

**CreateAI Holdings Inc.**  
**(Formerly: TuSimple Holdings Inc.)**  
**Condensed Consolidated Balance Sheets**  
**(in thousands)**  
**(unaudited)**

	<b>December 31,</b>	<b>September 30,</b>
	<b>2023</b>	<b>2024</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 192,566	\$ 285,097
Restricted cash	1,666	175,111
Short-term investments	534,806	143,601
Prepaid expenses and other current assets	14,484	17,930
Total current assets	743,522	621,739
Produced and licensed content costs	—	5,695
Property and equipment, net	10,508	5,207
Operating lease right-of-use assets	34,939	18,471
Long-term investments	—	2,854
Other assets	5,263	5,113
Total assets	\$ 794,232	\$ 659,079
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 4,648	\$ 9,967
Amounts due to joint development partners	3,176	3,176
Accrued expenses and other current liabilities	23,887	185,697
Operating lease liabilities, current	6,285	6,152
Total current liabilities	37,996	204,992
Operating lease liabilities, noncurrent	36,240	20,380
Other liabilities	409	361
Total liabilities	74,645	225,733
Commitments and contingencies		
Stockholders' equity:		
Common stock	22	22
Additional paid-in-capital	2,610,706	2,615,578
Accumulated other comprehensive (loss) income	(901)	498
Accumulated deficit	(1,890,240)	(2,182,567)
Total CreateAI Holdings Inc. stockholders' equity	719,587	433,531
Non-controlling interests	—	(185)
Total stockholders' equity	719,587	433,346
Total liabilities and stockholders' equity	\$ 794,232	\$ 659,079

**CreateAI Holdings Inc.**  
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**Condensed Consolidated Statements of Operations**  
**(in thousands, except share and per share data)**  
**(unaudited)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2024	2023	2024
Revenue	\$ —	\$ —	\$ 307	\$ —
Cost of revenue	—	—	754	—
Gross loss	—	—	(447)	—
Operating expenses:				
Research and development	44,322	10,597	164,430	46,400
Selling, general and administrative	26,335	197,066	83,757	267,602
Total operating expenses	70,657	207,663	248,187	314,002
Loss from operations	(70,657)	(207,663)	(248,634)	(314,002)
Interest income	9,298	5,889	28,922	21,587
Other (expense) income, net	(77)	286	(975)	(97)
Loss before provision for income taxes	(61,436)	(201,488)	(220,687)	(292,512)
Provision for income taxes	—	—	—	—
Net loss	\$ (61,436)	\$ (201,488)	\$ (220,687)	\$ (292,512)
Net loss attribute to noncontrolling interest	—	185	—	185
Net loss attribute to CreateAI Holdings Inc.	(61,436)	(201,303)	(220,687)	(292,327)
Net loss per share attributable to common stockholders, basic and diluted	\$ (0.27)	\$ (0.86)	\$ (0.97)	\$ (1.25)
Weighted-average shares used in computing net loss per share attributable to common stockholders, basic and diluted	229,537,972	234,450,013	227,989,087	234,185,565

**CreateAI Holdings Inc.**  
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**Condensed Consolidated Statements of Comprehensive Loss**  
**(in thousands)**  
**(unaudited)**

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2023</b>	<b>2024</b>	<b>2023</b>	<b>2024</b>
Net loss	\$ (61,436)	\$ (201,488)	\$ (220,687)	\$ (292,512)
Other comprehensive income (loss), net of tax:				
Unrealized gain (loss) on available-for-sale securities	512	936	(1,422)	563
Foreign currency translation adjustment	1,462	301	517	836
Comprehensive loss	<u>\$ (59,462)</u>	<u>\$ (200,251)</u>	<u>\$ (221,592)</u>	<u>\$ (291,113)</u>

**CreateAI Holdings Inc.**  
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**Condensed Consolidated Statements of Cash Flows**  
**(in thousands)**  
**(unaudited)**

	<b>Nine Months Ended September 30,</b>	
	<b>2023</b>	<b>2024</b>
<b>Cash flows from operating activities:</b>		
Net loss	\$ (220,687)	\$ (292,512)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation	38,515	4,872
Depreciation and amortization	5,129	2,466
Noncash operating lease expense	4,031	1,783
Accretion of discount on short-term investments, net	(6,828)	(3,860)
Impairment of long-lived assets	3,200	—
Other adjustments	(973)	912
Changes in operating assets and liabilities:		
Accounts receivable	1,296	—
Prepaid expenses and other current assets	(1,678)	(2,221)
Other assets	199	131
Accounts payable	(5,873)	626
Amounts due to joint development partners	(2,577)	—
Accrued expenses and other current liabilities	(27,059)	161,810
Operating lease liabilities	(4,626)	(4,035)
Other liabilities	—	(48)
Net cash used in operating activities	<u>(217,931)</u>	<u>(130,076)</u>
<b>Cash flows from investing activities:</b>		
Purchases of short-term investments	(300,590)	(168,610)
Proceeds from maturities of short-term investments	155,756	563,747
Purchases of property and equipment and other assets	(2,902)	(175)
Proceeds from disposal of property and equipment	38	3,316
Purchase of long-term investments	—	(2,854)
Loans to related parties	—	(714)
Net cash (used in) provided by investing activities	<u>(147,698)</u>	<u>394,710</u>
<b>Cash flows from financing activities:</b>		
Proceeds from exercised stock options	33	—
Stock repurchase	(67)	—
Principal payments on finance lease obligations	(277)	—
Principal payments on loans	(1,215)	—
Net cash used in financing activities	<u>(1,526)</u>	<u>—</u>
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	567	1,342
Net (decrease) increase in cash, cash equivalents, and restricted cash	(366,588)	265,976
Cash, cash equivalents, and restricted cash - beginning of period	617,465	194,232
Cash, cash equivalents, and restricted cash - end of period	<u>\$ 250,877</u>	<u>\$ 460,208</u>

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**Condensed Consolidated Statements of Cash Flows**  
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	<b>Nine Months Ended September 30,</b>	
	<b>2023</b>	<b>2024</b>
<b>Reconciliation of cash, cash equivalents, and restricted cash to the condensed consolidated balance sheets:</b>		
Cash and cash equivalents	\$ 249,211	\$ 285,097
Restricted cash	1,666	175,111
Total cash, cash equivalents, and restricted cash	\$ 250,877	\$ 460,208
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for interest	\$ 332	\$ —
<b>Supplemental schedule of non-cash investing and financing activities:</b>		
Acquisitions of property and equipment included in liabilities	\$ 254	\$ —
Sale of assets within prepayments and other current assets	\$ 2,068	\$ —
Right-of-use assets obtained in exchange for operating lease obligations	\$ 35	\$ 1,076

## Key Metric and Non-GAAP Financial Measure

(In thousands, except percentages)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2023	2024	% Change	2023	2024	% Change
Loss from operations	\$ (70,657)	\$ (207,663)	194%	\$ (248,634)	\$ (314,002)	26%
Adjusted EBITDA <sup>(1)</sup>	\$ (57,406)	\$ (29,469)	(49)%	\$ (191,790)	\$ (98,514)	(49)%

<sup>(1)</sup> Adjusted EBITDA is a non-GAAP financial measure. For more information regarding our use of this financial measure and a reconciliation of this financial measure to the most comparable GAAP measure, see "Reconciliation of Non-GAAP Financial Measure."

### Adjusted EBITDA

Adjusted EBITDA is a performance measure that our management uses to assess our operating performance in our business. Since Adjusted EBITDA facilitates internal comparisons of our historical operating performance on a more consistent basis, we use this measure for business planning purposes. Accordingly, we believe that Adjusted EBITDA provides useful information to investors and others in understanding and evaluating our operating results in the same manner as our management team and board of directors.

We calculate Adjusted EBITDA as loss from operations, adjusted to exclude:

- stock-based compensation expense;
- depreciation and amortization;
- restructuring expenses;
- one-off securities class action expense; and
- finance lease interest expense included within cost of revenue.

For more information regarding the limitations of Adjusted EBITDA and a reconciliation of loss from operations to Adjusted EBITDA, see the section titled "Reconciliation of Non-GAAP Financial Measure."

### Reconciliation of Non-GAAP Financial Measure

We use Adjusted EBITDA in conjunction with GAAP measures as part of our overall assessment of our performance, including the preparation of our operating budget and quarterly forecasts, to evaluate the effectiveness of our business strategies, and to communicate with our board of directors concerning our financial performance. Because non-GAAP financial measures are not standardized, it may not be possible to compare this measure with other companies' non-GAAP measures having the same or similar names. In addition, other companies may not publish similar metrics. Furthermore, this measure has certain limitations in that it does not include the impact of certain expenses that are reflected in our consolidated statements of operations that are necessary to run our business. Our Adjusted EBITDA should be considered in addition to, not as a substitute for, or in isolation from, measures prepared in accordance with GAAP.

The following table provides a reconciliation of reported net loss from operations determined in accordance with GAAP to non-GAAP adjusted EBITDA (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2024	2023	2024
Loss from Operations	\$ (70,657)	\$ (207,663)	\$ (248,634)	\$ (314,002)
Stock-based compensation expense <sup>(1)</sup>	10,751	1,487	41,071	4,955
Depreciation and amortization <sup>(1)</sup>	1,707	381	4,500	2,466
Restructuring expenses	793	2,325	11,220	34,067
One-off securities class action expense	—	174,000	—	174,000
Finance lease interest expense included within cost of revenue	—	—	53	—
Adjusted EBITDA	\$ (57,406)	\$ (29,469)	\$ (191,790)	\$ (98,514)

<sup>(1)</sup> Excludes amounts related to restructuring events.

## **R&D expense**

YTD Q3 2024 R&D expense was \$46.4 million, down 72% versus YTD Q3 2023. This was largely due to a broad U.S. restructuring plan in 2023 to rebalance the CreateAI Holdings Inc. (the "Company")'s cost structure in alignment with its strategic priorities. The Company focused on winding down U.S. operations, resulting in the decreased employee compensation costs, including stock-based compensation ("SBC") and R&D operating costs.

Q3 2024 R&D expense was \$10.6 million, down 36% versus Q2 2024 sequentially, primarily attributable to decreased employee compensation costs as a result of the restructuring.

## **SG&A expense**

YTD Q3 2024 SG&A expense was \$267.6 million, up 219% versus YTD Q3 2023, primarily due to the accrual of securities class action expense amounting to \$174.0 million according to the settlement agreement. Excluding the above-mentioned class action expense, the SG&A expense in YTD Q3 2024 was up by 12% compared to the same period of the prior year. The increase was mainly due to litigation related legal expenses.

Q3 2024 SG&A expense was \$197.1 million, up 589% versus Q2 2024 sequentially, primarily due to the accrual of securities class action expense amounting to \$174.0 million according to the settlement agreement. Excluding the above-mentioned class action expense, the SG&A expense in Q3 2024 was down by 19% compared to the same period of the prior year. The decrease was mainly due to the Company's effective cost control efforts.

## **SBC expense (included within R&D and SG&A expenses)**

YTD Q3 2024 SBC expense was \$4.9 million, down 87% versus YTD Q3 2023. The decrease was primarily driven by lower headcount impacted by the restructuring. Q3 2024 SBC expense was \$1.5 million, no significant changes sequentially.

## **Cash & Investment position**

As of September 30, 2024, cash, cash equivalents, restricted cash and short-term investments totaled \$603.8 million. Interest income for YTD Q3 2024 was \$21.6 million, down 25% versus YTD Q3 2023 due to a decrease in the Company's interest-bearing short-term investments and lower yields realized on the Company's cash, cash equivalents, and investments due to the decreasing interest rate environment.

Q3 2024 interest income was \$5.9 million, down 23% versus Q2 2024 sequentially, which was also due to a decrease in the Company's interest-bearing short-term investments.

## **AEBITDA loss**

AEBITDA loss for YTD Q3 2024 was \$98.5 million, down \$93.3 million versus YTD Q3 2023. This trend was primarily driven by a broad U.S. restructuring plan in 2023 to rebalance the Company's cost structure in alignment with its strategic priorities. The Company focused on winding down U.S. operations, resulting in the decreased employee compensation costs, including SBC and R&D operating costs, partially offset by the increased litigation related legal expenses.

For Q3 2024, AEBITDA loss was \$29.5 million, down \$2.7 million versus Q2 2024 sequentially. This trend was primarily driven by the Company's effective cost control efforts.

## **Subsequent event**

On November 18, 2024, with the approval of the Board of Directors, which included review by the Audit Committee as a related party transaction, the Company signed a collaboration contract with two game development companies (the "Other Parties"). The Company agreed to pay a transaction price of \$25,000,000 to the Other Parties in exchange for development, distribution, and revenue sharing rights to "Heroes of Jin Yong" open-world RPG video game (the "Game"). The Company engaged a third-party appraiser to perform valuation analysis for the Game. The Audit Committee and Board of Directors also took into consideration the IP acquisition costs, development progress to date, and competing letters of intent from third-party strategic investors to determine that it was an arm length transaction. The Other Parties are affiliated with Mr. Mo Chen, one of the directors of the Company. In effort to reduce potential conflicts of interests, in May 2024, Mr. Chen transferred 100% of his ownership interest in the Other Parties to a trust. Mr. Mo Chen does not control the trust and its decision making. The beneficiaries of the trust are certain members of his family.