

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

	September 30, 2023	December 31, 2022
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 96,146	\$ 9,245
Accounts receivable, net	3,376	3,414
Prepaid expenses	2,359	2,514
Contract assets	6,139	1,671
Other current assets	1,353	859
Total current assets	109,373	17,703
Restricted cash equivalents, non-current	13,775	230
Right-of-use assets	5,861	8,119
Property and equipment, net	1,828	3,447
Deferred tax asset	55	55
Contract assets, non-current	12,560	7,041
Other non-current assets	558	1,391
Total assets	\$ 144,010	\$ 37,986
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	\$ 2,163	\$ 2,798
Accrued liabilities	11,012	8,537
Operating lease liabilities	2,740	3,282
Finance lease liabilities	138	160
Income tax liability	1,105	1,314
Deferred revenue	4,250	5,812
Current portion of long-term debt	—	16,668
Total current liabilities	21,408	38,571
Operating lease liabilities, net of current portion	3,663	5,715
Finance lease liabilities, net of current portion	34	128
Deferred revenue, net of current portion	3,573	7,543
Long-term debt	83,308	18,299
Other non-current liabilities	6,092	4,295
Total liabilities	118,078	74,551
Commitments and contingencies (Note 6)		
Stockholders' equity (deficit):		
Series A Preferred Stock, \$0.0001 par value; 1,000,000 shares authorized; 481,673 and 0 shares issued and outstanding, aggregate liquidation preference of \$15,898 and \$0 as of September 30, 2023 and December 31, 2022, respectively	14,387	—
Class A Common Stock, \$0.0001 par value; 455,000,000 shares authorized; 208,975,388 and 160,297,664 shares issued and outstanding as of September 30, 2023 and December 31, 2022, respectively	21	16
Class B Common Stock, \$0.0001 par value; 44,000,000 shares authorized; 37,485,408 and 39,735,408 shares issued and outstanding as of September 30, 2023 and December 31, 2022, respectively	4	4
Additional paid-in capital	585,699	466,857
Accumulated deficit	(574,376)	(503,442)
Accumulated other comprehensive income	197	—
Total stockholders' equity (deficit)	25,932	(36,565)
Total liabilities and stockholders' equity (deficit)	\$ 144,010	\$ 37,986

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,	
	2023	2022	2023	2022
Revenues	\$ 13,268	\$ 11,186	\$ 28,726	\$ 21,628
Operating expenses:				
Cost of revenues	3,590	2,583	7,396	6,844
Sales and marketing	4,471	6,672	14,424	13,623
Research and development	12,806	19,352	38,726	54,864
General and administrative	6,931	9,651	20,644	23,016
Restructuring	—	—	3,751	—
Total operating expenses	27,798	38,258	84,941	98,347
Loss from operations	(14,530)	(27,072)	(56,215)	(76,719)
Other expense, net:				
Interest expense	(5,442)	(1,166)	(12,110)	(5,715)
Other income (expense), net	1,336	(959)	(302)	(1,793)
Total other expense, net	(4,106)	(2,125)	(12,412)	(7,508)
Loss before provision for income taxes	(18,636)	(29,197)	(68,627)	(84,227)
Provision for income taxes	1,561	864	2,307	1,605
Net loss	(20,197)	(30,061)	(70,934)	(85,832)
Less: Cumulative dividends attributable to Series A Preferred Stock	647	—	2,206	—
Net loss attributable to SoundHound common shareholders	\$ (20,844)	\$ (30,061)	\$ (73,140)	\$ (85,832)
Other comprehensive income:				
Unrealized gains on investments	168	—	197	—
Comprehensive loss	\$ (20,029)	\$ (30,061)	\$ (70,737)	\$ (85,832)
Net loss per share:				
Basic and diluted	\$ (0.09)	\$ (0.15)	\$ (0.33)	\$ (0.60)
Weighted-average common shares outstanding:				
Basic and diluted	242,022,268	197,006,980	222,760,880	143,338,517

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

	Nine Months Ended September 30,	
	2023	2022
Cash flows from operating activities:		
Net loss	\$ (70,934)	\$ (85,832)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,941	3,197
Stock-based compensation	20,639	19,500
Change in fair value of derivative and warrant liability	—	606
Loss on change in fair value of ELOC program	1,901	1,075
Non-cash interest expense	3,532	2,237
Non-cash lease expense	2,383	2,168
Loss on debt extinguishment	837	—
Other non-cash losses, net	262	—
Changes in operating assets and liabilities:		
Accounts receivable, net	38	(729)
Prepaid expenses	155	(2,498)
Other current assets	(616)	2
Contract assets	(9,987)	(6,176)
Other non-current assets	690	110
Accounts payable	(635)	398
Accrued liabilities	1,906	1,440
Operating lease liabilities	(2,772)	(3,085)
Deferred revenue	(5,532)	(6,815)
Other non-current liabilities	1,797	797
Net cash used in operating activities	<u>(54,395)</u>	<u>(73,605)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(334)	(1,188)
Net cash used in investing activities	<u>(334)</u>	<u>(1,188)</u>
Cash flows from financing activities:		
Proceeds from the issuance of Series A Preferred Stock	24,942	—
Proceeds from sales of common stock under the ELOC program, net of transaction costs	71,454	—
Proceeds from the issuance of common stock	8,837	3,620
Proceeds from Business Combination and PIPE, net of transaction costs	—	90,689
Proceeds from the issuance of long-term debt, net of issuance costs	85,087	—
Payments on long-term debt	(35,029)	(7,450)
Payments on finance leases	(116)	(1,246)
Net cash provided by financing activities	<u>155,175</u>	<u>85,613</u>
Net change in cash, cash equivalents, and restricted cash equivalents	<u>100,446</u>	<u>10,820</u>
Cash, cash equivalents, and restricted cash equivalents, beginning of period	9,475	22,822
Cash, cash equivalents, and restricted cash equivalents, end of period	<u>\$ 109,921</u>	<u>\$ 33,642</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 7,945	\$ 2,302
Cash paid for income taxes	\$ 1,645	\$ 787
Noncash investing and financing activities:		
Non-cash debt discount	\$ 4,136	\$ —
Conversion of Series A Preferred Stock to common stock	\$ 10,555	\$ —

Issuance of common stock to settle commitment shares related to the ELOC program	\$ 915	\$ —
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
Operating lease liabilities arising from obtaining right-of-use assets	\$ —	\$ 650

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