*Income Taxes*

We are subject to taxes in the U.S. and in many foreign jurisdictions. Significant judgment is required in determining our provision for income taxes, our deferred tax assets and liabilities and any valuation allowance recorded against our net deferred tax assets. We make these estimates and judgments about our future taxable income that are based on assumptions that are consistent with our future plans. Tax laws, regulations and administrative practices may be subject to change due to economic or political conditions including fundamental changes to the tax laws applicable to corporate multinationals. The U.S., many countries in the European Union and a number of other countries are actively considering changes in this regard. As of December 31, 2021, we had recorded a full valuation allowance on our net U.S. deferred tax assets because we expect that it is more likely than not that our U.S. deferred tax assets will not be realized. Should the actual amounts differ from our estimates, the amount of our valuation allowance could be materially impacted.

Furthermore, significant judgment is required in evaluating our tax positions. In the ordinary course of business, there are many transactions and calculations for which the ultimate tax settlement is uncertain. As a result, we recognize the effect of this uncertainty on our tax attributes or taxes payable based on our estimates of the eventual outcome. These effects are recognized when, despite our belief that our tax return positions are supportable, we believe that it is more likely than not that some of those positions may not be fully sustained upon review by tax authorities. We are required to file income tax returns in the U.S. and various foreign jurisdictions, which requires us to interpret the applicable tax laws and regulations in effect in such jurisdictions. Such returns are subject to audit by the various federal, state and foreign taxing authorities, who may disagree with respect to our tax positions. We believe that our consideration is adequate for all open audit years based on our assessment of many factors, including past experience and interpretations of tax law. We review and update our estimates in light of changing facts and circumstances, such as the closing of a tax audit, the lapse of a statute of limitations or a change in estimate. To the extent that the final tax outcome of these matters differs from our expectations, such differences may impact income tax expense in the period in which such determination is made. The eventual impact on our income tax expense depends in part if we still have a valuation allowance recorded against our deferred tax assets in the period that such determination is made.

## Results of Operations

### *Revenues*

| (Dollars in millions) | Year Ended December 31, 2021 | 2020 | 2019 | 2021 vs. 2020 Change $ | % | 2020 vs. 2019 Change $ | % |
|---|---|---|---|---|---|---|---|
| Automotive sales | $ 44,125 | $ 24,604 | $ 19,358 | $ 19,521 | 79 % | $ 5,246 | 27 % |
| Automotive regulatory credits | 1,465 | 1,580 | 594 | (115 ) | -7 % | 986 | 166 % |
| Automotive leasing | 1,642 | 1,052 | 869 | 590 | 56 % | 183 | 21 % |
| Total automotive revenues | 47,232 | 27,236 | 20,821 | 19,996 | 73 % | 6,415 | 31 % |
| Services and other | 3,802 | 2,306 | 2,226 | 1,496 | 65 % | 80 | 4 % |
| Total automotive & services and other segment revenue | 51,034 | 29,542 | 23,047 | 21,492 | 73 % | 6,495 | 28 % |
| Energy generation and storage segment revenue | 2,789 | 1,994 | 1,531 | 795 | 40 % | 463 | 30 % |
| Total revenues | $ 53,823 | $ 31,536 | $ 24,578 | $ 22,287 | 71 % | $ 6,958 | 28 % |

*Automotive & Services and Other Segment*

Automotive sales revenue includes revenues related to cash deliveries of new Model S, Model X, Model 3 and Model Y vehicles, including access to our Supercharger network, internet connectivity, FSD features and over-the-air software updates. Cash deliveries are vehicles that are not subject to lease accounting.

Automotive regulatory credits includes sales of regulatory credits to other automotive manufacturers. Our revenue from automotive regulatory credits is directly related to our new vehicle production, sales and pricing negotiated with our customers. We monetize them proactively as new vehicles are sold based on standing arrangements with buyers of such credits, typically as close as possible to the production and delivery of the vehicle or changes in regulation impacting the credits.

Automotive leasing revenue includes the amortization of revenue for vehicles under direct operating lease agreements as well as those sold with resale value guarantees accounted for as operating leases under lease accounting. Additionally, automotive leasing revenue includes direct sales-type leasing programs where we recognize all revenue associated with the sales-type lease upon delivery to the customer.

Services and other revenue consists of non-warranty after-sales vehicle services, sales of used vehicles, retail merchandise, sales by our acquired subsidiaries to third party customers and vehicle insurance revenue.

2021 compared to 2020

Automotive sales revenue increased $19.52 billion, or 79%, in the year ended December 31, 2021 as compared to the year ended December 31, 2020, primarily due to an increase of 433,815 Model 3 and Model Y cash deliveries year over year from production ramping at both Gigafactory Shanghai and the Fremont Factory at a slightly higher combined average selling price from a higher proportion of Model Y sales offset by regional sales mix. Additionally, we had a $365 million net release of our sales return reserve on vehicles sold with resale value guarantees, which increased our automotive sales revenue, due to actual return rates being lower than expected and increases in resale values of our vehicles in 2021. The increases in automotive sales revenue were partially offset by a decrease of 28,819 Model S and Model X cash deliveries at a higher combined average selling price as deliveries of the new versions of Model S and Model X only began ramping in the second and fourth quarters of 2021, respectively.

Automotive regulatory credits revenue decreased $115 million, or 7%, in the year ended December 31, 2021 as compared to the year ended December 31, 2020, primarily due to changes in regulation which entitled us to additional credits in the prior year and changes in pricing in certain regions.

Automotive leasing revenue increased $590 million, or 56%, in the year ended December 31, 2021 as compared to the year ended December 31, 2020, primarily due to an increase in cumulative vehicles under our direct operating lease program and an increase in direct sales-type leasing revenue as we have a full year of sales in 2021 since we began offering the program during the third quarter of 2020. These increases were partially offset by the decrease in automotive leasing revenue associated with our resale value guarantee leasing programs accounted for as operating leases as those portfolios have declined.

Services and other revenue increased $1.50 billion, or 65%, in the year ended December 31, 2021 as compared to the year ended December 31, 2020, primarily due to an increase in used vehicle revenue driven by increases in volume and average selling prices of used vehicles, non-warranty maintenance services revenue as our fleet continues to grow and retail merchandise revenue.

*Energy Generation and Storage Segment*

Energy generation and storage revenue includes sales and leasing of solar energy generation and energy storage products, services related to such products and sales of solar energy systems incentives.