**SOUNDHOUND AI, INC.**

**CONDENSED CONSOLIDATED BALANCE SHEETS**

***(In thousands, except share and per share data)***

|  |  |  |  |
| --- | --- | --- | --- |
|  | **June 30,** **2023** |  | **December 31,** **2022** |
|  | **(Unaudited)** |  |  |
| **ASSETS** |  |  |  |
|  |  |  |  |
| Current assets: |  |  |  |
| Cash and cash equivalents | $ 115,764 |  | $ 9,245 |
| Accounts receivable, net | 3,532 |  | 3,414 |
| Prepaid expenses | 2,573 |  | 2,514 |
| Contract assets | 3,701 |  | 1,671 |
| Other current assets | 1,371 |  | 859 |
| Total current assets | 126,941 |  | 17,703 |
| Restricted cash equivalents, non-current | 13,775 |  | 230 |
| Right-of-use assets | 6,502 |  | 8,119 |
| Property and equipment, net | 2,329 |  | 3,447 |
| Deferred tax asset | 55 |  | 55 |
| Contract assets, non-current | 7,091 |  | 7,041 |
| Other non-current assets | 885 |  | 1,656 |
| Total assets | $ 157,578 |  | $ 38,251 |
|  |  |  |  |
| **LIABILITIES AND STOCKHOLDERS’ EQUITY (DEFICIT)** |  |  |  |
| Current liabilities: |  |  |  |
| Accounts payable | $ 1,895 |  | $ 2,798 |
| Accrued liabilities | 16,381 |  | 7,462 |
| Operating lease liabilities | 2,881 |  | 3,282 |
| Finance lease liabilities | 154 |  | 160 |
| Income tax liability | 1,080 |  | 1,314 |
| Deferred revenue | 4,612 |  | 5,812 |
| Current portion of long-term debt | — |  | 16,668 |
| Total current liabilities | 27,003 |  | 37,496 |
|  |  |  |  |
| Operating lease liabilities, net of current portion | 4,356 |  | 5,715 |
| Finance lease liabilities, net of current portion | 60 |  | 128 |
| Deferred revenue, net of current portion | 4,118 |  | 7,543 |
| Long-term debt | 66,428 |  | 18,299 |
| Other non-current liabilities | 16,824 |  | 4,295 |
| Total liabilities | 118,789 |  | 73,476 |
| Commitments and contingencies (Note 6) |  |  |  |
|  |  |  |  |
| Stockholders’ equity (deficit): |  |  |  |
| Series A Preferred Stock, $0.0001 par value; 1,000,000 shares authorized; 835,011 and 0 shares issued and outstanding, aggregate liquidation preference of $25,050 and $0 as of June 30, 2023 and December 31, 2022, respectively | 24,942 |  | — |
| Class A Common Stock, $0.0001 par value; 455,000,000 shares authorized; 194,336,749 and 160,297,664 shares issued and outstanding as of June 30, 2023 and December 31, 2022, respectively | 20 |  | 16 |
| Class B Common Stock, $0.0001 par value; 44,000,000 shares authorized; 38,035,408 and 39,735,408 shares issued and outstanding as of June 30, 2023 and December 31, 2022, respectively | 4 |  | 4 |
| Additional paid-in capital | 564,197 |  | 466,857 |
| Accumulated deficit | (550,403) |  | (502,102) |
| Accumulated other comprehensive income | 29 |  | — |
| Total stockholders’ equity (deficit) | 38,789 |  | (35,225) |
| Total liabilities and stockholders’ equity (deficit) | $ 157,578 |  | $ 38,251 |

*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** **June 30,** | | |  | **Six Months Ended** **June 30,** | | |
|  | **2023** |  | **2022** |  | **2023** |  | **2022** |
| Revenues | $ 8,751 |  | $ 6,152 |  | $ 15,458 |  | $ 10,442 |
| Operating expenses: |  |  |  |  |  |  |  |
| Cost of revenues | 1,830 |  | 2,488 |  | 3,806 |  | 4,261 |
| Sales and marketing | 5,078 |  | 4,370 |  | 9,953 |  | 6,951 |
| Research and development | 11,736 |  | 18,862 |  | 25,920 |  | 35,512 |
| General and administrative | 6,377 |  | 9,362 |  | 13,502 |  | 13,365 |
| Restructuring | 166 |  | — |  | 3,751 |  | — |
| Total operating expenses | 25,187 |  | 35,082 |  | 56,932 |  | 60,089 |
| Loss from operations | (16,436) |  | (28,930) |  | (41,474) |  | (49,647) |
|  |  |  |  |  |  |  |  |
| Other expense, net: |  |  |  |  |  |  |  |
| Interest expense | (5,572) |  | (1,572) |  | (6,668) |  | (4,549) |
| Other income (expense), net | 493 |  | 223 |  | 587 |  | (834) |
| Total other expense, net | (5,079) |  | (1,349) |  | (6,081) |  | (5,383) |
| Loss before provision for income taxes | (21,515) |  | (30,279) |  | (47,555) |  | (55,030) |
| Provision for income taxes | 417 |  | 389 |  | 746 |  | 741 |
| Net loss | (21,932) |  | (30,668) |  | (48,301) |  | (55,771) |
|  |  |  |  |  |  |  |  |
| Other comprehensive income: |  |  |  |  |  |  |  |
| Unrealized gains on investments | 29 |  | — |  | 29 |  | — |
| Comprehensive loss | $ (21,903) |  | $ (30,668) |  | $ (48,272) |  | $ (55,771) |
|  |  |  |  |  |  |  |  |
| Net loss per share: |  |  |  |  |  |  |  |
| Basic and diluted | $ (0.10) |  | $ (0.19) |  | $ (0.23) |  | $ (0.48) |
|  |  |  |  |  |  |  |  |
| Weighted-average common shares outstanding: |  |  |  |  |  |  |  |
| Basic and diluted | 220,772,111 |  | 162,004,172 |  | 212,970,561 |  | 116,059,520 |

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

**SOUNDHOUND AI, INC.**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

***(In thousands)***

***(Unaudited)***

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Six Months Ended** **June 30,** | | |
|  | **2023** |  | **2022** |
| Cash flows from operating activities: |  |  |  |
| Net loss | $ (48,301) |  | $ (55,771) |
| Adjustments to reconcile net loss to net cash used in operating activities: |  |  |  |
| Depreciation and amortization | 1,411 |  | 2,269 |
| Stock-based compensation | 13,947 |  | 10,327 |
| Change in fair value of derivative and warrant liability | — |  | 606 |
| Non-cash interest expense | 1,607 |  | 2,185 |
| Non-cash lease expense | 1,714 |  | 1,545 |
| Loss on debt extinguishment | 837 |  | — |
| Other non-cash losses, net | 82 |  | — |
| Changes in operating assets and liabilities: |  |  |  |
| Accounts receivable, net | (118) |  | 1,045 |
| Prepaid expenses | (59) |  | (3,409) |
| Other current assets | (634) |  | (10) |
| Contract assets | (2,080) |  | — |
| Other non-current assets | 628 |  | 110 |
| Accounts payable | (903) |  | 1,846 |
| Accrued liabilities | 5,045 |  | 108 |
| Operating lease liabilities | (1,910) |  | (2,258) |
| Deferred revenue | (4,625) |  | (5,362) |
| Other non-current liabilities | (292) |  | 2 |
| Net cash used in operating activities | (33,651) |  | (46,767) |
|  |  |  |  |
| Cash flows from investing activities: |  |  |  |
| Purchases of property and equipment | (293) |  | (982) |
| Net cash used in investing activities | (293) |  | (982) |
|  |  |  |  |
| Cash flows from financing activities: |  |  |  |
| Proceeds from the issuance of Series A Preferred Stock, net of issuance costs | 24,942 |  | — |
| Proceeds from sales of common stock under the ELOC program, net of issuance costs | 70,905 |  | — |
| Proceeds from the issuance of common stock | 8,177 |  | 2,904 |
| Proceeds from Business Combination and PIPE, net of transaction costs | — |  | 91,695 |
| Proceeds from the issuance of long-term debt, net of issuance costs | 85,087 |  | — |
| Payments on notes payable | (35,029) |  | (3,416) |
| Payments on finance leases | (74) |  | (1,016) |
| Net cash provided by financing activities | 154,008 |  | 90,167 |
| Net change in cash, cash equivalents, and restricted cash equivalents | 120,064 |  | 42,418 |
| Cash, cash equivalents, and restricted cash equivalents, beginning of period | 9,475 |  | 22,822 |
| Cash, cash equivalents, and restricted cash equivalents, end of period | $ 129,539 |  | $ 65,240 |
|  |  |  |  |
| Supplemental disclosures of cash flow information: |  |  |  |
| Cash paid for interest | $ 4,344 |  | $ 1,140 |
| Cash paid for income taxes | $ 1,098 |  | $ 33 |
|  |  |  |  |
| Noncash investing and financing activities: |  |  |  |
| Accrued and unpaid debt issuance costs | $ 16,461 |  | $ — |
| Non-cash debt discount | $ 4,315 |  | $ — |
| Deferred offering costs reclassified to additional paid-in capital | $ 802 |  | $ — |
| Conversion of convertible note into common stock pursuant to Business Combination | $ — |  | $ 20,239 |
| Unpaid deferred offering costs associated with the Business Combination | $ — |  | $ 1,006 |
| 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 |

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