

SOUNDHOUND AI, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)

	September 30, 2022	December 31, 2021
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 33,412	\$ 21,626
Restricted cash equivalents	—	460
Accounts receivable, net of allowances of \$109 as of September 30, 2022 and December 31, 2021	2,789	2,060
Prepaid expenses	3,774	1,276
Debt issuance cost	122	1,132
Contract assets	1,407	54
Other current assets	861	863
Total current assets	42,365	27,471
Restricted cash equivalents, non-current	230	736
Right-of-use assets	8,833	10,291
Property and equipment, net	4,146	6,155
Deferred tax asset	2,169	2,169
Debt issuance cost	204	—
Deferred offering costs	—	1,264
Contract assets, non-current	4,823	—
Other assets	1,071	1,117
Total assets	\$ 63,841	\$ 49,203
LIABILITIES, REDEEMABLE CONVERTIBLE PREFERRED STOCK, AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	\$ 2,894	\$ 3,760
Accrued liabilities	7,242	7,298
Operating lease liabilities	3,281	3,281
Finance lease liabilities	179	1,301
Income tax liability	2,858	2,737
Deferred revenue	5,312	6,042
Convertible note	—	29,868
Derivative liability	—	3,488
Notes payable	16,533	29,964
Total current liabilities	38,299	87,739
Operating lease liabilities, net of current portion	6,236	8,611
Financing lease liabilities, net of current portion	168	292
Deferred revenue, net of current portion	8,874	14,959
Notes payable, net of current portion	22,508	—
Other liabilities	2,133	1,336
Total liabilities	78,218	112,937
Commitments and contingencies (Note 7)		
Legacy SoundHound redeemable convertible preferred stock; \$0.0001 par value; 0 and 146,218,514 shares authorized; 0 and 106,949,326 shares issued and outstanding, liquidation preference of \$0 and \$284,826 as of September 30, 2022 and December 31, 2021, respectively	—	279,503
Stockholders' deficit:		
Legacy SoundHound Common Stock, \$0.0001 par value; 250,030,433 shares authorized; 0 and 68,258,556 shares issued and outstanding as of September 30, 2022 and December 31, 2021, respectively	—	1
Class A Common Stock, \$0.0001 par value; 455,000,000 shares authorized; 157,296,065 and 0 shares issued and outstanding as of September 30, 2022 and December 31, 2021, respectively	16	—
Class B Common Stock, \$0.0001 par value; 44,000,000 shares authorized; 40,396,600 and 0 shares issued and outstanding as of September 30, 2022 and December 31, 2021, respectively	4	—
Additional paid-in capital	457,025	43,491
Accumulated deficit	(471,422)	(386,729)
Total stockholders' deficit	(14,377)	(343,237)
Total liabilities, redeemable convertible preferred stock, and stockholders' deficit	\$ 63,841	\$ 49,203

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

SOUNDHOUND AI, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(In thousands, except share and per share data)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenues	\$ 11,186	\$ 4,028	\$ 21,628	\$ 16,046
Operating expenses:				
Cost of revenues	2,583	1,657	6,844	4,878
Sales and marketing	6,672	1,175	13,623	3,259
Research and development	19,352	14,344	54,864	42,810
General and administrative	9,587	4,022	22,952	11,387
Total operating expenses	38,194	21,198	98,283	62,334
Loss from operations	(27,008)	(17,170)	(76,655)	(46,288)
Other expense, net:				
Interest expense	(1,166)	(2,683)	(5,715)	(5,725)
Other income (expense), net	116	(2,738)	(718)	(4,280)
Total other expense, net	(1,050)	(5,421)	(6,433)	(10,005)
Loss before provision for income taxes	(28,058)	(22,591)	(83,088)	(56,293)
Provision for income taxes	864	1,190	1,605	1,400
Net loss	(28,922)	(23,781)	(84,693)	(57,693)
Other comprehensive gain:				
Unrealized holding gain on available-for-sale securities, net of tax	—	—	—	1
Comprehensive loss	\$ (28,922)	\$ (23,781)	\$ (84,693)	\$ (57,692)
Net loss per share:				
Basic and diluted	\$ (0.15)	\$ (0.35)	\$ (0.59)	\$ (0.86)
Weighted-average common shares outstanding:				
Basic and diluted	197,006,980	67,718,940	143,338,517	67,021,176

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SOUNDHOUND AI, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2022	2021
Cash flows from operating activities:		
Net loss	\$ (84,693)	\$ (57,693)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	3,197	4,169
Stock-based compensation	19,500	4,049
Change in fair value of derivative and warrant liability	606	3,791
Amortization of debt issuance cost	2,237	2,953
Non-cash lease amortization	2,168	2,412
Deferred income taxes	—	1,035
Changes in operating assets and liabilities:		
Accounts receivable, net	(729)	(2,061)
Prepaid expenses	(2,498)	(75)
Other current assets	2	(552)
Contract assets	(6,176)	—
Other assets	46	(222)
Accounts payable	398	(32)
Accrued liabilities	1,440	1,724
Operating lease liabilities	(3,085)	(2,710)
Deferred revenue	(6,815)	(7,138)
Other liabilities	797	(747)
Net cash used in operating activities	<u>(73,605)</u>	<u>(51,097)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(1,188)	(234)
Net cash used in investing activities	<u>(1,188)</u>	<u>(234)</u>
Cash flows from financing activities:		
Proceeds from issuance of convertible notes, net of issuance cost	—	5,044
Proceeds from note payable, net of issuance cost	—	29,833
Proceeds from the issuance of common stock upon exercise of options	3,620	1,906
Proceeds from Business Combination and PIPE, net of transaction costs	90,689	—
Payments on notes payable	(7,450)	—
Payments on finance leases	(1,246)	(1,885)
Net cash provided by financing activities	<u>85,613</u>	<u>34,898</u>
Net change in cash, cash equivalents, and restricted cash equivalents	10,820	(16,433)
Cash, cash equivalents, and restricted cash equivalents, beginning of period	22,822	44,982
Cash, cash equivalents, and restricted cash equivalents, end of period	<u>\$ 33,642</u>	<u>\$ 28,549</u>
Reconciliation to amounts on the condensed consolidated balance sheets:		
Cash and cash equivalents	\$ 33,412	\$ 27,259
Current portion of restricted cash equivalents	—	230
Non-current portion of restricted cash equivalents	230	1,060
Total cash, cash equivalents, and restricted cash equivalents shown in the condensed consolidated statements of cash flows	<u>\$ 33,642</u>	<u>\$ 28,549</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 2,302	\$ 1,475
Cash paid for income taxes	\$ 787	\$ 260
Noncash investing and financing activities		
Operating lease liabilities and right-of-use assets through adoption of ASC 842	\$ —	\$ 11,428
Conversion of convertible note into common stock pursuant to Business Combination	\$ 20,239	\$ —
Conversion of redeemable convertible preferred stock to common stock pursuant to Business Combination	\$ 279,503	\$ —
Debt discount through issuance of common stock warrants	\$ —	\$ 3,842
Operating lease liabilities arising from obtaining right-of-use assets	\$ 650	\$ 3,422
Property and equipment acquired under finance leases or debt	\$ —	\$ 650

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