Risk Factors Comparison 2024-02-27 to 2023-02-28 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text Moved Text Section

Our operations could be adversely impacted by inflation, primarily from higher material, labor, and construction costs. To date, we do not believe that inflation has had a material impact to our results of operations, capital resources or liquidity, however, we have experienced increases in prices of raw materials, components and labor costs. Our future mitigation strategies may include considering alternative vendors, vertically integrating certain aspects of our supply chain and redesigning our product or production process. At this time, it is difficult to determine what impact these inflationary pressures will have on our long- term growth strategies, as there is uncertainty regarding how long higher levels of inflation may persist, and to what level we will be successful in passing these increased costs to our customers upon commercialization of our product. If we are not able to fully offset higher costs through price increases or other corrective measures, this may adversely affect our business, financial condition and results of operations. Foreign Currency Risk Our functional currency is the U. S. dollar, while certain of our future subsidiaries may have other functional currencies, reflecting their principal operating markets. Once we commence QS- 1 operations, we expect to be exposed to both currency transaction and translation risk. To date, we have not had material exposure to foreign currency fluctuations and have not hedged such exposure, although we may do so in the future. Item 8. Financial Statements and Supplementary Data. INDEX TO CONSOLIDATED FINANCIAL STATEMENTSReport of Independent Registered Public Accounting Firm (PCAOB ID No. 42) Consolidated Balance Sheets as of December 31, **2023 and** 2022 ~~and 2021~~ Consolidated Statements of Operations and Comprehensive Loss for the Years ended December 31, **2023,** 2022 ~~,~~ **and** 2021 ~~and 2020~~ Consolidated Statements of Redeemable Non- Controlling Interest and Stockholders' Equity for the Years ended December 31, **2023,** 2022 ~~,~~ **and** 2021 ~~and 2020~~ Consolidated Statements of Cash Flows for the Years ended December 31, **2023,** 2022 ~~,~~ **and** 2021 ~~and 2020~~ Notes to Consolidated Financial StatementsTo the ~~Stockholders~~ **Shareholders** and the Board of Directors of QuantumScape Corporation Opinion on the Financial Statements We have audited the accompanying consolidated balance sheets of QuantumScape Corporation (the Company) as of December 31, **2023 and** 2022 ~~and 2021~~, the related consolidated statements of operations and comprehensive income (loss), redeemable non- controlling interest and stockholders ~~'~~ **'** equity and cash flows for each of the three years in the period ended December 31, ~~2022~~ **2023**, and the related notes (collectively referred to as the " consolidated financial statements "). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, **2023 and** 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~~ **2023**, in conformity with U. S. generally accepted accounting principles. We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company' s internal control over financial reporting as of December 31, ~~2022~~ **2023**, based on criteria established in Internal Control- Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) **,** and our report dated February 27, ~~2023~~ **2024** expressed an unqualified opinion thereon. Basis for Opinion These financial statements are the responsibility of the Company' s management. Our responsibility is to express an opinion on the Company' s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U. S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB. We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion. Critical Audit Matter The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates. Accounting for the **performance- based equity awards (** Extraordinary Performance **Award** Program ~~(EPA program~~ **and Performance- based Stock Units**) – stock- based compensationDescription of the Matter As discussed in ~~Notes~~ - **Note** 2 and **Note** 9 to the consolidated financial statements, the Company granted stock options ~~of the Company' s Class A common stock~~ to the Chief Executive Officer and other members of the Company' s management team pursuant to the Extraordinary Performance Award Program " EPA Program " in December 2021 and December 2022. The ~~options~~ **EPA program** ~~vest~~ **vests** upon the achievement of performance (business milestones) and market (stock price target) conditions under five tranches **. Additionally, as discussed in Note 9 to the consolidated financial statements, the Company granted performance- based restricted stock units (" PSUs ") to members of the Company' s management team and certain other employees in the year ended December 31, 2023. The PSUs vest upon the achievement of performance (business milestones) conditions by tranche** . When the Company determines achievement of the related performance condition is considered probable then the stock- based compensation expense is recognized over the expected vesting period which is **for the EPA Program** the longer of the time to achieve the performance or market condition for each tranche **, and for the PSUs the time to achieve the performance condition for each tranche assuming the service condition has also been met** . The Company recorded stock-based compensation expense of $ ~~49~~ **26** . ~~4~~ **3** million during the year- ended December 31, ~~2022~~ **2023** and had $ ~~65~~ **32** . ~~6~~ **2** million of unrecognized stock- based compensation expense as of December 31, ~~2022~~ **2023** for the tranches that were considered probable **for EPA awards. The Company recorded stock- based compensation expense of $ 15. 8 million during the year- ended December 31, 2023 and had $ 17. 3 million of unrecognized stock- based compensation expense as of December 31, 2023 for the tranches that were considered probable for PSU awards** . Auditing the Company' s accounting for ~~option~~ **the EPA Program and PSU** awards ~~under the EPA program~~ is complex and judgmental due to the subjectivity of management' s assessment of the probability and timing of performance conditions being met for each tranche of the award. How We Addressed the Matter in Our Audit We obtained an understanding, evaluated the design, and tested the operating effectiveness of controls over the Company' s assessment of the probability and timing of performance conditions being met. Our substantive audit procedures included, among others, evaluation of the judgments made by management in determining the estimated probability and timing of each performance condition by discussing status with internal operational personnel and comparing the achievement of the business milestones to the Company' s annual plan. / s / Ernst & Young LLP We have served as the Company' s auditor since 2012. San Jose, California February ~~28~~ **27** , ~~2023~~ **2024** Opinion on Internal Control Over Financial Reporting We have audited QuantumScape Corporation' s internal control over financial reporting as of December 31, ~~2022~~ **2023** , based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, QuantumScape Corporation (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, ~~2022~~ **2023** , based on the COSO criteria. We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the ~~2022~~ **2023** consolidated financial statements of the Company and our report dated February 27, ~~2023~~ **2024** expressed an unqualified opinion thereon. The Company' s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management' s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company' s internal control over financial reporting based on our audit. We are a public accounting firm registered with the 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 audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Definition and Limitations of Internal Control Over Financial Reporting A company' s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company' s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company' s assets that could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. (In Thousands, Except per Share Amounts) As of December 31, Assets Current assets Cash and cash equivalents ($ 3, **522 and $ 3,** 395 ~~and $ 3, 382~~ as of December 31, **2023 and** 2022 ~~and 2021~~ , respectively, for joint venture) $ **142, 524 $** 235, 393 ~~$ 320, 700~~ Marketable securities **928, 284** 826, 340 ~~1, 126, 975~~ Prepaid expenses and other current assets **12, 709** 10, 591 ~~15, 757~~ Total current assets 1, **083, 517 1,** 072, 324 ~~1, 463, 432~~ Property and equipment, net **313, 164** 295, 934 ~~166, 183~~ Right- of- use assets- finance lease **25, 140** 28, 013 ~~30, 886~~ Right- of- use assets- operating lease **55, 863** 60, 782 ~~36, 913~~ Other assets **24, 294** 18, 353 ~~18, 234~~ Total assets $ 1, **501, 978 $ 1,** 475, 406 ~~$ 1, 715, 648~~ Liabilities, redeemable non- controlling interest and stockholders' equity Current liabilities Accounts payable $ **12, 959 $** 21, 420 ~~$ 14, 182~~ Accrued liabilities **10, 180** 7, 477 ~~6, 078~~ Accrued compensation and benefits **26, 043** 13, 061 ~~9, 119~~ Operating lease liability, short- term **5, 006** 3, 478 ~~1, 209~~ Finance lease liability, short- term **2, 907** 1, 373 Total current liabilities **57, 095** 46, 809 ~~30, 607~~ Operating lease liability, long- term **57, 622** 62, 560 ~~36, 760~~ Finance lease liability, long- term **35, 098** 38, 005 ~~39, 378~~ Other liabilities **11, 986** 8, 488 Total liabilities **161, 801** 155, 862 ~~107, 060~~ Commitment and contingencies (see Note 7) Redeemable non- controlling interest 1, **770 1,** 704 ~~1, 693~~ Stockholders' equity Preferred stock- $ 0. 0001 par value; 100, 000 shares authorized, none issued and outstanding as of December 31, **2023 and** 2022 ~~and 2021~~ — — Common stock- $ 0. 0001 par value; 1, 250, 000 shares authorized (1, 000, 000 Class A and 250, 000 Class B); **433, 157 Class A and 59, 874 Class B shares issued and outstanding as of December 31, 2023,** 358, 505 Class A and 79, 454 Class B shares issued and outstanding as of December 31, 2022 ~~, 332, 869 Class A and 95, 450 Class B shares issued and outstanding as of December 31, 2021~~ Additional paid- in- capital **4, 221, 892** 3, 771, 181 ~~3, 634, 665~~ Accumulated other comprehensive loss (**2, 877) (** 17, 873 ~~) (4, 208~~) Accumulated deficit (2, **880, 657) (2,** 435, 512 ~~) (2, 023, 605~~) Total stockholders' equity 1, **338, 407 1,** 317, 840 ~~1, 606, 895~~ Total liabilities, redeemable non- controlling interest and stockholders' equity $ 1, **501, 978 $ 1,** 475, 406 ~~$ 1, 715, 648~~ The accompanying notes are an integral part of these consolidated financial statements. Consolidated Statements of Operations and Comprehensive Income (Loss) (In Thousands, Except per Share Amounts) Year Ended December 31, Operating expenses: Research and development $ **347, 945 $** 297, 435 $ 151, 496 ~~$ 65, 103~~ General and administrative **131, 085** 123, 183 63, 770 ~~15, 918~~ Total operating expenses **479, 030** 420, 618 215, 266 ~~81, 021~~ Loss from operations (**479, 030) (** 420, 618) (215, 266 ~~) (81, 021~~) Other income (loss): Interest expense (2, **377) (2,** 399) (1, 419 ~~) (20, 765~~) Interest income **36, 488** 10, 905 1, 883 ~~1, 093 Change in fair value of Series F convertible preferred stock tranche liabilities — — (999, 987)~~ Change in fair value of assumed common stock warrant liabilities — **—** 168, 674 ~~(581, 863)~~ Other income **(loss) (160)** Total other income (loss) **33, 951** 8, 722 169, 289 ~~(1, 600, 762)~~ Net loss (**445, 079) (** 411, 896) (45, 977 ~~) (1, 681, 783~~) Less: Net income (loss) attributable to non- controlling interest, net of tax of $ 0 (11) ~~(6)~~ Net loss attributable to common stockholders $ (**445, 145) $ (** 411, 907) $ (45, 966 ~~) $ (1, 681, 777~~) Net loss $ (**445, 079) $ (** 411, 896) $ (45, 977 ~~) $ (1, 681, 783~~) Other comprehensive income (loss): Unrealized **gain (** loss **)** on marketable securities **14, 996** (13, 665) (4, 177 ~~) (121~~) Total comprehensive loss (**430, 083) (** 425, 561) (50, 154 ~~) (1, 681, 904~~) Less: Comprehensive income (loss) attributable to non- controlling interest (11) ~~(6)~~ Comprehensive loss attributable to common stockholders $ (**430, 149) $ (** 425, 572) $ (50, 143 ~~) $ (1, 681, 898~~) Net loss per share of common stock attributable to common stockholders Basic $ (0. **96) $ (0.** 95) $ (0. 11) ~~$ (6. 67)~~ Diluted $ (0. **96) $ (0.** 95) $ (0. 52 ~~) $ (6. 67~~) Weighted- average shares used in computing net loss per share of common stock Basic **462, 239** 432, 973 404, 259 ~~252, 144~~ Diluted **462, 239** 432, 973 409, 509 ~~252, 144~~ (In Thousands) Redeemable Non- Controlling Common Stock AdditionalPaid- In Accumulated Accumulated OtherComprehensive TotalStockholders' Interest Shares Amount Capital Deficit Income (Loss) Equity Balance as of December 31, ~~2019~~ **2020** $ 1, ~~710 239~~ **704 363, 994 $ $ 2, 329, 406 $ (1, 977, 639) $ (31) $ 351, 772 Exercise of stock option and employee stock purchase plan — 16, 620 17** , 777 ~~$ $ 444~~ **— — 17** , 440 ~~$ (295~~ **779 Shares issued upon vesting of restricted stock units — 5** , ~~862) $ $ 148~~ **027 — — — — — Exercise of warrants — 15** , ~~692~~ **497 672, 454 — — 672, 456** Issuance of ~~Series F preferred~~ **Class A Common** ~~stock~~ **Stock** , net of issuance costs of $ ~~11~~ **15** . 5 million ~~, and settlement of associated convertible preferred stock tranche liability~~ — ~~28~~ **11** , ~~616 660~~ **960 462** , ~~930~~ **925** — — ~~660~~ **462** , ~~933~~ **926** Issuance of Class A Common Stock pursuant to Legacy QuantumScape Series F Preferred Stock Purchase Agreement, net of issuance costs of $ 0. ~~2~~ **1** million — 15, 221 99, ~~799~~ **928** — — 99, **930** ~~800 Business Combination, net of redemptions and equity issuance costs of $ 53. 0 million — 78, 735 568, 595 — — 568, 603 Reclassification of Legacy QuantumScape convertible preferred stock tranche liability — — — 515, 394 — — 515, 394 Reclassification of Legacy QuantumScape convertible preferred stock warrants — — — 22, 625 — — 22, 625 Exercise of stock option — — — — — Exercise of warrants — — — — — —~~ Stock- based compensation — — — **52,** ~~17~~ **175** ~~, 024~~ — — **52,** ~~17~~ **175** ~~, 024~~ Net loss (~~6~~ **11**) — — — (~~1~~ **45** , **966** ~~681, 777~~) — (~~1~~ **45** , **966** ~~681, 777~~) Unrealized loss on marketable securities — — — — — (~~121~~ **4, 177**) (~~121~~ **4, 177**) Balance as of December 31, ~~2020~~ **2021** $ 1, ~~704 363~~ **693 428** , ~~994~~ **319** $ $ **3, 634, 665 $ (** 2, ~~329~~ **023** , ~~406~~ **605)** $ (**4, 208) $** 1, ~~977~~ **606** , **895** ~~639) $ (31) $ 351, 772~~ Exercise of stock option and employee stock purchase plan — ~~16~~ **4** , ~~620 17~~ **343 — 7** , ~~777~~ **555** — — ~~17~~ **7** , ~~779~~ **555** Shares issued upon vesting of restricted stock units — 5, ~~027~~ **297 1, 851** — — ~~— — — Exercise of warrants — 15, 497 672, 454 — — 672, 456 Issuance of Class A Common Stock, net of issuance costs of $ 15. 5 million — 11, 960 462, 925 — — 462, 926 Issuance of Class A Common Stock pursuant to Legacy QuantumScape Series F Preferred Stock Purchase Agreement, net of issuance costs of $ 0.~~ 1 ~~million — 15~~ , **852** ~~221 99, 928 — — 99, 930~~ Stock- based compensation — — — ~~52~~ **127** , ~~175~~ **110** — — ~~52~~ **127** , ~~175~~ **110** Net **gain (** loss ~~(11~~) — — — (~~45~~ **411** , ~~966~~ **907**) — (~~45~~ **411** , ~~966~~ **907**) Unrealized loss on marketable securities — — — — — (~~4~~ **13** , ~~177~~ **665**) (~~4~~ **13** , ~~177~~ **665**) Balance as of December 31, ~~2021~~ **2022** $ 1, ~~693 428~~ **704 437** , ~~319~~ **959** $ $ 3, ~~634~~ **771** , ~~665~~ **181** $ (2, ~~023~~ **435** , ~~605~~ **512**) $ (~~4~~ **17** , ~~208~~ **873**) $ 1, ~~606~~ **317** , ~~895~~ **840** Exercise of stock option and employee stock purchase plan — ~~4, 343 —~~ 7, ~~555~~ **935 14, 021** — — ~~7~~ **14** , ~~555~~ **022** Shares issued upon vesting of restricted stock units — ~~5~~ **9** , **637** ~~297 1, 851~~ — — ~~1~~ **— — — Issuance of common stock** , ~~852~~ **net of issuance costs of $ 11. 8 million — 37, 500 288, 150 — — 288, 154** Stock- based compensation — — — ~~127~~ **148** , ~~110~~ **540** — — ~~127~~ **148** , ~~110~~ **540** Net **gain (** loss **)** — — — (~~411~~ **445** , ~~907~~ **145**) — (~~411~~ **445** , ~~907~~ **145**) Unrealized ~~loss~~ **gain** on marketable securities — — — — — **14** ~~(13~~ , **996 14** ~~665) (13~~ , **996** ~~665)~~ Balance as of December 31, ~~2022~~ **2023** $ 1, ~~704 437~~ **770 493** , ~~959~~ **031** $ $ ~~3~~ **4** , ~~771~~ **221** , ~~181~~ **892** $ (2, ~~435~~ **880** , ~~512~~ **657**) $ (~~17~~ **2** , ~~873~~ **877**) $ 1, ~~317~~ **338** , ~~840~~ **407** Year Ended December 31, Operating activities Net loss $ (**445, 079) $ (** 411, 896) $ (45, 977 ~~) $ (1, 681, 783~~) Adjustments to reconcile net loss to net cash used in operating activities: Depreciation and amortization **41, 958** 28, 280 11, 207 ~~6, 851~~ Amortization of right- of- use assets and non- cash lease expense 7, **791 7,** 843 3, 492 ~~1, 229~~ Amortization of premiums and accretion of discounts on marketable securities **(18, 908)** 3, 989 11, 845 ~~1, 201~~ Stock- based compensation expense **166, 297** 127, 110 52, 175 ~~17, 024 Change in fair value of convertible preferred stock warrant liabilities — — 20, 765 Change in fair value of convertible preferred stock tranche liabilities — — 999, 865~~ Change in fair value of assumed common stock warrant liabilities — **—** (168, 674) **Write-** ~~581, 863 Impairment of~~ **off** ~~fixed assets~~ **of property and equipment 21, 528** 13, 695 ~~—~~ — Other Changes in operating assets and liabilities: Prepaid expenses and other assets **(7, 533)** 5, 048 (4, 852 ~~) (9, 648~~) Accounts payable, accrued liabilities and accrued compensation **(2, 904)** 5, 611 13, 178 ~~2, 447~~ Other long- term liabilities **(234)** 2, 300 ~~—~~ — Operating lease liability (**3, 410) (** 844) (1, 202 ~~) (1, 080~~) Net cash used in operating activities (**240, 025) (** 218, 024) (127, 909 ~~) (61, 263~~) Investing activities Purchases of property and equipment (**84, 510) (** 158, 845) (127, 178 ~~) (24, 093~~) Proceeds from maturities of marketable securities **1, 041, 528** 837, 410 894, 225 ~~99, 000~~ Proceeds from sales of marketable securities **1, 477** 15, 105 224, 058 ~~14, 006~~ Purchases of marketable securities (**1, 111, 027) (** 569, 551) (1, 376, 939 ~~) (891, 561~~) Net cash (used in) provided by investing activities **(152, 532)** 124, 119 (385, 834 ~~) (802, 648~~) Financing activities Proceeds from exercise of stock options and employee stock purchase plan **14, 022** 9, 407 17, 779 Proceeds from exercise of warrants — **—** 151, 431 ~~—~~ Proceeds from issuance of common stock, net of issuance costs paid **288, 164** — 462, 926 ~~— Proceeds from issuance of Series F preferred stock, net of issuance costs — — 176, 462~~ Proceeds from issuance of Class A Common Stock pursuant to Legacy QuantumScape Series F Preferred Stock Purchase Agreement, net of issuance costs — **—** 99, 930 ~~99, 800~~ Business Combination, net of issuance costs paid — **—** (1, 016) ~~676, 863~~ Principal payment for finance lease **(1**, **973)** ~~net of credit~~ (809) 5, 507 ~~—~~ Net cash provided by financing activities **300, 213** 8, 598 736, 557 ~~953, 724~~ Net **(decrease)** increase ~~(decrease)~~ in cash, cash equivalents and restricted cash (**92, 344) (** 85, 307) 222, 814 ~~89, 813~~ Cash, cash equivalents and restricted cash at beginning of period **252, 916** 338, 223 115, 409 ~~25, 596~~ Cash, cash equivalents and restricted cash at end of period $ **160, 572 $** 252, 916 $ 338, 223 ~~$ 115, 409~~ Supplemental disclosure of cash flow information Cash paid for interest $ 1, **778 $ 1,** 610 $ ~~$ —~~ Fair value of assumed common stock warrants exercised $ — $ **— $** 521, 025 ~~$ —~~ Purchases of property and equipment, not yet paid $ **10, 554 $** 18, 192 $ 11, 073 ~~$ 4, 170 Business Combination transaction costs, accrued but not paid $ — $ — $ 1, 016 Net assets assumed from Business Combination $ — $ — $~~ The following table presents the Company' s cash, cash equivalents and restricted cash by category in the Company' s Consolidated Balance Sheets (amounts in thousands): December 31, Cash and cash equivalents $ **142, 524 $** 235, 393 $ 320, 700 ~~$ 113, 216~~ Other assets **18, 048** 17, 523 17, 523 ~~2, 193~~ Total cash, cash equivalents and restricted cash $ **160, 572 $** 252, 916 $ 338, 223 ~~$ 115, 409~~ Note 1. Nature of Business Organization The original QuantumScape Corporation, now named QuantumScape Battery, Inc. (" Legacy QuantumScape "), a wholly owned subsidiary of the Company (as defined below), was founded in 2010 with the mission to revolutionize energy storage to enable a sustainable future. On November 25, 2020 (the " Closing Date "), Kensington Capital Acquisition Corp. (" Kensington "), a special purpose acquisition company, consummated the Business Combination Agreement (the " Business Combination Agreement ") dated September 2, 2020, by and among Kensington, Kensington Merger Sub Corp., a Delaware corporation and wholly owned subsidiary of Kensington (" Merger Sub "), and Legacy QuantumScape. Pursuant to the terms of the Business Combination Agreement, a business combination between Kensington and Legacy QuantumScape was effected through the merger of Merger Sub with and into Legacy QuantumScape, with Legacy QuantumScape surviving as the surviving company and as a wholly ~~-~~owned subsidiary of Kensington (the " Merger " and, collectively with the other transactions described in the Business Combination Agreement, the " Business Combination "). On the Closing Date, Kensington changed its name to QuantumScape Corporation ~~,~~ (the " Company "). The Company is focused on the development and commercialization of its solid- state lithium- metal batteries. Planned principal operations have not yet commenced. As of December 31, ~~2022~~ **2023**, the Company had not derived revenue from its principal business activities. Note 2. Summary of Significant Accounting Policies Basis of Presentation The Company' s consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (" U. S. GAAP ") as determined by the Financial Accounting Standards Board (" FASB ") Accounting Standards Codification (" ASC ") and pursuant to the regulations of the U. S. Securities and Exchange Commission (" SEC "). ~~On November 25, 2020, the Company consummated the Business Combination Agreement dated September 2, 2020, with Legacy QuantumScape surviving the merger as a wholly owned subsidiary of the Company. At the effective time of the Merger, and subject to the terms and conditions of the Business Combination Agreement, each share of Legacy QuantumScape Class A common stock, par value $ 0. 0001 per share, and each share of the Legacy QuantumScape Preferred Stock that was convertible into a share of Legacy QuantumScape Class A Common Stock, was canceled and converted into the right to receive the number of shares of the Company' s Class A Common Stock, $ 0. 0001 par value per share (the " Class A Common Stock "), equal to 4. 02175014920 (the " Exchange Ratio "), and each share of Legacy QuantumScape Class B Common Stock, par value $ 0. 0001 per share, and each share of the Legacy QuantumScape Preferred Stock that was convertible into a share of Legacy QuantumScape Class B Common Stock was canceled and converted into the right to receive the number of shares of the Company' s Class B Common Stock, $ 0. 0001 par value per share equal to the Exchange Ratio. Pursuant to the Business Combination Agreement, the merger between Merger Sub and Legacy QuantumScape was accounted for as a reverse recapitalization in accordance with U. S. GAAP (the " Reverse Recapitalization "). Under this method of accounting, Kensington was treated as the " acquired " company and Legacy QuantumScape was treated as the acquirer for financial reporting purposes. 60 QuantumScape CorporationNotes to Consolidated Financial Statements — Continued December 31, 2022Legacy QuantumScape was determined to be the accounting acquirer based on the following predominant factors: • Legacy QuantumScape' s shareholders have the largest portion of voting rights in the Company; • the Company' s Board of Directors (the " Board ") and management are primarily composed of individuals associated with Legacy QuantumScape; and • Legacy QuantumScape was the larger entity based on historical operating activity and Legacy QuantumScape has the larger employee base at the time of the Business Combination. Accordingly, for accounting purposes, the Reverse Recapitalization was treated as the equivalent of Legacy QuantumScape issuing stock for the net assets of Kensington, accompanied by a recapitalization. The net assets of Kensington were stated at historical cost, with no goodwill or other intangible assets recorded. Principles of Consolidation~~ The Company' s policy is to consolidate all entities that it controls by ownership of a majority of the outstanding voting stock. In addition, the Company consolidates entities that meet the definition of a variable interest entity (" VIE ") for which the Company is the related party most closely associated with and is the primary beneficiary. The primary beneficiary is the party who has the power to direct the activities of a VIE that most significantly impact the entity' s economic performance and who has an obligation to absorb losses of the entity or a right to receive benefits from the entity that could potentially be significant to the entity. For consolidated entities that are less than wholly owned, the third party' s holding of an equity interest is presented as redeemable non-controlling interests in the Company' s Consolidated Balance Sheets and Consolidated Statements of Redeemable Non-Controlling Interest and Stockholders' Equity. The portion of net earnings (loss) attributable to the redeemable non- controlling interests is presented as net income (loss) attributable to non- controlling interests in the Company' s Consolidated Statements of Operations and Comprehensive Income (Loss). ~~The Company~~ **Legacy QuantumScape** was a single- legal entity prior to becoming a partner with Volkswagen in QSV Operations LLC (" QSV "). As noted in the section titled " Joint Venture and Redeemable Non- Controlling Interest " below, ~~the Company~~ **Legacy QuantumScape** determined QSV was a VIE for which it was required to consolidate the operations upon its formation in 2018. ~~The~~ **Following the closing of the Business Combination, the Company made the same determination and the** Company continued to consolidate the operations of ~~the~~ QSV in **the year ended December 31,** ~~2022~~ **2023** as the determination of the VIE has not changed. All intercompany accounts and transactions are eliminated in consolidation. Use of Estimates ~~The~~ **63 QuantumScape CorporationNotes to Consolidated Financial Statements — Continued December 31, 2023The** preparation of financial statements in accordance with U. S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of commitments and contingencies at the date of the financial statements as well as reported amounts of expenses during the reporting periods. Estimates made by the Company include, but are not limited to, those related to the valuation of common stock prior to the Business Combination ~~,~~ **and** valuation of awards under the Extraordinary Performance Award Program (the " EPA Program "), and valuation of Assumed Common Stock Warrants among others. The Company bases these estimates on historical experience and on various other assumptions that it believes are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results could differ materially from those estimates. Joint Venture and Redeemable Non- Controlling InterestQSV was incorporated as a limited liability company in 2018. Volkswagen Group of America, Inc. (" VWGoA "), Volkswagen Group of America Investments, LLC (" VGA ") and **Legacy** QuantumScape executed a Joint Venture Agreement (" JVA "), effective September 2018, with the goal of jointly establishing a manufacturing facility to produce the pilot line of the Company' s product through QSV. In connection with this agreement, the parties also have entered into two operating agreements: (i) the Limited Liability Company Agreement of QSV to govern the respective rights and obligations as members of QSV and (ii) the Common IP License Agreement for the Company to license certain intellectual property pertaining to automotive battery cells as defined in the JVA to VWGoA, VGA and QSV. Volkswagen is a related party stockholder (approximately **24. 0 % and** 21. 5 ~~% and 19. 8~~ % voting interest holder of the Company as of December 31, **2023 and** 2022 ~~and 2021~~ , respectively). Upon the effectiveness of the JVA, each party contributed $ 1. 7 million in cash to capitalize QSV in exchange for 50 % equity interests. **The** ~~61 QuantumScape CorporationNotes to Consolidated Financial Statements — Continued December 31, 2022The~~ joint venture is considered a VIE with a related party and therefore the related party whose business is more closely related to the planned operations of the joint venture is required to consolidate the operations. The Company determined its operations were most closely aligned with the operations of the joint venture and therefore has consolidated the results of QSV' s operations in its Consolidated Balance Sheets, Consolidated Statements of Operations and Comprehensive Income (Loss) **,** and Consolidated Statements of Redeemable Non- Controlling Interest and Stockholders' Equity. QSV had minimal operations through December 31, ~~2022~~ **2023** . The Company classifies non- controlling interests with redemption features that are not solely within the control of the Company within temporary equity on the Company' s Consolidated Balance Sheets in accordance with ASC 480- 10- S99- 3A, SEC Staff Announcement: Classification and Measurement of Redeemable Securities (" ASC 480- 10- S99- 3A "). The non- controlling interest was recorded outside of stockholders' equity because the non- controlling interest provides the holder with put rights in the event of, amongst others, (i) the failure by the Company to meet specified development milestones within certain timeframes, (ii) the parties to the JVA cannot agree to certain commercial terms within certain timeframes, or (iii) a change of control of the Company, which such events are considered not solely within the Company' s control. The Company adjusts redeemable non- controlling interests for the portion of net loss attributable to the redeemable non- controlling interests. As of December 31, ~~2022~~ **2023** , the redeemable non- controlling interest is equivalent to the value of Volkswagen' s interest in the joint venture. The commercialization timeline originally contemplated in 2018 by the joint venture agreements, and by subsequent amendments, has changed, and **at** ~~as of~~ the time of ~~our~~ filing of ~~this~~ **the** annual report on Form 10- K **for the year ended December 31, 2022** , certain milestones contemplated by the joint venture agreements ~~were~~ **had** not **been** met. As a result, Volkswagen **' s** ~~now has the~~ right to exercise its put rights **has been triggered** . If Volkswagen exercises such rights, the joint venture with Volkswagen and Volkswagen' s commitments to purchase output capacity from the joint venture would terminate, and we would be obligated to purchase Volkswagen' s interest in the joint venture for its book value. As of December 31, ~~2022~~ **2023** , the book value of this interest was approximately $ 1. ~~7~~ **8** million and is recorded as a redeemable non- controlling interest in our Consolidated Balance Sheets. To date, Volkswagen has not informed us of any intention to exercise ~~their~~ **its** put rights. Concentrations of Credit Risk Financial instruments that potentially subject the Company to credit risk consist principally of cash and cash equivalents and marketable securities. As of December 31, **2023 and** 2022 ~~and 2021~~ , approximately $ **115. 8 million and $** 107. 4 ~~million and $ 227. 8~~ million of our total cash and cash equivalents and marketable securities, are held in U. S. money market funds, and $ **723. 9 million and $** 610. 5 ~~million and $ 722. 3~~ million are invested in U. S. government and agency securities, respectively. The Company seeks to mitigate its credit risk with respect to cash and cash equivalents and marketable securities by making deposits with **what we believe to be** large, reputable financial institutions and investing in high credit rated shorter- term instruments. ~~Cash~~ **64 QuantumScape CorporationNotes to Consolidated Financial Statements — Continued December 31, 2023Cash** and Cash Equivalents and Restricted Cash Management considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Restricted cash is maintained under an agreement that legally restricts the use of such funds and is reported within other assets as the date of availability or disbursement for all restricted cash is more than one year from December 31, ~~2022~~ **2023** . Restricted cash is comprised of $ **18. 0 million and $** 17. 5 million ~~,~~ as of ~~both~~ December 31, ~~2022~~ **2023** and December 31, ~~2021~~ **2022 , respectively** , all of which is pledged as a form of security for the Company' s lease agreements for its headquarters and pre- pilot manufacturing facilities **. The restricted cash is maintained in a certificate of deposit as of December 31, 2023** . Marketable Securities The Company' s investment policy is consistent with the definition of available- for- sale securities. The Company does not buy and hold securities principally for the purpose of selling them in the near future. The Company' s policy is focused on the preservation of capital, liquidity, and return. From time to time, the Company may sell certain securities, but the objectives are generally not to generate profits on short- term differences in price. These securities are carried at estimated fair value with unrealized gains and losses included in other comprehensive gain / loss in stockholders' equity until realized. Gains and losses on marketable security transactions are reported on the specific- identification method. Dividend and interest income are recognized when earned. **Fair** ~~62 QuantumScape CorporationNotes to~~

~~Consolidated Financial Statements — Continued December 31, 2022Fair~~ Value Measurement The Company applies fair value accounting for all financial assets and liabilities measured on a recurring and nonrecurring basis. Fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, fair value is a market- based measurement that should be determined based on assumptions that market participants would use in pricing an asset or a liability. The accounting guidance established a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, used to determine the fair value of its financial instruments. A financial instrument' s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. • Level 1 – Quoted prices in active markets for identical assets or liabilities that the entity has the ability to access. • Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets and liabilities. • Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. Property and Equipment Property and equipment are recorded at historical cost, less accumulated depreciation. Depreciation is computed using the straight- line method over the estimated useful life of the related asset. Improvements that increase functionality of the fixed asset are capitalized and depreciated over the asset' s remaining useful life. Deposits for purchases of property and equipment are included in construction- in- progress. Construction- in- progress is not depreciated until the asset is placed in service. Fully depreciated assets are retained in property and equipment, net, until removed from service. The estimated useful lives of assets are generally as follows: Computer equipment, hardware, and software 3- 5 yearsFurniture and fixtures 7- 10 yearsMachinery and equipment 3- 10 yearsLeasehold improvements Shorter of the lease term (including estimated renewals) or the estimated useful lives of the improvements **65 QuantumScape CorporationNotes to Consolidated Financial Statements — Continued December 31,** ~~Impairment~~ **2023Impairment** of Long- Lived Assets The Company evaluates the carrying value of long- lived assets when indicators of impairment exist. The carrying value of a long- lived asset is considered impaired when the estimated separately identifiable, undiscounted cash flows from such an asset are less than the carrying value of the asset. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair value of the long- lived asset. ~~Fair value is determined primarily using the estimated cash flows discounted at a rate commensurate with the risk involved.~~ The long- lived assets outside of U. S. are not material as of December 31, ~~2022~~ **2023** . **During** ~~There was no material impairment charge in~~ the year ended December 31, ~~2021~~ **2023** , **the Company wrote off approximately $ 21. 5 million of property and equipment** ~~or~~ **for** ~~December 31, 2020~~ **assets with no remaining future benefit** . During the year ended December 31, 2022, the Company wrote off approximately $ 13. 7 million of equipment and incurred cancellation charges of approximately $ 2. 8 million ~~to focus on process and equipment development designed to deliver higher throughput with fewer processing steps~~ . These charges are recorded in Research and Development expense in the Consolidated Statements of Operations and Comprehensive Income (Loss). ~~63 QuantumScape CorporationNotes to Consolidated Financial Statements — Continued~~ **The Company did not incur any material impairment charges in the year ended** December 31, **2021.** ~~2022Leases~~ ---- **Leases** The Company classifies arrangements meeting the definition of a lease as operating or financing leases, and leases are recorded on the Consolidated Balance Sheets as both a right- of- use (" ROU ") asset and lease liability, calculated by discounting fixed lease payments over the lease term at the rate implicit in the lease or the Company' s incremental borrowing rate which is the rate incurred to borrow on a collateralized basis over a similar term. Lease liabilities are increased by interest and reduced by payments each period, and the ROU asset is reduced over the lease term. For operating leases, interest on the lease liability and the non- cash lease expense result in straight- line rent expense over the lease term. For finance leases, interest on the lease liability and the amortization of the ROU asset results in front- loaded expense over the lease term. Variable lease expenses, including common maintenance fees, insurance and property tax, are recorded when incurred. In calculating the right- of- use asset and lease liability, the Company elects to combine lease and non- lease components for all classes of assets, and elects to exclude short- term leases having terms of 12 months or less. Assumed Common Stock Warrants LiabilityThe Company assumed 11, 499, 989 Public Warrants and 6, 650, 000 Private Placement Warrants upon the Business Combination, all of which were issued in connection with Kensington' s initial public offering (other than 75, 000 Private Placement Warrants that were issued in connection with the closing of the Business Combination, which are referred to as the Working Capital Warrants) and entitled each holder to purchase one share of Class A Common Stock at an exercise price of $ 11. 50 per share. The Company ~~evaluated the Assumed Common Stock Warrants under ASC 815- 40, Derivatives and Hedging — Contracts in Entity' s Own Equity (" ASC 815- 40 "), and concluded they did not meet the criteria to be classified in stockholders' equity. Specifically, the exercise of the Assumed Common Stock Warrants could have been settled in cash upon the occurrence of a tender offer or exchange that involves 50 % or more of our holders of Class A Common Stock. Because not all of the voting stockholders need to participate in such tender offer or exchange to trigger the potential cash settlement and the Company does not control the occurrence of such an event, the Company concluded that the Assumed Common Stock Warrants did not meet the conditions to be classified in equity. Since the Assumed Common Stock Warrants meet the definition of a derivative under ASC 815, the Company~~ recorded these warrants as liabilities on the Consolidated Balance Sheets at fair value **prior to exercise or redemption of these warrants** , with subsequent changes in their respective fair values recognized in the change in fair value of Assumed Common Stock Warrant liabilities within the Consolidated Statement of Operations and Comprehensive Income (Loss) ~~at each reporting date prior to exercise or redemption~~ . ~~As described in Note 7, Commitments~~ **The Public Warrants were publicly traded and thus had** ~~and~~ - **an** ~~Contingencies~~ **observable market price to estimate fair value** , **and** ~~below,~~ the **Private Placement Warrants were effectively valued similar to the Public Warrants. The** Company announced that it had elected to redeem its outstanding Public Warrants and Private Placement Warrants in July and August 2021, respectively. ~~As of~~ **For the year ended** December 31, 2021, **the Company recognized a $ 168. 7 million gain** ~~no~~ **non - cash change in fair value of Assumed Common Stock**

Warrant liabilities. No Public Warrants or Private Placement Warrants were outstanding **as** ~~. As~~ of December 31, ~~2020~~ **2021 or subsequent years** ~~, 11, 499, 989 Public Warrants and 6, 650, 000 Private Placement Warrants were outstanding~~ . Segments Operating segments are defined as components of an entity for which separate financial information is available and that is regularly reviewed by the Chief Operating Decision Maker (" CODM ") in deciding how to allocate resources to an individual segment and in assessing performance. The Company' s CODM is its Chief Executive Officer. The Company has determined that it operates in one operating segment and one reportable segment, as the CODM reviews financial information presented on a consolidated basis for purposes of making operating decisions, allocating resources, and evaluating financial performance. Research and Development Cost Costs related to research and development are expensed as incurred. General and Administrative Expenses **66** ~~General and administrative expenses represent costs incurred by the Company in managing the business, including salary, benefits, incentive compensation, marketing, insurance, professional fees and other operating costs associated with the Company' s non- research and development activities. 64~~ QuantumScape CorporationNotes to Consolidated Financial Statements — Continued December 31, ~~2022Stock~~ **2023General and administrative expenses represent costs incurred by the Company in managing the business, including salary, benefits, incentive compensation, marketing, insurance, professional fees and other operating costs associated with the Company' s non- research and development activities. Stock** - Based Compensation The Company measures and recognizes compensation expense for all stock- based awards made to employees, directors, and non- employees, including stock options, restricted ~~share~~ **stock** units and restricted shares, based on estimated fair values recognized over the requisite service period **. The Company accounts for forfeitures when they occur** . The fair values of options granted with only service conditions are estimated on the grant date using the Black- Scholes option pricing model. This valuation model for stock- based compensation expense requires the Company to make assumptions and judgments about the variables used in the calculation, including the expected term (weighted- average period of time that the options granted are expected to be outstanding), the volatility of the Company' s common stock, and an assumed risk- free interest rate. The Company ~~accounts~~ **recognizes compensation expense** for ~~forfeitures when~~ **all options with only service conditions on a straight- line basis over** ~~they~~ - **the** ~~occur~~ **requisite service period of the awards, which is generally the option vesting term of four years** . The fair values of options granted with performance (e. g., business milestone) and market conditions (e. g., stock price target) are estimated at the grant date using a Monte Carlo simulation model. The model determined the grant date fair value of each vesting tranche and the future date when the market condition for such tranche is expected to be achieved. The Monte Carlo valuation requires the Company to make assumptions and judgements about the variables used in the calculation including the expected term, volatility of the Company' s common stock, an assumed risk- free interest rate, and cost of equity. For performance- based ~~awards~~ **options** with a vesting schedule based ~~entirely~~ on the attainment of both performance and market **conditions, along with service** conditions, each quarter the Company assesses whether it is probable that it will achieve each performance condition that has not previously been achieved or deemed probable of achievement and if so, the future time when the Company expects to achieve that business milestone, or its " expected business milestone achievement time. " When the Company first determines that a business milestone has become probable of being achieved, the Company allocates the entire expense for the related tranche over the number of quarters between the grant date and the then- applicable " expected vesting date, " which represents the requisite service period. The requisite service period at any given time is generally the period between the grant date and the later of (i) the expected time when the performance condition will be achieved (if the related performance condition has not yet been achieved) and (ii) the expected time when the market condition will be achieved (if the related market condition has not yet been achieved). The Company immediately recognizes a cumulative catch- up expense for all accumulated expense for the quarters from the grant date through the quarter in which the performance condition was first deemed probable of being achieved. Each quarter thereafter, the Company recognizes the then- remaining expense for the tranche through the end of the requisite service period except that upon vesting of a tranche, all remaining expense for that tranche is immediately recognized. The ~~Company accounts for forfeitures when they occur. The Company estimates the~~ fair ~~value~~ **values** of restricted stock units **granted with service conditions only are** based on the closing price of the Company' s Class A Common Stock on the date of grant **. The Company recognizes compensation expense for restricted stock units with only service conditions on a straight- line basis over the requisite service period of the awards, which is generally the award vesting term of four years. The fair values of restricted stock units granted with service and performance conditions are based on the closing price of the Company' s Class A Common Stock on the grant date. The vesting schedule of such awards is based entirely on the attainment of both service and performance conditions. Each quarter the Company assesses whether it is probable that it will achieve each performance condition and if so, the future time when the Company expects to achieve that performance condition, the " expected vesting date ". When the Company first determines that a performance condition has become probable of being achieved, the Company allocates the entire expense for the related tranche over the number of quarters between the grant date and expected vesting date, which represents the requisite service period. The requisite service period at any given time is generally the period between the grant date and the expected time when the performance condition will be achieved with the service condition also being met** . The Company' s 2020 Employee Stock Purchase Plan (" ESPP ") is compensatory in accordance with ASC 718- 50- 25. The Company measures and recognizes compensation expense for shares to be issued under the ESPP based on estimated grant date fair value recognized on a straight- line basis over the offering period. The ~~first offering period for the ESPP commenced in June 2021. The~~ ESPP provides eligible employees with the opportunity to purchase shares of the Company' s Class A Common Stock at a discount through payroll deductions. **There were 824** ~~A participant may purchase a maximum of 1~~ , ~~000~~ **956** shares **purchased under the ESPP** ~~of Class A Common Stock~~ during **the year ended** ~~each six- month offering period. As of~~ December 31, ~~2022~~ **2023** ~~, 11~~ . ~~3~~ **As of December 31, 2023, 10. 5** million shares of Class A Common Stock were reserved for future issuance under the ESPP. **67 QuantumScape CorporationNotes to Consolidated Financial Statements — Continued** ~~There were 510, 993 shares purchased under the ESPP during the year~~

~~ended~~ December 31, **2023The Company established the** ~~2022~~ **2023 Bonus Plan to be settled in the form of restricted stock units to employees upon the achievement of certain service and performance conditions. The awards under the 2023 Bonus Plan are classified as liability prior to the settlement of vested RSUs, upon which the liability is reclassified into equity. The 2023 Bonus Plan awards are measured as the grant date fair value, i. e., the closing price of the Company' s Class A Common Stock on the grant date** . Income Taxes The Company accounts for income taxes under an asset and liability approach. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes and operating loss carryforwards, measured by applying currently enacted tax laws. Valuation allowances are provided when necessary to reduce net deferred tax assets to an amount that is more likely than not to be realized. The Company recognizes tax liabilities based upon its estimate of whether, and the extent to which, additional taxes will be due when such estimates are more likely than not to be sustained. An uncertain income tax position will not be recognized if it has less than a 50 % likelihood of being sustained. **Net** ~~65 QuantumScape CorporationNotes to Consolidated Financial Statements — Continued December 31, 2022Net~~ Loss per Share of Common Stock Basic net income (loss) per share is computed by dividing the net loss attributable to common stockholders by the weighted- average number of shares of common stock outstanding during the period. Diluted earnings (loss) per share adjusts basic earnings per share for the potentially dilutive impact of stock options and warrants. For warrants that are liability-classified, during periods when the impact is dilutive, the Company assumes share settlement of the instruments as of the beginning of the reporting period and adjusts the numerator to remove the change in fair value of the warrant liability and adjusts the denominator to include the dilutive shares calculated using the treasury stock method. Note 3. Recent Accounting Pronouncements In ~~August~~ **March** ~~2020~~ **2023** , the FASB issued ASU ~~2020~~ **2023** - ~~06~~ **01** , **Leases** ~~Debt — Debt with Conversion and Other Options~~ (**Topic 842** ~~Subtopic 470- 20) and Derivatives and Hedging — Contracts in Entity' s Own Equity (Subtopic 815- 40~~): **Common Control Agreements** ~~Accounting for Convertible Instruments and Contracts in an Entity' s Own Equity~~ , which ~~simplifies~~ **clarifies the** accounting for **leasehold improvements associated with common control leases** ~~convertible instruments by removing major separation models required under current U. S. GAAP. The ASU removes certain settlement conditions that are required for equity contracts to qualify for the derivative scope exception and it also simplifies the diluted earnings per share calculation in certain areas~~ . The ASU is effective for **all entities in** fiscal years beginning after December 15, 2023 **. The Company is currently evaluating the impact of this amendment on its consolidated financial statements and related disclosures. In August 2023** , ~~including interim periods~~ **the FASB issued ASU 2023- 05, Business Combinations- Joint Venture Formations (Subtopic 805- 60): Recognition and Initial Measurement, which addresses the accounting for contributions made to a joint venture, upon formation, in a joint venture' s separate financial statements. The ASU is effective prospectively for all joint venture formations** ~~within~~ -- **with a formation date on or after January 1, 2025. Additionally, a joint venture that was formed before January 1, 2025 may elect to apply** ~~those~~ -- **the** ~~fiscal years~~ **amendments retrospectively** . Early adoption is permitted, ~~but no earlier~~ **either prospectively or retrospectively. The Company is currently evaluating the impact** ~~than~~ **that the adoption of this standard will have on its consolidated financial statements and related disclosures. In November 2023, the FASB issued ASU 2023- 07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, which improves reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. The ASU is effective** for **all entities in** fiscal years beginning after December 15, ~~2021~~ **2023** ~~,~~ and **interim periods within fiscal years beginning after December 15, 2024. Early** adoption ~~must be as of~~ **is permitted and public entities should apply** the ~~beginning of~~ **amendments retrospectively to all prior periods presented in** the **financial statements** ~~Company' s annual fiscal year~~ . The Company ~~adopted~~ **is currently evaluating the impact that the adoption of** this **standard will have** ~~guidance in the first quarter of fiscal 2022. The adoption of such guidance had no impact~~ on **its** ~~the Company' s~~ consolidated financial statements **and related disclosures. In** ~~as the Company does not have any convertible instruments as of~~ December ~~31, 2022~~ **2023** ~~. In November 2021~~ , the FASB issued ASU ~~2021~~ **2023** - ~~10~~ **09** , ~~Government Assistance~~ **Income Taxes** (Topic ~~832~~ **740**) ~~,~~ **: Improvements to Income Tax** Disclosures ~~by Business Entities About Government Assistance~~ , which ~~requires entities to provide~~ **enhances the transparency and decision usefulness of income tax** disclosures ~~on material government transactions for annual reporting periods. The disclosures include information around the nature of the assistance, the related accounting policies used to account for government assistance, the effect of government assistance on the entity' s financial statements, and any significant terms and conditions of the agreements, including commitments and contingencies~~ . The ASU is effective for ~~financial statements issued~~ **all public business entities** for annual periods beginning after December 15, ~~2021~~ **2024 .** ~~, with early~~ **Early** adoption **is** permitted **for annual financial statements that have not yet been issued or made available for issuance** . The Company ~~adopted~~ **is currently evaluating the impact that the adoption of** this **standard will have** ~~guidance in the first quarter of fiscal 2022. The adoption of such guidance had no material impact~~ on **its** ~~the Company' s~~ consolidated financial statements **and related disclosures** ~~as of December 31, 2022. In December 2022, the FASB issued ASU 2022- 06, Reference Rate Reform (Topic 848), Deferral of the Sunset Date of Topic 848, which defers the sunset date of Topic 848 from December 31, 2022 to December 31, 2024, after which entities will no longer be permitted to apply the relief in Topic 848 that provides optional guidance to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. The ASU is effective for all entities upon issuance. The Company adopted the guidance in December 2022. The adoption of such guidance had no impact on the Company' s consolidated financial statements as of December 31, 2022~~ . Note 4. Fair Value Measurement The Company' s financial assets ~~and liabilities~~ subject to fair value measurements on a recurring basis and the level of inputs used for such measurements were as follows (amounts in thousands): Fair Value Measured as of December 31, **2023 Level 1 Level 2 Total Assets included in: Money market funds (1) $ 115, 848 $ — $ 115, 848 Commercial paper (2) — 80, 913 80, 913 U. S. government and agency securities (2) — 723, 888 723, 888 Corporate notes and bonds (2) — 147, 923 147, 923 Total fair value $ 115, 848 $ 952, 724 $ 1, 068, 572 Fair Value Measured as of December 31,** 2022 Level 1 Level 2 Total Assets included in: Money market funds (1) $ 107, 439 $ — $ 107, 439 Commercial paper (2) — 104, 231 104, 231 U. S. government and agency securities (2) — 610, 450 610, 450 Corporate notes and bonds (2) — 188, 658 188, 658 Total fair value $ 107, 439 $ 903, 339 $ 1, 010, 778 ~~Fair Value Measured as of December 31, 2021 Level 1 Level 2 Total Assets included in: Money market funds (1) $ 227, 826 $ — $ 227, 826 Commercial paper (2) — 233, 400 233, 400 U. S. government securities (2) — 722, 310 722, 310 Corporate notes and bonds (2) — 257, 384 257, 384 Total fair value $ 227, 826 $ 1, 213, 094 $ 1, 440, 920~~ (1) Money market funds are included in cash and cash equivalents on the Consolidated Balance Sheets. (2) Marketable securities consist of commercial paper, U. S. government and agency securities, corporate notes and bonds. As of December 31, **2023 and** 2022 ~~and 2021~~, marketable securities with original maturities of three months or less of $ **24. 4 million and $** 77. 0 ~~million and $ 86. 1~~ million, respectively, are included in cash and cash equivalents on the Consolidated Balance Sheets. Level 1 assets ~~and liabilities~~ : Money market funds are classified as Level 1 within the fair value hierarchy, as fair value is based on unadjusted quoted prices in active markets for identical assets ~~and liabilities~~. Level 2 assets ~~and liabilities~~: Investments in ~~government securities, corporate bonds and~~ commercial paper **, U. S. government and agency securities, and corporate notes and bonds** are classified as Level 2 as they were valued based upon quoted market prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model- based valuation techniques for which all significant inputs are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. The Company had no financial liabilities subject to fair value measurements on a recurring basis as of December 31, ~~2022~~ **2023** and December 31, ~~2021~~ **2022** . There have been no changes to the valuation methods utilized during the year ended December 31, ~~2022~~ **2023** . As of December 31, **2023 and** 2022 ~~and 2021~~, the carrying values of cash and cash equivalents, accounts payable and accrued liabilities approximate their respective fair values due to their short- term nature. ~~67 QuantumScape CorporationNotes to Consolidated Financial Statements — Continued December 31, 2022Marketable~~ ---- **Marketable** Securities The following table summarizes, by major security type, the Company' s assets that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy. Amortized cost net of unrealized gain (loss) is equal to fair value as of December 31, **2023 and** 2022 ~~and 2021~~. The fair value as of December 31, **2023 and** 2022 ~~and 2021,~~ are as follows (amounts in thousands): **69 QuantumScape CorporationNotes to Consolidated Financial Statements — Continued December 31, 2023 December 31, 2023 Amortized Cost Gross Unrealized Gain Gross Unrealized Loss Fair Value Level 1 securities Money market funds $ 115, 848 $ — $ — $ 115, 848 Level 2 securities Commercial paper 80, 913 — — 80, 913 U. S. government and agency securities 725, 301 (1, 747) 723, 888 Corporate notes and bonds 149, 387 (1, 504) 147, 923 Total $ 1, 071, 449 $ $ (3, 251) $ 1, 068, 572** December 31, 2022 Amortized Cost Gross Unrealized Gain Gross Unrealized Loss Fair Value Level 1 securities Money market funds $ 107, 439 $ — $ — $ 107, 439 Level 2 securities Commercial paper 104, 231 — — 104, 231 U. S. government and agency securities 620, 660 (10, 234) 610, 450 Corporate notes and bonds 196, 321 — (7, 663) 188, 658 Total $ 1, 028, 651 $ $ (17, 897) $ 1, 010, 778 ~~December 31, 2021 Amortized Cost Gross Unrealized Gain Gross Unrealized Loss Fair Value Level 1 securities Money market funds $ 227, 826 $ — $ — $ 227, 826 Level 2 securities Commercial paper 233, 400 — — 233, 400 U. S. government securities 724, 554 — (2, 244) 722, 310 Corporate notes and bonds 259, 348 — (1, 964) 257, 384 Total $ 1, 445, 128 $ — $ (4, 208) $ 1, 440, 920 Any realized~~ **Realized** gains and losses and interest income **from the investment** are included in interest income. The Company regularly reviews its available- for- sale marketable securities in an unrealized loss position and ~~evaluate~~ **evaluates** the current expected credit loss by considering factors such as historical experience, market data, issuer- specific factors, and current economic conditions. The following tables display additional information regarding gross unrealized losses and fair value by major security type for the **51 and** 95 ~~and 118~~ marketable securities in unrealized loss ~~position~~ **positions** as of December 31, **2023 and** 2022 ~~and 2021~~, respectively (amounts in thousands): **December 31, 2023 Less than 12 Consecutive Months 12 Consecutive Months or Longer Total Gross Unrealized Loss Fair Value Gross Unrealized Loss Fair Value Gross Unrealized Loss Fair Value U. S. government and agency securities $ (10) $ 31, 741 $ (1, 737) $ 87, 257 $ (1, 747) $ 118, 998 Corporate notes and bonds (5) 13, 338 (1, 499) 125, 524 (1, 504) 138, 862 Total $ (15) $ 45, 079 $ (3, 236) $ 212, 781 $ (3, 251) $ 257, 860** December 31, 2022 Less than 12 Consecutive Months 12 Consecutive Months or Longer Total Gross Unrealized Loss Fair Value Gross Unrealized Loss Fair Value Gross Unrealized Loss Fair Value U. S. government and agency securities $ (521) $ 231, 047 $ (9, 713) $ 336, 517 $ (10, 234) $ 567, 564 Corporate notes and bonds (261) 18, 585 (7, 402) 170, 073 (7, 663) 188, 658 Total $ (782) $ 249, 632 $ (17, 115) $ 506, 590 $ (17, 897) $ 756, 222 ~~December 31, 2021 Less than 12 Consecutive Months 12 Consecutive Months or Longer Total Gross Unrealized Loss Fair Value Gross Unrealized Loss Fair Value Gross Unrealized Loss Fair Value U. S. government securities $ (2, 239) $ 700~~ **70** , 318 $ (5) $ 17, 011 $ (2, 244) $ 717, 329 ~~Corporate notes and bonds (1, 964) 257, 384 — — (1, 964) 257, 384 Total $ (4, 203) $ 957, 702 $ (5) $ 17, 011 $ (4, 208) $ 974, 713 68~~ QuantumScape CorporationNotes to Consolidated Financial Statements — Continued December 31, ~~2022~~ **2023** The unrealized losses were attributable to changes in interest rates that impacted the value of the investments, and not increased credit risk. During the years ended December 31, **2023,** 2022, **and** 2021 ~~, and 2020~~, the Company received proceeds of $ **1. 5 million, $** 15. 2 million, **and** $ 225. 1 ~~million, and $ 14. 0~~ million, including interest, from the sale of available- for- sale marketable securities, respectively. The Company realized immaterial gains and losses as a result of such sales. The Company does not intend to sell the investments that are in an unrealized loss position, nor is it more likely than not that the Company will be required to sell the investments before the recovery of the amortized cost basis, which may be its maturity. Accordingly, the Company did not record an allowance for credit losses associated with these investments. The estimated amortized cost and fair value of available- for- sale securities by contractual maturity as of December 31, ~~2022~~ **2023** ~~,~~ are as follows (amounts in thousands): December 31, ~~2022~~ **2023** Amortized Cost Fair Value Due within one year $ ~~803~~ **1** , **055** ~~011 $ 797~~ , ~~053~~ **871 $ 1, 052, 953** Due after one year and through five years ~~225~~ **15** , ~~640 213~~ **578 15** , ~~725~~ **619** Total $ 1, ~~028~~ **071** , ~~651~~ **449** $ 1, ~~010~~ **068** , **572 Note 5. Balance Sheet ComponentsProperty and EquipmentProperty and equipment as of December 31, 2023 and 2022 consisted of the following (amounts in thousands): December 31, Computer equipment, hardware, and software $ 7,**

191 $ 6, 784 Furniture and fixtures ~~778~~ - **77** ~~Convertible Preferred Stock Tranche LiabilitiesIn May 2020 and September 2020~~ , ~~Legacy QuantumScape executed a stock purchase agreement~~ **813 57, 771 Leasehold improvements 99, 524 72, 201 Machinery** and **equipment 146, 730 120, 618 Construction- in- progress 89, 664 108, 585 Property and equipment, gross 420, 922 365, 959 Accumulated depreciation and amortization (107, 758) (70, 025) Property and equipment, net $ 313, 164 $ 295, 934 Depreciation and amortization expense** related ~~agreements~~ **to property** and ~~amendments thereto~~ **equipment was $ 41. 4 million** , ~~with VGA~~ **$ 27. 4 million and $ 11. 7 million** for **the years ended December 31, 2023, 2022** ~~an~~ **and 2021, respectively** ~~investment of $ 200 million in Legacy QuantumScape' s Series F convertible preferred stock~~ . ~~The terms~~ **Accrued Liabilities Accrued liabilities as** of **December 31, 2023 and 2022, consisted of the following (amounts in thousands): December 31, Accrued property and equipment $ 3, 203 $ 3, 152 Accrued facilities expense 1, 106** ~~the~~ **Other 6** ~~Series F Preferred Stock Purchase Agreement with VGA obligated Legacy QuantumScape to issue and sell~~ , **247 3** ~~and VGA to purchase~~ , ~~up to a total of~~ **219 Accrued liabilities $ 10, 180 $** 7, **477 71** ~~569, 508 shares of Series F convertible preferred stock (the " tranche shares ") at $ 26. 4218 per share, to be funded in two tranches: (1) 3, 784, 754 shares of Legacy QuantumScape Series F Preferred Stock issued for $ 100 million on December 1, 2020 (the time- based portion of the agreement, " tranche shares 1 "), and (2) 3, 784, 754 shares of Legacy QuantumScape Series F Preferred Stock will be issued for $ 100 million subject to certain conditions including the achievement of a specified technical milestone by March 31, 2021, as set forth in such agreements (" tranche shares 2 "). The Company concluded that the firm commitment to issue the tranche shares met the definition of a freestanding financial instrument. As the underlying convertible preferred shares of the outstanding tranche liabilities were redeemable outside the control of the Company, the fair value of the tranche liabilities was reported on the Company' s balance sheets as a long- term liability, and the fair value change was recorded in other expense in the Consolidated Statements of Operations and Comprehensive Loss, as noted in the table below. The Series F Preferred Stock Purchase Agreement with VGA, as amended, contains provisions pursuant to which, if the relevant closing of such Series F Preferred Stock Purchase Agreement (in whole or in part) occur only after effectiveness of the Merger, VGA agreed to purchase, and the Company agreed to issue, instead of the relevant number of shares of Legacy QuantumScape Series F Preferred Stock to be purchased at such closing, such number of shares of Class A Common Stock as would have been issued in the Merger in exchange for such shares of Legacy QuantumScape Series F Preferred Stock if they had been outstanding prior to the Merger. As a result of these provisions to issue shares of Class A Common Stock, and upon consummation of the Business Combination, the Company determine its obligation to issue Class A Common Stock pursuant to the Series F Preferred Stock Purchase Agreement was equity classified and the fair value of the tranche liabilities was reclassified to additional paid- in capital. In August 2020, Legacy QuantumScape entered into Series F Preferred Stock Purchase Agreements and related agreements thereto with several new and existing investors, pursuant to which it agreed to sell, and the investors agreed to purchase, an aggregate of 7, 115, 335 shares of Legacy QuantumScape Series F Preferred Stock at $ 26. 4218 per share for an aggregate purchase price of $ 188 million (tranche shares 3 and 4), of which: (1) $ 94. 0 million was to be funded at the earlier of December 1, 2020 or a SPAC business combination (" tranche shares 3 "), and (2) the remaining $ 94. 0 million tranche (" tranche shares 4 ") was to be funded at the earlier of a SPAC business combination closing or March 2021. Similar to the tranche shares to VGA, the Company concluded that the firm commitment to issue the incremental tranche shares 3 and 4 met the definition of a freestanding financial instrument. 69~~ QuantumScape CorporationNotes to Consolidated Financial Statements — Continued December 31, **2023Other LiabilitiesOther** ~~2022Pursuant to the terms of these Series F Preferred Stock Purchase Agreements, funding of the tranche shares 3 and 4 occurred concurrent with the closing of the Business Combination. Upon funding and issuance of the 7, 115, 335 shares of Legacy QuantumScape Series F Preferred Stock, the convertible preferred stock tranche liability associated with tranche shares 3 and 4 was settled and the fair value of the tranche liability was recorded as redeemable convertible preferred stock. The Company remeasured all tranche share~~ liabilities as of ~~closing date of the Business Combination based on the closing market price of Kensington immediately prior to the Business Combination. The fair value of the Series F convertible preferred stock tranche liabilities was calculated based on the traded stock price of Kensington at November 25, 2020 of $ 23. 50, adjusted for the Exchange Ratio, less the Series F exercise price of $ 26. 42. The following table presents the reconciliation of the Series F convertible preferred tranche liabilities measured and recorded at fair value on a recurring basis using the significant unobservable inputs described above (amounts in thousands): Fair Value Balance as of~~ December 31, ~~2019 $ — Issuance and re- measurement loss recorded in other expense 999, 865 Issuance of Legacy QuantumScape Series F Preferred Stock- tranche shares 3 and 4 (484, 471) Reclassification to additional paid- in capital upon Closing of the Business Combination- tranche shares 1 and 2 (515, 394) Balance as of December 31, 2020~~ **2023** ~~$ — Note 5. Balance Sheet ComponentsProperty~~ and ~~EquipmentProperty and equipment as of December 31,~~ 2022 ~~and 2021~~ , consisted of the following (amounts in thousands): December 31, ~~Computer equipment, hardware, and software $ 6, 784 $ 2, 740 Furniture and fixtures 57, 771 15, 116 Leasehold improvements 72, 201 23, 192 Machinery and equipment 120, 618 66, 953 Construction- in- progress 108, 585 101, 420 Property and equipment, gross 365, 959 209, 421 Accumulated depreciation and amortization (70, 025) (43, 238) Property and equipment, net $ 295, 934 $ 166, 183 Depreciation and amortization expense related to property and equipment was $ 27. 4 million, $ 11. 7 million and $ 7. 5 million for the years ended December 31, 2022, 2021 and 2020, respectively. Accrued LiabilitiesAccrued liabilities as of December 31, 2022 and 2021, consisted of the following (amounts in thousands): December 31, Accrued property and equipment $ 3, 152 $ 1, 815 Accrued facilities expense 1, 106 1, 637 Other 3, 219 2, 626 Accrued liabilities $ 7, 477 $ 6, 078 70 QuantumScape CorporationNotes to Consolidated Financial Statements — Continued December 31, 2022Other LiabilitiesOther liabilities as of December 31, 2022 and 2021, consisted of the following (amounts in thousands): December 31,~~ Long- term advance payments $ 2, **515 $ 2,** 615 ~~$~~ Asset retirement obligation **9, 471** 5, 873 ~~—~~ Other liabilities $ **11, 986 $** 8, 488 ~~$~~ Note 6. Leases The Company leases its headquarters, pre- pilot manufacturing facilities and certain equipment, with current lease terms running through 2032. Fixed rent generally escalates each year, and the Company is responsible for a portion of the landlords' operating expenses such as property tax, insurance and common area maintenance. In April 2021, the Company entered into a lease agreement for premises ~~consisting of approximately 197, 000 rentable square feet of space~~ located in San Jose, California to be used for QS- 0 **, our consolidated pre- pilot line** . The lease expires in September 2032. Under this QS- 0 lease, the Company has two five- year renewal options, which have not been included in the calculation of the lease liability and right- of use asset at the lease inception as the exercise of the options was not reasonably certain. This initial QS- 0 lease is classified as a finance lease. In June 2021, the Company amended the terms of its 2013 headquarter lease to provide for, among other things, an extension of the lease term to September 2032. Under the amended headquarter lease, the Company retained its one five- year renewal option, which has not been included in the calculation of lease liabilities and right of use assets at the amendment date, as the exercise of the option was not reasonably certain. In November 2021, the Company entered into lease agreements for additional premises ~~consisting of approximately 222, 000 rentable square feet of space~~ in San Jose, California adjacent to the site of QS- 0. The November 2021 leases represent an expansion of space for QS- 0 and the Company' s engineering and development activities. Such leases will expire in September 2032 but include an option to extend the terms of the lease for an additional 10- year period. The November 2021 leases commenced in November 2021, January 2022, and April 2022 and were classified as operating leases. The additional 10- year extension period has not been included in the calculation of the lease liability and right- of- use asset at the lease inception as the exercise of the option was not reasonably certain. The Company' s leases do not have any contingent rent payments and do not contain residual value guarantees. The components of lease ~~-~~related expense are as follows (amounts in thousands): Year Ended December 31, Lease costs Finance lease costs: Amortization of right- of- use assets $ 2, 873 $ **2, 873 $** 1, 915 ~~$ —~~ Interest on lease liabilities 2, **377 2,** 399 1, 419 ~~—~~ Operating lease costs 9, **047 9,** 082 3, 016 ~~2, 143~~ Variable lease costs **3, 775** 2, 330 Total lease expense $ **18, 072 $** 16, 684 $ 6, 880 ~~$ 2, 552~~ The components of supplemental cash and ~~noncash~~ **non- cash** information related to leases are as follows (amounts in thousands): Year Ended December 31, Operating outgoing cash flows- finance lease $ 1, **778 $ 1,** 610 $ ~~$ —~~ Financing outgoing cash flows- finance lease ~~—~~ **1, 973** Financing (incoming) cash flows- finance lease — **—** (5, 580) ~~—~~ Operating outgoing cash flows- operating lease **7, 428** 4, 673 2, 711 ~~1, 994~~ Right- of- use assets obtained in exchange for new finance lease liabilities — **—** 32, 802 ~~—~~ Right- of- use assets obtained in exchange for new operating lease liabilities **—** 28, 845 26, 778 **72** ~~— 71~~ QuantumScape CorporationNotes to Consolidated Financial Statements — Continued December 31, ~~2022~~ **2023** The table below displays additional information for leases **as of December 31, 2023 and 2022** : December 31, Finance lease Weighted- average remaining lease term- finance lease (in years) **8. 8** 9 ~~. 8 10~~ . 8 Weighted- average discount rate- finance lease 6. 06 % 6. 06 % Operating lease Weighted- average remaining lease term- operating lease (in years) **8. 6** 9. 6 ~~10. 7~~ Weighted- average discount rate- operating lease 6. 36 % 6. ~~34~~ **36** % As of December 31, ~~2022~~ **2023** , future minimum payments during the next five years and thereafter are as follows (amounts in thousands): Fiscal Year OperatingLease FinanceLease ~~$ 7, 461 $ 3, 751~~ 8, ~~892~~ **859** 5, 131 9, ~~104~~ **071** 5, 272 9, ~~039~~ **028** 5, 417 9, 135 5, ~~565~~ **566 9, 404 5, 719** Thereafter ~~46~~ **36** , ~~370 28~~ **965 22** , ~~065~~ **345** Total ~~90~~ **82** , ~~001 53~~ **462 49** , ~~201~~ **450** Less present value discount (~~23~~ **19** , ~~963~~ **834**) (~~13~~ **11** , ~~823~~ **445**) Lease liabilities $ ~~66~~ **62** , **628 $** ~~038~~ - **38** ~~$ 39~~ , ~~378~~ **005** As the Company' s lease agreements do not provide an implicit rate, the Company used an estimated incremental borrowing rate that will be incurred to borrow on a collateralized basis over a similar term at the lease commencement date or modification date in determining the present value of lease payments. Asset Retirement Obligations The Company establishes assets and liabilities for the present value of estimated future costs to return certain of our leased facilities to their original condition upon the termination or expiration of a lease. The recognition of an asset retirement obligation requires the Company to make assumptions and judgments including the actions required to satisfy the liability, inflation rates and the credit- adjusted risk- free rate. The initially recognized asset retirement cost is amortized using the same method and useful life as the long- lived asset to which it relates. Accretion expense is recognized over time as the discounted liability is accreted to its expected settlement value. **Asset retirement obligation activity for the year ended December 31, 2023 was as follows (amounts in thousands): December 31, Asset retirement obligations, beginning balance $ 5, 873 Liabilities incurred 3, 047 Accretion expense Asset retirement obligations, ending balance $ 9, 471** Note 7. Commitments and Contingencies From time to time, and in the ordinary course of business, the Company may be subject to certain claims, charges and litigation concerning matters arising in connection with the conduct of the Company' s business activities. ~~72~~ **73** QuantumScape CorporationNotes to Consolidated Financial Statements — Continued December 31, ~~2022Warrants~~ **2023Warrants** LitigationPurported Company warrantholders filed actions against the Company in the United States District Court for the Southern District of New York alleging, among other things, that they were entitled to exercise their warrants within 30 days of the closing of the Business Combination and that the preliminary and final versions of the proxy statement / prospectus / information statement dated September 21, 2020, and November 12, 2020, were misleading and / or omitted material information concerning the exercise of the warrants. The actions have been consolidated for the purposes of discovery and motion practice. The operative consolidated complaint, filed January 21, 2022, seeks monetary damages for alleged breach of contract, securities law violations, and fraud. ~~The~~ **On September 28, 2023, the court granted in part and denied in part the** parties ~~have moved~~ **' respective motions** for partial summary judgment **. Trial is scheduled to begin on April 2** , **2024** ~~which motions are pending~~ . QuantumScape continues to believe it has meritorious defenses to the claims and intends to defend itself vigorously. Securities Class Action LitigationBeginning in January 2021 class action lawsuits were filed in the United States District Court for the Northern District of California by purported purchasers of Company securities. **The** ~~Lead~~ **lead** plaintiff filed a consolidated complaint on June 21, 2021, which alleges a purported class that includes all persons who purchased or acquired our securities between November 27, 2020 and April 14, 2021. The consolidated complaint names the Company, its Chief Executive Officer, its Chief Financial Officer, and its Chief Technology Officer as defendants. The consolidated complaint alleges that the defendants purportedly made false and / or misleading statements and failed to disclose material adverse facts about the Company' s business, operations, and prospects, including information regarding the Company' s battery technology. On January 14, 2022, defendants' motion to dismiss the consolidated complaint was substantially denied. On December 19, 2022, the court granted plaintiffs' motion to certify the class. ~~Defendants filed a petition with the Ninth Circuit Court of Appeals seeking permission to appeal the certification order.~~ QuantumScape continues to believe it has meritorious defenses to the claims and intends to defend itself vigorously. Shareholder Derivative LitigationTwo shareholder derivative suits were filed in February 2021 in the United States District Court for the Northern District of California against 11 officers and directors of the Company and have been consolidated into one action, with the first- filed complaint being designated the operative one. The Company is the nominal defendant. The complaint alleges that the individual defendants breached various duties to the Company and contains additional similar allegations based on the same general allegations in the class action described immediately above. VGA is also named as a defendant in the derivative litigation. The action is currently stayed. Four shareholder derivative suits were filed beginning in June 2022 in the Court of Chancery of the State of Delaware against current and former directors and officers of the Company. The Company is the nominal defendant. The complaints allege that the individual defendants breached various duties to the Company. VGA is also named as a defendant in two of those actions. The suits were consolidated and are currently stayed. ~~Another~~ **A shareholder derivative action was filed in the United States District Court for the District of Delaware on February 22, 2024, against current and former directors and officers of the Company. The Company is the nominal defendant. The complaint alleges that the individual defendants breached various duties to the Company and includes a claim for contribution related to the class action. The complaint alleges that plaintiff previously sent a litigation demand to the Board and alleges that the demand has effectively been rejected. The Company and the individual defendants have not yet responded to the complaint. Delaware Class ActionA** shareholder derivative suit was filed in the Court of Chancery of the State of Delaware on August 16, 2022, against former and current directors and officers of the Company and of Kensington. **Defendants moved to dismiss the complaint. Plaintiff filed an amended complaint on March 3, 2023, this time seeking relief on behalf of a putative class of holders of Kensington Class A Common Stock who held such stock prior to the November 23, 2020 redemption deadline and were allegedly entitled to redeem their shares but did not.** The **amended class action** ~~Company is the nominal defendant. The~~ complaint alleges that the ~~individual~~ defendants breached various duties to ~~the Company~~ **Kensington stockholders or aided and abetted such breaches** . Defendants moved to dismiss the **amended** complaint **on May 8** , ~~which~~ **2023, and a hearing was held on February 21, 2024. The Kensington Defendants'** motion ~~is pending~~ **to dismiss was denied** . ~~73~~ **The Legacy QuantumScape Defendants' motion to dismiss was denied as to two defendants and granted as to the others. 74** QuantumScape CorporationNotes to Consolidated Financial Statements — Continued December 31, **2023For** ~~2022Section 205 ProceedingOn February 9, 2023, the Company filed a petition in the Court of Chancery of the State of Delaware pursuant to Section 205 of the DGCL asking the Court to ratify and validate potentially defective corporate acts (the " Petition "). The Petition concerned a November 25, 2020 vote by the stockholders of the Company to approve certain matters relating to the Business Combination. Among these matters was a proposal to amend the Company' s then- effective Amended and Restated Certificate of Incorporation to, among other things, (i) increase the total number of authorized shares of Class A common stock, and (ii) opt out of the separate class voting requirements of Section 242 (b) (2) of the DGCL (collectively the " Charter Amendments "). The Charter Amendments were approved by a majority of the shares of the Company' s Class A common stock and Class B common stock, voting as a single class. A recent ruling by the Court of Chancery introduced uncertainty as to whether Section 242 (b) (2) of the DGCL would have required the Charter Amendments to be approved by a separate vote of the majority of the Company' s then- outstanding shares of Class A common stock. In light of that ruling, the Petition sought validation of the filing and effectiveness of the Charter Amendments and the shares and securities issued in reliance on the Charter Amendments to resolve any uncertainty with respect to those matters. A hearing on the merits of the Petition was held on February 27, 2023. The Court granted the relief sought in the Petition, validating and declaring effective pursuant to Section 205 of the DGCL the filing and effectiveness of the Charter Amendments and the shares and securities issued in reliance on the Charter Amendments. For~~ many legal matters, particularly those in early stages, the Company cannot reasonably estimate the possible loss (or range of loss), if any. The Company records an accrual for legal matters at the time or times it determines that a loss is both probable and reasonably estimable. Amounts accrued as of December 31, **2023, and December 31,** 2022 **,** ~~and 2021~~ were not material. Regarding matters for which no accrual has been made (including the potential for losses in excess of amounts accrued), the Company currently believes, based on its own investigations, that any losses (or ranges of losses) that are reasonably possible and estimable will not, in the aggregate, have a material adverse effect on its financial position, results of operations, or cash flows. However, the ultimate outcome of legal proceedings involves judgments, estimates, and inherent uncertainties and cannot be predicted with certainty. Should the ultimate outcome of any legal matter be unfavorable, the Company' s business, financial condition, results of operations, or cash flows could be materially and adversely affected. The Company may also incur substantial legal fees, which are expensed as incurred, in defending against legal claims. Other commitmentsThe Company' s minimum purchase commitments consist of non- cancellable agreements to purchase goods and services, primarily for materials, and licenses and hosting services, entered into in the ordinary course of business. As of December 31, ~~2022~~ **2023** , future minimum purchase commitments in aggregate during the next five years and thereafter are **approximately** as follows (amounts in thousands): Fiscal Year Minimum Purchase Commitments $ **4, 194 4, 309** 2, **142** ~~775 3, 150 2, 358 2, 105~~ 1, 418 Thereafter — Total $ ~~11~~ **12** , ~~806~~ **063** Note 8. Assumed Common Stock WarrantsThe Company assumed 11, 499, 989 Public Warrants and 6, 650, 000 Private Placement Warrants upon the Business Combination, all of which were issued in connection with Kensington' s initial public offering (other than 75, 000 Private Placement Warrants that were issued in connection with the closing of the Business Combination, which are referred to as the Working Capital Warrants) and entitled each holder to purchase one share of Class A Common Stock at an exercise price of $ 11. 50 per share. **The** ~~74 QuantumScape CorporationNotes to Consolidated Financial Statements — Continued December 31, 2022The~~ Company recorded these warrants as liabilities on the Consolidated Balance Sheets at fair value **prior to exercise or redemption of such warrants** , with subsequent changes in their respective fair values recognized in the Change in fair value of Assumed Common Stock Warrant liabilities within the Consolidated Statement of Operations and

Comprehensive Income (Loss) ~~at each reporting date prior to exercise or redemption~~. The Public Warrants were publicly traded and thus had an observable market price to estimate fair value, and the Private Placement Warrants were effectively valued similar to the Public Warrants. As a result, the Company recognized a $ 168. 7 million gain ~~and $ 581. 9 million loss~~ non- cash change in fair value of Assumed Common Stock Warrant liabilities, in the Consolidated Statements of Operations and Comprehensive Income (Loss) for the ~~years~~ - **year** ended December 31, 2021 ~~and 2020, respectively~~. All Public Warrants and Private Placement Warrants were exercised or redeemed during the year ended December 31, 2021. Note 9. Stockholders' Equity As of December 31, **2023 and** 2022 ~~and 2021~~, 1, 350, 000, 000 shares, $ 0. 0001 par value per share are authorized, of which, 1, 000, 000, 000 shares are designated as Class A Common Stock, 250, 000, 000 shares are designated as Class B Common Stock, and 100, 000, 000 shares are designated as Preferred Stock. Common Stock Holders of ~~the~~ common stock are entitled to dividends when, as, and if, declared by the **Company' s** Board **of Directors (" the Board ")**, subject to the rights of the holders of all classes of stock outstanding having priority rights to dividends. As of December 31, ~~2022~~ **2023**, the Company had not declared any dividends. The holder of each share of Class A Common Stock is entitled to one vote, and the holder of each share of Class B Common Stock is entitled to ten votes. In March 2021, the Company completed an underwritten public offering of shares of its Class A Common Stock and issued 11, 960, 000 shares for an aggregate purchase price of $ 462. 9 million, net of issuance costs of $ 15. 5 million (the " March 2021 Public Offering "). **On February 28, 2023, the Company entered into separate Distribution Agreements with J. P. Morgan Securities LLC, Cowen and Company, LLC, Deutsche Bank Securities Inc. and UBS Securities LLC, as sales agents, pursuant to which the Company is able to, from time to time, issue and sell common stock with an aggregate offering price of up to $ 400 million (the " At- the- Market Offering ", or the " ATM offering ") under the prospectus supplement to the Form S- 3 filed on February 28, 2023 (File No. 333- 266419). No shares of the Company' s Class A Common Stock were sold pursuant to the ATM offering during the year ended December 31, 2023. In August 2023, the Company completed an underwritten public offering of its Class A Common Stock and issued 37, 500, 000 shares for an aggregate purchase price of $ 288. 2 million, net of issuance costs of $ 11. 8 million (the " August 2023 Public Offering ").** Equity Incentive Plans Prior to the Business Combination, the Company maintained its 2010 Equity Incentive Plan (the " 2010 Plan "), under which the Company granted options and restricted ~~share~~ **stock** units to purchase or directly issue shares of common stock to employees, directors, and non- employees. Upon the closing of the Business Combination, awards under the 2010 Plan were converted at ~~the~~ **an** ~~Exchange~~ **exchange** ~~Ratio~~ **ratio of 4. 02175014920** and assumed into the 2020 Equity Incentive Award Plan (the " 2020 Plan ", and together with the 2010 Plan, the " Plans "). The 2020 Plan permits the granting of awards in the form of incentive stock options, nonqualified stock options, stock appreciation rights, restricted shares, restricted ~~share~~ **stock** units and performance awards to employees, directors, and non- employees. As of December 31, ~~2022~~ **2023**, ~~62~~ **84**, ~~915~~ **813**, ~~959~~ **924** shares of Class A Common Stock are authorized for issuance pursuant to awards under the 2020 Plan, plus any shares of Class A Common Stock subject to stock options, restricted stock units or other awards that were assumed in the Business Combination and terminate as a result of being unexercised or are forfeited or repurchased by the Company, with the maximum number of shares to be added to the 2020 Plan equal to 69, 846, 580 shares of Class A Common Stock. As of December 31, ~~2022~~ **2023**, ~~33~~ **36**, ~~806~~ **189**, ~~148~~ **137** shares of Class A Common Stock are reserved and available for future issuance under the 2020 Plan. **76 QuantumScape CorporationNotes to Consolidated Financial Statements — Continued December 31,** ~~Options~~ **2023Options** may be granted at a price per share not less than 100 % of the fair market value at the date of grant. If the option is granted to a 10 % stockholder, then the purchase or exercise price per share shall not be less than 110 % of the fair market value per share of the common stock on the grant date. Options granted generally vest over a period of four years and have ten- year contractual terms. **Stock** ~~75 QuantumScape CorporationNotes to Consolidated Financial Statements — Continued December 31, 2022Stock~~ OptionsStock option activity under the Plans, including the EPA Program discussed below **,** is as follows: Number ofSharesOutstanding (in thousands) WeightedAverageExercise Price WeightedAverageRemainingContractualTerm (Years) Intrinsic value (in thousands) Balance as of December 31, ~~2021~~ **2022** (1) ~~53~~ **50**, ~~078~~ **124** $ **8. 65 6. 05 Cancelled and forfeited (2) (873) $ 22. 31 Exercised (** 7 ~~. 74 6. 78 Granted (2) 2~~, **110** ~~100 23. 04 Cancelled and forfeited (3~~) ~~(~~ **$** 1 ~~, 222) 16~~. **33** ~~66 Exercised (3, 832) 1. 39~~ Balance as of December 31, ~~2022~~ **2023** ~~50~~ **42**, ~~124~~ **141** $ ~~8~~ **9**. ~~65 6~~ **60 5**. ~~05~~ **48** $ ~~129~~ **131**, ~~209~~ **443** Vested and expected to vest as of December 31, ~~2022~~ **2023** (**3) 33, 070 $ 5. 92** 4 ~~) 40, 549 $ 5~~. **80** ~~25 5. 36~~ $ ~~129~~ **131**, ~~209~~ **443** Vested and exercisable as of December 31, ~~2022~~ **2023** ~~31~~ **26**, ~~042~~ **051** $ 1. ~~73~~ **98** 4. ~~44~~ **00** $ ~~122~~ **129**, ~~355~~ **567** (1) This includes ~~14~~ **16**. ~~7~~ **0** million options granted ~~in~~ **and outstanding as of** December **31,** ~~2021~~ **2022** pursuant to the EPA Program. (2 ~~) All options granted during the year ended December 31, 2022, were granted pursuant to the EPA Program. (3~~) This includes 0. 8 million options **under** ~~forfeited from~~ the EPA ~~program~~ **Program**. (~~4~~ **3**) This includes 6. ~~4~~ **0** million options granted pursuant to the EPA Program that are currently expected to vest. None of the options granted pursuant to the EPA Program were vested and exercisable as of December 31, ~~2022~~ **2023 . There were no options granted during the year ended December 31, 2023**. Options with a weighted average fair value of $ 4. 93 per share ~~,~~ **and** $ 20. 58 ~~per share and $ 2. 67~~ per share were granted during the year ended December 31, 2022 ~~,~~ **and** December 31, 2021 ~~and December 31, 2020~~, respectively. The aggregate intrinsic value of options exercised during the years ended December 31, ~~2022~~ **2023**, December 31, ~~2021~~ **2022** and December 31, ~~2020~~ **2021** was **$ 49. 8 million and** $ 42. 0 million and $ 489. 7 ~~million and $ 3. 5~~ million, respectively. Additional information regarding options outstanding as of December 31, ~~2022~~ **2023**, is as follows: Range of Exercise Price per Share Number of Options Outstanding (in thousands) Weighted Average Exercise Price Weighted Average Remaining Contractual Life (Years) $ ~~0~~ **1**. ~~64~~ **05- $ 1. 35 16, 200 $ 1. 30** 2 ~~, 414 $ 0~~. **94** ~~64 $ 0. 32 $ 1. 05- $ 1. 35 19, 107 $ 1. 29 $ 3. 85~~ $ 2. 38 ~~10~~ **8**, ~~112~~ **333** $ 2. 38 **5** ~~$ 6~~. ~~56~~ **54** $ 6. 23 2, ~~533~~ **489** $ 6. 23 **6** ~~$ 7~~. 68 **$** 23. 04 15, ~~958~~ **119** $ 23. 04 **7** ~~$ 8~~. 96 ~~50~~ **42**, ~~124~~ **141** $ ~~8~~ **9**. **60 5** ~~65 $ 6~~. ~~05~~ **48** Stock- based compensation expense is based on the grant- date fair value. The Company recognizes compensation expense for awards with only service conditions on a straight- line basis over the requisite service period of the awards, which is generally the option vesting term of four years. Excluding options granted pursuant to the EPA Program, as of

December 31, ~~2022~~ **2023**, the Company had stock- based compensation of $ ~~6~~ **2**. 4 million related to unvested stock options not yet recognized that are expected to be recognized over an estimated weighted average period of 1. ~~8~~ **3** years. ~~76~~ **77** QuantumScape CorporationNotes to Consolidated Financial Statements — Continued December 31, ~~2022~~ **2023 There were no options granted in the year ended December 31, 2023.** The following weighted average assumptions were used as inputs to the Monte Carlo simulation in determining the estimated grant- date fair value of the Company' s stock options for the year ended December 31, 2022 **and 2021**: Year Ended December 31, Volatility 98. 69 % 112. 49 % Risk- free interest rate 3. 52 % 1. 44 % Expected dividend — — Cost of equity 14. 62 % 11. 66 % Weighted average fair value at grant date $ 4. 93 $ 20. 58 All options granted during the years ended December 31, 2022 and December 31, 2021, were granted pursuant **to** the EPA Program and were valued using a Monte Carlo simulation. The Monte Carlo simulation used in the valuation of the options required the Company to make assumptions and judgements about the variables used in the calculation including the expected term, volatility of the Company ~~'~~ **'** s common stock and cost of equity. The Company estimated expected term based on the midpoint between the time of vesting and the remaining time to expiration of the option. For options granted in December 2021, given the limited market trading history of the Company' s common stock, volatility is based on a weighted blend of (i) the average volatility of peer companies within the automotive and energy storage industries multiplied by a ratio of the Company' s volatility based on available stock price data as compared to the average volatility of the Company' s peers over the same period and (ii) our implied volatility from exchange traded options. For options granted in December 2022, volatility is based on a blend of (i) the Company' s historical volatility from daily closing stock prices given increased trading history and (ii) the Company' s implied volatility from exchange traded options. Cost of equity is calculated using (i) risk- free rate, (ii) average peer group market beta and (iii) the market- risk premium. ~~The following weighted average assumptions were used as inputs to the Black- Scholes Option Pricing Model in determining the estimated grant- date fair value of the Company' s stock options for the years ended December 31, 2020: Year Ended December 31, Volatility 70. 00 % Risk- free interest rate 0. 39 % Expected term (in years) 6. 08 Expected dividend — Weighted average fair value at grant date $ 2. 67 For options granted with only service conditions, the Company uses the simplified calculation of the expected life for the valuation of options, which takes into consideration the grant' s contractual life and vesting period and assumes that all options will be exercised between the vesting date and the contractual term of the option. Given the lack of a public market for the Company' s common stock prior to the Business Combination and the Company' s minimal history as a public company subsequent to the Business Combination, the estimate for volatility is based on an average of the historical volatilities of the common stock of several entities with characteristics similar to those of the Company. Since these comparable companies operate in the same industry segment, the Company expects that it would share similar characteristics, such as risks profiles, volatility, capital intensity, clientele, and market growth patterns and drivers. The risk- free rate is based on the U. S. Treasury yield curve in effect at the time of grant for periods corresponding with the expected life of the option.~~ EPA ProgramIn December 2021, the Company granted stock options for the purchase of an aggregate of approximately 14. 7 million shares of the Company' s Class A Common Stock to the Company' s Chief Executive Officer and other members of the Company' s management team pursuant to the EPA Program that was approved by the Company' s stockholders in December 2021. In December 2022, the remaining 2. 1 million stock options under the EPA Program were granted to members of the Company' s management team under the same terms as those in the initial grant in 2021, representing the final grant pursuant to the EPA Program approved in December 2021. The EPA Program consists of five equal tranches (each a " Tranche ") that vest if the Company meets certain business milestones (performance conditions) and stock price targets (market conditions). ~~77 QuantumScape CorporationNotes to Consolidated Financial Statements — Continued December 31, 2022Business~~ ---- **Business** MilestonesThe compensation committee of the Board selected the following eleven business milestones for the EPA Program, of which one milestone must be achieved for each ~~tranche~~ **Tranche**. • Delivery of an A- sample battery cell that meets specifications agreed upon with an automaker • The validation by an auto maker of a completed B- sample battery cell (a B- sample battery cell is a functional, complete battery cell prototype produced from our pre- pilot or sample production line) • Delivery of at least 1- gigawatt hour (GWh) of battery cells to a single customer • Delivery of at least 3- gigawatt hour (GWh) of battery cells to each of three or more customers, with at least one of such customer being an auto maker • $ 5 billion in GAAP revenue over a period of trailing four quarters • $ 10 billion in GAAP revenue over a period of trailing four quarters • Total cumulative battery cell production of 500 GWh • Total cumulative battery cell production of 1, 000 GWh • Adjusted EBITDA margin of at least 25 % over four consecutive ~~quarters~~ **quarters78 QuantumScape CorporationNotes to Consolidated Financial Statements — Continued December 31, 2023** • 10 % of worldwide market share in automotive battery cells (excluding China) • 20 % of worldwide market share in automotive battery cells (excluding China) Once a business milestone has been achieved, that business milestone will be considered achieved, even if later the Company does not maintain performance at that level. Stock Price TargetsThe stock price targets of the five ~~tranches~~ **Tranches** of the EPA Program are $ 60, $ 120, $ 180, $ 240 and $ 300. To meet the stock price targets, the stock price must be sustained and not merely momentarily achieved. Except in the case of a change in control, the Company' s stock price for the purposes of assessing the stock price target will be the 120- day trailing average closing price (based on trading days), but a stock price target will not be achieved unless the trailing average closing price of the last 30 trading days of such 120- trading day period also meets or exceeds the applicable stock price target. For a stock price target for any given Tranche to be achieved, the last day of the 120- day measurement period must occur on or after the date that the requisite number of business milestones have been achieved for such Tranche. Vesting TranchesEach of the five Tranches vest only if the Company achieves one of the business milestones (in addition to the business milestones already achieved in a prior Tranche) and achieves the applicable stock price target on or after the business milestone is achieved, within 10 years of the initial grants. Additionally, in order to vest in any Tranche, Participants generally must continue to provide service through the date of vesting in the same position, or a similar or higher role, as when the EPA Program awards are granted. Tranche Business Milestone Requirement Stock Price Target Achievement of 1 business milestone $ 60 Achievement of 2 business milestones (inclusive of the business milestone applicable to Tranche 1) $ 120 Achievement of 3 business milestones (inclusive of the business milestone applicable to Tranche 2) $ 180 Achievement of 4 business milestones (inclusive of the business milestone applicable to Tranche 3) $ 240 Achievement of 5 business milestones (inclusive of the business milestone applicable to Tranche 4) $ 300 ~~78 QuantumScape CorporationNotes to Consolidated Financial Statements — Continued December 31, 2022~~ Change in ControlIn the event of a change in control of the Company, a portion of the EPA Program awards may also be eligible to vest; in such event, the business milestone requirement will not be applicable and the Company' s stock price for the purposes of the stock price targets will be the price per share paid in such change in control. In the event that the Company' s stock price by this measure falls between two stock price targets, linear interpolation between the two applicable stock price targets will be used to determine an additional portion of the EPA Program awards that will vest. Any portion of an EPA Program award that is not vested upon and after giving effect to a change in control will terminate. The Company accounts for the compensation expense associated with each ~~tranche~~ **Tranche** when it determines that achievement of a related business milestone is considered probable. As of December 31, ~~2022~~ **2023** , the ~~two~~ **business milestone for one** ~~tranches~~ **Tranche** ~~were~~ **had been achieved; however, because the related stock price target has not yet been achieved, no shares have vested to date. As of December 31, 2023, one other Tranche was** considered probable. For the years ended December 31, **2023, December 31,** 2022 and **December 31,** 2021, the Company recorded stock- based compensation expense of $ **26. 3 million, $** 49 ~~. 4 and $ 2~~ . 4 million, **and $ 2. 4 million,** respectively **,** related to the EPA Program. As of December 31, ~~2022~~ **2023** , the Company had approximately $ ~~65~~ **32** . ~~3~~ **2** million of total unrecognized stock- based compensation expense for the business milestones currently **achieved or** considered probable of achievement, which will be recognized over an estimated weighted- average period of ~~2~~ **3** . ~~7~~ **0** years. As of December 31, ~~2022~~ **2023** , the Company had approximately $ ~~178~~ **168** . ~~4~~ **0** million of total unrecognized stock- based compensation expense for the business milestones currently considered not probable of achievement. **79 QuantumScape CorporationNotes to Consolidated Financial Statements — Continued December 31, 2023** Restricted Stock Units **ActivitiesDuring the year ended December 31, 2023, the Company granted 4. 4 million shares of restricted stock units with service and performance conditions (" PSU ") to members of the Company' s management team and certain other employees under the Company' s 2020 Plan. The performance conditions for these PSUs are related to the Company' s product development milestones through May 2026. These PSUs will expire in May 2026 if performance conditions are not met. For the year ended December 31, 2023, the Company recorded stock- based compensation expense of $ 15. 8 million related to these PSUs, upon determination that the product development milestones are currently considered probable of achievement. In 2023, the Company established the 2023 Bonus Plan to be settled in the form of restricted stock units to employees upon the achievement of certain service and performance conditions. These performance conditions are related to the Company' s product development, operational, and business milestones in the current year. For the year ended December 31, 2023, the Company recorded stock- based compensation expense of $ 20. 7 million related to the 2023 Bonus Plan for the performance conditions currently considered probable of achievement. During the year ended December 31, 2023, approximately 425 thousand restricted stock units were granted and vested under the 2023 Bonus Plan for the interim payout, resulting in $ 2. 9 million in additional paid in capital. The remaining stock- based compensation expense of $ 17. 8 million related to the 2023 Bonus Plan are recorded as liabilities under Accrued compensation and benefits in the Consolidated Balance Sheets as of December 31, 2023, and will be reclassified to additional paid- in capital upon grant of the restricted stock units. Subsequent to December 31, 2023, approximately 3. 1 million restricted stock units were granted and vested under the 2023 Bonus Plan for the final payout.** Restricted stock ~~unit~~ **units with service conditions only (" RSU ") and PSU** ~~activity~~ **activities** under the Plans are as follows: **RSUs Outstanding PSUs Outstanding** Number ~~ofRestrictedStock~~ **of Units (in thousands) WeightedAverage GrantDate Fair Value Number of** Units (in thousands) WeightedAverage GrantDate Fair Value Balance as of December 31, ~~2020~~ **2022 16, 563 $** 13 ~~, 913 $ 8~~ . ~~94~~ **79 — —** Granted **17, 879 $ 7. 38 4, 790 $ 7. 58 Vested (9, 212) $ 11. 08 (425) $ 6. 82 Forfeited (** 2, **227** ~~082 30. 28 Vested (5, 027~~) ~~6~~ **$ 12** . **95** ~~00 Forfeited~~ (~~414~~ **46**) ~~10~~ **$ 7** . ~~97~~ **87** Balance as of December 31, ~~2021~~ **2023** ~~10~~ **23** , ~~555 14~~ **003 $ 9** . **99 4** ~~48 Granted 12~~ , ~~466 13. 13 Vested (5, 297) 12. 75 Forfeited (1, 161) 17. 18 Balance as of December 31~~ **319 $ 7** ~~, 2022 16, 563 13~~ . ~~79~~ **65** The fair value of ~~restricted stock units~~ **RSUs which vested during the years ended December 31, 2023, December 31, 2022 and December 31, 2021 was $ 68. 1 million, $ 65. 5 million and $ 198. 0 million, respectively. The fair value of PSUs** which vested during the year ended December 31, ~~2022~~ **2023** ~~and December 31, 2021~~ was $ ~~65~~ **2** . ~~5~~ **9** million ~~and $ 198. 0 million~~ , ~~respectively~~ **which was the interim payout under the 2023 Bonus Plan** . No **PSUs granted** ~~restricted stock units vested~~ during the ~~year~~ **years** ended December 31, ~~2020~~ **2022 and** ~~. As of~~ December 31, ~~2022~~ **2021 . As of December 31, 2023** , unrecognized compensation costs related to ~~restricted stock units was~~ **unvested RSUs and PSUs were** $ ~~207~~ **214** . ~~9~~ **4** million and ~~is~~ **$ 17. 3 million, respectively, and are** expected to be recognized over a weighted average period of 2. ~~9~~ **5** years **and 1. 0 years, respectively** . Stock- Based Compensation ExpenseTotal stock- based compensation expense recognized in the accompanying Consolidated Statements of Operations and Comprehensive Loss for all ~~equity~~ awards is as follows (amounts in thousands): Year Ended December 31, Research and development $ **94, 285 $** 62, 892 $ 29, 653 ~~$ 9, 889~~ General and administrative **72, 012** 64, 218 22, 522 ~~7, 135~~ Total stock- based compensation expense $ **166, 297 $** 127, 110 $ 52, 175 **The stock- based compensation expense in the year ended December 31, 2023 includes** $ 17 **. 8 million recorded as liabilities under Accrued compensation and benefits** , ~~024~~ **which is related to the 2023 Bonus Plan, in the Consolidated Balance Sheets as of December 31, 2023.** Note 10. Earnings (Loss) Per Share Basic net loss per share is computed by dividing the net loss by the weighted- average number of shares of common stock outstanding during the period. Diluted earnings per share adjusts basic earnings per share for the potentially dilutive impact of stock options and warrants. As the Company has reported a loss for the year ended December 31, ~~2022~~ **2023** , potentially dilutive securities including stock options and warrants, are antidilutive and accordingly, basic net loss per share equals diluted net loss per share. The following table sets forth the computation of basic and diluted loss per Class A Common Stock and Class B Common Stock (amounts in thousands, except per share amounts): Year Ended December 31, Numerator: Net loss attributable to common stockholders- Basic $ (**445, 145) $ (** 411, 907) $ (45, 966 ~~) $ (1, 681, 777~~) Less: Change in fair value of assumed common stock warrant liabilities — **—** (168, 674) ~~—~~ Net loss attributable to common stockholders- Diluted $ (**445, 145) $ (** 411, 907) $ (214, 640 ~~) $ (1, 681, 777~~) Denominator: Weighted average Class A and Class B Common Stock outstanding- Basic **462, 239** 432, 973 404, 259 ~~252, 144~~ Effect of dilutive securities — **—** 5, 250 ~~—~~ Weighted average Class A and Class B Common Stock outstanding- Diluted **462, 239** 432, 973 409, 509 ~~252, 144~~ Net loss per share attributable to Class A and Class B Common stockholders- Basic $ (0. **96) $ (0.** 95) $ (0. 11 ~~) $ (6. 67~~) Net loss per share attributable to Class A and Class B Common stockholders- Diluted $ (0. **96) $ (0.** 95) $ (0. 52 ~~) $ (6. 67~~) The following table presents the potential common stock outstanding that was excluded from the computation of diluted net loss per share of common stock as of the periods presented because including them would have been antidilutive (amounts in thousands): Year Ended December 31, ~~Warrants~~ **Options 42, 141 50, 124 53, 078 RSUs 23, 003 16, 563 10, 555 PSUs 7, 259** — — ~~18, 150 Options outstanding 50, 124 53, 078 55, 316 Restricted stock units 16, 563 10, 555 13, 913 VGA contingent purchase commitment (1) — — 15, 221~~ Total **72, 403** 66, 687 63, 633 ~~102, 600 (1) This refers to VGA' s commitment to purchase 15. 2 million shares of Class A Common Stock for $ 100. 0 million subject to certain conditions including the achievement of a specified technical milestone by March 31, 2021. All shares were issued subsequent to the fulfillment of these conditions.~~ Note 11. Joint Venture and Redeemable Non- Controlling Interest As described in Note 2, Summary of Significant Accounting Policies, in September 2018, ~~the Company~~ **Legacy QuantumScape** entered into a JVA **, which was amended in 2020,** with VWGoA and VGA and formed QSV. The Company **has** determined **that** the entity was a VIE with a related party, and the Company' s operations were more closely associated with QSV. As such, the Company consolidates QSV for financial reporting purposes, and a non- controlling interest is recorded for VGA' s interest in the net assets and operations of QSV' s operations to the extent of the VGA investment. The Company' s Consolidated Balance Sheets includes $ 3. **5 million and $ 3.** 4 million cash and cash equivalents ~~,~~ of QSV ~~both~~ as of December 31, ~~2022~~ **2023** and December 31, ~~2021~~ **2022 , respectively** . Although the Company has consolidated the net assets of QSV, it has no right to the use of those assets for its standalone operations. ~~80~~ **81** QuantumScape CorporationNotes to Consolidated Financial Statements — Continued December 31, ~~2022The~~ **2023The** following table sets forth the change in redeemable non- controlling interest for years ended December 31, **2023,** 2022 ~~,~~ **and** 2021 ~~and 2020~~ (amounts in thousands): Redeemable Non- ControllingInterest ~~Balance as of December 31, 2019 $ 1, 710 Net loss attributable to redeemable non- controlling interest in QSV (6)~~ Balance as of December 31, 2020 $ 1, 704 Net loss attributable to redeemable non- controlling interest in QSV (11) Balance as of December 31, 2021 $ 1, 693 Net income attributable to redeemable non- controlling interest in QSV Balance as of December 31, 2022 $ 1, 704 **Net income attributable to redeemable non- controlling interest in** ~~In May 2020, the Company amended the JVA and other related agreements regarding~~ QSV **Balance as** ~~in connection with VGA' s investment~~ of **December 31** ~~$ 200. 0 million in the Company' s Series F convertible preferred stock. The Company determined the amendments represented a reconsideration event and determined that QSV is still a variable interest entity. As the significance and nature of the business of QSV continues to be more aligned with the core business of the Company and the Company continues to absorb a majority of the variability associated with QSV' s anticipated economic performance~~ , ~~the Company continues to be the related party most closely associated with QSV. In September 2020~~ **2023 $ 1** , **770 Pursuant to** the ~~Company entered into an~~ agreement with VWGoA **,** ~~under which~~ the Company **has** ~~agreed to reserve~~ **reserved** $ 134. 0 million ~~from the aggregate proceeds of the Series F Preferred Stock financings and the Business Combination~~ to fund its expected equity contributions to QSV, which amounts are included in cash and cash equivalents and marketable securities in the accompanying Consolidated Balance Sheets as of December 31, **2023 and December 31,** 2022 ~~and 2021~~ . Note 12. Income Taxes The Company has no domestic provision for income taxes for the years ended December 31, **2023, December 31,** 2022 **and December 31** , 2021 ~~and 2020~~ . The Company has no domestic current tax expense from losses generated in the U. S. and no deferred expense from the valuation allowance. The Company established a foreign subsidiary in Japan during the year ended December 31, 2021. The foreign tax provision for the ~~year~~ **years** ended December 31, **2023, December 31,** 2022 ~~,~~ and December 31, 2021 is not material. A reconciliation from U. S. statutory rate of 21 % to the effective rate is as follows: Year Ended December 31, Federal Statutory rate 21. 0 % 21. 0 % 21. 0 % State tax expense 7. 0 % 7. **0 % 7.** 1 % ~~0. 0 %~~ Stock- based compensation **0. 1 %** 1. 7 % 349. 5 ~~% 0. 0~~ % Change in fair value of assumed common stock warrant liabilities 0. 0 % **0. 0 %** 103. 1 % ~~(7. 3 %)~~ Research and development tax credit **3. 1 %** 2. 7 % 41. 5 ~~% 0. 2~~ % Permanent tax items (0. 1 %) (~~7~~ **0** . 1 %) (~~0~~ **7** . ~~2~~ **1** %) State rate differential- change in apportionment 0. 0 % **0. 0 %** 4. 4 % ~~(0. 1 %)~~ Prior year deferred true- up **0. 0 %** 4. 6 % 2. 5 ~~% 0. 1~~ % Change in fair value of Series F tranche liabilities 0. 0 % 0. 0 % **0** ~~(12~~ . ~~5~~ **0** % ~~)~~ Sec. 162 (m) wage limitation (**7. 3 %) (** 2. 2 %) (113. 9 %) ~~(0. 1 %)~~ Change to valuation allowance (**23. 8 %) (** 34. 7 %) (408 ~~. 1 %) (1~~ . 1 %) Effective tax rate 0. 0 % 0. 0 % 0. 0 % ~~81~~ **82** QuantumScape CorporationNotes to Consolidated Financial Statements — Continued December 31, ~~2022~~ **2023** Significant components of the Company' s net deferred tax assets as of December 31, **2023 and December 31,** 2022 ~~and 2021~~ , are as follows (amounts in thousands): Year Ended December 31, Deferred tax assets: Net operating losses $ **400, 678 $** 336, 617 ~~$ 257, 426~~ Tax credits **72, 409** 58, 476 ~~35, 149~~ Accruals and stock- based compensation **20, 610** 28, 152 ~~10, 479~~ Lease liability **29, 953** 30, 571 ~~20, 234~~ Section 174 capitalized research & development **82, 303** 45, 369 ~~— Intangibles —~~ Gross deferred tax assets **605, 953** 499, 185 ~~323, 973~~ Valuation allowance (**544, 408) (** 438, 212 ~~) (293, 211~~) Total deferred tax assets $ **61, 545 $** 60, 973 ~~$ 30, 762~~ Deferred tax liabilities: Right of use assets $ (**22, 382) $ (** 24, 450) ~~$ (18, 999)~~ Intangibles (**915) (** 561) ~~—~~ Fixed assets (**38, 248) (** 35, 962 ~~) (11, 763~~) Total deferred tax liabilities (**61, 545) (** 60, 973 ~~) (30, 762~~) Total net deferred tax assets $ — $ — Recognition of deferred tax assets is appropriate when realization of such assets is more likely than not. Based upon the weight of available evidence, which includes the Company' s historical operating performance, cumulative net losses, and projected future losses, the Company has provided a full valuation allowance against its deferred tax assets. The Company' s valuation allowance increased by $ **106. 2 million, $** 145. 0 million ~~,~~ **and** $ 187. 4 ~~million and $ 20. 1~~ million for the years ended December 31, **2023, December 31,** 2022 **and December 31** , 2021 ~~and 2020~~ , respectively. A reconciliation of the beginning and ending balances of the valuation allowance is as follows (amounts in thousands): Year Ended December 31, Beginning of the year $ (**438, 212) $ (** 293, 211) $ (105, 781) ~~$ (85, 677)~~ Increase (**106, 196) (** 145, 001) (187, 430) ~~(20, 104)~~ End of the year $ (**544, 408) $ (** 438, 212) $ (293, 211 ~~) $ (105, 781~~) As of December 31, ~~2022~~ **2023** , the Company had **U. S.** federal and state net operating loss carryforwards of approximately $ 1. ~~20~~ **4** billion and $ 1. ~~19~~ **5** billion, respectively. The **U. S.** federal net operating loss carryforwards of $ 170. 2 million generated prior to 2018 will expire at various dates beginning in 2030, if not utilized. We have **U. S.** federal net operating loss carryforwards of $ 1. ~~03~~ **2** billion, which can be carried forward indefinitely. The state net operating loss carryforwards will expire at various dates beginning in 2030, if not utilized. Section 382 and Section 383 of the Internal Revenue Code **(the " Code ")** and similar provisions under state law ~~has~~ **impose** limitations on **U. S.** federal and state net operating loss carryforwards and research and development credit carryforwards. The **Code** ~~Tax Reform Act~~ contains provisions that limit the **U. S.** federal net operating loss carryforwards that may be used in any given year in the event of special occurrences, including significant ownership changes. A Section 382 " ownership change " generally occurs if one or more stockholders or groups of stockholders, who own at least 5 % of the Company' s stock, increase their ownership by more than 50 percentage points over their lowest ownership percentage within a rolling three- year period. The Company performed ~~the~~ **a Section 382** analysis **in prior periods and through December 31, 2023,** and determined that it ~~has~~ experienced ~~an~~ ownership ~~change~~ **changes** in December 2010 and in August 2012 as a result of the preferred stock financing rounds. The **U. S.** federal and state net operating loss carryforwards and research and development credit carryforwards are not subject to significant limitations under Section 382 and Section 383 of the ~~Internal Revenue~~ Code and similar provisions under state law. ~~82~~ **83** QuantumScape CorporationNotes to Consolidated Financial Statements — Continued December 31, ~~2022As~~ **2023As** of December 31, ~~2022~~ **2023** , the Company also has **U. S.** federal and California research and development credits of $ ~~68~~ **86** . ~~4~~ **3** million and $ ~~48~~ **61** . ~~5~~ **1** million, respectively. The **U. S.** federal tax credit carryforwards will expire beginning in 2031, if not utilized. The state tax credit carryforwards do not expire. The Company records unrecognized tax benefits in accordance with ASC 740- 10, Income Taxes. ASC 740- 10 ~~which~~ prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of uncertain tax positions taken or expected to be taken in the Company' s income tax return and also provides guidance on de- recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. A reconciliation of the beginning and ending balances of unrecognized tax benefits is as follows (amounts in thousands): Year Ended December 31, Beginning of the year $ **52, 802 $** 32, 172 $ 6, 575 ~~$ 7, 076~~ Increase — current year positions **15, 113** 12, 388 20, 633 ~~1, 553~~ Decrease — current year positions **—** (5, 056) ~~—~~ — Increase — prior year positions 13, 298 5, 056 Decrease — prior year positions — **—** (92) ~~(2, 247)~~ End of the year $ **68, 057 $** 52, 802 $ 32, 172 ~~$ 6, 575~~ Due to the Company' s full valuation allowance, the unrecognized tax benefits would not materially impact the Company' s effective tax rate when recognized. The Company does not anticipate the total amounts of unrecognized tax benefits will significantly increase or decrease in the next 12 months. The Company' s policy is to classify interest and penalties associated with uncertain tax positions, if any, as a component of its income tax provision. For the years ended December 31, **2023,** 2022 ~~,~~ **and** 2021 ~~and 2020~~ , the Company had no interest or penalties related to unrecognized tax benefits. The **U. S.** federal and state income tax returns are open under the statute of limitations subject to tax examinations for the tax years ended December 31, **2020 through December 31, 2022 and December 31,** 2019 through December 31, ~~2021~~ **2022** ~~and December 31, 2018 through December 31, 2021~~ , respectively. To the extent the Company has tax attribute carryforwards, the tax years in which the attribute was generated may still be adjusted upon examination by the IRS or state tax authorities to the extent utilized in a future period. **Note 13. Subsequent Events On February 8, 2024, the Board of Directors (the " Board ") of the Company appointed Dr. Siva Sivaram, as the Company' s Chief Executive Officer (" CEO ") and as a member of the Board, effective February 15, 2024. Mr. Singh will be continuing in his capacity as Chairman of the Board. Effective February 15, 2024, Mr. Singh no longer receives any compensation for his service as CEO, other than the Company' s 2023 annual bonus already earned and paid in February 2024 in the form of shares of the Company' s Class A Common Stock. The stock options granted to him under the Company' s 2021 Extraordinary Performance Award Program terminated on February 15, 2024 in accordance with its terms. All of Mr. Singh' s other outstanding equity awards will continue to vest in accordance with their terms, subject to his continuing to serve as a service provider to the Company. The Company is currently evaluating the impact of these, including the reversal of previously recognized costs for the unvested EPA awards, will have on its consolidated financial statements in the fiscal quarter ended March 31, 2024, however such amount is expected to be material.** Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure. None. Item 9A. Controls and Procedures. Limitations on Effectiveness of Controls and Procedures In designing and evaluating our disclosure controls and procedures (as defined in Rules 13a- 15 (e) and 15d- 15 (e) under the Exchange Act), 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. Evaluation of Disclosure Controls and Procedures Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, ~~2022~~ **2023** , the end of the period covered by this Report. Based upon that evaluation, our principal executive officer and principal financial officer concluded that, as of the end of the period covered by this Report, our disclosure controls and procedures were effective. Management' s Report on Internal Controls Over Financial Reporting Our management is responsible for establishing and maintaining adequate internal control over our financial reporting. Our internal control over financial reporting is designed to provide reasonable assurances regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U. S. generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that: • pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; • provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U. S. generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of our management and directors; and • provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements. Our internal control systems include the controls themselves, actions taken to correct deficiencies as identified, an organizational structure providing for division of responsibilities, careful selection and training of qualified financial personnel and a program of internal audits. Our management has assessed the effectiveness of our internal control over financial reporting as of December 31, ~~2022~~ **2023** . In making this assessment, management used the criteria established in Internal Control- Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) (2013 framework). Based on this assessment, our management concluded that our internal control over financial reporting was effective as of December 31, ~~2022~~ **2023** . Attestation of Independent Registered Public Accounting Firm Ernst & Young LLP, an independent registered public accounting firm, which has audited and reported on the consolidated financial statements contained in this Report, has issued its report on the effectiveness of the Company' s internal control over financial reporting which is included in Part II. Item 8- Financial Statements and Supplementary Data. Changes in Internal Control Over Financial Reporting There was no change in our internal control over financial reporting (as defined in Rules 13a- 15 (f) and 15d- 15 (f) under the Exchange Act) that occurred during the quarterly period ended December 31, ~~2022~~ **2023** that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. Item 9B. Other Information. Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections. PART III In accordance with General Instruction G. (3) of Form 10- K certain information required by this Part III will either be incorporated into this Report by reference to our definitive proxy statement for our ~~2023~~ **2024** Annual Meeting of Stockholders filed within 120 days after December 31, ~~2022~~ **2023** or will be included in an amendment to this Report filed within 120 days after December 31, ~~2022~~ **2023** . Item 10. Directors, Executive Officers and Corporate Governance. The information that is responsive to this Item 10 of Form 10- K will be included in our ~~2023~~ **2024** Proxy Statement and is incorporated herein by reference. Item 11. Executive Compensation The information that is responsive to this Item 11 of Form 10- K will be included in our ~~2023~~ **2024** Proxy Statement and is incorporated herein by reference. Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters. The information that is responsive to this Item 12 of Form 10- K will be included in our ~~2023~~ **2024** Proxy Statement and is incorporated herein by reference. Item 13. Certain Relationships and Related Transactions, and Director Independence. The information that is responsive to this Item 13 of Form 10- K will be included in our ~~2023~~ **2024** Proxy Statement and is incorporated herein by reference. Item 14. Principal Accounting Fees and Services. The information that is responsive to this Item 14 of Form 10- K will be included in our ~~2023~~ **2024** Proxy Statement and is incorporated herein by reference. PART IV Item 15. Exhibits, Financial Statement Schedules. (a) List the following documents filed as a part of the report: (1) Financial Statements: Report of Independent Registered Public Accounting Firm (PCAOB ID: 42) Consolidated Balance Sheets as of December 31, **2023 and** 2022 ~~and 2021~~ Consolidated Statements of Operations and Comprehensive Loss for the Years ended December 31, **2023,** 2022 ~~,~~ **and** 2021 ~~and 2020~~ Consolidated Statements of Redeemable Non- Controlling Interest and Stockholders' Equity for the Years ended December 31, **2023,** 2022 ~~,~~ **and** 2021 ~~and 2020~~ Consolidated Statements of Cash Flows for the Years ended December 31, **2023,** 2022 ~~,~~ **and** 2021 ~~and 2020~~ Notes to Consolidated Financial Statements (2) Financial Statement Schedules. None. (3) The exhibits listed below are filed as part of this Report are incorporated herein by reference, in each case as indicated below. Exhibit Index Incorporated by ReferenceExhibitNumber Description Form File No. Exhibit Filing Date 2. 1 Business Combination Agreement, dated as of September 2, 2020, by and among Kensington Capital Acquisition Corp., Kensington Capital Merger Sub Corp. and Legacy QuantumScape. S- 4 / A 333- 248930 2. 1 November 12, 2020 2. 2 Amendment No. 1 to Business Combination Agreement, dated as of September 21, 2020, by and among Kensington Capital Acquisition Corp., Kensington Capital Merger Sub Corp. and Legacy QuantumScape. S- 4 / A 333- 248930 2. 2 November 12, 2020 3. 1 Amended and Restated Certificate of Incorporation of the Company. 8- K 001- 39345 3. 1 December 2, 2020 3. 2 Amended and Restated Bylaws of the Company. 8- K 001- 39345 3. 1 October 25, 2022 4. 1 Specimen Common Stock Certificate. 8- K 001- 39345 4. 1 December 2, 2020 4. 2 Description of Securities. 10- K 001- 39345 4. 4 February 28, ~~2022~~ **202210 . 1 # Amended and Restated Limited Liability Company Agreement of QSV Operations LLC, dated May 14, 2020, by and between Legacy QuantumScape and Volkswagen Group of America Investments, LLC. S- 4 / A 333- 248930** 10. ~~1 Registration Rights~~ **20 November 12, 2020 10. 2 # Amended** and ~~Lock~~ **Restated Joint Venture Agreement, dated May 14, 2020, by and among Legacy QuantumScape and the persons named therein. S** - ~~up~~ **4 / A 333- 248930 10. 21 November 12, 2020 10. 3 # Series F Preferred Stock Purchase Agreement, dated May 14, 2020, by and between Legacy QuantumScape and Volkswagen Group of America Investments, LLC. S- 4 / A 333- 248930 10. 23 November 12, 2020 10. 4 First Letter** Agreement, dated as of September 2, 2020, by and among Kensington Capital Acquisition Corp. ~~.~~ ,Legacy QuantumScape,and Volkswagen Group of America Investments,LLC.8- K 001- 39345 10.6 September 3,2020 10. ~~11~~ **5** Second Letter Agreement,dated as of September 2,2020,by and among Kensington Capital Acquisition Corp.,Legacy QuantumScape,and Volkswagen Group of America Investments,LLC.8- K 001- 39345 10.7 September 3,2020 10. ~~12~~ **6** Third Letter Agreement,dated as of September 2,2020,by and among Kensington Capital Acquisition Corp.,Legacy QuantumScape,and Volkswagen Group of America Investments,LLC.8- K 001- 39345 10.8 September 3,2020 10. **7 Amendment No.1** ~~13 Offer Letter from Legacy QuantumScape~~ to ~~Timothy Holme~~ **Series F Preferred Stock Purchase Agreement** ,dated ~~January 1~~ **September 3** , ~~2011~~ **2020,by and among Kensington Capital Acquisition Corp.,Legacy QuantumScape and Volkswagen Group of America Investments,LLC** .S- 4 / A 333- 248930 10. ~~13~~ **24** November 12,2020 10. **8 First Amendment** ~~14 Offer Letter from Legacy QuantumScape~~ to ~~Kevin Hettrich~~ **Amended and Restated Joint Venture Agreement** ,dated ~~October 11~~ **September 21** , ~~2011.S- 4 / A 333- 248930 10.14 November 12,~~ 2020 **,by and among** ~~10.15 Offer Letter from~~ Legacy QuantumScape ~~to Michael~~ and the persons named therein. **S- 4 / A 333- 248930 10. 22 November 12, 2020 10. 9 Letter Agreement, dated as of December 7, 2020, by and among Legacy QuantumScape, the Registrant and Volkswagen Group of America Investments, LLC. S- 1 / A 333-**

251433 10. 30 December 28, 2020 10. 10 Series F Closing Agreement, dated March 30, 2021, by an among the Registrant, Legacy QuantumScape and Volkswagen Group of America, Inc. 8- K 001- 39345 1. 1 April 1, 2021 10. 11 Letter Agreement dated May 13, 2021, by and among Legacy QuantumScape, Volkswagen Group of America, Inc, Volkswagen Group of America Investments, LLC and QSV Operations LLC 8- K 001- 39345 10. 1 May 17, 2021 10. 12 Letter Agreement dated December 17, 2021, by and among QuantumScape Battery, Inc., Volkswagen Group of America, Inc, Volkswagen Group of America Investments, LLC and QSV Operations LLC 8- K 001- 39345 10. 1 December 17, 2021 10. 13 # Letter Agreement, dated as of July 28, 2022, by and between Legacy QuantumScape Battery, Inc. and Volkswagen Group of America Investments, LLC 10- K 001- 39345 10. 39 February 28, 2023 10. 14 Letter Agreement dated September 27, 2022, by and among QuantumScape Battery, Inc., Volkswagen Group of America, Inc, Volkswagen Group of America Investments, LLC and QSV Operations LLC 8- K 001- 39345 10. 1 September 28, 2022 10. 15 Letter Agreement, dated as of May 26, 2023, by and between Legacy QuantumScape Battery, Inc. and Volkswagen Group of America Investments, LLC 10- Q 001- 39345 10. 1 July 28, 2023 10. 16 Lease, dated May 31, 2013, by and between SI 55, LLC and Legacy QuantumScape. S- 4 / A 333- 248930 10. 18 November 12, 2020 10. 17 Amendment to Lease, dated May 19, 2014, by and between SI 55, LLC and Legacy QuantumScape. S- 4 / A 333- 248930 10. 19 November 12, 2020 10. 18 Lease Agreement, dated April 2, 2021, between Exeter 1710 Automation, LLC and Legacy QuantumScape S- 1 / A 333- 251433 10. 34 May 10, 2021 10. 19 Second Amendment to Lease, dated June 22, 2021, between Legacy QuantumScape and SI 55, LLC. 8- K 001- 39345 10. 1 June 28, 2021 10. 20 Guaranty of Lease, dated June 22, 2021, between Legacy QuantumScape and SI 55, LLC. 8- K 001- 39345 10. 2 June 28, 2021 10. 21 Lease, dated November 1, 2021, by and between the 1750 Landlord and the Company 8- K 001- 39345 10. 1 November 5, 2021 10. 22 Lease, dated November 1, 2021, by and between the 1756 / 62 Landlord and the Company 8- K 001- 39345 10. 2 November 5, 2021 10. 23 Registration Rights and Lock- up Agreement, dated as of September 2, 2020, by and among Kensington Capital Acquisition Corp. and the persons named therein. 8- K 001- 39345 10. 3 September 3, 2020 10. ~~2~~ **24** Form of Senior Employee Lock- Up Agreement. 8- K 001- 39345 10. 5 September 3, 2020 10. ~~13~~ **25** Offer Letter from Legacy QuantumScape to Timothy Holme,dated January 1,2011.S- 4 / A 333- 248930 10.13 November 12,2020 10. ~~14~~ **26** Offer Letter from Legacy QuantumScape to Kevin Hettrich,dated October 11,2011.S- 4 / A 333- 248930 10.14 November 12,2020 10. ~~15~~ **27** Offer Letter from Legacy QuantumScape to Michael McCarthy,dated December 21,2012.S- 4 / A 333- 248930 10.16 November 12,2020 10. ~~16~~ **28** Offer Letter from Legacy QuantumScape to Mohit Singh,dated April 3 **, 2013. S- 4 / A 333- 248930 10. 17 November 12, 2020 10. 29 Offer Letter from QuantumScape Battery, Inc. to Srinivasan Sivaram 10- Q 001- 39345 10. 2 October 27, 2023 10. 30** Form of Indemnification Agreement by and between the Registrant and its directors and officers. 8- K 001- 39345 10. 7 December 2, 2020 10. ~~4~~ **31** The Registrant' s 2020 Equity Incentive Plan. 8- K 001- 39345 10. 8 December 2, 2020 10. ~~5~~ **32** The Registrant' s 2020 Equity Incentive Plan — Form of Stock Option Agreement. 8- K 001- 39345 10. 9 December 2, 2020 10. ~~6~~ **33** The Registrant' s 2020 Equity Incentive Plan — Form of Restricted Stock Unit Agreement. 8- K 001- 39345 10. 10 December 2, 2020 10. ~~7~~ **34** The Registrant' s 2020 Equity Incentive Plan — Form of Restricted Stock Agreement. 8- K 001- 39345 10. 11 December 2, 2020 10. ~~8~~ **35** The Registrant' s 2020 Employee Stock Purchase Plan. 8- K 001- 39345 10. 12 December 2, 2020 10. ~~9~~ **36** Form of Performance Stock Option Agreement under the Extraordinary Performance Award Program DEF 14A 001- 39345 Appendix 1 November 8, 2021 10. **37** 10 First Letter Agreement, dated as...... December 28, 2020 10. 25 Employee Incentive Compensation Plan. 8- K 001- 39345 10. 1 March 15, 2021 10. ~~26~~ **38** Form **of** Change in Control and Severance Agreement. 8- K 001- 39345 10. 2 March 15, 2021 10. **39** ~~27 Series F Closing Agreement, dated March 30, 2021, by an among the Registrant, Legacy QuantumScape and Volkswagen Group of America, Inc. 8- K 001- 39345 1. 1 April 1, 2021 10. 28 Lease Agreement, dated April 2, 2021, between Exeter 1710 Automation, LLC and Legacy QuantumScape S- 1 / A 333- 251433 10. 34 May 10, 2021 10. 29 Letter Agreement dated May 13, 2021, by and among Legacy QuantumScape, Volkswagen Group of America, Inc, Volkswagen Group of America Investments, LLC and QSV Operations LLC 8- K 001- 39345 10. 1 May 17, 2021 10. 30 Second Amendment to Lease, dated June 22, 2021, between Legacy QuantumScape and SI 55, LLC. 8- K 001- 39345 10. 1 June 28, 2021 10. 31 Guaranty of Lease, dated June 22, 2021, between Legacy QuantumScape and SI 55, LLC. 8- K 001- 39345 10. 2 June 28, 2021 10. 32 Lease, dated November 1, 2021, by and between the 1750 Landlord and the Company 8- K 001- 39345 10. 1 November 5, 2021 10. 33 Lease, dated November 1, 2021, by and between the 1756 / 62 Landlord and the Company 8- K 001- 39345 10. 2 November 5, 2021 10. 34 Letter Agreement dated December 17, 2021, by and among QuantumScape Battery, Inc., Volkswagen Group of America, Inc, Volkswagen Group of America Investments, LLC and QSV Operations LLC 8- K 001- 39345 10. 2 December 17, 2021 10. 35~~ The Registrant' s Outside Director Compensation Policy 10- Q 001- 39345 10. 2 May 2, ~~2022~~ **202210** ~~10~~ . **40 Distribution** ~~36 Celina Mikolajczak Separation~~ Agreement ~~and Release Dated June 6~~ , ~~2022 10- Q 001- 39345 10. 2 July 29, 2022 10. 37 Celina Mikolajczak Scientific Advisory Board Agreement Dated June 6, 2022 10- Q 001- 39345 10. 3 July 29, 2022 10. 38 Letter Agreement~~ dated ~~September 27~~ **February 28** , ~~2022~~ **2023** ~~,~~ by and ~~among~~ **between** QuantumScape ~~Battery, Inc~~ **Corporation and J** . **P. Morgan Securities** ~~, Volkswagen Group of America, Inc, Volkswagen Group of America Investments,~~ LLC **.** ~~and QSV Operations LLC~~ 8- K 001- 39345 ~~10.~~ 1 ~~September~~ **. 1 February** 28, **202310** ~~2022 10~~ . **41 Distribution** ~~39 * # Letter~~ Agreement, dated **February** ~~as of July~~ 28, ~~2022~~ **2023** , by and between ~~Legacy~~ QuantumScape ~~Battery~~ **Corporation and Cowen and Company** , **LLC. 8- K 001- 39345 1. 2 February 28, 202310. 42 Distribution Agreement, dated February 28, 2023, by and between QuantumScape Corporation and Deutsche Bank Securities** Inc. ~~and Volkswagen Group of America Investments~~ **8- K 001- 39345 1. 3 February 28** , **202310. 43 Distribution Agreement, dated February 28, 2023, by and between QuantumScape Corporation and UBS Securities** LLC ~~21~~ **. 8- K 001- 39345 1. 4 February 28, 202321** . 1 * List of Subsidiaries of the Registrant 23. 1 * Consent of Independent Registered **Public** Accounting Firm, Ernst & Young LLP. 24. 1 * Power of Attorney (included in signature page). 31. 1 * Rule 13a- 14 (a) / 15 (d)- 14 (a) Certification of Principal Executive Officer. 31. 2 * Rule 13a- 14 (a) / 15 (d)- 14 (a) Certification of Principal Financial Officer. 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. 32. 2 † Certification of Principal Financial Officer Pursuant to 18 U. S. C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes- Oxley Act of 2002. **97. 1 * Compensation Recovery Policy** 101. INS Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document. 101. SCH Inline XBRL Taxonomy Extension Schema **With Embedded** ~~Document 101. CAL Inline XBRL Taxonomy Extension Calculation Linkbase~~ **Linkbases** ~~Document 101. DEF Inline XBRL Taxonomy Extension Definition Linkbase Document 101. LAB Inline XBRL Taxonomy Extension Label Linkbase Document 101. PRE Inline XBRL Taxonomy Extension Presentation Linkbase~~ Document Cover Page Interactive Data File (embedded within the Inline XBRL document) * Filed herewith. † These exhibits are furnished with this ~~Quarterly~~ **Annual** Report on Form 10- ~~Q~~ **K** and are not deemed filed with the Securities and Exchange Commission and are not incorporated by reference in any filing of QuantumScape Corporation under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date hereof and irrespective of any general incorporation language contained in such filings. # Portions of this exhibit have been omitted in accordance with Item 601 of Regulation S- K. Indicates a management or compensatory plan. Item 16. Form 10- K Summary SIGNATURES Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized. QuantumScape Corporation Date: February ~~28~~ **27** , ~~2023~~ **2024** By: / s / ~~Jagdeep Singh Jagdeep Singh~~ **Siva Sivaram Siva Sivaram President and** Chief Executive Officer (Principal Executive Officer) POWER OF ATTORNEY KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints ~~Jagdeep Singh~~ **Siva Sivaram** and Kevin Hettrich, and each of them or his attorney- in- fact, each with the power of substitution, for him in any and all capacities, to sign any amendments to this Annual Report on Form 10- K, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys- in- fact, or his substitutes, may do or cause to be done by virtue of hereof. Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Report has been signed below by the following persons on behalf of the Registrant in the capacities and on the dates indicated. Name Title Date / s / ~~Jagdeep Singh~~ **Siva Sivaram President,** Chief Executive Officer and ~~Chairman~~ **Director** February ~~28~~ **27** , ~~2023Jagdeep Singh~~ **2024 Siva Sivaram** (Principal Executive Officer) / s / Kevin Hettrich Chief Financial Officer February ~~28~~ **27** , ~~2023Kevin~~ **2024Kevin** Hettrich (Principal Financial and Accounting Officer) / s / Frank Blome Director February ~~28~~ **27** , ~~2023Frank~~ **2024Frank** Blome / s / Brad Buss Director February ~~28~~ **27** , ~~2023Brad~~ **2024Brad** Buss / s / Jeneanne Hanley Director February ~~28~~ **27** , ~~2023Jeneanne~~ **2024Jeneanne** Hanley / s / Susan Huppertz Director February ~~28~~ **27** , ~~2023Susan~~ **2024Susan** Huppertz / s / Jürgen Leohold Director February ~~28~~ **27** , ~~2023Jürgen~~ **2024Jürgen** Leohold / s / Gena Lovett Director February ~~28~~ **27** , ~~2023Gena~~ **2024Gena** Lovett / s / Fritz Prinz Director February ~~28~~ **27** , ~~2023Fritz~~ **2024Fritz** Prinz ~~/ s / J. B. Straubel Director February 28, 2023J. B. Straubel~~ / s / Dipender Saluja Director February ~~28~~ **27** , ~~2023Dipender~~ **2024Dipender** Saluja **/ s / Jagdeep Singh Director February 27, 2024Jagdeep Singh / s / JB Straubel Director February 27, 2024JB Straubel** / s / Jens Wiese Director February ~~28~~ **27** , ~~2023Jens~~ **2024Jens** Wiese ~~DocuSign Envelope ID: 5FBD21B1- 2FE8- 401D- BBB5- 9546130246D6 Exhibit 10. 39 CERTAIN IDENTIFIED INFORMATION HAS BEEN EXCLUDED FROM THE EXHIBIT BECAUSE IT IS BOTH (I) NOT MATERIAL AND (II) WOULD BE COMPETITIVELY HARMFUL IF PUBLICLY DISCLOSED. [* * *] INDICATES THAT INFORMATION HAS BEEN REDACTED. 1730 Technology Drive San Jose, CA 95110 Attn: Jagdeep Singh, CEO Dear Mr. Singh: Reference is made to that certain Limited Liability Company Agreement (the " Agreement ") dated as of September 11, 2018, as amended and restated by that certain Amended and Restated Limited Liability Company Agreement dated as of May 14, 2020 (collectively, the " LLC Agreement "), by and between QuantumScape Battery, Inc. (f / k / a QuantumScape Corporation), a Delaware corporation (" QS ") and Volkswagen Group of America Investments, LLC, a Delaware limited liability company (" VW Member "). VW Member and QS are collectively referred to as the " Parties ". In consideration of the mutual promises contained herein, the Parties agree as follows: 1. Amendment of LLC Agreement. (a) The definition of " QS Member Call Right Trigger " under Article I of the LLC Agreement is hereby amended and restated in its entirety as follows: " QS Member Call Right Trigger " shall be deemed to have occurred if the Phase 1 Trigger is not completed by May 31, 2023, provided, however, that QS must reasonably consult with VW for at least ten (10) Business Days prior to exercising it rights pursuant to the QS Member Call Right Trigger. " (b) Paragraph (i) of the definition of " VW Member Put Right Trigger " under Article I of the LLC Agreement is hereby amended and restated in its entirety as follows: " (i) [* * *] 2. Miscellaneous. A. Full Force and Effect. Except as set forth in this Letter Agreement, the LLC Agreement is not being amended, supplemented or otherwise modified, and the Parties agree that the terms, conditions and agreements set forth in the LLC Agreement are hereby ratified and confirmed and shall continue in full force and effect. On or after the date hereof, each reference in the LLC Agreement to " this Agreement, " " the Agreement, " " hereunder, " " herein " or words of like import shall mean and be a reference to the Agreement as amended by this Letter Agreement. B. Entire Agreement. In the event of any conflict between the provisions of this Letter Amendment and the provisions of the LLC Agreement, the provisions of this Letter Agreement shall control. This Letter Agreement, together with the other Transaction Agreements (as defined in the LLC Agreement), contain the entire understanding and agreement among the Parties with respect to the subject matter thereof and supersede any other prior written or oral understandings or agreements among them with respect thereto. C. Board Approval. The board of managers of QSV Operations LLC has approved the content and execution of this Letter Agreement by unanimous written consent dated July 28, 2022. D. Governing Law. This Letter Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Delaware without regard to any conflict of laws, rules or principles that would require the application of any other law. E. Dispute Resolution. Any dispute, claim or controversy arising out of or relating to this Letter Agreement shall be resolved in accordance with Section 9. 10 of the JVA (as defined in the LLC Agreement), mutatis mutandis. F. Certain Provisions. Sections 9. 8 (Word Meaning, Headings), 9. 9 (Binding Effect; Inconsistencies with the JVA), 9. 10 (Successors; No Third- Party Rights), 9. 11~~

~~(Interpretation), 9. 12 (Severability), 9. 13 (Counterparts) and 9. 14 (Counsel) of the LLC Agreement shall apply to this Letter Agreement, mutatis mutandis. [signature page follows]- 2- Sincerely, VOLKSWAGEN GROUP OF AMERICA INVESTMENTS, LLC By: / s / Kevin Duke Name: Kevin Duke Title: VP & Secretary Accepted and Agreed: QUANTUMSCAPE BATTERY, INC. By: / s / Michael McCarthy Name: Michael McCarthy Title: Chief Legal Officer- 3-~~ Exhibit 21. 1 Subsidiaries of QuantumScape CorporationName: Jurisdiction of Incorporation or Formation: QuantumScape Battery, Inc. Delaware QSV Operations LLC Delaware QuantumScape Japan GK JapanExhibit 23. 1 ~~Consent of Independent Registered Public Accounting Firm~~ We consent to the incorporation by reference in the following Registration Statements: (1) Post- Effective Amendment No. 5 to Registration Statement (Form S- 1 on Form S- 3 No. 333- 251433) of QuantumScape Corporation, (2) Registration Statement (Form S- 3 No. 333- 262659) of QuantumScape Corporation, (3) Registration Statement (Form S- 3 No. 333- 266419) of QuantumScape Corporation, ~~and~~ (4) Registration Statement (Form S- 8 No. 333- 252606) pertaining to the 2020 Equity Incentive Plan, 2020 Employee Stock Purchase Plan, and 2010 Equity Incentive Plan of QuantumScape Corporation **, and (5) Registration Statement (Form S- 8 No. 333- 270117) pertaining to the 2020 Equity Incentive Plan and 2020 Employee Stock Purchase Plan of QuantumScape Corporation** ; of our reports dated February ~~28~~ **27** , ~~2023~~ **2024** , with respect to the consolidated financial statements of QuantumScape Corporation and the effectiveness of internal control over financial reporting of QuantumScape Corporation included in this Annual Report (Form 10- K) of QuantumScape Corporation for the year ended December 31, ~~2022~~ **2023** . Exhibit 31. 1 CERTIFICATION PURSUANT TO RULES 13a- 14 (a) AND 15d- 14 (a) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES- OXLEY ACT OF 2002 I, ~~Jagdeep Singh~~ **Siva Sivaram** , certify that: 1. I have reviewed this Annual Report on Form 10- K of QuantumScape Corporation; 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 (s) 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 (s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant' s auditors and the audit committee of the registrant' s board of directors (or persons performing the equivalent functions): (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant' s ability to record, process, summarize and report financial information; and (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant' s internal control over financial reporting. Date: February ~~28~~ **27** , ~~2023~~ **2024** By: / s / ~~Jagdeep Singh Jagdeep Singh~~ **Siva Sivaram Siva Sivaram President and** Chief Executive Officer ~~and Chairman~~ (Principal Executive Officer) Exhibit 31. 2 I, Kevin Hettrich, certify that: Date: February ~~28~~ **27** , ~~2023~~ **2024** By: / s / Kevin Hettrich Kevin Hettrich Chief Financial Officer (Principal Financial and Accounting Officer) Exhibit 32. 1 18 U. S. C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES- OXLEY ACT OF 2002 In connection with the Annual Report of QuantumScape Corporation (the " Company ") on Form 10- K for the period ended December 31, ~~2022~~ **2023** as filed with the Securities and Exchange Commission on the date hereof (the " Report "), I certify, pursuant to 18 U. S. C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes- Oxley Act of 2002, that: (1) The Report fully complies with the requirements of section 13 (a) or 15 (d) of the Securities Exchange Act of 1934; and (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company. Exhibit 32. 2 In connection with the Annual Report of QuantumScape Corporation (the " Company ") on Form 10- K for the period ended December 31, ~~2022~~ **2023** as filed with the Securities and Exchange Commission on the date hereof (the " Report "), I certify, pursuant to 18 U. S. C. Section1350, as adopted pursuant to Section 906 of the Sarbanes- Oxley Act of 2002, that: Date: February ~~28~~ **27** , ~~2023~~ **2024** By: / s / Kevin Hettrich Kevin Hettrich Chief Financial Officer (Principal Financial and Accounting Officer) **Exhibit 97. 1 QUANTUMSCAPE CORPORATION COMPENSATION RECOVERY POLICY QuantumScape Corporation (together with its subsidiaries, the " Company ") is committed to strong corporate governance. As part of this commitment, the Company' s Board of Directors (the " Board ") has adopted this clawback policy called the Compensation Recovery Policy (the " Policy "). The Policy is intended to further the Company' s pay- for- performance philosophy and to comply with applicable law by providing rules related to the reasonably prompt recovery of certain compensation received by Covered Executives in the event of an Accounting Restatement. The application of the Policy to Covered Executives is not discretionary, except to the limited extent provided below, and applies without regard to**

whether a Covered Executive was at fault. Capitalized terms used in the Policy are defined below, and the definitions have substantive impact on its application so reviewing them carefully is important to your understanding. The Policy is intended to comply with, and will be interpreted in a manner consistent with, Section 10D of the Securities Exchange Act of 1934 (the " Exchange Act "), with Exchange Act Rule 10D- 1 and with the listing standards of the New York Stock Exchange (the " Exchange ") on which the securities of the Company are listed. Persons Covered by the Policy The Policy is binding and enforceable against all Covered Executives, which means each individual who is or was ever designated as an " officer " by the Board in accordance with Exchange Act Rule 16a- 1 (f) (a " Section 16 Officer "). Each Covered Executive will be required to sign and return to the Company an acknowledgement that such Covered Executive will be bound by the terms and comply with the Policy. The failure to obtain such acknowledgement will have no impact on the applicability or enforceability of the Policy. Administration of the Policy The Compensation Committee (the " Committee ") of the Board has full delegated authority to administer the Policy. The Committee is authorized to interpret and construe the Policy and to make all determinations necessary, appropriate, or advisable for the administration of the Policy. In addition, if determined in the discretion of the Board, the Policy may be administered by the independent members of the Board or another committee of the Board made up of independent members of the Board, in which case all references to the Committee will be deemed to refer to the independent members of the Board or the other Board committee. All determinations of the Committee will be final and binding and will be given the maximum deference permitted by law. Accounting Restatements Requiring Application of the Policy If the Company is required to prepare an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements, or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period (an " Accounting Restatement "), then the Committee must determine the Excess Compensation, if any, that must be recovered. The Company' s obligation to recover Excess Compensation is not dependent on if or when restated financial statements are filed. 4882- 7345- 1364. 16 Compensation Covered by the Policy The Policy applies to certain Incentive- Based Compensation (certain terms used in this Section are defined below) that is Received on or after October 2, 2023 (the " Effective Date "), during the Covered Period while the Company has a class of securities listed on a national securities exchange. Incentive- Based Compensation is considered " Clawback Eligible Incentive- Based Compensation " if the Incentive- Based Compensation is Received by a person after such person became a Section 16 Officer and the person served as a Section 16 Officer at any time during the performance period for the Incentive- Based Compensation. The " Excess Compensation " that must be recovered is the amount of Clawback Eligible Incentive- Based Compensation that exceeds the amount of Clawback Eligible Incentive- Based Compensation that otherwise would have been Received had such Clawback Eligible Incentive- Based Compensation been determined based on the restated amounts. Excess Compensation must be computed without regard to any taxes paid and is referred to in the listings standards as " erroneously awarded incentive- based compensation ". To determine the amount of Excess Compensation for Incentive- Based Compensation based on stock price or total shareholder return, where it is not subject to mathematical recalculation directly from the information in an Accounting Restatement, the amount must be based on a reasonable estimate of the effect of the Accounting Restatement on the stock price or total shareholder return upon which the Incentive- Based Compensation was Received and the Company must maintain documentation of the determination of that reasonable estimate and provide that documentation to the Exchange. " Incentive- Based Compensation " means any compensation that is granted, earned, or vested based wholly or in part upon the attainment of a Financial Reporting Measure. For the avoidance of doubt, no compensation that is potentially subject to recovery under the Policy will be earned until the Company' s right to recover under the Policy has lapsed. " Financial Reporting Measures " are measures that are determined and presented in accordance with the accounting principles used in preparing the Company' s financial statements, and any measures that are derived wholly or in part from such measures. Stock price and total shareholder return are also Financial Reporting Measures. A Financial Reporting Measure need not be presented within the financial statements or included in a filing with the Securities and Exchange Commission. Incentive- Based Compensation is " Received " under the Policy in the Company' s fiscal period during which the Financial Reporting Measure specified in the Incentive- Based Compensation award is attained, even if the payment, vesting, settlement or grant of the Incentive- Based Compensation occurs after the end of that period. For the avoidance of doubt, the Policy does not apply to Incentive- Based Compensation for which the Financial Reporting Measure is attained prior to the Effective Date. " Covered Period " means the three completed fiscal years immediately preceding the Accounting Restatement Determination Date. In addition, Covered Period can include certain transition periods resulting from a change in the Company' s fiscal year. " Accounting Restatement Determination Date " means the earliest to occur of: (a) the date the Board, a committee of the Board, or one or more of the officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare an Accounting Restatement; and (b) the date a court, regulator, or other legally authorized body directs the Company to prepare an Accounting Restatement. Repayment of Excess Compensation The Company must recover Excess Compensation reasonably promptly and Covered Executives are required to repay Excess Compensation to the Company. Subject to applicable law, the Company may recover Excess Compensation by requiring the Covered Executive to repay such amount to the Company by direct payment to the Company or such other means or combination of means as the Committee determines to be appropriate (these determinations do not need to be identical as to each Covered Executive). These means may include: (a) requiring reimbursement of cash Incentive- Based Compensation previously paid; (b) seeking recovery of any gain realized on the vesting, exercise, settlement, sale,

transfer, or other disposition of any equity- based awards, without regard to whether such awards are Incentive- Based Compensation; (c) offsetting the amount to be recovered from any unpaid or future compensation to be paid by the Company or any affiliate of the Company to the Covered Executive, including payments of severance that might otherwise- 2- be due in connection with an Executive Officer' s termination of employment and without regard to whether such amounts are Incentive- Based Compensation; (d) cancelling outstanding vested or unvested equity awards, without regard to whether such awards are Incentive- Based Compensation; and / or (e) taking any other remedial and recovery action permitted by law, as determined by the Committee. The repayment of Excess Compensation must be made by a Covered Executive notwithstanding any Covered Executive' s belief (whether or not legitimate) that the Excess Compensation had been previously earned under applicable law and therefore is not subject to clawback. In addition to its rights to recovery under the Policy, the Company or any affiliate of the Company may take any legal actions it determines appropriate to enforce a Covered Executive' s obligations to the Company or to discipline a Covered Executive. Failure of a Covered Executive to comply with their obligations under the Policy could lead to (without limitation) termination of that Executive Officer' s employment for cause for failure to comply with a Company policy, institution of civil proceedings, reporting of misconduct to appropriate governmental authorities, reduction of future compensation opportunities or change in role. The decision to take any actions described in the preceding sentence will not be subject to the approval of the Committee and can be made by the Board, any committee of the Board, or any duly authorized officer of the Company or of any applicable affiliate of the Company. For avoidance of doubt, any of the Company determinations to discipline or terminate the employment of a Covered Executive are independent of determinations under this Policy. For example, if a Covered Officer was involved in activities that led to an Accounting Restatement, the Company' s decision as to whether to not to terminate such Covered Executive' s employment would be made under its employment arrangements with such Covered Executive and the requirement to apply this no- fault and non- discretionary Policy should bear no weight on whether any such termination was or was not a termination for cause (other than in a circumstance where the termination of employment was due to the Covered Executive' s failure to comply with their obligations under the Policy). Limited Exceptions to the Policy The Company must recover the Excess Compensation in accordance with the Policy except to the limited extent that the conditions set forth below are met, and the Committee determines that recovery of the Excess Compensation would be impracticable: (a) The direct expense paid to a third party to assist in enforcing the Policy would exceed the amount to be recovered. Before reaching this conclusion, the Company must make a reasonable attempt to recover such Excess Compensation, document such reasonable attempt (s) to recover, and provide that documentation to the Exchange; or (b) Recovery would likely cause an otherwise tax- qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the legal requirements as such. Other Important Information in the Policy The Policy is in addition to the requirements of Section 304 of the Sarbanes- Oxley Act of 2002 that are applicable to the Company' s Chief Executive Officer and Chief Financial Officer, as well as any other applicable laws, regulatory requirements, rules, or pursuant to the terms of any existing Company policy or agreement providing for the recovery of compensation. Notwithstanding the terms of any of the Company' s organizational documents (including, but not limited to, the Company' s bylaws), any corporate policy or any contract (including, but not limited to, any indemnification agreement), neither the Company nor any affiliate of the Company will indemnify or provide advancement for any Covered Executive against any loss of Excess Compensation. Neither the Company nor any affiliate of the Company will pay for or reimburse insurance premiums for an insurance policy that covers potential recovery obligations. In the event that the Company is required to recover Excess Compensation pursuant to the Policy from a Covered Executive who is no longer an employee pursuant to the Policy, the Company will be entitled to seek recovery in order to comply with applicable law, regardless of the terms of any release of claims or separation agreement that individual may have signed. The Committee or Board may review and modify the Policy from time to time.- 3- If any provision of the Policy or the application of any such provision to any Covered Executive is adjudicated to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provisions of the Policy or the application of such provision to another Covered Executive, and the invalid, illegal or unenforceable provisions will be deemed amended to the minimum extent necessary to render any such provision or application enforceable. The Policy will terminate and no longer be enforceable when the Company ceases to be listed issuer within the meaning of Section 10D of the Exchange Act.- 4- ACKNOWLEDGEMENT • I acknowledge that I have received and read the Compensation Recovery Policy (the " Policy ") of QuantumScape Corporation (the " Company "). • I understand and acknowledge that the Policy applies to me, and all of my beneficiaries, heirs, executors, administrators or other legal representatives and that the Company' s right to recovery in order to comply with applicable law will apply, regardless of the terms of any release of claims or separation agreement I have signed or will sign in the future. • I agree to be bound by and to comply with the Policy and understand that determinations of the Committee (as such term is used in the Policy) will be final and binding and will be given the maximum deference permitted by law. • I understand and agree that my current indemnification rights, whether in an individual agreement or the Company' s organizational documents, exclude the right to be indemnified for amounts required to be recovered under the Policy. • I understand that my failure to comply in all respects with the Policy is a basis for termination of my employment with the Company and any affiliate of the Company as well as any other appropriate discipline. • I understand that neither the Policy, nor the application of the Policy to me, gives rise to a resignation for good reason (or similar concept) by me under any applicable employment agreement or arrangement. • I acknowledge that if I have questions concerning the meaning or application of the Policy, it is my responsibility to seek guidance from the Compliance Officer and / or my own personal advisers. • I acknowledge that neither this Acknowledgement nor the Policy is meant to constitute an employment contract. Please review, sign

and return this form to Human Resources. Covered Executive (print name) (signature) (date)