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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Tesla, Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Tesla, Inc. and its subsidiaries (the "Company") as of December 31, 2022 and 2021, and the related consolidated statements of operations, of comprehensive income, of redeemable noncontrolling interests and equity and of cash flows for each of the three years in the period ended December 31, 2022, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

Changes in Accounting Principles

As discussed in Note 2 to the consolidated financial statements, the Company changed the manner in which it accounts for convertible debt in 2021.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

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

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

Definition and Limitations of Internal Control over Financial Reporting

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

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

Critical Audit Matters

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

Automotive Warranty Reserve

As described in Note 2 to the consolidated financial statements, total accrued warranty, which primarily relates to the automotive segment, was \$3,505 million as of December 31, 2022. The Company provides a manufacturer's warranty on all new and used Tesla vehicles. A warranty reserve is accrued for these products sold, which includes management's best estimate of the projected costs to repair or replace items under warranty and recalls if identified. These estimates are based on actual claims incurred to date and an estimate of the nature, frequency and costs of future claims.

The principal considerations for our determination that performing procedures relating to the automotive warranty reserve is a critical audit matter are the significant judgment by management in determining the automotive warranty reserve for certain Tesla vehicle models; this in turn led to significant auditor judgment, subjectivity, and effort in performing procedures to evaluate management's significant assumptions related to the nature, frequency and costs of future claims for certain Tesla vehicle models, and the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's estimate of the automotive warranty reserve for certain Tesla vehicle models, including controls over management's significant assumptions related to the nature, frequency and costs of future claims as well as the completeness and accuracy of actual claims incurred to date. These procedures also included, among others, performing one of the following: (i) testing management's process for determining the automotive warranty reserve for certain Tesla vehicle models or (ii) developing an independent estimate of the automotive warranty reserve for certain Tesla vehicle models and comparing the independent estimate to management's estimate to evaluate the reasonableness of the estimate. Testing management's process involved evaluating the reasonableness of significant assumptions related to the nature and frequency of future claims and the related costs to repair or replace items under warranty. Evaluating the assumptions related to the nature and frequency of future claims and the related costs to repair or replace items under warranty involved evaluating whether the assumptions used were reasonable by performing a lookback analysis comparing prior period forecasted claims to actual claims incurred. Developing the independent estimate involved testing the completeness and accuracy of historical vehicle claims processed and testing that such claims were appropriately used by management in the estimation of future claims. Professionals with specialized skill and knowledge were used to assist in developing an independent estimate of the automotive warranty reserve for certain Tesla vehicle models and in evaluating the appropriateness of certain aspects of management's significant assumptions related to the nature and frequency of future claims.

/s/ PricewaterhouseCoopers LLP

San Jose, California
January 30, 2023

We have served as the Company's auditor since 2005.

Tesla, Inc.
Consolidated Balance Sheets
(in millions, except per share data)

	December 31, 2022	December 31, 2021
Assets		
Current assets		
Cash and cash equivalents	\$ 16,253	\$ 17,576
Short-term investments	5,932	131
Accounts receivable, net	2,952	1,913
Inventory	12,839	5,757
Prepaid expenses and other current assets	2,941	1,723
Total current assets	40,917	27,100
Operating lease vehicles, net	5,035	4,511
Solar energy systems, net	5,489	5,765
Property, plant and equipment, net	23,548	18,884
Operating lease right-of-use assets	2,563	2,016
Digital assets, net	184	1,260
Intangible assets, net	215	257
Goodwill	194	200
Other non-current assets	4,193	2,138
Total assets	\$ 82,338	\$ 62,131
Liabilities		
Current liabilities		
Accounts payable	\$ 15,255	\$ 10,025
Accrued liabilities and other	7,142	5,719
Deferred revenue	1,747	1,447
Customer deposits	1,063	925
Current portion of debt and finance leases	1,502	1,589
Total current liabilities	26,709	19,705
Debt and finance leases, net of current portion	1,597	5,245
Deferred revenue, net of current portion	2,804	2,052
Other long-term liabilities	5,330	3,546
Total liabilities	36,440	30,548
Commitments and contingencies (Note 15)		
Redeemable noncontrolling interests in subsidiaries	409	568
Equity		
Stockholders' equity		
Preferred stock; \$0.001 par value; 100 shares authorized; no shares issued and outstanding		
Common stock; \$0.001 par value; 6,000 shares authorized; 3,164 and 3,100 shares issued and outstanding as of December 31, 2022 and December 31, 2021, respectively (1)	3	3
Additional paid-in capital	32,177	29,803
Accumulated other comprehensive (loss) income	(361)	54
Retained earnings (1)	12,885	329
Total stockholders' equity	44,704	30,189
Noncontrolling interests in subsidiaries	785	826
Total liabilities and equity	\$ 82,338	\$ 62,131

(1) Prior period results have been adjusted to reflect the three-for-one stock split effected in the form of a stock dividend in August 2022. See Note 1, *Overview*, for details.

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

Tesla, Inc.
Consolidated Statements of Operations
(in millions, except per share data)

	Year Ended December 31,		
	2022	2021	2020
Revenues			
Automotive sales	\$ 67,210	\$ 44,125	\$ 24,604
Automotive regulatory credits	1,776	1,465	1,580
Automotive leasing	2,476	1,642	1,052
Total automotive revenues	71,462	47,232	27,236
Energy generation and storage	3,909	2,789	1,994
Services and other	6,091	3,802	2,306
Total revenues	81,462	53,823	31,536
Cost of revenues			
Automotive sales	49,599	32,415	19,696
Automotive leasing	1,509	978	563
Total automotive cost of revenues	51,108	33,393	20,259
Energy generation and storage	3,621	2,918	1,976
Services and other	5,880	3,906	2,671
Total cost of revenues	60,609	40,217	24,906
Gross profit	20,853	13,606	6,630
Operating expenses			
Research and development	3,075	2,593	1,491
Selling, general and administrative	3,946	4,517	3,145
Restructuring and other	176	(27)	
Total operating expenses	7,197	7,083	4,636
Income from operations	13,656	6,523	1,994
Interest income	297	56	30
Interest expense	(191)	(371)	(748)
Other (expense) income, net	(43)	135	(122)
Income before income taxes	13,719	6,343	1,154
Provision for income taxes	1,132	699	292
Net income	12,587	5,644	862
Net income attributable to noncontrolling interests and redeemable noncontrolling interests in subsidiaries	31	125	141
Net income attributable to common stockholders	\$ 12,556	\$ 5,519	\$ 721
Net income per share of common stock attributable to common stockholders (1)			
Basic	\$ 4.02	\$ 1.87	\$ 0.25
Diluted	\$ 3.62	\$ 1.63	\$ 0.21
Weighted average shares used in computing net income per share of common stock (1)			
Basic	3,130	2,959	2,798
Diluted	3,475	3,386	3,249

(1) Prior period results have been adjusted to reflect the three-for-one stock split effected in the form of a stock dividend in August 2022. See Note 1, *Overview*, for details.

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

Tesla, Inc.
Consolidated Statements of Comprehensive Income
(in millions)

	Year Ended December 31,		
	2022	2021	2020
Net income	\$ 12,587	\$ 5,644	\$ 862
Other comprehensive (loss) income:			
Foreign currency translation adjustment	(392)	(308)	399
Unrealized net loss on investments	(23)	(1)	
Comprehensive income	12,172	5,335	1,261
Less: Comprehensive income attributable to noncontrolling interests and redeemable noncontrolling interests in subsidiaries	31	125	141
Comprehensive income attributable to common stockholders	\$ 12,141	\$ 5,210	\$ 1,120

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

Tesla, Inc.
Consolidated Statements of Redeemable Noncontrolling Interests and Equity
(in millions, except per share data)

	Redeemable Noncontrolling Interests	Common Stock		Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	(Accumulated Deficit) Retained Earnings (Loss)	Total Stockholders' Equity	Noncontrolling Interests in Subsidiaries	Total Equity
		Shares (1)	Amount (1)						
				12,73					7,46
Balance as of December 31, 2019	643	2,716	\$ 3	\$ 6	(36)	\$ (6,085)	\$ 6,618	849	\$ 7
Adjustments for prior periods from adopting ASU 2016-13						(37)	(37)		(37)
Reclassification between equity and mezzanine equity for convertible senior notes				(51)			(51)		(51)
Exercises of conversion feature of convertible senior notes		5	0	59			59		59
Issuance of common stock for equity incentive awards		55	0	417			417		417
				12,26					12,2
Issuance of common stock in public offerings, net of issuance costs of \$68		103	0	9			12,269		69
Stock-based compensation				1,861			1,861		1
Contributions from noncontrolling interests	7							17	17
Distributions to noncontrolling interests	(67)	—	—	—	—	—	—	(132)	(132)
Buy-outs of noncontrolling interests	(4)			(31)			(31)		(31)
Net income	25	—	—	—	—	721	721	116	837
Other comprehensive income					399		399		399
				27,26					23,0
Balance as of December 31, 2020	604	2,879	\$ 3	\$ 0	\$ 363	\$ (5,401)	\$ 22,225	850	\$ 75
Adjustments for prior periods from adopting ASU 2020-06				(474)		211	(263)		(263)
Exercises of conversion feature of convertible senior notes		2	0	6	—	—	6	—	6
Settlements of warrants		112	0						
Issuance of common stock for equity incentive awards		107	0	707	—	—	707	—	707
				2,299			2,299		2,29
Stock-based compensation				2,299			2,299		9
Contributions from noncontrolling interests	2								
Distributions to noncontrolling interests	(66)							(106)	(106)
Buy-outs of noncontrolling interests	(15)	—	—	5	—	—	5	—	5
									5,60
Net income	43					5,519	5,519	82	1
Other comprehensive loss		—	—	—	(309)	—	(309)	—	(309)
				29,80					31,0
Balance as of December 31, 2021	568	\$ 3,100	\$ 3	\$ 3	\$ 54	\$ 329	\$ 30,189	\$ 826	\$ 15
Exercises of conversion feature of convertible senior notes		0	0	0	—	—	—	—	—
Settlements of warrants		37	0	0	—	—	—	—	—
Issuance of common stock for equity incentive awards		27	0	541			541		541
				1,806			1,806		1,80
Stock-based compensation		—	—	1,806	—	—	1,806	—	6
Distributions to noncontrolling interests	(46)							(113)	(113)
Buy-outs of noncontrolling interests	(11)	—	—	27	—	—	27	(61)	(34)
									12,6
Jet (loss) income	(102)					12,556	12,556	133	89
Other comprehensive loss					(415)		(415)		(415)
				32,17					45,4
Balance as of December 31, 2022	409	3,164	\$ 3	\$ 7	\$ (361)	\$ 12,885	44,704	785	\$ 89

(1) Prior period results have been adjusted to reflect the three-for-one stock split effected in the form of a stock dividend in August 2022. See Note 1, *Overview*, for details.

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

Tesla, Inc.
Consolidated Statements of Cash Flows
(in millions)

	Year Ended December 31,		
	2022	2021	2020
Cash Flows from Operating Activities			
Net income	12,587	5,644	862
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, amortization and impairment	3,747	2,911	2,322
Stock-based compensation	1,560	2,121	1,734
Inventory and purchase commitments write-downs	177	140	202
Foreign currency transaction net unrealized loss (gain)	81	(55)	114
Non-cash interest and other operating activities	340	245	525
Digital assets loss (gain), net	140	(27)	-
Changes in operating assets and liabilities:	(1,124)		
Accounts receivable	(6,465)	(130)	(652)
Inventory		(1,709)	(422)
Operating lease vehicles	(1,570)	(2,114)	(1,072)
Prepaid expenses and other current assets	(1,417)	(271)	(251)
Other non-current assets	(2,551)	(1,291)	(344)
Accounts payable and accrued liabilities	6,029	4,578	2,102
Deferred revenue	1,131	793	321
Customer deposits	155	186	7
Other long-term liabilities	1,904	476	495
Net cash provided by operating activities	14,724	11,497	5,943
Cash Flows from Investing Activities			
Purchases of property and equipment excluding finance leases, net of sales	(7,158)	(6,482)	(3,157)
Purchases of solar energy systems, net of sales	(5)	(32)	(75)
Purchases of digital assets		(1,500)	
Proceeds from sales of digital assets	936	272	
Purchase of intangible assets	(9)		(10)
Purchases of investments	(5,835)	(132)	
Proceeds from maturities of investments	22		
Receipt of government grants	76	6	123
Business combinations, net of cash acquired			(13)
Net cash used in investing activities	(11,973)	(7,868)	(3,132)
Cash Flows from Financing Activities			
Proceeds from issuances of common stock in public offerings, net of issuance costs			12,269
Proceeds from issuances of debt		8,883	9,713
Repayments of convertible and other debt	(3,364)	(14,167)	(11,623)
Collateralized lease repayments		(9)	(240)
Proceeds from exercises of stock options and other stock issuances	541	707	417
Principal payments on finance leases	(502)	(439)	(338)
Debt issuance costs		(9)	(6)
Proceeds from investments by noncontrolling interests in subsidiaries		2	24
Distributions paid to noncontrolling interests in subsidiaries	(157)	(161)	(208)
Payments for buy-outs of noncontrolling interests in subsidiaries	(45)	(10)	(35)
Net cash (used in) provided by financing activities	(3,527)	(5,203)	9,973
Effect of exchange rate changes on cash and cash equivalents and restricted cash	(444)	(183)	334
Net (decrease) increase in cash and cash equivalents and restricted cash	(1,220)	(1,757)	13,118
Cash and cash equivalents and restricted cash, beginning of period	18,144	19,901	6,783
Cash and cash equivalents and restricted cash, end of period	16,924	\$ 18,144	\$ 19,901
Supplemental Non-Cash Investing and Financing Activities			
Acquisitions of property and equipment included in liabilities	2,148	\$ 2,251	\$ 1,088
Supplemental Disclosures			
Cash paid during the period for interest, net of amounts capitalized	152	\$ 266	\$ 444
Cash paid during the period for taxes, net of refunds	1,203	\$ 561	\$ 115

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

Tesla, Inc.
Notes to Consolidated Financial Statements

Note 1 - Overview

Tesla, Inc. ("Tesla", the "Company", "we", "us" or "our") was incorporated in the State of Delaware on July 1, 2003. We design, develop, manufacture, sell and lease high-performance fully electric vehicles and energy generation and storage systems, and offer services related to our products. Our Chief Executive Officer, as the chief operating decision maker ("CODM"), organizes our company, manages resource allocations and measures performance among two operating and reportable segments: (i) automotive and (ii) energy generation and storage.

Since the first quarter of 2020, there has been a worldwide impact from the COVID-19 pandemic, as well as an easing of restrictions on social, business, travel and government activities and functions. There are ongoing global impacts resulting from the pandemic, and we have been affected by temporary manufacturing closures, employment and compensation adjustments and impediments to administrative activities supporting our product deliveries and deployments. In addition, we have experienced and are experiencing the impacts of varying levels of inflation caused by the COVID-19 pandemic and general global economic conditions.

On August 5, 2022, we increased the number of authorized shares of common stock by 4,000,000,000 shares and our Board of Directors declared the 2022 Stock Split. Each stockholder of record on August 17, 2022 received a dividend of two additional shares of common stock for each then-held share, distributed after close of trading on August 24, 2022. All share and per share amounts presented herein have been retroactively adjusted to reflect the impact of the 2022 Stock Split.

Note 2 - Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements have been prepared in conformity with GAAP and reflect our accounts and operations and those of our subsidiaries in which we have a controlling financial interest. In accordance with the provisions of ASC 810, *Consolidation* ("ASC 810"), we consolidate any variable interest entity ("VIE") of which we are the primary beneficiary. We have formed VIEs with financing fund investors in the ordinary course of business in order to facilitate the funding and monetization of certain attributes associated with solar energy systems and leases under our direct vehicle leasing programs. The typical condition for a controlling financial interest ownership is holding a majority of the voting interests of an entity; however, a controlling financial interest may also exist in entities, such as VIEs, through arrangements that do not involve controlling voting interests. ASC 810 requires a variable interest holder to consolidate a VIE if that party has the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. We do not consolidate a VIE in which we have a majority ownership interest when we are not considered the primary beneficiary. We have determined that we are the primary beneficiary of all the VIEs (see Note 16, *Variable Interest Entity Arrangements*). We evaluate our relationships with all the VIEs on an ongoing basis to ensure that we continue to be the primary beneficiary. All intercompany transactions and balances have been eliminated upon consolidation.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, costs and expenses and related disclosures in the accompanying notes. The estimates used for, but not limited to, determining significant economic incentive for resale value guarantee arrangements, sales return reserves, the collectability of accounts and finance receivables, inventory valuation, warranties, fair value of long-lived assets, goodwill, fair value of financial instruments, fair value and residual value of operating lease vehicles and solar energy systems subject to leases could be impacted. We have assessed the impact and are not aware of any specific events or circumstances that required an update to our estimates and assumptions or materially affected the carrying value of our assets or liabilities as of the date of issuance of this Annual Report on Form 10-K. These estimates may change as new events occur and additional information is obtained. Actual results could differ materially from these estimates under different assumptions or conditions.

Reclassifications

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

Revenue Recognition

Revenue by source

The following table disaggregates our revenue by major source (in millions):

	Year Ended December 31,		
	2022	2021	2020
Automotive sales (1)	\$ 67,210	\$ 44,125	\$ 24,604
Automotive regulatory credits	1,776	1,465	1,580
Energy generation and storage sales	3,376	2,279	1,477
Services and other	6,091	3,802	2,306
Total revenues from sales and services	78,453	51,671	29,967
Automotive leasing	2,476	1,642	1,052
Energy generation and storage leasing	533	510	517
Total revenues	\$ 81,462	\$ 53,823	\$ 31,536

- (1) Pricing adjustments on our vehicle offerings can impact the estimate of likelihood that customers would exercise their resale value guarantees, resulting in an adjustment of our sales return reserve on vehicles sold with resale value guarantees. Actual return rates being lower than expected and increases in resale values of our vehicles in 2021 resulted in a net release of our reserve of \$365 million for the year ended December 31, 2021, which represented increases in automotive sales revenue. The net release or increase of reserves which impacted automotive sales revenue were immaterial for the years ended December 31, 2022 and December 31, 2020. Further, \$324 million of the total revenue recognized as of December 31, 2022 is related to the general FSD feature release in North America in the fourth quarter of 2022.

Automotive Segment

Automotive Sales

Automotive sales revenue includes revenues related to cash and financing deliveries of new vehicles, and specific other features and services that meet the definition of a performance obligation under ASC 606, including access to our FSD features, internet connectivity, Supercharger network and over-the-air software updates. We recognize revenue on automotive sales upon delivery to the customer, which is when the control of a vehicle transfers. Payments are typically received at the point control transfers or in accordance with payment terms customary to the business, except sales we finance for which payments are collected over the contractual loan term. We also recognize a sales return reserve based on historical experience plus consideration for expected future market values, when we offer resale value guarantees or similar buyback terms. Other features and services such as access to our internet connectivity, legacy programs offering unlimited free Supercharging and over-the-air software updates are provisioned upon control transfer of a vehicle and recognized over time on a straight-line basis as we have a stand-ready obligation to deliver such services to the customer. Other limited free Supercharging incentives are recognized based on actual usage or expiration, whichever is earlier. We recognize revenue related to these other features and services over the performance period, which is generally the expected ownership life of the vehicle. Revenue related to FSD is recognized when functionality is delivered to the customer and the portion related to software updates is recognized over time. For our obligations related to automotive sales, we estimate standalone selling price by considering costs used to develop and deliver the service, third-party pricing of similar options and other information that may be available.

Any fees that are paid or payable by us to a customer's lender when we arrange the financing are recognized as an offset against automotive sales revenue. Costs to obtain a contract mainly relate to commissions paid to our sales personnel for the sale of vehicles. As our contract costs related to automotive sales are typically fulfilled within one year, the costs to obtain a contract are expensed as incurred. Amounts billed to customers related to shipping and handling are classified as automotive sales revenue, and we have elected to recognize the cost for freight and shipping when control over vehicles, parts or accessories have transferred to the customer as an expense in cost of automotive sales revenue. Our policy is to exclude taxes collected from a customer from the transaction price of automotive contracts.