leverage and expand the technological advancements from the Lucid Air. We expect to begin production of the Lucid Gravity SUV in late 2024. After the Lucid Air and the Lucid Gravity SUV, we plan to leverage and expand our technological and manufacturing advancements to develop and manufacture progressively higher-volume vehicle segments.

Recent Developments

Underwriting 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 from us 173,544,948 shares of our common stock at a price per share of $6.83. 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 approximately $1.1 million.

2023 Subscription Agreement

On May 31, 2023, we entered into a subscription agreement (the "2023 Subscription Agreement") with Ayar Third Investment Company, the controlling stockholder of the Company ("Ayar"), pursuant to which Ayar agreed to purchase 265,693,703 shares of our common stock from us in a private placement at a price per share of $6.83. 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 approximately $2.0 million.

Implementation Agreement with Aston Martin

On June 25, 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 will establish a long-term strategic technology partnership in which we will provide Aston Martin with powertrain and battery system technology for use in Aston Martin's initial and certain future electric vehicles.

Under the terms of the Implementation Agreement, subject to the satisfaction of certain conditions, both parties have agreed to enter into integration and supply agreements under which we will provide Aston Martin access to our powertrain and battery system 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 "Partnership"). We will receive a technology access fee of $232 million, comprising $100 million in ordinary shares of Aston Martin and aggregate cash payments of $132 million phased over a period of three years. Aston Martin will also commit to an effective minimum spend with us on powertrain components of $225 million.

The conditions for the commencement of the Partnership include, among other requirements, obtaining Aston Martin shareholder approval at a meeting of Aston Martin shareholders, satisfaction of regulatory approvals, and other customary conditions. If the conditions are not satisfied or waived by December 31, 2023, or such later date as may be agreed by the parties in writing, either party may terminate the Implementation Agreement. Certain Aston Martin shareholders holding the requisite majority of the votes required to approve the Partnership have executed and delivered irrevocable undertakings to vote their shares in favor of the Partnership, subject to certain conditions.

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, any economic recession or other downturn could also cause logistical challenges and other operational risks if any of our suppliers, sub-suppliers or partners become insolvent or are otherwise unable to continue their operations, fulfill their obligations to us, or meet our future demand. In addition, the deterioration of conditions in global credit markets may limit our ability to obtain external financing to fund our operations and capital expenditures on terms favorable to us, if at all. See “Risk Factors” in Part II, Item 1A of this Quarterly Report for more information regarding risks associated with a global economic recession, including under the caption *“A global economic recession, government closures of banks and liquidity concerns at other financial institutions, or other downturn may have a material adverse impact on our business, prospects, results of operations and financial condition.”*

Impact of the COVID-19 Pandemic on our Business

The COVID-19 pandemic has impacted the global economy and caused significant macroeconomic uncertainty. Infection rates vary across the jurisdictions in which we operate. Broader impacts of the pandemic have included inflationary pressure as well as ongoing, industry-wide challenges in logistics and supply chains, such as intermittent supplier delays and a shortfall of semiconductor supply. Because 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 inflation and such industry-wide challenges in logistics and supply chains. While we continue to focus on mitigating risks to our operations and supply chain in the current industry environment, we expect that these industry-wide trends will continue to impact our cost structure as well as our ability and the ability of our suppliers to obtain parts, components and manufacturing equipment on a timely basis for the foreseeable future.

In the current circumstances, any impact on our 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. See “Risk Factors” in Part II, Item 1A of this Quarterly Report for more information regarding risks associated with the COVID-19 pandemic, including under the caption “*The COVID-19 pandemic has adversely affected, and we cannot predict its ultimate impact on, our business, prospects, results of operations and financial condition.*”

Key Factors Affecting Our Performance

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

Design and Technology Leadership

We believe that we are positioned to be a leader in the electric vehicle market by unlocking the potential for advanced, high-performance, and long-range electric vehicles to co-exist. The Lucid Air is designed with race-proven battery and powertrain technologies 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 and marketing operations for sale of the Lucid Air, including to open studios, hire a sales force, invest in marketing and brand awareness, and stand up a service center operation. As of June 30, 2023, we have opened forty-one studios and service centers (excluding temporary and satellite service centers): thirty-two in the United States (ten in California, four in Florida, three in New York, two in each of Arizona, Illinois, Massachusetts, Texas, Virginia and Washington, and one in each of Colorado, Michigan and New Jersey), four in Canada, one in Germany, one in Netherlands, one in Norway, one in Switzerland, and one 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 planned Advanced Manufacturing Plant 2 in Saudi Arabia (“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 SUV, 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):

	Three Months Ended June 30,				Six Months Ended June 30,			
	2023	2022	$ Change	% Change	2023	2022	$ Change	% Change
Revenue	$ 150,874	$ 97,336	$ 53,538	55 %	$ 300,306	$ 155,011	$ 145,295	94 %

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, sales of battery pack systems, powertrain kits and retail merchandise.

Revenue increased by $53.5 million and $145.3 million, respectively, for the three and six months ended June 30, 2023, as compared to the same periods in the prior year, primarily driven by increases in deliveries of the Lucid Air vehicles.

Cost of Revenue

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

	Three Months Ended June 30,				Six Months Ended June 30,			
	2023	2022	$ Change	% Change	2023	2022	$ Change	% Change
Cost of revenue	$ 555,805	$ 292,342	$ 263,463	90 %	$ 1,056,329	$ 538,312	$ 518,017	96 %

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 amortized 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 $263.5 million and $518.0 million, respectively, for the three and six months ended June 30, 2023, as compared to the same periods in the prior year, 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. Additionally, we recorded write-downs of $295.0 million and $522.0 million, respectively, for the three and six months ended June 30, 2023, and $81.7 million and $178.1 million, respectively, for the same periods in the prior year, 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.

Operating Expenses

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

	Three Months Ended June 30,				Six Months Ended June 30,			
	2023	2022	$ Change	% Change	2023	2022	$ Change	% Change
Research and development	$ 233,474	$ 200,381	$ 33,093	17 %	$ 463,277	$ 386,457	$ 76,820	20 %
Selling, general and administrative	197,748	163,812	33,936	21 %	366,518	386,971	(20,453)	(5)%
Restructuring charges	1,532	—	1,532	**nm*	24,028	—	24,028	**nm*
Total operating expenses	$ 432,754	$ 364,193	$ 68,561	19 %	$ 853,823	$ 773,428	$ 80,395	10 %

**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 SUV, and future generations of our electric vehicles. Research and development expenses consist primarily of materials, supplies and personnel-related expenses for employees involved in the engineering, designing, and testing of electric vehicles. Personnel-related expenses primarily include salaries, benefits and stock-based compensation. Research and development expenses also include prototype material, engineering, design and testing services, and allocated facilities costs, such as office and rent expense and depreciation expense, and other engineering, designing, and testing expenses.

Research and development expense increased by $33.1 million, or 17% for the three months ended June 30, 2023, as compared to the same period in the prior year. The increase was primarily attributable to higher personnel-related expenses of $12.1 million due to our growth in headcount, an increase of $11.1 million for prototype material, engineering, design and testing services, and an increase of $7.9 million in allocated facilities costs.

Research and development expense increased by $76.8 million, or 20% for the six months ended June 30, 2023, as compared to the same period in the prior year. The increase was primarily attributable to an increase of $54.7 million for prototype material, engineering, design and testing services, higher personnel-related expenses of $8.5 million ($32.1 million increase due to our growth in headcount, partially offset by $23.6 million lower stock-based compensation expenses), and an increase of $9.0 million in allocated facilities costs.

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 $33.9 million, or 21% for the three months ended June 30, 2023, as compared to the same period in the prior year. The increase was primarily attributable to increases in allocated facilities costs of $22.3 million, other general corporate expenses of $8.2 million, and higher utilization of contractors and professional fees of $4.3 million. Personnel related expenses did not significantly fluctuate as an increase of $11.8 million from our growth in headcount was largely offset by a decrease of $11.6 million in stock-based compensation expense.

Selling, general, and administrative expense decreased by $20.5 million, or 5% for the six months ended June 30, 2023, as compared to the same period in the prior year. The decrease was primarily attributable to lower personnel related expenses of $74.5 million ($101.1 million lower stock-based compensation expense mainly driven by the vesting of the four tranches of CEO performance-based awards during the six months ended June 30, 2022, offset by $26.6 million increase due to our growth in headcount), partially offset by increases in allocated facilities costs of $33.2 million, other general corporate expenses of $12.7 million, and higher utilization of contractors and professional fees of $8.7 million.

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 the second quarter of 2023.

Restructuring charges of $1.5 million and $24.0 million, respectively, for the three and six months ended June 30, 2023 primarily related to severance payments, employee benefits, employee transition and stock-based compensation, net of a reversal of previously recognized stock-based compensation expense.

Other Income (Expense), net

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

	Three Months Ended June 30,				Six Months Ended June 30,			
	2023	2022	$ Change	% Change	2023	2022	$ Change	% Change
Other income (expense), net:								
Change in fair value of common stock warrant liability	$ 42,133	$ 334,843	$ (292,710)	(87)%	$ 1,331	$ 858,173	$ (856,842)	(100)%
Interest income	39,525	2,911	36,614	*nm	79,530	2,911	76,619	*nm
Interest expense	(6,690)	(7,189)	499	(7)%	(13,798)	(14,908)	1,110	(7)%
Other income (expense), net	(928)	8,277	(9,205)	*nm	(261)	9,233	(9,494)	*nm
Total other income, net	$ 74,040	$ 338,842	$ (264,802)	(78)%	$ 66,802	$ 855,409	$ (788,607)	(92)%

**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 condensed consolidated statements of operations and comprehensive loss.

The Private Placement Warrants remained unexercised as of June 30, 2023. The liability was remeasured to fair value, resulting in gains of $42.1 million and $1.3 million, respectively, for the three and six months ended June 30, 2023, and gains of $334.8 million and $858.2 million, respectively, for the same periods in the prior year. The change in fair value was classified within change in fair value of common stock warrant liability in the condensed consolidated statements of operations and comprehensive loss. See Note 7 "Common Stock Warrant Liability" to our condensed consolidated financial statements included elsewhere in this Quarterly Report for more information.

Interest Income

Interest income increased by $36.6 million and $76.6 million, respectively, for the three and six months ended June 30, 2023, primarily due to increases in interest, amortization and accretion of purchase premiums and discounts on our investments of available-for-sale securities.

Interest Expense

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

Interest expense decreased by $0.5 million and $1.1 million, respectively, for the three and six months ended June 30, 2023, as compared to the same periods in the prior year, primarily due to an increase in interest capitalized on construction in progress related to significant capital asset construction, partially offset by increases in 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 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 $9.2 million and $9.5 million, respectively, for the three and six months ended June 30, 2023, primarily due to dividend income earned from our investments in 2022 and changes in foreign currency exchange rates.

Provision for Income Taxes

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

	Three Months Ended June 30,				Six Months Ended June 30,			
	2023	2022	$ Change	% Change	2023	2022	$ Change	% Change
Provision for income taxes	$ 587	$ 68	$ 519	763 %	$ 716	$ 391	$ 325	83 %

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 June 30, 2023, Lucid had approximately $5.5 billion of cash, cash equivalents and investments. 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) Phase 2 of construction at AMP-1 in Casa Grande, Arizona, (iv) construction of AMP-2 in Saudi Arabia, (v) expansion of retail studios and service centers, and (vi) other initiatives related to the sale of vehicles and/ or technology.

We anticipate our cumulative spending on capital expenditures to be in the range of $1.1 billion to $1.3 billion for the fiscal year 2023 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 June 30, 2023, our total minimum lease payments are $505.8 million, of which $24.1 million is due in 2023. We also have non-cancellable long-term commitments of $5.0 billion, primarily relating to certain inventory component purchases. For details regarding these obligations, refer to Note 10 "Leases" and Note 11 "Commitments and Contingencies" to the condensed consolidated financial statements included elsewhere in this Quarterly Report for more information.

2026 Notes

In December 2021, we issued $2,012.5 million of the 2026 Notes. The 2026 Notes accrue interest at a rate of 1.25% per annum, payable semi-annually in arrears on June 15 and December 15 of each year, beginning on June 15, 2022. The 2026 Notes will mature on December 15, 2026, unless earlier repurchased, redeemed or converted. Before the close of business on the business day immediately before September 15, 2026, noteholders will have the right to convert their Notes only upon the occurrence of certain events. From and after September 15, 2026, noteholders may convert their Notes at any time at their election until the close of business on the second scheduled trading day immediately before the maturity date. We will settle conversions by paying or delivering, as applicable, cash, shares of our common stock or a combination of cash and shares of our common stock, at our election. The initial conversion rate is 18.2548 shares of common stock per $1,000 principal amount of Notes, which represents an initial conversion price of approximately $54.78 per share of common stock. The conversion rate and conversion price will be subject to customary adjustments upon the occurrence of certain events. In addition, if certain corporate events that constitute a "Make-Whole Fundamental Change" (as defined in the indenture) occur, then the conversion rate will, in certain circumstances, be increased for a specified period of time. As of June 30, 2023 and December 31, 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 would 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 $110.6 million) to SAR 1.77 billion (approximately $471.9 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 June 30, 2023 and December 31, 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 completely-built-up ("CBU") operations at AMP-2 at the latest.

In 2022, we received support of SAR 366 million (approximately $97.3 million) in cash. We recorded $13.6 million and $64.0 million as deferred liability within other long-term liabilities on the condensed consolidated balance sheets as of June 30, 2023 and December 31, 2022, respectively. We also recorded $83.7 million and $33.3 million as a deduction in calculating the carrying amount of the related assets on the condensed consolidated balance sheets as of June 30, 2023 and December 31, 2022, respectively. 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 beared interest at a rate of 1.25% per annum over 3-month SAIBOR and the Working Capital Facility beared interest at a rate of 1.70% per annum over 1~3-month SAIBOR and associated fees.

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

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

As of June 30, 2023, we had outstanding borrowings of SAR 52 million (approximately $13.9 million) with weighted average interest rate of 7.24%. As of June 30, 2023, availability under the GIB Credit Facility was SAR 947 million (approximately $252.6 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 on the condensed consolidated balance sheets. As of June 30, 2023 and December 31, 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 June 30, 2023 and December 31, 2022, we were in compliance with applicable covenants under the ABL Credit Facility.

As of June 30, 2023 and December 31, 2022, we had no outstanding borrowings under the ABL Credit Facility. Outstanding letters of credit under the ABL Credit Facility were $41.0 million and $37.4 million as of June 30, 2023 and December 31, 2022, respectively. Availability under the ABL Credit Facility was $596.2 million (including $140.2 million cash and cash equivalents) and $441.4 million (including $37.3 million cash and cash equivalents) as of June 30, 2023 and December 31, 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 8 "Stockholders' Equity" to the condensed consolidated financial statements included elsewhere in this Quarterly Report, for more information.

We have generated significant losses from our operations as reflected in our accumulated deficit of $8.9 billion and $7.4 billion as of June 30, 2023 and December 31, 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 Part II, Item 1A of this Quarterly Report.

Cash Flows

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

	Six Months Ended June 30,	
	2023	**2022**
Cash used in operating activities	$ (1,501,622)	$ (1,008,277)
Cash used in investing activities	(466,688)	(1,914,123)
Cash provided by (used in) financing activities	3,007,870	(183,209)
Net increase (decrease) in cash, cash equivalents, and restricted cash	$ 1,039,560	$ (3,105,609)

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 $493.3 million to $1,501.6 million during the six months ended June 30, 2023 compared to the same period in the prior year. The increase was primarily due to the increase in net loss excluding non-cash expenses and gains of $199.4 million and an overall increase in net operating assets and liabilities of $293.9 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

Cash flows from 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 $1,447.4 million to $466.7 million during the six months ended June 30, 2023 compared to the same period in the prior year. The decrease was primarily attributable to proceeds from maturities of investments of $1,982.5 million, during the six months ended June 30, 2023, partially offset by an increase in purchases of investments of $728.0 million during the six months ended June 30, 2023 compared to the same period in the prior year.

Cash Provided by (Used in) Financing Activities

Since inception, we have financed our operations primarily from the issuances of equity securities, including the public offering, 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 were $3,007.9 million during the six months ended June 30, 2023, compared to $183.2 million of net cash used in financing activities for the same period in the prior year. The change was primarily attributable to net proceeds from the issuance of common stock under the 2023 Subscription Agreement of $1,812.6 million and net proceeds from the issuance of common stock under the Underwriting Agreement of $1,184.2 million during the six months ended June 30, 2023.

Critical Accounting Policies and Estimates

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

For a description of our critical accounting policies and estimates, refer to Part II, Item 7, Critical Accounting Policies and Estimates in our Annual Report on Form 10-K for the year ended December 31, 2022 and Note 2 "Summary of Significant Accounting Policies" to our condensed consolidated financial statements in Item 1 of Part I of this Quarterly Report. There have been no material changes to our critical accounting policies and estimates since our Annual Report on Form 10-K for the year ended December 31, 2022.

Item 3. 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 and inflationary pressure.

Interest Rate Risk

We are exposed to market risk for changes in interest rates applicable to our Cash and cash equivalents, restricted cash, and investments. We had cash, cash equivalents, restricted cash, and investments totaling approximately $5.5 billion as of June 30, 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 June 30, 2023, a hypothetical 100 basis point increase in interest rates would result in approximately $15.1 million incremental decline in the fair market value of our portfolio.

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 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

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

Based on their evaluation, our principal executive officer and principal financial officer concluded that as of June 30, 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.

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 June 30, 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.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

For a description of our legal proceedings, see the description set forth in the "Legal Matters" section in Note 11 "Commitments and Contingencies" to our condensed consolidated financial statements in Item 1 of Part I of this Quarterly Report, which is incorporated herein by reference.

Item 1A. Risk Factors.

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

- Increases in costs, disruption 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 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 security, 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 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 consummate our agreement with Aston Martin and even if we do, we may not be able to realize the anticipated benefits.
- 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 other shareholder 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 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 SUV.

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 approximately $764.2 million and $1,543.8 million for the three and six months ended June 30, 2023. As of June 30, 2023, our accumulated deficit was approximately $8.9 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 and marketing activities and develop our distribution infrastructure; and
- expand our general and administrative functions to support our growing operations and status as a public company.

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

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

We will require significant capital to develop and grow our business. We have incurred and expect to continue to incur significant expenses, including leases, sales and distribution expenses as we build our brand and market our vehicles; expenses relating to developing and manufacturing our vehicles, constructing, tooling and expanding our manufacturing facilities; research and development expenses (including expenses related to the development of the Lucid Air, the Lucid Gravity SUV 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 may 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 expect to incur significant costs servicing and maintaining customers' vehicles, including establishing our service operations and facilities. 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. While we have announced and implemented the Restructuring Plan intended to reduce our operating expenses, there is no guarantee that the Restructuring Plan will generate its intended benefits. If we are unable to realize the expected operational efficiencies and cost savings, our operating results and financial condition may be materially and adversely affected. 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. In addition, customers who placed orders prior to the enactment of the Inflation Reduction Act of 2022 in an effort to maintain eligibility for a federal tax credit, may decide to cancel their orders based upon the initial guidance provided by the Internal Revenue Service that could negatively affect our customers' ability to receive tax credits for those orders. 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 reservations 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, 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 immediate or 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 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 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 currently do not expect 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 also Note 16 "Subsequent Events".

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 we may be required to change our customer development and branding practices, which could result in substantially increased expenses, including the need to use traditional media such as television, radio and print advertising. 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, the 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. The Restructuring Plan may also be distracting to employees and management and may negatively impact our business operations, reputation, or ability to serve customers. We also 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 have also started the construction of AMP-2 in Saudi Arabia and may continue to further expand our manufacturing activities outside the United States. However, we have no experience to date manufacturing our vehicles outside of the United States, and such expansion will 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 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;
- establishing sufficient charging points for our customers in those jurisdictions, via partnerships or, if necessary, via development of our own charging networks;
- difficulty in staffing and managing foreign operations, especially in jurisdictions where no EV ecosystem exist 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 security 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 (including severity, magnitude and the duration of the COVID-19 pandemic), global conflicts or other geopolitical events, war 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 and even if we do adjust our pricing strategies, 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 may 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 and performance, 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, 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. See "— *We have received only a limited number of reservations and orders for the Lucid Air, all of which may be cancelled*."

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 risk.

We offer leasing and financing of our vehicles to potential customers in the United States through a third-party financing partner and intend to do the same in other markets through third-party financing partners, 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 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, our business, competitive position, results of operations and financial condition could be adversely affected.

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

Our vehicles are designed with advanced driver assistance system ("ADAS") hardware and software. We have released a Lucid Air software update, and expect to launch the Lucid Gravity SUV, 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 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 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.

The COVID-19 pandemic has adversely affected, and we cannot predict its ultimate impact on, our business, prospects, results of operations and financial condition.

The COVID-19 pandemic has been a risk to our business, including through its impact on general economic conditions, manufacturing and supply chain operations, labor markets, changes in customer behavior, and global financial markets. Its continued impact on the economy, even after the pandemic has subsided, may cause our customers to defer purchases, cancel their reservations and orders for our vehicles prior to delivery. See "—*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, financial condition and results of operations.*"

The spread of COVID-19, or the outbreak of another pandemic, can disrupt our manufacturing operations and those of our suppliers. For example, the COVID-19 outbreak in China and the resulting lockdowns caused parts supply delays with some impact on manufacturing operations in Arizona in 2022. Such disruptions to us and our suppliers have negatively impacted, and could negatively impact in the future the production volume of the Lucid Air, as well other vehicles that we may introduce from time to time. Our manufacturing operations at a limited number of facilities in Casa Grande, Arizona concentrate this risk. In addition, broader impacts of the pandemic have included inflationary pressure, which impacts our cost structure.

The pandemic has resulted in the imposition of travel bans and restrictions, quarantines and business shutdowns due to localized spikes in COVID-19 cases, which have contributed to delays in the anticipated production schedule of the Lucid Air and potential development of future models. These measures pose numerous operational risks and logistical challenges to our business. In addition, regional, national and international travel restrictions have resulted in adverse impacts to our supply chain. For example, in certain instances, international travel restrictions have prevented our supply quality engineers from conducting in-person visits and parts production quality engineering with international suppliers, which has lengthened the time required to finalize and secure certain components of the Lucid Air. The transition of some of our personnel to a remote or hybrid workforce has also increased demand on our information technology resources and systems and increased data privacy and cybersecurity risks and increased risk of absenteeism.

The severity, magnitude and duration of the COVID-19 pandemic, or another pandemic, and the economic and regulatory consequences arising from it are rapidly changing and uncertain. Accordingly, we cannot predict the ultimate impact of the COVID-19 pandemic on our business, financial condition and results of operations.

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, 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 SUV, 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 SUV is not expected 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 the Casa Grande 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 SUV, are and will be subject to risks, including with respect to:

- our ability to ensure readiness of firmware features and functions to be integrated into the Lucid Air as planned and on the desired timeline;
- our ability to finalize release candidate specifications for the Lucid Gravity SUV 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;
- 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;
- the severity, magnitude and duration of the COVID-19 pandemic, including related business interruptions and other effects; 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. If we are unable to fully utilize our purchase commitments, we may potentially 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, 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. In addition, we have not yet begun servicing vehicles at significant volumes. Accordingly, our ability to scale production and vehicle servicing and mitigate risks associated with these activities has not been thoroughly tested. 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, 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. We have also 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.

Increases in costs, disruption 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:

- an increase in the cost, or decrease 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. If we are unable to fully utilize our purchase commitments, we may potentially 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. 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 of construction at AMP-1, tooling our facilities for production of our vehicles and our future expansion plans are complicated and present significant challenges and may require us to take vehicle production offline. In addition, certain of our suppliers may be unable to complete tooling with respect to finalized components of our vehicles in the planned timeframe after we deliver final component specifications, which could adversely affect our ability to continue commercial production of the Lucid Air on the expected timing and at the quality levels we require. As with any large-scale capital project, these efforts could be subject to delays, cost overruns or other complications. For example, the installation and production readiness of certain general assembly equipment for our Phase 2 expansion of AMP-1 has commenced but is expected to be delayed by supply chain issues and market conditions such as limited availability of qualified construction labor in Casa Grande, Arizona. 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 exacerbated 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, 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 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 SUV or other future vehicles, or adversely affect our ability to timely sell and deliver our electric vehicles to customers. Any repair or remediation efforts could also require us to bear substantial additional costs, including both the direct costs of such activities and potentially costly litigation or other legal proceedings related to any identified defect, and there can be no assurance that our insurance policies or other recoveries would be sufficient to cover all or any of such costs. Any of the foregoing consequences could have a material adverse effect on our business, prospects, results of operations and financial condition and could cause our results of operations to differ materially from our current expectations. 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 and have retained outside experts 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, 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. Any failure to develop and implement 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 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 contain defects and errors when first introduced. 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.

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 Electrify America and may partner with other 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, and some potential customers may be conditioned to favor or expect proprietary charging solutions, such as Tesla's Supercharger network. 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 will 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 vehicles and powertrain components and systems we sell. We will need to maintain 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 will 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 indirectly would 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, health epidemics or pandemics, or security incidents.

We and our suppliers may be impacted by weather events, natural disasters, wars, 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 will 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 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, which may include personal data or confidential or proprietary information. We also work with third-party service providers and vendors that collect, store and process such data on our behalf. We have taken certain measures to prevent unauthorized access to our information technology systems 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 to protect the security and integrity of our and their information technology systems and our and their customers' information. However, there can be no assurance that such systems and measures will not be compromised, including as a result of intentional misconduct by employees, contractors, or vendors, 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 and systems to (i) gain control of, (ii) change the functionality, user interface and performance characteristics of and/or (iii) gain access to data stored in or generated by, our vehicles, products and systems. Advances in technology, 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 are also vulnerable to damage or interruption from, among other things, 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, or misuse, mistake or other attempts to harm our vehicles, products and systems. 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 and/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 sensitive data (including personal data or our proprietary software code), products, and systems, resulting in a data breach, or disruption, modification or destruction to our systems and applications. 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 products and systems (and the information stored in our systems) from unauthorized access, use, disclosure, disruption, modification, destruction or other breach, such problems 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, systems or data, as well as other factors that may result in the perception that our vehicles, systems or data are vulnerable to being "hacked," could negatively affect our brand. Some entities within the U.S. federal government, including certain Members of Congress and the National Highway Traffic Safety Administration ("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 new regulations governing connected vehicle cybersecurity, which became effective in January 2021 and apply in the European Union to all new vehicle types beginning in July 2022 and to all existing architectures/new vehicles 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 regulation.

We may not have adequate insurance coverage to cover losses associated with any of the foregoing, if any. 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 that our insurers will not deny coverage as to any future claim.

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 in the United States and abroad, such as systems 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, financial, tax and regulatory compliance systems. Our ability to operate our business will depend on the availability and effectiveness of these systems. The implementation, maintenance, segregation and improvement of these systems require significant management time, support and cost. Moreover, there are inherent risks associated with developing, improving and expanding our core systems as well as implementing new systems, 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 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 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 vulnerabilities, and our systems may be subject to technical limitations that may compromise our ability to meet our objectives. Some errors, bugs or 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 intellectual property, proprietary information, systems or vehicles or inability to prevent or effectively remedy errors, bugs, vulnerabilities or defects in our software and hardware 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, results of operations, prospects and financial condition.

We are subject to evolving laws, regulations, standards, policies, and contractual obligations related to data privacy and security, 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 security 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, the European Union adopted the General Data Protection Regulation ("GDPR"), which became effective in May 2018, California adopted the California Consumer Privacy Act of 2018 ("CCPA"), which became effective in January 2020, Canada adopted the Personal Information Protection and Electronic Documents Act ("PIPEDA") and continues to amend the statute, 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 is expected to take effect in 2023. Each of the GDPR, the CCPA, 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 the GDPR, CCPA, PIPEDA, DPL and PDPL) can be costly, and any failure to comply with these regulatory standards could subject us to legal and reputational risks.

Specifically, failure to comply with the GDPR can result in significant fines and other liability, including, under the GDPR, fines of up to EUR 20 million or four percent (4%) of global revenue, whichever is greater. The cost of compliance, and the potential for fines and penalties for non-compliance, with GDPR may have a significant adverse effect on our business and operations. 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 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 United Kingdom 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 state level, we are subject to law and regulations such as 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. 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. Some observers have noted that the CCPA marked the beginning of a trend toward more stringent privacy legislation in the United States. Additionally, effective in most material respects starting on January 1, 2023, the California Privacy Rights Act ("CPRA"), will significantly modify the CCPA, including by expanding California residents' rights with respect to certain sensitive personal information. The CPRA also creates a new state agency, the California Privacy Protection Agency ("CPPA"), that will be vested with the authority to implement and enforce the CCPA (as modified by CPRA and any related regulations).

Other states, including Connecticut, Utah, Virginia, and Colorado, 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 privacy and data security 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. Certain emerging privacy laws are still subject to a high degree of uncertainty as to their interpretation and application.

Related to the collection and use of data, we are impacted by regulations obligating the organization to share vehicle repair related information with third parties, including repair shops and repair tool hardware developers, in what is commonly called “right-to-repair.” Recent action by the Massachusetts Attorney General, for example, has expedited our timeline to respond to right-to-repair support requests in that state for telematics enabled vehicles. Other state, federal, and foreign jurisdictions are exploring expanding company obligations in this area as well.

Failure to comply with applicable laws or regulations, such as the ones discussed above, or to secure personal information could result in investigations, enforcement actions and other proceedings against us, which could result in substantial fines, damages and other liability as well as damage to our reputation and credibility, which could have a negative impact on revenues and profits.

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 data protection laws or applicable privacy notices 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. 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. 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 and key technical and vehicle management personnel. Our employees, including our senior management team, are 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, the 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. The Restructuring Plan may also be distracting to employees and management and may negatively impact our business operations, reputation, or ability to serve customers. We also 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 limited 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 Casa Grande, Arizona manufacturing facilities is home to a highly trained workforce with experience in engineering and manufacturing, this workforce does not have significant experience with electric vehicle manufacturing, and related processes such as inventory management, logistics and quality control, and 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 has increased and may continue to increase in the future, which may impact the ability or cost to hire in the area. 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. 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 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 customer information or proprietary information, 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.

We are or will be subject to complex and evolving environmental, manufacturing, health and safety laws and regulations at numerous jurisdictional levels, 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 is found on 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 manufacturing facilities, which would hinder our ability to continue our commercial manufacturing operations. Such costs and delays may adversely impact our business prospects and results of 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 and any future vehicles will be subject to substantial 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 would increase the effort and expense of compliance. In addition, 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 acceptance of our electric vehicles, and 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, which could lead them to pass regulations that could reduce the compliance costs of such established manufacturers or mitigate the effects of government efforts to promote electric vehicles. Compliance with these regulations is challenging, burdensome, time consuming and expensive. 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, among other things, are often materially different from requirements in the United States. Compliance with such regulations will therefore require additional time, effort and expense 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. We are currently 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 instance, 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. 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, privacy, securities, tax, labor and employment, health and safety, our direct distribution model, 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, disability access, 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 Company moved to dismiss the Complaint on February 14, 2022 and that motion was granted on January 11, 2023, with Plaintiffs being provided the ability to seek leave to amend. On January 30, 2023, Plaintiffs filed a Motion for Leave to Amend, which the Company opposed. On June 29, 2023, the District Court denied that motion, dismissed the lawsuit and terminated the case. It is unclear at the present time whether Plaintiffs will appeal the dismissal.

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 complaints name 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. The complaints in these actions seek certification of the actions as class actions, as well as compensatory damages, interest thereon, and attorneys' fees and expenses. The Company filed a Motion to Dismiss on February 23, 2023, which is pending before the court. The Company believes that the plaintiffs' claims are without merit and intends to defend itself vigorously, but the Company cannot ensure that defendants' efforts to dismiss the complaint will be successful or that it will avoid liability in these matters.

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 actions.

Litigation and regulatory proceedings may be protracted and 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 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 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.

A successful product liability claim against us could require us to pay a substantial monetary award. Our risks in this area are particularly pronounced in light of the limited field experience of our vehicles. Moreover, a product liability 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 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 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 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 SUV, 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 federal, state and local environmental laws and regulations and will be subject to international environmental laws, including laws relating to the use, handling, storage, disposal of and human exposure to hazardous materials. Environmental, health and safety laws and regulations are complex, and we have limited experience and resources to comply with them. For example, regulations regarding battery storage, recycling, disposal and processing are relatively new and the lack of uniform regulations and guidance 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 us to change 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.

Contamination at properties we own or operate, properties we formerly owned or operated or properties to which we sent hazardous substances may result in liability for us 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 Health and Safety Act, which require compliance with various workplace safety requirements, including requirements related to environmental safety. 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. There are currently 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, we may in the future establish international operations for the reassembly or manufacture of our vehicles, which could 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 the 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 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 and protect our intellectual property and proprietary technology, but 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 misappropriation 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 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 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.

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 these agreements will not be breached and that third parties will not gain access to our trade secrets, know-how and 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 technology 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.

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 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 patent, 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. Accordingly, we may consider entering into licensing 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 personnel. 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 use of open-source software, compliance with open source licenses by us and third party suppliers of software to us, 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 agreement, such use could inadvertently occur, or could be claimed to have occurred. Additionally, we could face claims from third parties claiming non-compliance, 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 the terms of the applicable open source license. These claims could result in litigation and could require us to make our software 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, financial condition and results of operations.

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 approximately $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 Peter Rawlinson, our Chief Executive Officer and Chief Technology Officer, that were previously granted to him in March 2021 through “net settlement,” i.e., by remitting cash to satisfy the tax withholding obligation and withholding a number of the vested shares on each vesting date. 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 convertible debt 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 consummate our agreement with Aston Martin and even if we do, we may not be able to realize the anticipated benefits.

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 the parties will establish a long-term strategic technology partnership in which we will provide Aston Martin with powertrain and battery system technology for use in Aston Martin’s initial and certain future electric vehicles. See Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations for more information.

The commencement of the partnership as contemplated in the Implementation Agreement are subject to certain conditions, including, among other requirements, obtaining Aston Martin shareholder approval at a meeting of Aston Martin shareholders, satisfaction of regulatory approvals, and other customary conditions, and the parties may terminate the Implementation Agreement if such conditions are not met. No assurance can be given that such conditions will be satisfied on a timely basis, or at all. In addition, even if we are able to commence the partnership, we may not be able to realize the anticipated benefits of the partnership if we experience delays, fail to successfully integrate our powertrain and battery components with Aston Martin's vehicles, or fail to enter into a 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 approximately $2.0 billion principal amount of 2026 Notes and have entered into several credit facilities in 2022. See Note 6 "Debt" to our condensed consolidated financial statements included elsewhere in this Quarterly Report for further information on our outstanding debt obligations. Our ability to make scheduled payments of the principal of, to pay interest on or to refinance our indebtedness from time to time depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control. Our business may not generate cash flow from operations in the future sufficient to service our debt 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 Electrify America to provide our customers with access to Electrify America's charging infrastructure, and we will rely on ongoing access to such infrastructure to provide our customers with charging solutions. If Electrify America terminates this partnership or otherwise fails to deliver the anticipated benefits of this partnership, our ability to provide a satisfactory customer experience will be harmed, and we will be required to identify alternate charging partners or invest in our own charging network. 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 2031. As of June 30, 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 June 30, 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 approximately $12 million of our gross U.S. federal NOL and $15 million of gross U.S. federal research and development tax credit (or $3 million in net 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 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.

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, including the expiration of the lock-up periods applicable to certain holders of our common stock pursuant to the Sponsor Agreement;
- 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, including as a result of the COVID-19 pandemic, 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 June 30, 2023, PIF, both directly and indirectly through Ayar, held approximately 60.2% 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 Quarterly 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 5. 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 June 30, 2023, as such terms are defined under Item 408(a) of Regulation S-K.

Item 6. Exhibits.

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

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporation by Reference				Filed Herewith
		Form	File Number	Filing Date	Exhibit Number	
3.1	Third Amended and Restated Certificate of Incorporation of Lucid Group, Inc.	8-K	001-39408	April 25, 2023	3.1	
3.2	Second Amended and Restated Bylaws of the Company	8-K	001-39408	March 3, 2023	3.2	
10.1^	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	
10.2	Subscription Agreement, dated May 31, 2023, between Lucid Group, Inc. and Ayar Third Investment Company.	8-K	001-39408	June 5, 2023	10.1	
10.3	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	
10.4#	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					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 Chief 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 Principal 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
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)					X
101.SCH	Inline XBRL Taxonomy Schema Linkbase Document					X
101.CAL	Inline XBRL Taxonomy Calculation Linkbase Document					X
101.DEF	Inline XBRL Taxonomy Definition Linkbase Document					X
101.LAB	Inline XBRL Taxonomy Labels Linkbase Document					X
101.PRE	Inline XBRL Taxonomy Presentation Linkbase Document					X
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)					X

Portions of this exhibit have been redacted in compliance with Regulation S-K Item 601(b)(10)(iv)
^ Indicates management contract or compensatory plan

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: August 7, 2023	By:	/s/ Sherry House
		Sherry House
		Chief Financial Officer

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

26 June 2023

ASTON MARTIN LAGONDA GLOBAL HOLDINGS PLC

ATIEVA, INC.

LUCID GROUP TECHNOLOGIES, LLC

LUCID GROUP, INC.

and

ASTON MARTIN LAGONDA LIMITED

IMPLEMENTATION AGREEMENT

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This Agreement is dated 26 June 2023

PARTIES:

(1) **ASTON MARTIN LAGONDA GLOBAL HOLDINGS PLC**, incorporated in England and Wales (registered number 11488166) and having its registered office at Aston Martin, Banbury Road, Gaydon, Warwick CV35 0DB (***Aston Martin***); and

(2) **ATIEVA, INC.**, incorporated in the state of Delaware and with a place of business at 7373 Gateway Blvd, Newark, California, 94560, USA (***Lucid***),

each of Aston Martin and Lucid a ***Party*** and together the ***Parties***;

(3) **LUCID GROUP TECHNOLOGIES, LLC,** incorporated in the state of Delaware and with a place of business at 7373 Gateway Blvd, Newark, California, 94560, USA (***LGT***);

(4) **LUCID GROUP, INC.,** incorporated in the state of Delaware and with a place of business at 7373 Gateway Blvd, Newark, California, 94560, USA **(*Lucid Parent***); and

(5) **ASTON MARTIN LAGONDA LIMITED**, incorporated in England and Wales (registered number 01199255) and having its registered office at Aston Martin, Banbury Road, Gaydon, Warwick CV35 0DB **(*AML***),

the Parties, LGT, Lucid Parent and AML, each an ***Extended Party*** and together the ***Extended Parties***.

RECITALS:

(A) Lucid has, among other things, developed certain proprietary powertrain and battery components for automobiles with an electric motor that is fully powered by batteries (a ***BEV***), and manufactures and sells such components. Aston Martin, among other things, designs, manufactures and sells high-performance luxury sports cars.

(B) Aston Martin desires to design, manufacture and sell a BEV that incorporates Lucid's proprietary powertrain components. Accordingly, the parties intend to enter into a commercial relationship pursuant to which: (i) they will collaborate to integrate certain of Lucid's proprietary powertrain and battery components in Aston Martin Vehicles, and (ii) once developed, Lucid will supply such components to Aston Martin.

(C) This Agreement sets out, among other things, the Conditions that must be satisfied before such commercial relationship may be commenced, each Party's obligations with respect to the satisfaction of such Conditions and, on satisfaction of the Conditions, the entry into the primary Operational Agreements governing the commercial relationship and certain consideration payments to be made by Aston Martin in connection therewith.

(D) The parties acknowledge that, on the date of this Agreement, Aston Martin is also entering into (a) the MBAG Irrevocable Undertaking; (b) the Yew Tree Irrevocable Undertaking; (c) the Geely Irrevocable Undertaking, and (d) the MBAG Amendment and Restatement Deed.

(E) LGT, Lucid Parent and AML are party to this Agreement solely for the purposes of Clauses 4.1 to 4.4, Clause 28, Clause 29 and Clause 30 (and, only in respect of the definitions that are used in and the interpretation of such Clauses, Clause 1), and Schedule 5. For the avoidance of doubt, no other provision of this Agreement shall apply to, or give rise to a right of, or obligation on, LGT, Lucid Parent or AML.

AGREEMENT:

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements contained herein, and intending to be legally bound hereby, the parties hereby agree as follows.

1. Definitions and interpretation

This Agreement will be construed in accordance with the provisions of Schedule 1, unless provided otherwise herein.

2. Conditions

2.1 The obligations of the Parties under Clause 4 of this Agreement shall be conditional on the satisfaction of each of the following conditions:

Conditions in respect of the Aston Martin shareholder meeting and circular

(a) the Circular having been approved in writing by the FCA (the ***Circular Condition***);

(b) the passing by the requisite majorities at the General Meeting of the Shareholder Resolutions (the ***Shareholder Approval Condition***);

(c) a valuation report pursuant to section 593 of the Act in respect of the non-cash consideration to be provided by Lucid for the allotment and issue to it of the Consideration Shares, substantially in the form set out at Schedule 3, having been obtained by Aston Martin and provided to Lucid (the ***Valuation Condition***);

Antitrust, regulatory and contractual consents

(d) the following antitrust conditions (together, the ***Antitrust Conditions***) having been satisfied or waived:

(i) after notification of this Agreement to the Japan Fair Trade Commission (***JFTC***):

(A) the JFTC has notified Lucid, the relevant member of Lucid's Group or PIF (or their advisers) that this Agreement or any matters arising therefrom does not constitute a notifiable transaction; or

(B) the JFTC has cleared the transaction by issuing a notice that this Agreement or any matters arising therefrom will not be prohibited, on terms satisfactory to the Parties;

(ii) after any other notification that is required under Antitrust Laws or foreign investment laws has been made to any Regulatory Authority (other than the JFTC):

(A) the Regulatory Authority has notified Lucid, the relevant member of Lucid's Group or PIF (or their advisers) that this Agreement or any matters arising therefrom does not constitute a notifiable transaction; or

(B) the Regulatory Authority has cleared the transaction by issuing a notice that this Agreement or any matters arising therefrom will not be prohibited, on terms satisfactory to the Parties; or

(C) this Agreement or any matters arising therefrom is deemed to be cleared because the applicable waiting period pursuant applicable Antitrust Laws has expired.

No order

(e) no order, injunction, decree or other legal restraint by any Regulatory Authority shall have been entered and shall continue to be in effect and no Applicable Law shall have been adopted or be effective, in each case that, in the reasonable opinion of both Parties, prohibits, prevents, restrains or renders illegal the consummation of the transactions contemplated by this Agreement, a Supply Agreement or the Integration Agreement;

(f) no Regulatory Authority shall have commenced and not withdrawn any proceeding seeking to enjoin, restrain or otherwise prohibit the consummation of the transactions contemplated by this Agreement, a Supply Agreement or the Integration Agreement;

No material breach

(g) no Aston Martin Material Warranty Breach having occurred;

(h) no Lucid Material Warranty Breach having occurred;

(i) Aston Martin shall, in all material respects, have performed all obligations and complied with all covenants contained in this Agreement that are to be performed or complied with by Aston Martin prior to the Allotment Date; and

(j) Lucid shall, in all material respects, have performed all obligations and complied with all covenants contained in this Agreement that are to be performed or complied with by Lucid prior to the Allotment Date,

together, the ***Conditions***.

2.2 The following Conditions may be waived or deemed satisfied (as applicable) at any time on or before 17.00 (London time) on the Longstop Date by written notice from Lucid to Aston Martin: Clause 2.1(g) and Clause 2.1(i).

2.3 The following Conditions may be waived or deemed satisfied (as applicable) at any time on or before 17.00 (London time) on the Longstop Date by written notice from Aston Martin to Lucid: Clause 2.1(h) and Clause 2.1(j).

2.4 The following Conditions may be waived or deemed satisfied (as applicable) at any time on or before 17.00 (London time) on the Longstop Date by written agreement between Lucid and Aston Martin: Clause 2.1(e) and Clause 2.1(f).

2.5 If, at any time, any Party becomes aware of a fact, matter or circumstance that could reasonably be expected to prevent or delay the satisfaction of a Condition, it shall inform the other in writing of the fact, matter or circumstance as soon as reasonably practicable, except where disclosure by a Party is prevented by Applicable Law.

2.6 If a Condition has not been satisfied or (if capable of waiver) waived by 17.00 (London time) on the Longstop Date, either Lucid or Aston Martin may terminate this Agreement by notice in writing to that effect to the other, provided that:

(a) Aston Martin may not rely, either as basis for not consummating the transactions contemplated by this Agreement or terminating this Agreement, on the failure of any of the Conditions at Clause 2.1(g) or Clause 2.1(i) to be satisfied;

(b) Lucid may not rely, either as basis for not consummating the transactions contemplated by this Agreement or terminating this Agreement, on the failure of any of the Conditions at Clause 2.1(h) or Clause 2.1(j) to be satisfied; and

(c) without prejudice to Clause 2.6(a) or Clause 2.6(b) (as applicable), neither Lucid nor Aston Martin may rely, either as basis for not consummating the transactions contemplated by this Agreement or terminating this Agreement, on the failure of any other Condition to be satisfied if such failure is due to the breach by such Party of any Warranty, covenant or other agreement of such Party set forth in this Agreement.

3. Satisfaction of the Conditions

Undertakings in respect of the Circular Condition and Shareholder Approval Condition

3.1 Aston Martin shall use reasonable best efforts to ensure the satisfaction of the Shareholder Approval Condition and the Circular Condition as soon as reasonably practicable after the date of this Agreement and in any event on or before the Longstop Date.

3.2 Notwithstanding Clause 3.1, Aston Martin shall:

(a) without prejudice to Clause 3.2(b), prepare and finalise the Circular as soon as reasonably practicable following the date of this Agreement (and, if applicable, any Supplementary Circular as soon as reasonably practicable following the matter or circumstance giving rise to the requirement to publish that Supplementary Circular arising) in accordance with the requirements of all Applicable Laws, in each case subject to Lucid providing any approvals required under Clause 3.2(f);

(b) by no later than 21 July 2023 (or such later date as Aston Martin and Lucid may agree in writing, acting reasonably and in good faith), file the preliminary Circular with the FCA for review;

(c) use reasonable best efforts to obtain the approval of the Circular (or Supplementary Circular, if applicable) from the FCA under Listing Rule 13.2.1(2) R, as soon as reasonably practicable (or, in respect of a Supplementary Circular, as soon as reasonably practicable following the matter or circumstance giving rise to the requirement to publish that Supplementary Circular arising);

(d) promptly (and in any event within no more than 3 Business Days) following the Circular (or, if applicable, Supplementary Circular) being approved by the FCA, publish and dispatch the Circular (or Supplementary Circular) to the Aston Martin Shareholders in accordance with Applicable Law;

(e) hold and conclude the General Meeting by no later than 21 clear days following dispatch of the Circular to the Aston Martin Shareholders (or such other date as Aston Martin may, with Lucid's prior written consent (such consent not to be unreasonably withheld, conditioned or delayed), reasonably determine);

(f) to the extent reasonably practicable, consult with Lucid as to the form and content of the Circular (and, if applicable, any Supplementary Circular) (including, in each case, any drafts thereof that are being submitted to the FCA for review) and consider Lucid's reasonable comments thereon, provided that Aston Martin shall ensure that the Circular (and, if applicable, any Supplementary Circular) does not contain any reference to or information relating to Lucid or any member of Lucid's Group or a description of the Lucid Group which has not been approved in writing by or on behalf of Lucid;

(g) procure that the Circular (and, if applicable, any Supplementary Circular) incorporates the Aston Martin Independent Directors' Recommendation;

(h) take all necessary steps and exercise all rights available to it under each Irrevocable Undertaking to procure that each Relevant Shareholder shall:

(i) exercise all voting rights attaching to the Ordinary Shares that are the subject of its Irrevocable Undertaking to vote in favor of the Shareholder Resolutions at the General Meeting;

(ii) not exercise the voting rights attaching to the Ordinary Shares that are the subject of its Irrevocable Undertaking in any manner which would delay, prevent or otherwise frustrate the passing of the Shareholder Resolutions at the General Meeting; and

(iii) do, execute and perform or, so far as the Relevant Shareholder is able, procure the doing, execution and performance of all such further deeds, documents, assurances, acts and things as Lucid may reasonably require from such Relevant Shareholder to give effect to the undertakings at Clauses 3.2(h)(i) and 3.2(h)(ii);

(i) not terminate or cause to lapse, or permit a Relevant Shareholder to terminate, an Irrevocable Undertaking ahead of the conclusion of the General Meeting other than in circumstances where Lucid is in material breach of this Agreement;

(j) not waive or vary any of its rights or obligations under an Irrevocable Undertaking or allow a Relevant Shareholder to waive or vary any of its rights or obligations under an Irrevocable Undertaking in a manner inconsistent with the undertakings at Clauses 3.2(h)(i) and 3.2(h)(ii);

(k) keep Lucid informed of all material document submission dates and other relevant dates in respect of the actions contemplated by Clause 3.2(c), promptly upon Aston Martin becoming aware of the same; and

(l) permit any director, officer, employee or legal or financial adviser of Lucid whose identity has been notified in writing to Aston Martin at least two Business Days in advance of the General Meeting to attend the General Meeting as an observer.

3.3 Aston Martin shall, at all relevant times use its reasonable best efforts to keep Lucid promptly and reasonably informed of its discussions and correspondence with, and submissions to, the FCA in connection with the Circular (and, if applicable, any Supplementary Circular).

3.4 Aston Martin shall use its reasonable best efforts to procure that the Aston Martin Independent Directors do not withdraw, modify or qualify the Aston Martin Independent Directors' Recommendation (any of the foregoing being an ***Adverse Recommendation Change***) or make any announcement or public statement regarding such Adverse Recommendation Change, unless the Aston

Martin Independent Directors, acting reasonably and having regard to their fiduciary duties, conclude that approval of the Shareholder Resolutions would not promote the success of Aston Martin for the benefit of its members as a whole.

3.5 Aston Martin shall not seek to amend the Shareholder Resolutions after dispatch of the Circular in a way that is material to the transaction contemplated under this Agreement without Lucid's prior written consent.

Undertakings in respect of the Antitrust Condition

3.6 The Parties shall use reasonable best efforts to ensure the satisfaction of the Antitrust Conditions as soon as reasonably practicable; in particular, the Parties shall not, and shall cause any of their Affiliates not to (and, in the case of Lucid, shall take all steps reasonably practicable to cause PIF not to), take any action that might reasonably be expected to render it more difficult to satisfy the Antitrust Conditions. For the avoidance of doubt, no Party shall be required to offer any commitments, undertakings or other remedies or take any actions or satisfy any conditions, obligations or requirements that may be required by any Regulatory Authority to secure any merger control or other antitrust or foreign investment clearance.

3.7 Subject to Aston Martin providing all information, documents and assistance reasonably requested by Lucid or PIF, Lucid shall take all steps reasonably practicable to cause PIF to submit a notification to the JFTC and any relevant Regulatory Authority as soon as reasonably practicable following the date of this Agreement.

3.8 Lucid shall take all steps reasonably practicable to cause PIF to promptly respond to any requests for information from the JFTC and any relevant Regulatory Authority and ensure that the JFTC and any relevant Regulatory Authority is able to reach a decision as soon as reasonably practicable.

3.9 Lucid shall take all steps reasonably practicable to cause PIF to keep Aston Martin promptly informed in relation to all steps being taken to ensure the satisfaction of the Antitrust Conditions, including by providing Aston Martin with draft copies of all submissions and material communications intended to be sent to the JFTC and any relevant Regulatory Authority, and take all steps reasonably practicable to cause PIF to allow Aston Martin a reasonable opportunity to provide comments on such submissions or communications before they are submitted or sent (and to take due consideration of any reasonable and timely comments or suggested amendments which Aston Martin may have in relation to any such submissions or communications), and provide Aston Martin with copies of all such submissions and communications in the form submitted, to the extent shared with Lucid by PIF, provided however that Lucid shall not be required to provide copies of any Confidential Information directly to Aston Martin where such copies have been provided to Aston Martin's advisers on an "external counsel only" basis.

3.10 Aston Martin and its advisers shall fully and promptly co-operate with Lucid and PIF to satisfy the Antitrust Conditions, and shall in particular provide Lucid and PIF with all information, documents and assistance as reasonably requested in writing (including by e-mail) by Lucid or PIF in pursuit of satisfying the Antitrust Conditions.

3.11 Lucid shall give notice in writing to Aston Martin as soon as reasonably practicable and in any event within one Business Day of Lucid becoming aware of receipt of any decision or notification from the JFTC and any relevant Regulatory Authority in relation to this Agreement.

Undertakings in respect of the Valuation Condition

3.12 Aston Martin shall use reasonable best efforts to ensure the satisfaction of the Valuation Condition as soon as reasonably practicable after the date of this Agreement and in any event on or before the Longstop Date.

4. Entry into the commercial agreements and consideration payments to be made by Aston Martin in connection therewith

Supply Agreement

4.1 LGT and Lucid Parent, solely as guarantor for LGT, and AML hereby agree to, by no later than [***] (or such other date as may be agreed between LGT, Lucid Parent and AML in writing) and by no earlier than Admission, enter into the Full Form Supply Agreement providing for AML to purchase powertrain components from LGT, and for LGT to supply such powertrain components to AML, such agreement incorporating the terms set forth in Schedule 5.

4.2 If immediately prior to Admission the terms of the Full Form Supply Agreement are not in an agreed form as between LGT, Lucid Parent and AML pursuant to Clause 4.1 and 4.3, with effect from the date of Admission until LGT, Lucid Parent and AML enter into the Full Form Supply Agreement, the terms set forth in Schedule 5 shall be valid, binding and effective on LGT, Lucid Parent (solely as guarantor for LGT) and AML. For the avoidance of doubt, (a) the obligations set forth in Schedule 5 may be terminated as set forth in Section 11 of Schedule 5 if a termination event set forth therein arises prior to the entry into the Full Form Supply Agreement; and (b) the limitations of liability set forth in Section 16 of Schedule 5, and not the provisions of Clause 12 hereof, shall apply to LGT's, Lucid Parent's and AML's liabilities under Schedule 5. In no event shall a breach of the obligations set forth in Schedule 5 constitute a breach of or create liability under this Agreement, and in no event shall a breach of this Agreement (excluding Schedule 5) constitute a breach of or create liability under Schedule 5.

4.3 LGT, Lucid Parent and AML shall in good faith continue to use reasonable best efforts to negotiate and enter into the Full Form Supply Agreement, even if they have not done so by [***] (or such other date as may be agreed between them in writing). For clarity, LGT, Lucid Parent and AML intend for the terms set forth in Schedule 5 to be binding and enforceable, with effect from the date of Admission only, even if LGT, Lucid Parent and AML fail to enter into the Full Form Supply Agreement.

4.4 In the event of any inconsistency between the terms of this Agreement and the terms of Schedule 5, for the purposes of interpreting Schedule 5 only, the terms of Schedule 5 shall prevail.

Closing

4.5 As soon as reasonably practicable and by no later than 10 Business Days following the date on which all Conditions have been satisfied or, if capable of waiver, waived (or on such other date as may be agreed between the Parties in writing), the Parties shall, provided that on such date all Conditions remain satisfied or, if capable of waiver, waived, enter into, and shall procure that their relevant respective Group members enter into, the Integration Agreement.

4.6 In consideration for Lucid (or the relevant member of its Group) entering into the Full Form Supply Agreement or the Interim Supply Agreement (as applicable) and the Integration Agreement, Aston Martin shall:

(a) on the date of entry by the Parties into the Integration Agreement pursuant to Clause 4.5, allot to Lucid the Consideration Shares conditional only on Admission;

(b) conditional on Admission of the Consideration Shares having occurred:

(i) on the date of Admission of the Consideration Shares, pay Lucid the amount of US$ 33,000,000;

(ii) by no later than [***], pay Lucid a further amount of US$[***]; and

(iii) by no later than the earlier of: (A) [***], and (B) [***] following the First Delivery (which shall be promptly confirmed by Aston Martin to Lucid in writing), pay Lucid a further amount of US$ [***],

provided that the payments under this Clause 4.6(b)(ii) and (iii) shall: be accelerated and become immediately due and payable in the event Aston Martin suffers an Insolvency Event; and

(c) subject to Clause 4.7, conditional on Admission of the Consideration Shares having occurred, pay Lucid:

(i) the amount of US$ [***] on or before [***];

(ii) the amount of US$ [***] on or before [***];

(iii) the amount of US$ [***] on or before [***]; and

(iv) the amount of US$ [***] within [***],

provided that no payment under this Clause 4.6(c) shall be due or payable if, at the time such payment would otherwise fall due (A) Lucid is in material breach of the Integration Agreement; or (B) the Integration Agreement has been terminated in accordance with its terms in circumstances where AML is not at fault (including, for the avoidance of doubt, following an Aston Martin Change of Control) unless Lucid can reasonably demonstrate at that time that it has incurred such further sums (in addition to any sums already paid by Aston Martin under this Clause 4.6(c)) in respect of capacity or tooling that would otherwise have been needed to manufacture goods for supply to Aston Martin under a Supply Agreement.

4.7 If Lucid or Aston Martin suffers an Insolvency Event, no further payments due after the date of such Insolvency Event under Clause 4.6(c) shall be due or payable after such time, except to the extent that (i) Lucid can reasonably demonstrate at that time that it has incurred such further sums (in addition to any sums already paid by Aston Martin under Clause 4.6(c)) in respect of capacity or tooling that would otherwise have been needed to manufacture goods for supply to Aston Martin under a Supply Agreement; or (ii) in the event of a Lucid Insolvency Event only, Lucid recovers from such Insolvency Event and resumes ordinary course business operations on a solvent and going concern basis, in which case the Parties shall in good faith discuss the timing of such payments, taking into account the duration of such Lucid Insolvency Event.

4.8 All payments pursuant to Clause 4.6 shall be made in accordance with Clause 25.

4.9 The Consideration Shares will, from the date of their allotment, rank pari passu in all respects with the Ordinary Shares then in issue including the right to receive all dividends declared, made or paid after their allotment to Lucid (except that Consideration Shares will not rank for or be entitled to the benefit of any dividend or other distribution or right declared, paid, made or granted prior to (or by reference to a record date prior to) their allotment to Lucid). The Consideration Shares shall be allotted and issued

in accordance with the provisions of the Act and shall comply with all applicable regulations related to the issuance of securities under the laws of England and Wales including FSMA, FSMA (Financial Promotion) Order 2005 and other ancillary FSMA legislation including any promulgated by the FCA and any applicable Listing Rules so that the Consideration Shares shall be freely tradable under the laws of England and Wales.

4.10 Aston Martin shall comply with the requirements of sections 593-597 of the Act in respect of the allotment and issuance of the Consideration Shares under this Agreement and shall promptly deliver a copy of the valuation report, substantially in the form set out at Schedule 3, produced in connection with such issuance pursuant to section 593(1)(c) of the Act to Lucid.

4.11 Aston Martin shall procure that a Board meeting (or a meeting of a duly constituted and authorized committee of the Board) of Aston Martin is held at which, conditional only upon the Admission of the Consideration Shares, the allotment and issue of the Consideration Shares is approved, and shall deliver to Lucid a copy of an extract of the minutes of such meeting evidencing such approval prior to the Allotment Date.

4.12 As soon as reasonably practicable following the allotment of the Consideration Shares pursuant to Clause 4.6, Aston Martin shall, at its own expense, make an application to the FCA and the LSE for the Admission of the Consideration Shares, and ensure that such Admission shall take place by no later than 2 Business Days after the allotment of the Consideration Shares pursuant to Clause 4.6.

4.13 Aston Martin shall ensure that the Consideration Shares are issued to Lucid and, if Lucid elects by written notice to Aston Martin to hold the Consideration Shares in uncertificated form, are credited to the Lucid CREST Account through the facilities of and in accordance with the procedures of CREST, not later than 8.00 a.m. (London time) on the date of Admission of the Consideration Shares, and that the name of Lucid is entered in the register of members of Aston Martin as the holder of the Consideration Shares (and, in the case the Consideration Shares are in certificated form, a share certificate is issued and dispatched to Lucid without delay).

5. Lock-up

5.1 Subject to Clause 5.2, Lucid agrees that during the period commencing on the Allotment Date and ending on, and including, the date that is the earlier of: (a) 365 days after the Allotment Date; and (b) the termination of this Agreement in accordance with its terms (the ***Lock-Up Period***), it will not, without the prior written consent of Aston Martin:

(a) directly or indirectly, offer, sell, contract to sell, transfer, charge, lend, pledge (other than in connection with any pledge required in connection with the Lucid ABL), distribute, grant any option, right or warrant to purchase or otherwise dispose, directly or indirectly, of any Consideration Shares;

(b) otherwise enter into any transaction (including any derivative transaction) directly or indirectly, permanently or temporarily, to dispose of any Consideration Shares;

(c) undertake any swap or other transaction with the same economic effect as any of the foregoing or announce an offering of any Consideration Shares or any interest therein; or

(d) announce publicly any intention to enter into any transaction described in Clauses 5.1(a) to 5.1(c) above,

(each such action in Clauses 5.1(a) to 5.1(d), a ***Disposal***).

5.2 The restriction contained in Clause 5 shall not apply to any of the following:

(a) an acceptance of a Takeover Offer for Aston Martin or any merger or consolidation by Aston Martin with a third party;

(b) the execution of an irrevocable undertaking or letter of intent to accept or vote in favour of a Takeover Offer for Aston Martin;

(c) any Disposal if, prior to such Disposal, a person has (or persons acting in concert (as defined in the Code) have) acquired 50 per cent. or more of the Ordinary Shares;

(d) any Disposal pursuant to any compromise or arrangement under Part 26 of the Companies Act;

(e) any Disposal pursuant to an offer by Aston Martin to purchase its own Ordinary Shares which is made on identical terms to and is open for acceptance by all holders of Ordinary Shares and otherwise complies with all Applicable Law;

(f) any Disposal pursuant to a scheme of reconstruction under Section 110 of the Insolvency Act 1986 in relation to Aston Martin;

(g) a Disposal in accordance with any order made by a court of competent jurisdiction or as required by Applicable Law; or

(h) any title to or interest in any Consideration Shares being disposed of by Lucid to any of its wholly-owned subsidiaries or Lucid Parent, provided that prior to the making of any Disposal pursuant to this Clause 5.2(h) the transferee shall have agreed to and be bound by the restrictions of Clause 5.1 (subject to the carve-outs provided in this Clause 5.2) as if it were Lucid.

6. Interim Covenants

Aston Martin undertakes that from the date of this Agreement until the Allotment Date, except (i) as is expressly permitted or specifically contemplated by this Agreement, or (ii) as may be required by Applicable Law or the regulations or requirements of any stock exchange or regulatory organization applicable to its Group:

(a) other than with prior consultation with Lucid, it shall carry on its business and shall procure that the business of each other member of its Group is carried on in the ordinary course; and

(b) other than with Lucid’s prior written consent (not to be unreasonably withheld, conditioned or delayed), it shall not:

(i) sub-divide, consolidate, reclassify or amend the rights attaching to its Ordinary Shares (each such event an ***Adjustment Event***), without adjusting (with Lucid’s written consent) the number of Consideration Shares to be issued to Lucid under this Agreement so as to ensure that, immediately following their issue, the Consideration Shares represent the same percentage of Aston Martin’s overall issued share capital and have the same economic and voting entitlements as they would have done had the Adjustment Event not taken place;

(ii) recommend, declare, pay or make: any bonus issue (or other capitalization issue), dividend or other distribution (whether payable in cash or otherwise);

(iii) adopt a plan of complete or partial liquidation, dissolution, consolidation, restructuring, recapitalization or other reorganization; or

(iv) authorize any of the foregoing, or enter into or modify any contractual arrangement to do any of the foregoing.

7. Lucid anti-dilution protection and provision of information

7.1 For as long as the Ordinary Shares held by Lucid amount to at least 3 per cent. of the overall issued share capital of Aston Martin, in the event that Aston Martin proposes to, or undertakes any, pre-emptive offer of its equity securities for cash following the Allotment Date, Aston Martin undertakes to ensure that Lucid (or any member of its Group that holds Consideration Shares, if applicable) is offered such equity securities in proportion to its holding of Ordinary Shares at such time, and any limits or restrictions that Aston Martin may be entitled to impose, by Applicable Law or otherwise, on any such offer to deal with legal, regulatory or practical problems in, or under the laws of, any territory shall not be exercised to restrict or exclude Lucid (or any member of its Group that holds Consideration Shares, if applicable) from participating in such offer provided that Lucid (or any member of its Group that holds Consideration Shares, if applicable) provides any confirmations that Aston Martin may reasonably request as to its investor status, ability to participate in such pre-emptive offer under applicable legal and regulatory frameworks (including under US securities laws) and compliance with any applicable restrictions on resale thereunder.

7.2 Aston Martin shall, to the extent permitted by Applicable Law (including, without limitation, the Listing Rules, the Disclosure Guidance and Transparency Rules, FSMA, the Financial Services Act, and the UK Market Abuse Regulation) procure that Lucid is promptly provided with any information relating to the business or the affairs of Aston Martin or any member of its Group as is reasonably requested by Lucid: (i) in connection with the financial, accounting or tax reporting or other legal or regulatory requirements of Lucid (or of the Lucid Group); and (ii) to enable Lucid (or the Lucid Group) to account appropriately for its investment in Aston Martin in Lucid’s (or the Lucid Group’s) accounts, other financial records and forecasts. Lucid shall use such information solely for the purpose for which it was disclosed.

7.3 Aston Martin agrees to, not less than four times per calendar year, present an update on the performance of the Aston Martin Group to representatives of Lucid. Such presentations shall contain sufficient information to enable the representatives of Lucid to understand and evaluate all material matters relating to such performance of the Aston Martin Group and its published targets and objectives.

8. Exclusivity

Lucid shall not, and shall ensure that its Affiliates shall not:

(a) provide Commercial Volumes of any Goods (or similar goods) to any of [***] (each an ***Aston Martin Competitor***) before the earlier of (i) three months after Aston Martin’s start of commercial production of an Aston Martin Vehicle incorporating powertrain components supplied by Lucid, or (ii) 1 April 2026; and

(b) announce any partnership, or any other similar arrangement, with any Aston Martin Competitor before 1 December 2023.

9. Change of control

Aston Martin Change of Control

9.1 If, prior to the Allotment Date, there is an Aston Martin Change of Control, Lucid may at its sole discretion, within 15 Business Days after being made aware of the Aston Martin Change of Control in accordance with Clause 9.2, by written notice delivered to Aston Martin within that 15 Business Day period, terminate this Agreement.

9.2 Aston Martin shall notify Lucid in writing of an Aston Martin Change of Control promptly, and by no later than 2 Business Days, following an Aston Martin Change of Control.

Lucid Change of Control

9.3 If, prior to the Allotment Date, there is a Lucid Change of Control, Aston Martin may at its sole discretion, within 15 Business Days after being made aware of the Lucid Change of Control in accordance with Clause 9.4, by written notice delivered to Lucid within that 15 Business Day period, terminate this Agreement.

9.4 Lucid shall notify Aston Martin in writing of a Lucid Change of Control promptly, and by no later than 2 Business Days, following a Lucid Change of Control.

10. Warranties

10.1 Each Party warrants to the other Party that the Warranties that are stated as being given by such Party are true, accurate and not misleading as at the date of this Agreement.

10.2 Immediately prior to the Allotment Date:

(a) Lucid is deemed to warrant to Aston Martin that the Fundamental Warranties that are stated as being given by Lucid are true, accurate and not misleading; and

(b) Aston Martin is deemed to warrant to Lucid that the Fundamental Warranties that are stated as being given by Aston Martin are true, accurate and not misleading,

in each case by reference to the facts and circumstances immediately prior to the Allotment Date. For this purpose only, where there is an express or implied reference in such Warranty to the date of this Agreement, that reference is to be construed as a reference to the Allotment Date.

10.3 Each Party acknowledges and agrees that the other Party has entered into this Agreement in reliance upon the Warranties provided by it.

10.4 Each Warranty is a separate and independent statement and is not limited or otherwise affected by any other Warranty or by any other provision of this Agreement.

10.5 The provisions of Part B of Schedule 2 apply to impose certain limitations on the liability of each Party under the Warranties.

10.6 Each Party shall promptly notify the other if it becomes aware of the existence or occurrence of any event, fact, matter or circumstance which constitutes, or could reasonably be expected to constitute, a

breach of a Warranty given by that Party (or which would constitute a breach of a Warranty given by that Party if that warranty was repeated any time before the Allotment Date).

11. Termination

11.1 Either Lucid or Aston Martin may by written notice served on the other terminate this Agreement immediately if:

(a) in the case of a termination by Lucid:

(i) Admission of the Consideration Shares has not occurred within 10 Business Days (or such later date as Aston Martin and Lucid may agree in writing, acting reasonably and in good faith) of their conditional allotment pursuant to Clause 4.6(a);

(ii) if the Circular does not include the Aston Martin Independent Directors' Recommendation when published or if, following the publication of the Circular (or, if applicable, any Supplementary Circular), the Aston Martin Independent Directors' Recommendation is withdrawn or qualified;

(iii) if Aston Martin is in material breach of this Agreement and such breach is incapable of remedy or, where the breach is capable of remedy, it is not remedied within 30 Business Days after receipt of a written notice from Lucid setting out particulars of the breach in reasonable detail and requiring the breach to be remedied; or

(iv) Aston Martin or a member of its Group suffers or is subject to an Insolvency Event; or

(b) in the case of a termination by Aston Martin:

(i) Lucid is in material breach of this Agreement and such breach is incapable of remedy or, where the breach is capable of remedy, it is not remedied within 30 Business Days after receipt of a written notice from Aston Martin setting out particulars of the breach in reasonable detail and requiring the breach to be remedied; or

(ii) Lucid or a member of its Group suffers or is subject to an Insolvency Event; or

(c) Lucid or Aston Martin (as applicable) is permitted to do so pursuant to Clause 2.6 or Clause 9.

11.2 Lucid and Aston Martin may terminate this Agreement by mutual written consent.

11.3 The termination of this Agreement howsoever arising is without prejudice to the rights, duties and liabilities of any Party accrued before termination under this Agreement.

11.4 On termination of this Agreement howsoever arising Clauses 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 22, 24, 25, 26, 27, 29 and 30 will remain in effect. If on termination of this Agreement the Interim Supply Agreement is in force, Clauses 4.1 to 4.4, Clause 28, Clause 29 and Clause 30 (and, only in respect of the definitions that are used in and the interpretation of such Clauses, Clause 1) will remain in effect.

11.5 In the event that either a Supply Agreement or the Integration Agreement is terminated in accordance with its terms, Clause 5, Clause 7 and Clause 8 shall each terminate and cease to have effect (without prejudice to any rights, duties and liabilities of any Party accrued in respect of such Clauses before such termination).

12. Limitation and exclusion of liability

12.1 This Agreement does not exclude or limit liability (if any) of a Party:

(a) for any matter for which it would be illegal to exclude or limit or to attempt to exclude or limit its liability; or

(b) for actual and intentional fraud.

12.2 Subject to Clauses 12.1 and 12.3 each Party's aggregate liability in respect of all and any loss or damage under this Agreement (other than Aston Martin's obligations under Clause 4.6) will be limited to [***].

12.3 No Party will have any liability whatsoever to another Party under this Agreement (whether in contract (by way of indemnity or otherwise), tort (including negligence), breach of statutory duty, restitution or otherwise) for any of the following types of loss, damage, injury or expense

(a) loss of profits; or

(b) any special, indirect, consequential or punitive damage or loss,

provided that, for the avoidance of doubt, this limitation shall not apply to any direct losses, damages, injuries or expenses of any Party.

12.4 For the avoidance of doubt, the limitations and exclusions set forth in this Clause 12 shall not restrict or limit the obligations of the relevant parties to a Supply Agreement and the Integration Agreement upon the execution or coming into force (as applicable) thereof.

13. Inadequacy of damages

Without prejudice to any other rights, powers or remedies that a Party may have (whether provided by law, equity or this Agreement), the other Parties acknowledge and agree that:

(a) damages alone may not be an adequate remedy for any threatened or actual breach of the provisions of this Agreement; and, accordingly

(b) a non-defaulting Party may be entitled, without proof of special damages, to seek the remedies of injunction, specific performance or other equitable relief, or any combinations of these remedies, for any threatened or actual breach of the provisions of this Agreement.

14. Assignment

14.1 Subject to Clauses 14.2 and 14.3 neither Party may assign, transfer, charge or deal in any other manner with this Agreement or any of its respective rights arising out of it, nor purport to do so, nor subcontract any or all of its obligations arising out of this Agreement without having obtained the prior written consent of the other Party. Any purported assignment, transfer, charge or dealing in contravention of this Clause 14.1 will be null and void and of no force or effect.

14.2 Aston Martin will be entitled to assign its rights arising out of this Agreement to any of its Affiliates provided that Aston Martin: (i) ensures that any such Affiliate to which it assigns any of its rights arising out of this Agreement will assign such rights back to a member of its Group immediately before such Affiliate ceases to be a member of its Group; and (ii) shall retain responsibility for ensuring compliance by it and the relevant Affiliate with this Agreement.

14.3 Lucid will be entitled to assign its rights arising out of this Agreement to any of its Affiliates provided that Lucid: (i) ensures that any such Affiliate to which it assigns any of its rights arising out of this Agreement will assign such rights back to a member of the Lucid Group immediately before such Affiliate ceases to be a member of the Lucid Group; and (ii) shall retain responsibility for ensuring compliance by it and the relevant Affiliate with this Agreement.

15. Announcements

15.1 Subject to Clause 15.2, no announcement or statement concerning this Agreement or the subject matter of, or any matter referred to in, this Agreement will be made or issued by or on behalf of either Party (or any member of its Group) without the prior written approval of the other Party, such approval not to be unreasonably withheld or delayed.

15.2 Clause 15.1 does not apply to any announcement or statement required by law, court order (or, to the extent relevant, the regulations of any stock exchange or listing authority or the UK Panel on Takeovers and Mergers (or equivalent body in any other applicable jurisdictions)), or any other government or regulatory organization, provided:

(a) the Party (or member of its Group) making the announcement or statement shall, as far as reasonably practicable and lawful to do so:

(i) consult with the other Party in advance and take into account its reasonable comments; and

(ii) announce and/or disclose (as applicable) only the minimum amount of information relating to this Agreement or the subject matter of, or any matter referred to in, this Agreement that in the reasonable opinion of the disclosing Party (or member of its Group) is required to be announced and/or disclosed (as applicable); and

(b) the Parties shall mutually agree the form of announcement to be made by the Parties in connection with the entry into this Agreement.

16. Confidentiality

16.1 Save as otherwise provided for in this Clause 16, each Party will (and will procure that any person to whom a Party discloses information pursuant to Clause 16.2 or Clause 16.3 (as applicable) will) keep confidential and not disclose to any person:

(a) the terms of this Agreement; and

(b) any Confidential Information of the other Party.

16.2 Lucid may disclose the terms of this Agreement and the Confidential Information of Aston Martin to any member of the Lucid Group (and their officers, employees and advisers) who they determine reasonably needs to know such information for the purposes and performance of this Agreement, provided that Lucid shall ensure the confidential treatment of the terms of this Agreement and of any Confidential Information disclosed pursuant to this Clause 16.2, and shall be responsible for any disclosure or use of any such information that is disclosed pursuant to this Clause 16.2 by any member of the Lucid Group (or their officers, employees and advisers) in breach of the terms of this Agreement.

16.3 Aston Martin may disclose the terms of this Agreement and the Confidential Information of Lucid to any member of the Aston Martin Group (and their officers, employees and advisers) who they determine reasonably needs to know such information for the purposes and performance of this Agreement, provided that Aston Martin shall ensure the confidential treatment of the terms of this Agreement and of any Confidential Information disclosed pursuant to this Clause 16.3, and shall be responsible for any disclosure or use of any such information that is disclosed pursuant to this Clause 16.3 by any member of the Aston Martin Group (or their officers, employees and advisers) in breach of the terms of this Agreement.

16.4 Neither Party, nor any person to whom a Party discloses information pursuant to Clause 16.2 or Clause 16.3 (as applicable), shall use the other Party's Confidential Information for any purpose other than to perform its obligations under this Agreement.

16.5 The Parties may disclose the Disclosable Information to the extent reasonably necessary in connection with procuring the satisfaction of the Conditions, including disclosure by Aston Martin in the Circular pursuant to Clauses 2.1(a) and 2.1(b).

16.6 The Parties acknowledge that Lucid and Lucid Parent may be required under U.S. securities laws and related rules and regulations and/or accounting rules to disclose the existence and material terms or file the full text of this Agreement with the U.S. Securities and Exchange Commission. If such a disclosure is necessary under the applicable requirements or is requested by the U.S. Securities and Exchange Commission, Lucid shall use reasonable best efforts to ensure that any confidential and/or commercially sensitive provisions of this Agreement (as agreed with Aston Martin) are redacted to the extent permitted by the applicable requirements or request prior to the disclosure being made.

16.7 The obligations of confidentiality of this Clause 16 will not apply any term of this Agreement or any part of the Confidential Information which is:

(a) or was already, or has subsequently become, published or publicly available for use or otherwise in the public domain other than as a result of a breach of this Agreement or of any confidentiality obligation owed by the recipient Party to the other Party;

(b) required to be disclosed by law, order of any court of competent jurisdiction, or the rules or requirements of any relevant regulatory or governmental body, including any relevant stock exchange and applicable legal, accounting or regulatory requirement, provided that, without prejudice to Clause 16.5 or Clause 16.6, before disclosing any such information the relevant Party (or any member of its Group) will, as far as reasonably practicable and lawful to do so, consult with the other Party in advance and take into account its reasonable comments and disclose only the minimum amount of information that is required to be disclosed;

(c) already in the recipient Party's possession at the time of disclosure by the disclosing Party which the recipient Party can show from reasonable written records other than as a result of a breach of this Agreement or of any confidentiality obligation owed by the recipient Party to the other Party;

(d) disclosed to a Tax Authority where such disclosure was reasonably necessary in order to facilitate the efficient management of the Tax affairs of the disclosing Party or those of its Affiliates; or

(e) disclosed with the other Party's prior written consent.

16.8 Each Party, respectively, acknowledges that certain of the information that may be provided to it by the other Party in the course of this Agreement (including software, component, design, manufacturing and operational information and standards and other know-how) will be highly confidential and of a commercially sensitive nature. It is further acknowledged that if such information came into the hands of competitors, Lucid or Aston Martin (or both) would likely suffer damage which would be difficult to quantify. As a result each Party, respectively, acknowledges and agrees that Lucid and Aston Martin (or either of them) shall be entitled to seek an injunction restraining any such breach or threatened breach of this Agreement without showing any actual damage suffered by them.

16.9 On termination of this Agreement howsoever arising each Party (the ***recipient Party***) will:

(a) immediately return to the requesting Party or destroy (at the recipient Party's option) all the Confidential Information of the requesting Party which the recipient Party or any member of its Group holds in written or graphic form (save to the extent that such information is reasonably required for the proper operation of any Operational Agreement and its confidentiality is protected by the confidentiality provisions of any such Operational Agreement); and

(b) on request from the requesting Party, each recipient Party will confirm in writing to the requesting Party that the recipient Party has complied with the requirements of this Clause 16.9.

17. Costs and expenses

Save as expressly provided otherwise in this Agreement, each Party shall bear its own costs in relation to the negotiation, preparation, execution, completion and implementation of this Agreement, the Operational Agreements and any ancillary agreements thereto, including the fees and disbursements of their respective legal and other professional advisers.

18. Enforcement by third parties

A person who is not an Extended Party to this Agreement shall have no right to enforce any of its terms and nothing in this Agreement, express or implied, is intended to or shall be construed to confer upon any other person (other than each party's successors or permitted assigns) any legal or equitable rights, benefits or remedies of any nature whatsoever.

19. Entire agreement and reliance on representations

19.1 This Agreement and the documents to be executed pursuant to or in connection with it, including the Operational Agreements, contain or will contain all the terms which the Parties have agreed in relation to the subject matter of this Agreement and supersedes any prior written or oral agreements, representations or understandings between the Parties in relation to such subject matter.

19.2 Each Party agrees and acknowledges that it has not relied on or been induced to enter into this Agreement by a warranty, statement, promise, representation or undertaking which is not expressly included in this Agreement and the documents referred to in Clause 19.1.

20. Conflict with other agreements

If there is any conflict between the terms of this Agreement and any Operational Agreement, the relevant Operational Agreement shall prevail unless such other agreement expressly states that this Agreement overrides that other agreement in the relevant respect.

21. Further assurance

21.1 Each Party shall do or ensure the doing of all acts and things and execute or ensure the execution of all such documents as are reasonably necessary to give full effect to the terms of this Agreement.

21.2 Each Party shall ensure that its Affiliates comply with all obligations under this Agreement which are expressed to apply to any such Affiliates.

22. Notices

22.1 A notice, permission or other communication under or in connection with this Agreement must be:

(a) in writing;

(b) in English;

(c) signed by or on behalf of the person giving it; and

(d) delivered by hand or sent by recorded delivery post or by email to the relevant Party to the contact, address and email address set out in Clause 22.6 (or if otherwise notified by the relevant person under Clause 22.5 to such other contact, address or email address as has been so notified).

22.2 Unless there is evidence that it was received earlier, a notice or other communication that complies with Clause 22.1 is deemed given:

(a) if delivered by hand, at the time of delivery, except as provided in Clause 22.3;

(b) if sent by recorded delivery post, at 9.00 am on the second Business Day after the day of posting; or

(c) if sent by email, at the time of transmission by the sender (as recorded on the device from which the sender sent the email), except as provided in Clause 22.3.

22.3 If deemed delivery under Clause 22.2 of a notice or other communication delivered by hand or sent by email occurs before 9.00 am on a Business Day, the notice or other communication is deemed delivered at 9.00 am on that day. If deemed delivery under Clause 22.2 of a notice or other communication delivered by hand or sent by email occurs after 6.00 pm on a Business Day or on a day which is not a Business Day, the notice or communication is deemed to have been given at 9.00 am on the next Business Day.

22.4 In this Clause 22, a reference to time is to local time in the country in which the recipient of the notice or communication is located.

22.5 A Party may notify the other Party of a change to any of the details for it or its copy recipient. The notice must comply with the terms of Clause 22.1 and must state the date on which the change is to occur. That date must be on or after the fifth Business Day after the date on which the notice is delivered.

22.6 All notices, demands or other communications given under this Agreement, shall be given to the following addresses:

(a) in the case of Lucid:

Lucid Group, Inc.

7373 Gateway Blvd

Newark, CA 94560

Email:

Attention: General Counsel;

with a copy to (which shall not be necessary for, or constitute, notice): Davis Polk & Wardwell London LLP

5 Aldermanbury Square

London EC2V 7HR

United Kingdom

Email:

Attention: Dan Hirschovits;

Email:

Attention: Emily Roberts;

Email:

Attention: Joseph Scrace;

(b) in the case of Aston Martin:

Aston Martin Lagonda Global Holdings PLC

Banbury Road

Gaydon

Warwick CV35 0DB

United Kingdom

Email:

Attention: Company Secretary;

Email:

Attention: Michael Marecki;

with a copy to (which shall not be necessary for, or constitute, notice): Freshfields Bruckhaus Deringer LLP

100 Bishopsgate

London EC2P 2SR

United Kingdom

Email:

Attention: Giles Pratt;

Email:

Attention: Egor Marisin

23. No partnership

Nothing in this Agreement, and no action taken by the Parties pursuant to this Agreement, will be deemed to constitute a relationship between the Parties of partnership, joint venture, principal and agent or employer and employee. No Party will have the authority or power to bind another or to contract in the name of or create liability against another in any way or for any purpose.

24. Variation

A variation of or amendment to this Agreement is only valid if it is in writing and signed by a duly authorized officer of each of Aston Martin and Lucid.

25. Payments, VAT and withholding

25.1 All payments to be made by a Party pursuant to this Agreement shall be paid in immediately available funds by electronic transfer to the recipient Party's bank account as notified to the paying Party before the relevant payment is made. Receipt of the amount due shall be an effective discharge of the relevant payment obligation.

25.2 All payments to be made (in cash or in kind) by a Party pursuant to this Agreement shall (except where otherwise expressly stated) be exclusive of VAT, and any VAT which is required to be accounted for to

the applicable Tax Authority by the payee in respect of the supply or supplies for which such payments are the consideration for VAT purposes shall, subject to the receipt of a valid VAT invoice, be added to the amount of such payments and paid in addition to such payments. The invoice shall meet all relevant legal requirements.

25.3 The Parties shall use reasonable efforts in order to obtain necessary proof of VAT exemption or other available VAT mitigation wherever required or requested, to the extent applicable.

25.4 All sums payable in cash or in kind by Aston Martin under this Agreement shall be paid free and clear of all deductions or withholdings whatsoever unless the deduction or withholding of Taxes is required by law, in which case:

(a) the amount of the payment due from Aston Martin shall be increased (such increase, an ***Additional Amount***) to an amount which after any withholding or deduction leaves the payee with an amount equal to the amount which it would have received if no such deduction or withholding had been required;

(b) Aston Martin shall provide the payee in respect of the relevant payment, without undue delay, with a statement under section 975 of Income Tax Act 2007 or other equivalent documents that evidence calculation and payment of the tax; and

(c) to the extent that any withholding or deduction in respect of which an Additional Amount has been paid results in the payee or an Affiliate, in their absolute discretion, obtaining a Relief, the payee shall pay to the payer, within 10 Business Days of obtaining and utilizing the benefit of the Relief, an amount equal to the lesser of the value of the Relief obtained and the Additional Amount.

25.5 The Parties shall cooperate in good faith to reduce or eliminate Taxes for which an Additional Amount would otherwise be payable under Clause 25.4.

25.6 Lucid warrants to Aston Martin, at the date of this Agreement and at the date on which each payment to Lucid (in cash or in kind) under this Agreement falls due, that:

(a) it is resident for tax purposes in the United States for the purposes of the UK-US Treaty;

(b) it is a “qualified person” for the purposes of Article 23 of the UK-US Treaty;

(c) it does not carry on any business in the UK through a UK permanent establishment to which the sums payable to it pursuant to Clause 4.6(b)(i), Clause 4.6(b)(ii), Clause 4.6(b)(iii) and Clause 4.6(c), and the Consideration Shares issuable to it pursuant to Clause 4.6(a), are attributable;

(d) it is beneficially entitled to the sums payable to it pursuant to Clause 4.6(b)(i), Clause 4.6(b)(ii), Clause 4.6(b)(iii) and Clause 4.6(c), and to the Consideration Shares issuable to it pursuant to Clause 4.6(a); and

(e) any payment due to it under this Agreement will not be received by it under, or as part of, a “conduit arrangement”, as defined in Article 3(n) of the UK-US Treaty.

25.7 Aston Martin warrants to Lucid that it is resident for tax purposes solely in the United Kingdom.

25.8 Each Party undertakes to the other promptly to notify the other party in writing if the representations contained in Clause 25.6 or 25.7 cease to be true during the life of this Agreement. In the event of any

assignment by a Party to an Affiliate in accordance with Clause 14, the assigning Party shall procure that its Affiliate gives a warranty to the other Party on equivalent terms to those contained in (i) Clause 25.6 or 25.7 respectively, and (ii) this Clause 25.8 (with any necessary modifications).

25.9 Aston Martin's obligation under Clause 25.4(a) above shall not apply to the extent that the deduction or withholding required to be made in respect of a payment would not have arisen but for:

(a) the warranty given by Lucid pursuant to Clause 25.6 above (or any equivalent warranty given by an Affiliate of Lucid in accordance with Clause 25.8 above) being incorrect as at the date that the relevant payment falls due otherwise than pursuant to a change of law after the date of this Agreement; or

(b) an assignment by the payee of any of its rights under this Agreement.

26. Waiver

Failure by a Party to exercise, or a delay in exercising, a right or remedy provided by this Agreement or by Applicable Law does not constitute a waiver of the right or remedy or a waiver of any other rights or remedies. No single or partial exercise of a right or remedy by a Party provided by this Agreement or by law prevents the further exercise of the right or remedy or the exercise of another right or remedy. A waiver by a Party of a breach of this Agreement does not constitute a waiver of a subsequent or prior breach of this Agreement.

27. Severability

If a provision of this Agreement is found to be illegal, invalid or unenforceable, then to the extent it is illegal, invalid or unenforceable, that provision will be given no effect and will be treated as though it were not included in this Agreement, but the validity or enforceability of the remaining provisions or parts of such provisions of this Agreement will not be affected. Upon a determination that any provision of this Agreement is illegal, invalid or unenforceable, the Parties will negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible, in a mutually acceptable manner, in order that the transactions contemplated hereby be consummated as originally contemplated to the fullest extent possible under Applicable Law.

28. Counterparts

This Agreement may be entered into in any number of counterparts, each of which will be deemed to be an original and all of which, when taken together, will be deemed to be one and the same agreement. Any Extended Party may enter into this Agreement by executing any counterpart. A counterpart constitutes an original of this Agreement and all executed counterparts together have the same effect as if each Extended Party had executed the same document. A signed copy of this Agreement transmitted by facsimile, email or other means of electronic transmission will be deemed to have the same legal effect as delivery of an original executed copy of this Agreement for all purposes.

29. Governing Law

This Agreement (including any non-contractual obligation, dispute, controversy or claim of whatever nature arising out of or in any way relating to the Agreement or its formation) shall be governed by and construed in accordance with the Laws of the state of New York, without giving effect to its principles of conflicts of laws.

30. Arbitration

30.1 Any dispute, controversy or claim arising out of, relating to this Agreement or the breach thereof (a ***Dispute***), whether such Dispute arises before or after the termination of this Agreement, shall attempt to be settled by discussion and mutual accord within 60 Business Days after the date an Extended Party notifies the others in a writing specifying such Dispute. If the Dispute cannot be settled within that timeframe, or within an extended timeframe as mutually agreed by the Extended Parties, the Dispute shall be settled by arbitration administered by the International Centre for Dispute Resolution (***ICDR***) in accordance with its International Arbitration Rules (the ***Rules***) and as set forth in this Agreement (the ***Arbitration***).

30.2 The Arbitration shall be conducted by a panel of three arbitrators of whom one arbitrator shall be appointed by Lucid, one by Aston Martin and a third, the chairperson, by the two arbitrators so appointed. If a Party fails to appoint its arbitrator within 30 Business Days after the other Party's arbitrator is appointed and such Party is served written notice of such appointment, or if the two arbitrators so appointed are unable to agree upon the appointment of the third arbitrator within 30 Business Days from the appointment of the second arbitrator, then the missing arbitrator shall be a New York law-qualified attorney with over 15 years of experience with arbitrations and shall be appointed by the ICDR.

30.3 The legal seat of the Arbitration shall be New York, New York, United States.

30.4 The arbitrators shall have exclusive jurisdiction over the entire matter in dispute, including any question as to its arbitrability; but shall not have the power to award any exemplary or punitive damages, however denominated, whether or not multiplied. The arbitrators shall not have power to alter, amend or add to the provisions of this Agreement.

30.5 The decision of the arbitrators shall be that made by the majority of the arbitrators, based upon a hearing, in which evidence may be introduced without following the strict rules of evidence, and in which cross-examination and rebuttal will be allowed. The decision of the arbitrators shall be accompanied by a reasoned opinion, which shall be in writing, signed by a majority of the arbitrators and including findings of fact and conclusions of law. The arbitrators will render their decision within 90 Business Days following the termination of the hearing, unless the Extended Parties consent to an extension.

30.6 The decision of the arbitrators shall be final and binding on the Extended Parties. Judgment upon any award rendered by the arbitrators pursuant to their decision may be entered in any court having jurisdiction thereof, and shall be enforceable against the Extended Parties.

30.7 Except as may be required by law or this Agreement, no Extended Party may disclose the existence, content, or results of the Arbitration without the prior written consent of all Extended Parties, and the Extended Parties will use their reasonable best efforts to cause the arbitrators to maintain the confidentiality of the Arbitration.

30.8 The tribunal shall have the power to apportion costs to the prevailing Extended Party.

30.9 Upon the request of any Extended Party, the arbitration tribunal may, at any time before the first oral hearing of evidence, consolidate the arbitral proceeding with any other arbitration proceeding between or among the Extended Parties arising from or related to the Project Agreements, where (i) the proceedings involve common questions of law or fact or arise out of the same or similar events or circumstances such that a failure to consolidate the arbitrations would create a substantial risk of inconsistent results and (ii) the consolidation complies with the Rules.

Schedule 1
Definitions

1. In this Agreement:

Act means the Companies Act 2006;

Additional Amount has the meaning given in Clause 25.4;

Adjustment Event has the meaning given in Clause 6(b)(i);

Admission means the admission to listing on the premium listing segment of the Official List and to trading on the LSE's main market for listed securities becoming effective in accordance with, respectively, the Listing Rules and Admission and Disclosure Standards;

Admission and Disclosure Standards means the rules issued by the LSE in relation to the admission to trading of, and continuing requirements for, securities admitted to the Official List;

Adverse Recommendation Change has the meaning given in Clause 3.4;

Affiliate means:

(a) with respect to Lucid, any person that directly, or indirectly through one or more intermediaries, is Controlled by Lucid Parent;

(b) with respect to Aston Martin, any person that directly, or indirectly through one or more intermediaries, is Controlled by Aston Martin; and

(c) with respect to any other person, any person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with that person;

Allotment Date means the date on which the Integration Agreement is entered into pursuant to Clause 4.5 and on which the Consideration Shares are allotted pursuant to Clause 4.6(a);

Anti-Bribery Laws has the meaning given in paragraph 12(a) of Part A of Schedule 2;

Antitrust Condition has the meaning given in Clause 2.1(d);

Antitrust Laws means any applicable laws in effect from time to time that are designed or intended to prohibit, restrict or regulate actions having the purpose or effect of monopolization or restraint of trade.

Applicable Law means, in respect of a person, all applicable civil and common law, statute, subordinate legislation, treaty, regulations, directive, decision, by-law, ordinance, code, regulatory license, regulatory consent, direction, request, order, decree, injunction or judgment of any competent Regulatory Authority to which it is subject and by which it is bound;

Articles of Association means the articles of association of Aston Martin, as amended from time to time, and any reference to an ***Article*** shall be a reference to that article of the Articles of Association;

Aston Martin Change of Control means each of the following events:

(a) a person (or any persons acting in concert (as defined in the Code)): (i) becomes interested (within the meaning of Part 22 of the Act) in, or (ii) announces or makes a recommended firm offer (as defined in the Code), or enters into a binding agreement, in connection with becoming so interested in: (A) more than 50 per cent. of the issued or allotted Ordinary Shares

of Aston Martin, or (B) shares in the capital of Aston Martin carrying more than 50 per cent. of the voting rights normally exercisable on a poll at a general meeting of Aston Martin;

(b) a person that is not a member of the Aston Martin Group (or any persons acting in concert (as defined in the Code) that are not members of the Aston Martin Group) enters into a binding agreement to acquire Control over AML or purchases or is the transferee of all or substantially all (in one or a series of transactions) of AML's assets; or

(c) Aston Martin enters into a binding agreement to sell or transfer, or sells or transfers, all or substantially all (in one or a series of transactions) of Aston Martin's and its Group's assets (taken as a whole) to another person (or to persons acting together pursuant to an agreement or understanding in connection with the transaction) other than a wholly-owned direct or indirect subsidiary of Aston Martin;

Aston Martin Competitor has the meaning given in Clause 8;

Aston Martin Directors means the directors of Aston Martin from time to time;

Aston Martin Independent Directors means the Aston Martin Directors other than the Related Party Directors;

Aston Martin Independent Directors' Recommendation means a unanimous and unqualified recommendation from the Aston Martin Independent Directors to the Aston Martin Shareholders to vote in favour of the Shareholder Resolutions to be proposed at the General Meeting;

Aston Martin Material Warranty Breach means: (a) a breach by Aston Martin of a Fundamental Warranty, or (b) a breach by Aston Martin of a Warranty which is not a Fundamental Warranty and which, individually or together with any other such breach by Aston Martin of a Warranty, is material in the context of the Aston Martin Group as a whole;

Aston Martin Public Documents means all public filings and/or announcements by (or on behalf of) Aston Martin which have been released through a Regulatory Information Service, and all documents made publicly available in accordance with the Act, the Disclosure and Transparency Rules, the Prospectus Regulation, the Listing Rules and the Market Abuse Regulation, in each case prior to the date of this Agreement;

Aston Martin Shareholders means the holders of Ordinary Shares from time to time;

Aston Martin Vehicles means battery electric vehicles under an Aston Martin Group brand;

Board means Aston Martin's board of directors from time to time;

Business Day means any day (except a Saturday or Sunday) on which banks are generally open for business in both England and California;

Circular means the circular to be approved by the FCA pursuant to the Listing Rules and published and made available by Aston Martin in accordance with the Applicable Laws, including to Aston Martin Shareholders, in relation to the transactions contemplated by this Agreement, enclosing a notice of the General Meeting containing the Shareholder Resolutions and incorporating the Aston Martin Independent Directors' Recommendation;

Circular Condition has the meaning given in Clause 2.1(a);

Code means the UK City Code on Takeovers and Mergers;

Commercial Volumes means any volume of Goods (or similar goods) intended for incorporation into production vehicles, and for the avoidance of doubt fewer than 50 samples of Goods not intended for use in production vehicles for sale shall not be deemed ***Commercial Volumes***;

Conditions has the meaning given in Clause 2.1;

Confidential Information means all information (including all oral and visual information, and all information recorded in writing or electronically, or in any other medium or by any other method) disclosed to, or obtained by, one Party from another Party or a person acting on that other Party's behalf under or in connection with this Agreement including without limitation the following information:

(a) any information relating to the business of a Party (or member of its Group) including, without limitation, any ideas; business methods; finance; price, business, financial, marketing, development or manpower plans; customer lists or details; computer systems and software; products or services; know-how or other trade secrets; processes; marketing opportunities; other matters connected with the products or services manufactured, marketed, provided or obtained by a Party (or member of its Group); information concerning a Party's (or member of its Group's) relationships with actual or potential clients, customers or suppliers and the needs and requirements of a Party (or member of its Group) and of such persons;

(b) any other information which, if disclosed, would be liable to cause harm to the Party (or member of its Group) whose information is disclosed; and

(c) information of a confidential nature which is expressly indicated by a Party (or member of its Group) to be confidential in relation to that Party or any of its Affiliates;

Consideration Shares means 28,352,273 Ordinary Shares to be issued to Lucid pursuant to this Agreement, being US$ 100,000,000 in value of Ordinary Shares calculated in accordance with the following formula: (100,000,000 * 0.7866) / 2.774381;

Control (including the terms Controlling, Controlled by and under common Control with) means (i) possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract, or otherwise; (ii) the power to appoint or elect a majority of the board of directors (or other similar governing body), by constitutional arrangement or otherwise; or (iii) the power to serve as or appoint or elect the sole managing member, partner, trustee or similar position, by constitutional arrangement or otherwise;

CREST means the relevant system (as defined in the CREST Regulations) in respect of which Euroclear UK & Ireland Limited is the operator (as defined in the CREST Regulations);

CREST Regulations means the Uncertificated Securities Regulations 2001 (SI 2001 No. 01/378), as amended;

Disclosable Information means in relation to this Agreement and any Operational Agreement:

(a) the parties to the agreement;

(b) the date of the agreement;

(c) the principal matters covered by the agreement;

(d) the duration of the agreement; and

(e) the circumstances in which the agreement may be terminated,

but shall not include any pricing information or information from which pricing information (or other commercially sensitive information) could be reverse engineered or the main terms and conditions of any supply or technical relationship;

Disclosure and Transparency Rules means the disclosure and transparency rules made by the FCA under Part VI of FSMA as amended from time to time;

Disposal has the meaning given in Clause 5;

Dispute has the meaning given in Clause 30.1;

Employees' Share Scheme has the meaning given to such term in section 1166 of the Act;

Encumbrance means a lien, charge, option, pledge, right of pre-emption or first refusal or other encumbrance or right exercisable by a third party having similar effect;

Engineering Support Services means the engineering support services to be agreed by Aston Martin and Lucid under the Integration Agreement or any other relevant Operational Agreement;

FCA means the Financial Conduct Authority acting in its capacity as the competent authority for the purposes of Part VI of FSMA;

First Delivery means the delivery by Aston Martin to a customer or dealer of the first Aston Martin Vehicle incorporating powertrain components supplied by Lucid, as evidenced in writing by Aston Martin by way of an itemized delivery receipt in the usual form used by the Aston Martin Group for such purposes;

FSMA means the Financial Services and Markets Act 2000 (as amended from time to time);

Full Form Supply Agreement means the full form supply agreement as may be entered into between LGT, Lucid Parent and AML in accordance with Clauses 4.1 and 4.3;

Fundamental Warranties means the statements contained in paragraphs 1, 3, 5, and, in respect of Aston Martin only, 7(a), 7(b), 7(c) and 7(d) of Part A of Schedule 2;

Geely Irrevocable Undertaking means the irrevocable undertaking to be entered into on the date of this Agreement between Aston Martin and each of Geely International (Hong Kong) Limited and Geely Group Limited, pursuant to which each of Geely International (Hong Kong) Limited and Geely Group Limited will undertake to vote in favour of the Shareholder Resolutions at the General Meeting;

General Meeting means the general meeting of Aston Martin (and any adjournment of such meeting) to be duly convened to consider and, if thought fit, pass the Shareholder Resolutions;

Goods means the goods to be manufactured and supplied by Lucid to Aston Martin under a Supply Agreement or any other Operational Agreement;

Group means in relation to a body corporate, that body corporate and each of its Affiliates and ***member of the Group*** shall be construed accordingly;

ICDR has the meaning given in Clause 30.1;

IFRS means the body of pronouncements issued by the International Accounting Standards Board, including International Financial Reporting Standards and interpretations approved by the International Accounting Standards Board, International Accounting Standards and Standing Interpretations Committee interpretations approved by the predecessor International Accounting Standards Committee;

Insolvency Event means:

(a) in respect of Aston Martin or any member of its Group, that it or any member of its Group:

(i) is declared by a court to be unable to pay its debts by virtue of Section 123 of the Insolvency Act 1986 (other than Section 123(1)(a)), or stops, suspends or threatens to stop or suspend payment of its debts;

(ii) by reason of actual or anticipated financial difficulties, suspends making payments generally;

(iii) a moratorium is declared or takes effect in respect of all or a substantial part of its indebtedness;

(iv) has a court order made for its winding-up;

(v) receives notice of dissolution from the UK registrar of companies;

(vi) enters into any composition, compromise, assignment or arrangement with or for the benefit of its creditors in respect of all or a substantial part of its debts;

(vii) a liquidator, receiver, administrative receiver, administrator, compulsory manager or other similar officer is appointed in respect of it or any of its assets;

(viii) ceases or threatens to cease to carry on all or substantially all of the business or operations of the Group; or

(ix) any analogous or equivalent formal procedure or formal step is taken by it, any of its direct or indirect subsidiaries or by a person in relation to it in any jurisdiction,

but this definition will not include a solvent winding-up, dissolution, reconstruction or amalgamation; or

(b) in respect of Lucid or any member of its Group, that it or any member of its Group, pursuant to or within the meaning of any US Bankruptcy Law, either:

(i) commences a voluntary case or proceeding;

(ii) consents to the entry of an order for relief against it in an involuntary case or proceeding or any such involuntary case or proceeding remains undismissed for 14 days;

(iii) consents to the appointment of a custodian of it or for any substantial part of its property or fails to contest such an appointment for 14 days;

(iv) makes any assignment for the benefit of its creditors;

(v) takes any comparable action under any foreign US Bankruptcy Law;

(vi) generally is not paying its debts as they become due; or

(vii) a court of competent jurisdiction enters an order or decree under any US Bankruptcy Law that either:

(A) is for relief against it in an involuntary case or proceeding;

(B) appoints a custodian of it, or for any substantial part of its property;

(C) orders its winding up or liquidation; or

(D) grants any similar relief under any foreign US Bankruptcy Law;

Integration Agreement means the Integration Agreement in the agreed form between a member of the Aston Martin Group and a member of the Lucid Group under which the obligations of the parties to it are conditional upon Admission of the Consideration Shares, as set out in Schedule 4;

Interim Statement means the unaudited consolidated financial statements of the Aston Martin Group as at and for the three month period ended 31 March 2023;

Interim Supply Agreement means the supply agreement that, in lieu of an agreed form Full Form Supply Agreement at such time, takes effect from the date of Admission, in accordance with Clause 4.2 between LGT, Lucid Parent and AML on the terms set forth in Schedule 5;

Irrevocable Undertaking means each of the Yew Tree Irrevocable Undertaking, MBAG Irrevocable Undertaking and the Geely Irrevocable Undertaking;

JFTC has the meaning given in Clause 2.1(d);

Listing Rules means the Listing Rules of the FCA;

Lock-Up Period has the meaning given in Clause 5;

Longstop Date means 31 December 2023, or such later date as may be agreed between the Parties in writing;

LSE means the London Stock Exchange plc;

Lucid ABL means the credit agreement entered into on 9 June 2022 among Lucid Parent., as borrower representative and a borrower, certain lenders and issuing banks from time to time, and Bank of America, N.A. as administrative agent (as it may be amended, restated, supplemented or otherwise modified from time to time);

Lucid Change of Control means each of the following events:

(a) the transfer to or acquisition by (whether by tender offer, merger, consolidation, division or other similar transaction), in one transaction or a series of related transactions, a person or group of Affiliates (other than an underwriter pursuant to an offering), of Lucid Parent's voting securities if, after such transfer or acquisition, such person or group of Affiliates would beneficially own (as defined in Rule 13d-3 promulgated under the Securities Exchange Act of 1934, as amended) more than 50 per cent. of the outstanding voting securities of Lucid Parent, or Lucid Parent. enters into a binding agreement in relation thereto; provided that the acquisition by Ayar Third Investment Company, PIF or any of their wholly-owned direct or

indirect subsidiaries of voting securities of Lucid Group, Inc. shall not constitute a Lucid Change of Control;

(b) a person that is not (i) a member of the Lucid Group (or group of Affiliates that are not members of the Lucid Group) or (ii) Ayar Third Investment Company, PIF or any of their wholly-owned direct or indirect subsidiaries, enters into a binding agreement to acquire Control over Lucid; or

(c) Lucid enters into a binding agreement to sell or transfer, or sells or transfers, all or substantially all (in one or a series of transactions) of Lucid's and its Group's assets (taken as a whole) to another person or group of Affiliates other than (i) a wholly-owned direct or indirect subsidiary of Lucid or (ii) Ayar Third Investment Company, PIF or any of their wholly-owned direct or indirect subsidiaries;

Lucid CREST Account means such account(s) set up in CREST as Lucid may notify in writing to Aston Martin;

Lucid Material Warranty Breach means a breach by Lucid of a Fundamental Warranty;

Lucid Public Documents means all filings made by Lucid Parent. which have been released with the Securities and Exchange Commission that are available on EDGAR, in each case prior to the date of this Agreement;

Market Abuse Regulation means the Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018;

MBAG Amendment and Restatement Deed means the deed entered into on the date of this Agreement between MBAG and Aston Martin, pursuant to which MBAG has agreed to amend and restate the SCA and waive any termination right under the amended and restated SCA or any other Operational Agreement (as such term is defined in the amended and restated SCA) which may arise as a result of or in connection with the transactions contemplated by this Agreement;

MBAG means Mercedes-Benz AG;

MBAG Irrevocable Undertaking means the irrevocable undertaking to be entered into on the date of this Agreement between Aston Martin and MBAG, pursuant to which MBAG will undertake to vote in favour of the Shareholder Resolutions at the General Meeting;

Official List means the Official List of the FCA;

Operational Agreement means any operational, technical or commercial agreement entered into by Lucid (or a member of the Lucid Group) and Aston Martin (or a member of its Group) relating to the provision by Lucid, by itself or through a member of the Lucid Group, of, and Aston Martin's access to, the Goods, the services required for integration of the Goods into Aston Martin products and/or the Engineering Support Services, including a Supply Agreement and the Integration Agreement;

Ordinary Shares means ordinary shares of £0.10 each in the capital of Aston Martin, the rights attaching to which are set out in the Articles of Association;

PIF means the Public Investment Fund;

Project Agreements means this Agreement, a Supply Agreement and the Integration Agreement;

Prospectus Regulation means the Regulation (EU) No 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018;

Regulatory Authority means any national, state, municipal or local or any supra-national or other governmental, quasi-governmental, administrative, antitrust or regulatory authority, agency, body or commission, or any court, tribunal, or judicial or arbitral body, including, for the avoidance of doubt, any Tax Authority, the FCA, the LSE, the United States Securities Exchange Commission and The Nasdaq Stock Market LLC;

Related Party Directors means the Aston Martin Directors nominated for appointment to the Board by PIF;

Relief includes any allowance, credit, deduction, exemption or set off in respect of any Tax or relevant to the computation of any income, profits or gains for the purposes of any Tax, any right to or actual repayment of or saving of Tax (including any repayment supplement, fee or interest in respect of Tax), or any credit or other amount payable or paid by a Tax Authority;

Relevant Shareholder means each of: Yew Tree Overseas Limited, Saint James Invest SA, J.C.B.Research, RRRR Investments LLC, John Idol, FrancInvest Holding Corporation, Omega Funds I Limited, ErsteAM Ltd, MBAG, Geely International (Hong Kong) Limited and Geely Group Limited;

Rules has the meaning given in Clause 30.1;

Sanctioned Person means a person or entity: (a) included on the United Nations Security Council Consolidated List, or any equivalent list maintained by the United Nations; (b) designated on the lists of Specially Designated Nationals and Blocked Persons or “Foreign Sanctions Evaders” maintained by the Office of Foreign Assets Control of the US Department of Treasury (***OFAC***), the US Department of Commerce, the US Department of State and any other agency of the US government; (c) designated on the Consolidated List of Persons, Groups and Entities Subject to EU Financial Sanctions maintained by the European Commission, the Consolidated List of Asset Freeze Targets and the list of persons named in relation to financial and investment restrictions each maintained by His Majesty’s Treasury of the United Kingdom, or any equivalent list maintained by the competent sanctions authority of any EU Member State or the UK; (d) that is, or is part of, a government of a Sanctioned Territory; (e) directly or indirectly owned or Controlled by any of the foregoing; (f) that is incorporated in, domiciled in, operating from, located or residing in any Sanctioned Territory; or (g) otherwise subject to or targeted under any Sanctions Law or designated in any other list of targeted persons issued under applicable Sanctions Law in any relevant country or territory;

Sanctioned Territory means any country or other territory subject to a comprehensive export, import, financial or investment embargo under any Sanctions Law, which are, as of the date of this Agreement, Cuba, Iran, North Korea, Syria, the Crimea and separatist-controlled portions of the Luhansk and Donetsk regions of Ukraine;

Sanctions Law means any applicable export control and economic, financial or other trade-related sanctions laws and regulations thereunder of the United States of America, the United Nations or its Security Council, the European Union, any member state of the European Union and the United Kingdom;

SCA means the strategic cooperation agreement entered into between MBAG and Aston Martin on 27 October 2020, as amended;

Shareholder Approval Condition has the meaning given in Clause 2.1(b);

Shareholder Resolutions means those ordinary resolutions of Aston Martin as may be necessary or incidental to:

(a) approve, implement and effect the transactions contemplated by this Agreement, the Supply Agreement and the Integration Agreement, including as required under Listing Rule 11.1.7R; and

(b) authorize the Aston Martin Directors to allot and issue the Consideration Shares to Lucid.

Statutory Accounts means the audited consolidated accounts for the Aston Martin Group as of and for the period ended 31 December 2022, together with the related schedules and notes included therein;

Supplementary Circular means any supplementary circular that may be required to be issued by Aston Martin to Aston Martin Shareholders pursuant to the Listing Rules in relation to the transactions contemplated by this Agreement;

Supply Agreement means each of the Interim Supply Agreement and the Full Form Supply Agreement;

Takeover Offer an offer (as defined in the Code) made in accordance with the Code (including, for the avoidance of doubt, by way of a scheme of arrangement or contractual offer);

Tax means:

(a) all forms of tax, levy, impost, contribution, duty, liability and charge in the nature of taxation and all related withholdings or deductions of any nature (including, for the avoidance of doubt, National Insurance contribution liabilities in the United Kingdom and corresponding obligations elsewhere); and

(b) all related fines, penalties, charges and interest,

whether directly or primarily chargeable against, recoverable from or attributable to the relevant person or another person;

Tax Authority means a taxing or other governmental (local or central), state or municipal authority (whether within or outside the United Kingdom) competent to collect or administer a liability for Tax;

UK-US Treaty means the UK/USA double taxation convention which entered into force on 31 March 2003 (as amended from time to time);

United Kingdom means the United Kingdom of Great Britain and Northern Ireland;

United States means the United States of America, its territories and possessions, any state of the United States and the District of Columbia;

US Bankruptcy Law means Title 11, United States Code, or any similar U.S. federal or state or non-U.S. law for the relief of debtors;

Valuation Condition has the meaning given in Clause 2.1(c);

VAT means any value added tax imposed by the Value Added Tax Act 1994; (b) any value added tax imposed in compliance with Council Directive of 28 November 2006 on the common system of value added tax (EC Directive 2006/112) as implemented in a member state of the European Union; and (c) any other tax of a similar nature, whether imposed in the United Kingdom or in a member state of the European Union in substitution for, or levied in addition to, such tax referred to in paragraph (a) or (b) above, or imposed elsewhere;

Warrant Instrument means the warrant instrument dated 7 December 2020, as amended on 28 September 2022, pursuant to which Aston Martin issued 126,647,852 warrants granting rights to subscribe for up to 37,994,356 Ordinary Shares;

Warranties means the warranty statements contained in Part A of Schedule 2 of this Agreement;

Warranty Claim means a claim by either Party in relation to a Warranty; and

Yew Tree Irrevocable Undertaking means the irrevocable undertaking to be entered into on the date of this Agreement between Aston Martin and Yew Tree Overseas Limited (for itself and on behalf of Saint James Invest SA, J.C.B. Research, RRRR Investments LLC, John Idol, FrancInvest Holding Corporation, Omega Funds I Limited, John Idol and ErsteAM Ltd) pursuant to which Yew Tree Overseas Limited will undertake to vote in favour of the Shareholder Resolutions at the General Meeting.

2. In this Agreement:

(a) a reference to a Clause, paragraph or Schedule is, unless stated otherwise, a reference to a Clause or paragraph of, or Schedule to, this Agreement. The Appendices and Schedules form part of this Agreement and a reference to “this Agreement” includes its Schedules. The recitals and headings in this Agreement do not affect its interpretation;

(b) any reference to this Agreement or any other agreement or document will be construed as a reference to this Agreement or, as the case may be, that other agreement or document, as it may have been, or may from time to time be, amended, varied, supplemented, substituted, novated or assigned;

(c) a reference to a statute or statutory provision includes a reference to any subordinate legislation and is a reference to that statute, statutory provision or subordinate legislation as modified, consolidated, superseded, re-enacted or replaced (whether with or without modification) from time to time after the date of this Agreement to the extent only that it does not impose any new or extended obligation, liability or restriction on, or otherwise adversely affect the rights of, any Party arising out of this Agreement;

(d) a reference to a ***person*** includes any individual, organization, company, corporation, firm, partnership, joint venture, association, state, state agency, institution, foundation or trust (whether or not having a separate legal personality);

(e) a reference to one gender is a reference to all or any genders, and references to the singular include the plural and vice versa;

(f) references to £, GBP or sterling are references to the lawful currency from time to time of the United Kingdom;

(g) references to €, EUR or euro are references to the lawful currency from time to time of the Eurozone;

(h) references to US$, USD or dollars are references to the lawful currency from time to time of the United State of America;

(i) a reference to an English legal term for a legal document, court, judicial process, action, remedy, legal status, official or any other legal concept or thing is, in respect of a jurisdiction other than England, deemed to be a reference to whatever most closely equates to the English legal term in that jurisdiction;

(j) a reference to ***including***, ***includes***, ***in particular*** or any similar expression will be construed as illustrating and does not limit the scope of the meaning of the words preceding it;

(k) a reference to a document ***in the agreed form*** is a reference to a document in the form agreed by or on behalf of each party to that document on or before the making of this Agreement; and

(l) a reference to a time of day are references to the time in London, England, and when a point in time occurs and when a period of time begins and ends will be determined with reference to the time in London, England.

Schedule 2
Warranties

Part A Warranties

1. **Right, power, authority and action**

Each Party warrants that:

(a) it is on the date of this Agreement properly constituted and incorporated and validly existing under the laws of the jurisdiction of its incorporation;

(b) it has all necessary right, authority, power and capacity to enter into and perform this Agreement and that all necessary actions have been taken to execute, deliver, enter into, and exercise its rights and perform its obligations under this Agreement properly and lawfully; and

(c) its obligations under this Agreement, when executed, constitute obligations binding and enforceable on that Party in accordance with its terms (subject to applicable bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other laws affecting creditors' rights generally and general principles of equity).

2. **No approvals**

Each Party warrants in relation to itself and each member of its Group that no consent, approval, waiver, registration, consultation or notification is required to be obtained or made by it in connection with the execution, performance or enforceability of this Agreement, except (a) where such consent, approval, waiver, registration, consultation or notification is required in connection with the Conditions or is otherwise expressly set out in this Agreement, or (b) where the failure to obtain or make such consent, approval, waiver, registration, consultation or notification would not have, individually or in the aggregate, a material adverse effect on the warranting Party.

3. **No breach**

Each Party warrants that neither the entry by it into this Agreement nor the performance by it of any of its obligations under this Agreement will result in a breach of, violate, constitute a default under, or conflict with (as applicable):

(a) a provision in its constitutional documents or the constitutional documents of any other member of its Group; or

(b) a provision in an instrument which is binding on it or any other member of its Group, except where such breach, violation, default or conflict would not have, individually or in the aggregate, a material adverse effect on the warranting Party; or

(c) any order, judgment, award, injunction, decree, ordinance or regulation or any other restriction of any kind or character, or any material Applicable Law, by which it or any member of its Group is bound or to which it submits.

4. **Litigation**

Aston Martin warrants that:

(a) neither it nor any member of its Group has any claims outstanding against it or is engaged in, or has within the last 12 months immediately preceding the date of this Agreement been engaged in, any litigation or arbitration or similar proceedings or in any governmental, regulatory or similar investigation or enquiry, which singly or in the aggregate, would be material in the context of its Group taken as a whole, and, so far as it is aware, there are no circumstances known to it which are likely to give rise to any such claim, litigation, proceeding, investigation or enquiry; and

(b) neither it nor any member of its Group has received notice from any regulator of any ongoing investigation, enquiry, disciplinary proceedings, prohibition, order, penalty or recent censure nor, so far as it is aware, are there any circumstances which are reasonably likely to give rise to such investigation, enquiry, disciplinary proceeding, prohibition, order, penalty or censure, which singly or in the aggregate, would be material in the context of its Group taken as a whole.

5. **Winding up, insolvency, etc.**

Each Party warrants that in respect of it or (if applicable) any part of its assets or undertaking:

(a) no receiver or administrative receiver has been appointed;

(b) no administration order has been made;

(c) no order for winding up has been made;

(d) no material unsatisfied judgment, order or award of any court is outstanding;

(e) no material distress or execution or other process has been levied;

(f) no arrangement with creditors (within the meaning of applicable insolvency laws) has been made; and

(g) it is not unable to pay its debts as they fall due,

and no circumstances exist which are reasonably likely to give rise to any of the matters listed above.

6. **Compliance**

Each Party warrants that:

(a) so far as it is aware, no governmental, Regulatory Authority or official investigation or inquiry specifically concerning any member of its Group, or order, decree or judgment, is threatened, in progress, outstanding or pending;

(b) so far as it is aware, it has in the last 18 months dealt with its assets, and conducted its business and corporate affairs, in all material respects, in compliance with:

(i) all applicable material laws and regulations (in the United Kingdom, United States and elsewhere), including (if applicable) the requirements of Euroclear UK and Ireland Limited and the Uncertificated Securities Regulations 2001;

(ii) its constitutional documents;

(iii) each material license, registration and permit issued by a governmental or regulatory body and held by it; and

(iv) any order or judgement of a court or governmental or Regulatory Authority affecting it; and

(c) it is not party to any agreement, arrangement or concerted practice, and is not carrying on any practice, which in whole or in part contravenes or is invalidated by any antitrust, anti-monopoly, fair trading, competition, consumer protection or similar Applicable Law in any jurisdiction in which it has assets or carries on business.

Aston Martin warrants that:

(d) save for the transactions contemplated by this Agreement it is not aware of any non-public fact or circumstance: (i) that, if made public, would or might reasonably be expected to have a significant effect on the market price of the Ordinary Shares or on Aston Martin or on the

Aston Martin Group taken as a whole, or (ii) which is required by Applicable Law to be disclosed to the public.

7. **Ordinary Shares**

Aston Martin warrants that:

(a) each Ordinary Share and Consideration Share:

(i) is, or will be when issued, duly authorized, validly issued, fully paid or credited as fully paid and free and clear of all Encumbrances; and

(ii) is not, or will not when issued, have been issued in violation of any statutory pre-emption rights;

(b) each Consideration Share will rank *pari passu* in all respects with the Ordinary Shares in issue at the date of its allotment and issue and will have the right to receive in full all distributions and dividends declared on the Ordinary Shares after the Allotment Date;

(c) the issue of the Consideration Shares, and the valuation report prepared pursuant to section 593 of the Act to be provided to Lucid in connection therewith, will comply with all Applicable Laws (including the statutory requirements as set out under sections 593-597 of the Act);

(d) the Ordinary Shares are "Participating Securities" in, and have not been suspended from, CREST;

(e) the issued share capital of Aston Martin at the date of this Agreement is 728,074,580 Ordinary Shares;

(f) other than pursuant to an Employees' Share Scheme or the Warrant Instrument, there are no outstanding securities, warrants, options or other rights convertible into or exchangeable for Ordinary Shares;

(g) save as set out in this Agreement, there are no restrictions on the subsequent transfer of the Consideration Shares; and

(h) subject to Applicable Law, neither Aston Martin nor any member of its Group is prohibited, directly or indirectly, from declaring or paying any dividends on Ordinary Shares or making any other such distributions on Ordinary Shares.

8. **Accounts and Interim Statement**

Aston Martin warrants that:

(a) the Statutory Accounts have been prepared in accordance and comply with IFRS, the Act and all Applicable Laws in force at the relevant date to which such accounts were first published;

(b) the Statutory Accounts:

(i) give a true and fair view of the state of affairs and financial condition of its Group, and of the results, profit, loss, cash flow and changes in equity of its Group, as at the end of the relevant financial period and for the relevant financial period;

(ii) make proper provision for all liabilities, whether actual, deferred, contingent or disputed, required by IFRS; and

(iii) have been prepared with due care on the basis of preparation set out therein and after due and careful enquiry by Aston Martin and, where applicable, its Group members; and

(c) the Interim Statement has (except to the extent (if any) disclosed therein):

(i) been prepared in accordance with and complies with the Listing Rules, the Disclosure and Transparency Rules, the Act and all Applicable Laws;

(ii) been prepared in accordance with IFRS on bases consistent, except as stated therein, with the bases on which the Statutory Accounts were prepared;

(iii) been prepared after due and careful enquiry by Aston Martin; and

(iv) presents fairly the state of affairs and financial condition of its Group, and of the results, profit, loss, cash flow and changes in equity of its Group, as at and for the three month period ended 31 March 2023; and

(d) it has established procedures which provide a reasonable basis for the Aston Martin Directors to make proper judgements on an ongoing basis as to the financial position and prospects of the Aston Martin Group.

9. **Changes Since Last Accounting Date**

Aston Martin warrants that since 31 December 2022:

(a) the business of its Group has been carried on in the ordinary course;

(b) there has been no significant change in the financial or trading position of the Group and there has been no material impairment of any asset of any member of its Group;

(c) there have been no transactions entered into by Aston Martin or any member of its Group which are material in the context of the Group taken as a whole (other than those in the ordinary course of business); and

(d) no change has occurred in the accounting methods, principles or practices applied by a member of its Group.

10. **Undisclosed Liabilities**

Aston Martin warrants that no member of its Group has any liabilities or obligations of any nature that are material in the context of the Group, whether or not accrued, contingent or otherwise, except for: (a) liabilities and obligations that are disclosed in the Statutory Accounts; or (b) liabilities and obligations incurred in the ordinary course of business since 31 December 2022 that have been disclosed in the Aston Martin Public Documents.

11. **Compliance with Disclosure Obligations**

Aston Martin warrants that each Aston Martin Public Document published or made available after 31 December 2022, as of its date (or, if amended and re-published prior to the date of this Agreement, as of the date of such amendment and re-publication) did not contain any untrue or inaccurate statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

12. Compliance with Anti-Bribery, Anti-Money Laundering and Sanction Laws

Each Party warrants in relation to itself and each member of its Group:

(a) neither it nor any of its Affiliates, nor, so far as it is aware, any of their respective officers or directors or employees has engaged in any conduct, or given authorization to engage in any conduct, nor has made, or given authorization to make, with respect to its Group, any offer, payment, gift, promise or anything of value, whether directly or indirectly, to or for the use or benefit of any public or government official (including, but not limited to, any individual holding a legislative, administrative, judicial or appointed office, including any individual employed by or acting on behalf of a public agency, a state owned or Controlled entity, a public enterprise, a public international organization or anyone who exercises a public function on behalf of a country) or any political party or political party official or candidate for office, where such conduct, payment, gift, promise or advantage would violate:

(i) the Applicable Law of England (including the Bribery Act 2010);

(ii) the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, signed in Paris on December 17, 1997 which entered into force on February 15, 1999;

(iii) the United States Foreign Corrupt Practices Act of 1977 (as amended by the Foreign Corrupt Practices Act Amendments of 1988 and 1998); or

(iv) any other applicable anti-bribery or anti-corruption laws,

(altogether referred to herein as ***Anti-Bribery Laws***);

(b) neither it nor any of its Affiliates, nor, so far as it is aware, any of their respective officers or directors or employees is or has been in the past two years subject to any actual or threatened litigation, legal action, claim, demand, suit, arbitration, investigation, inquiry, hearing, order or other proceedings or administrative act related to any offence or alleged offence under any Anti-Bribery Laws;

(c) neither it nor any of its Affiliates, nor, so far as it is aware, any of their respective officers or directors or employees is or has engaged in, or given authorization to engage in, with respect to its Group, any activity or conduct that has resulted, or will result in, a violation of any applicable money laundering statutes of any jurisdiction in which a member of its Group conducts business, the rules and regulations thereunder and any related or similar applicable rules, regulations or binding guidelines issued, administered or enforced by any Regulatory Authority prohibiting money laundering or terrorism financing, including, but not limited to, 18 U.S.C. §§ 1956 and 1957, the UK Proceeds of Crime Act 2002 and the UK Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017; and

(d) neither it nor any of its Affiliates, nor, so far as it is aware, any of their respective officers or directors or employees is a Sanctioned Person, nor owned or Controlled by a Sanctioned Person.

13. Circular and Supplementary Circular

Aston Martin warrants that:

(a) the Circular and any Supplementary Circular (if applicable) will, in all material respects, comply with, or will when published comply with the Articles of Association, the Listing Rules, the Disclosure and Transparency Rules, the Act, FSMA, the Market Abuse Regulation, all applicable rules and requirements of the LSE and the FCA, and all other Applicable Laws; and

(b) the Circular and any Supplementary Circular (if applicable) following publication does not and will not contain any untrue or inaccurate statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

Part B Limitations on Liability

1. No double recovery

Neither Party will be liable in respect of a Warranty Claim to the extent that the loss that is the subject of the Warranty Claim has already been fully recovered in respect of another Warranty Claim or otherwise.

2. Warranties qualified by disclosure

Neither Party is entitled to claim that a fact, matter or circumstance causes a Warranty that is not a Fundamental Warranty to be untrue, inaccurate or misleading, if that fact, matter or circumstance has, in respect of Warranty Claims by Lucid, been fairly disclosed by Aston Martin in the Aston Martin Public Documents or, in respect of Warranty Claims by Aston Martin, by Lucid in the Lucid Public Documents.

3. Knowledge

Where a Warranty is qualified by the expression “so far as it is aware” or a similar expression, the Party giving such Warranty is deemed to have knowledge only of the actual knowledge at the date on which that Warranty is given of:

(a) in the case of Aston Martin, [***]; and

(b) in the case of Lucid, [***].

4. General

Nothing in this Schedule 2 has the effect of limiting or restricting any liability of either Party in respect of a Warranty Claim arising as a result of any fraud or willful misconduct.

Schedule 3
Consideration Shares Valuation Report

Schedule 4
Integration Agreement

Schedule 5
Supply Agreement Terms

Signatures

This Agreement has been executed by the Extended Parties on the date stated at the beginning of this Agreement, as follows:

SIGNED	)		
for and on behalf of	)		
ASTON MARTIN LAGONDA GLOBAL HOLDINGS PLC	)		
		Signature:	/s/ Doug Lafferty
		Name:	Doug Lafferty

SIGNED	)		
for and on behalf of	)		
ATIEVA, INC.	)		
		Signature:	/s/ Sherry House
		Name:	Sherry House Chief Financial Officer

[*Implementation Agreement Signature Page*]

SIGNED)

for and on behalf of)

LUCID GROUP TECHNOLOGIES, LLC, INC.)

Signature: /s/ Sherry House

Name: Sherry House
Manager

[*Implementation Agreement Signature Page*]

SIGNED	)	
for and on behalf of	)	
LUCID GROUP, INC.	)	
	Signature:	/s/ Sherry House
	Name:	Sherry House Chief Financial Officer

[*Implementation Agreement Signature Page*]

SIGNED)

for and on behalf of)

ASTON MARTIN LAGONDA LIMITED)

Signature: /s/ Doug Lafferty

Name: Doug Lafferty

[*Implementation Agreement Signature Page*]

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 Quarterly Report on Form 10-Q of Lucid Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2023

/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, Sherry House, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Lucid Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2023

/s/ Sherry House
Sherry House
Chief Financial Officer
(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 Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended June 30, 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: August 7, 2023

/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, Sherry House, Chief Financial Officer of Lucid Group, Inc. (the “Company”), certify, as of the date hereof and solely for purposes of and pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

a. The Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended June 30, 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: August 7, 2023

/s/ Sherry House
Sherry House
Chief Financial Officer
(Principal Financial Officer)