

REFINITIV

DELTA REPORT

10-Q

SES AI CORP

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS 1077

■ CHANGES	136
■ DELETIONS	455
■ ADDITIONS	486

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **September 30, 2023** **March 31, 2024**

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 001-39845

SES AI Corporation

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

88-0641865

(I.R.S. Employer
Identification No.)

35 Cabot Road Woburn, MA

(Address of principal executive offices)

01801

(Zip Code)

Registrant's telephone number, including area code: (339) 298-8750

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Trading symbol(s)</u>	<u>Name of Exchange on which registered</u>
Class A common stock, par value \$0.0001 per share	SES	The New York Stock Exchange
Warrants, each exercisable for one share of Class A common stock at an exercise price of \$11.50 per share	SES WS	The New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of **October 31, 2023** April 29, 2024, there were **307,848,121** 313,130,805 shares of the registrant's Class A common stock and 43,881,251 shares of the registrant's Class B common stock outstanding.

[Table of Contents](#)

TABLE OF CONTENTS

Cautionary Note Regarding Forward-Looking Statements	
Part I.	Financial Information
Item 1.	Financial Statements 45
	Condensed Consolidated Balance Sheets (Unaudited) 4
	Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) (Unaudited) 5
	Condensed Consolidated Statements of Redeemable Convertible Preferred Stock Operations and Comprehensive Loss (Unaudited) 6
	Condensed Consolidated Statements of Stockholders' Equity (Unaudited) 67
	Condensed Consolidated Statements of Cash Flows (Unaudited) 78
	Notes to Condensed Consolidated Financial Statements (Unaudited) 89
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations 1618
Item 3.	Quantitative and Qualitative Disclosures About Market Risk 2223
Item 4.	Controls and Procedures 2223
Part II.	Other Information
Item 1.	Legal Proceedings 2325
Item 1A.	Risk Factors 2325
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds 2425
Item 3.	Defaults Upon Senior Securities 2425
Item 4.	Mine Safety Disclosures 2425
Item 5.	Other Information 2425
Item 6.	Exhibits 2526
	Signatures 2627

[Table of Contents](#)

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains statements that SES AI Corporation (together the "Company" or "SES") believes are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, without limitation, statements relating to expectations for future financial performance, business strategies or expectations for our business. These statements are based on the beliefs and assumptions of the management of the Company. Although the Company believes that its plans, intentions and expectations reflected in or suggested by these forward-looking statements are reasonable, it cannot provide assurance that it will achieve or realize these plans, intentions or expectations. These statements constitute projections, forecasts and forward-looking statements, and are not guarantees of performance. Such statements can be identified by the fact that they do not relate strictly to historical or current facts. When used in this Quarterly Report, words such as "anticipate," "believe," "can," "continue," "could," "estimate," "expect," "forecast," "intend," "may," "might," "plan," "possible," "potential," "predict," "project," "seek," "should," "strive," "target," "will," "would" and similar expressions may identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking.

You should not place undue reliance on these forward-looking statements. Should one or more of a number of known and unknown risks and uncertainties materialize, or should any of our assumptions prove incorrect, the Company's actual results or performance may be materially different from those expressed or implied by these forward-looking statements. Some factors that could cause actual results to differ include, but are not limited to the following risks: risks below, which also serves as a summary of the principal risks of an investment in our securities:

- **risks related to the development** We face significant challenges in developing a Lithium-Metal ("Li-Metal") battery that can be commercialized for use in electric vehicles ("EVs"), urban air mobility ("UAM"), and commercialization of SES's battery technology other applications, and the timing pace of development is often unpredictable and achievement of expected business milestones; subject to delays.
- **risks relating** We have a history of no revenues and of net losses and expect to continue to incur losses for the uncertainty of achieving foreseeable future. While we expect to become profitable eventually, our internal assumptions may prove incorrect, and maintaining profitability; we may never achieve or maintain profitability.
- **risks relating** We will need substantial additional capital in the future to the uncertainty of meeting fund our business and may be unable to meet our future capital requirements; requirements, impairing our financial position and results of operations.
- **the ability of SES to integrate its products into electric vehicles ("EVs")** Our Li-Metal technology is untested in actual EVs and Urban Air Mobility ("UAM") and other applications; may ultimately prove unworkable.
- **the risk that delays** If our batteries fail to perform as expected our ability to develop, market and sell our batteries could be harmed.
- **Delays in the pre-manufacturing development of the Company's** our battery cells could adversely affect our business and prospects; prospects.
- **potential supply chain difficulties;**
- **the Company's ability** We may not be able to engage target original equipment manufacturers ("OEMs") customers successfully and to convert such contacts into meaningful orders in the future.
- **If we are unable to integrate our products into EVs manufactured by OEM customers;** customers, our results of operations could be impaired.
- **the ability** We may not be able to obtain establish new, or maintain existing, supply relationships for necessary raw materials, components or equipment through new or existing supply relationships; may be required to pay costs for raw materials, components or equipment that are more expensive than anticipated, which could delay the introduction of our product and negatively impact our business.
- **the Company's risks resulting from** Our ability to manufacture our Li-Metal batteries at scale depends on our ability to build, operate and staff our facilities successfully.
- **We have pursued and may continue to pursue joint development agreements ("JDAs") and other strategic alliances, and investments; product liability and other potential litigation, regulation and legal compliance;** which could have an adverse impact on our business if they are unsuccessful or if we are unable to enter into new JDAs.
- **Certain components of our batteries pose safety risks that may cause accidents.** We may be subject to financial and reputational risks due to product recalls and product liability claims, and we could face substantial liabilities that exceed our resources.
- **Our business depends substantially on the Company's** continuing efforts of our senior executives and other key personnel as well as the ability to attract, train and retain highly skilled employees and key personnel; personnel.
- **the uncertainty in global economic conditions and risks relating to health epidemics, including the COVID-19 pandemic and any operational interruptions;**
- **developments** Developments in alternative technology or other fossil fuel alternatives; alternatives may adversely affect the demand for our battery products.
- **Our patent applications may not result in issued patents or our patent rights may be challenged, invalidated or limited in scope, any of which could have a material adverse effect on our ability to prevent others from competing or interfering with the Company's risks related to intellectual property;** commercialization of our products.
- **We rely heavily on our intellectual property portfolio, including unpatented proprietary technology.** If we are unable to protect our intellectual property rights from unauthorized use, our business and competitive position would be harmed.
- **The international scope of our business exposes us to business, regulatory, political, operational, financial and economic risks related to the Company's associated with doing business operations outside of the United States; States.**
- **the Company has identified material weaknesses in its internal control over financial reporting** We have incurred and may identify material weaknesses in the future or otherwise fail will continue to develop or maintain an effective system of internal controls; incur increased costs related to operating as a public company, and our management will be required to devote substantial additional time to compliance and corporate governance practices.
- **the volatility** The price of the Company's our common stock has been and value of our public warrants; and may continue to be volatile.
- **Our public warrants may never be in the money, and they may expire worthless.**
- **We are controlled or substantially influenced by Dr. Qichao Hu and certain entities affiliated with Dr. Hu, whose interests may conflict with other stockholders. The concentrated ownership of our dual class common stock could prevent stockholders from influencing significant decisions.**

[Table of Contents](#)

- **The other factors disclosed in this Quarterly Report on Form 10-Q and the Company's other filings with the Securities and Exchange Commission (the "SEC"), in particular the risks described in "Part II, Item 1A" of this Quarterly Report and "Part I, Item 1A" of the Company's Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023, filed with the SEC on March 16, 2023 February 27, 2024.**

The forward-looking statements contained in this Quarterly Report on Form 10-Q are based on information available as of the date of this Quarterly Report on Form 10-Q and current expectations, forecasts and assumptions, and involve a number of judgments, risks and uncertainties. Accordingly, forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q and should not be relied upon as representing the Company's views as of any subsequent date. The Company does not

undertake any obligation to update forward-looking statements to reflect events or circumstances after the date they were made, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

[Table of Contents](#)

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

SES AI Corporation
Condensed Consolidated Balance Sheets
(Unaudited)

(in thousands, except share and per share amounts)	September 30, 2023	December 31, 2022
Assets		
Current Assets		
Cash and cash equivalents	\$ 49,938	\$ 106,623
Short-term investments	292,225	283,460
Receivable from related party	2,481	2,383
Inventories	596	383
Prepaid expenses and other current assets	6,877	3,792
Total current assets	<u>352,117</u>	<u>396,641</u>
Property and equipment, net	34,995	27,756
Intangible assets, net	1,377	1,473
Right-of-use assets, net	11,341	11,363
Other assets	3,423	3,206
Total assets	<u>\$ 403,253</u>	<u>\$ 440,439</u>
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	\$ 5,820	\$ 6,187
Operating lease liabilities, current	2,144	1,899
Accrued expenses and other current liabilities	7,837	11,271
Total current liabilities	<u>15,801</u>	<u>19,357</u>
Sponsor Earn-Out Liability	5,549	10,961
Operating lease liabilities, non-current	9,534	10,165
Unearned government grant	6,209	6,657
Other liabilities	2,437	1,760
Total liabilities	<u>39,530</u>	<u>48,900</u>
Commitments and contingencies (Note 9)		
Stockholders' Equity		
Common stock: Class A shares, \$0.0001 par value, 2,100,000,000 shares authorized; 307,839,557 and 305,833,589 shares issued and outstanding as of September 30, 2023 and December 31, 2022, respectively;		
Class B shares, \$0.0001 par value, 200,000,000 shares authorized; 43,881,251 shares issued and outstanding as of September 30, 2023 and December 31, 2022	35	35
Additional paid-in capital	554,403	538,041
Accumulated deficit	(187,933)	(145,286)
Accumulated other comprehensive loss	(2,782)	(1,251)
Total stockholders' equity	<u>363,723</u>	<u>391,539</u>
Total liabilities stockholders' equity	<u>\$ 403,253</u>	<u>\$ 440,439</u>
(in thousands, except share and per share amounts)		
Assets		
	March 31, 2024	December 31, 2023

Current Assets			
Cash and cash equivalents	\$ 129,609	\$ 85,671	
Short-term investments	189,147	246,775	
Receivable from related party	1,217	3,911	
Inventories	425	558	
Prepaid expenses and other assets	6,714	11,712	
Total current assets	327,112	348,627	
Property and equipment, net	40,122	37,959	
Intangible assets, net	1,313	1,345	
Right-of-use assets, net	11,697	13,099	
Deferred tax assets	1,057	1,057	
Other assets, non-current	4,583	4,723	
Total assets	\$ 385,884	\$ 406,810	
Liabilities and Stockholders' Equity			
Current Liabilities			
Accounts payable	\$ 2,762	\$ 4,830	
Operating lease liabilities	2,436	2,404	
Accrued expenses and other liabilities	8,745	13,121	
Total current liabilities	13,943	20,355	
Sponsor Earn-Out liabilities	3,291	4,166	
Operating lease liabilities, non-current	9,687	11,316	
Unearned government grant	8,913	9,270	
Other liabilities, non-current	2,661	2,753	
Total liabilities	38,495	47,860	
Commitments and contingencies (Note 9)			
Stockholders' Equity			
Preferred stock, \$0.0001 par value; 20,000,000 shares authorized, none issued and outstanding as of March 31, 2024 and December 31, 2023, respectively	—	—	
Common stock: Class A shares, \$0.0001 par value, 2,100,000,000 shares authorized; 309,736,367 and 310,266,922 shares issued and outstanding as of March 31, 2024 and December 31, 2023, respectively;			
Class B shares, \$0.0001 par value, 200,000,000 shares authorized; 43,881,251 shares issued and outstanding as of March 31, 2024 and December 31, 2023, respectively	35	35	
Additional paid-in capital	563,966	559,214	
Accumulated deficit	(214,243)	(198,686)	
Accumulated other comprehensive loss	(2,369)	(1,613)	
Total stockholders' equity	347,389	358,950	
Total liabilities and stockholders' equity	\$ 385,884	\$ 406,810	

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

45

[Table of Contents](#)

SES AI Corporation
Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) Loss
(Unaudited)

(in thousands, except share and per share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2023	2022	2024	2023

Operating expenses:							
Research and development	\$ 8,472	\$ 8,421	\$ 23,308	\$ 19,680	\$ 11,765	\$ 8,489	
General and administrative	10,885	13,308	36,932	40,305	9,506	13,123	
Total operating expenses	19,357	21,729	60,240	59,985	21,271	21,612	
Loss from operations	(19,357)	(21,729)	(60,240)	(59,985)	(21,271)	(21,612)	
Other income (expense):							
Interest income, net	4,197	1,972	12,466	2,460			
Gain (loss) on change in fair value of Sponsor							
Earn-Out Liability, net	1,917	(4,870)	5,412	16,400			
Other income (expense), net	(22)	420	393	(911)			
Total other income (expense), net	6,092	(2,478)	18,271	17,949			
Other income:							
Interest income					4,162	4,140	
Gain on change in fair value of Sponsor							
Earn-Out liabilities					875	569	
Miscellaneous income, net					874	820	
Total other income, net					5,911	5,529	
Loss before income taxes	(13,265)	(24,207)	(41,969)	(42,036)	(15,360)	(16,083)	
Provision for income taxes	(208)	(121)	(678)	(310)	(197)	(143)	
Net loss	(13,473)	(24,328)	(42,647)	(42,346)	(15,557)	(16,226)	
Other comprehensive (loss) income:							
Unrealized gain (loss) on investments	242	—	(12)	—			
Other comprehensive (loss) income, net of tax:							
Foreign currency translation adjustment	(99)	(1,194)	(1,519)	(2,462)	(457)	72	
Unrealized (loss) gain on short-term investments					(299)	467	
Total other comprehensive (loss) income, net of tax					(756)	539	
Total comprehensive loss	\$ (13,330)	\$ (25,522)	\$ (44,178)	\$ (44,808)	\$ (16,313)	\$ (15,687)	
Net loss per share attributable to common stockholders:							
Basic and diluted	\$ (0.04)	\$ (0.08)	\$ (0.14)	\$ (0.15)	\$ (0.05)	\$ (0.05)	
Weighted-average common shares outstanding:							
Weighted-average shares outstanding:							
Basic and diluted	315,627,263	311,680,656	314,550,810	280,859,250	318,790,719	313,422,442	

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

Nine Month Period Ended September 30, 2023															
Three Months Ended March 31, 2024															
(in thousands, except share and per share amounts)	Redeemable Convertible		Class A and Class B				Accumulated		Total Stockholders'	Redeemable Convertible		Class A and Class B			
	Preferred Stock		Common Stock		Additional	Accumulated	Other Comprehensive			Preferred Stock		Common Stock		Additional	Accumulated
	Shares	Amount	Shares	Amount	Paid-in-Capital	Deficit	Income (Loss)	Equity	Shares	Amount	Shares	Amount	Paid-in-Capital	Deficit	
Balance — December 31, 2022	—	\$ —	349,714,840	\$ 35	\$ 538,041	\$ (145,286)	\$ (1,251)	\$ 391,539	—	\$ —	354,148,173	\$ 35	\$ 559,214	\$ (198)	
Balance — December 31, 2023	—	\$ —	349,811,982	\$ 35	\$ 544,516	\$ (161,512)	\$ (712)	\$ 382,327	—	\$ —	354,148,173	\$ 35	\$ 559,214	\$ (198)	
Issuance of common stock upon exercise of stock options	—	—	94,319	—	13	—	—	13	—	—	197,127	—	—	18	
Restricted stock units vested	—	—	4,727	—	—	—	—	—	—	—	18,869	—	—	—	
Forfeitures of Earn-Out restricted shares	—	—	(1,904)	—	—	—	—	—	—	—	—	—	—	—	
Forfeitures of Earn-Out Restricted Shares	—	—	—	—	—	—	—	—	—	—	(711,298)	—	—	—	
Forfeitures of Restricted Stock Awards	—	—	—	—	—	—	—	—	—	—	(35,253)	—	—	(50)	
Stock-based compensation	—	—	—	—	6,462	—	—	6,462	—	—	—	—	—	4,784	
Net loss	—	—	—	—	—	(16,226)	—	(16,226)	—	—	—	—	—	(15,226)	
Unrealized gain on investments	—	—	—	—	—	—	467	467	—	—	—	—	—	—	
Unrealized loss on short-term investments	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Foreign currency translation adjustments	—	—	—	—	—	—	72	72	—	—	—	—	—	—	
Balance — March 31, 2023	—	\$ —	349,811,982	\$ 35	\$ 544,516	\$ (161,512)	\$ (712)	\$ 382,327	—	\$ —	354,148,173	\$ 35	\$ 559,214	\$ (198)	
Issuance of common stock upon exercise of stock options	—	—	477,443	—	64	—	—	64	—	—	—	—	—	—	
Restricted stock units vested	—	—	924,179	—	—	—	—	—	—	—	—	—	—	—	
Forfeitures of Restricted Stock Awards	—	—	(1,431)	—	—	—	—	—	—	—	—	—	—	—	
Forfeitures of Earn-Out restricted shares	—	—	(237)	—	—	—	—	—	—	—	—	—	—	—	
Stock-based compensation	—	—	—	—	7,325	—	—	7,325	—	—	—	—	—	7,325	
Net loss	—	—	—	—	—	(12,948)	—	(12,948)	—	—	(12,948)	—	—	(12,948)	
Unrealized loss from investments	—	—	—	—	—	—	—	(721)	—	—	(721)	—	—	(721)	
Foreign currency translation adjustments	—	—	—	—	—	—	—	(1,492)	—	—	(1,492)	—	—	(1,492)	
Balance — June 30, 2023	—	\$ —	351,211,936	\$ 35	\$ 551,905	\$ (174,460)	\$ (2,925)	\$ 374,555	—	\$ —	354,148,173	\$ 35	\$ 559,214	\$ (198)	
Issuance of common stock upon exercise of stock options	—	—	715,939	—	80	—	—	80	—	—	80	—	—	80	
Restricted stock units vested	—	—	103,167	—	—	—	—	—	—	—	—	—	—	—	
Forfeitures of Restricted Stock Awards	—	—	(3,708)	—	—	—	—	—	—	—	—	—	—	—	
Forfeitures of Earn-Out restricted shares	—	—	(306,526)	—	—	—	—	—	—	—	—	—	—	—	
Stock-based compensation	—	—	—	—	2,418	—	—	2,418	—	—	—	—	—	2,418	
Net loss	—	—	—	—	—	(13,473)	—	(13,473)	—	—	(13,473)	—	—	(13,473)	
Unrealized gain from investments	—	—	—	—	—	—	—	242	—	—	242	—	—	242	
Foreign currency translation adjustments	—	—	—	—	—	—	—	(99)	—	—	(99)	—	—	(99)	
Balance — September 30, 2023	—	\$ —	351,720,808	\$ 35	\$ 554,403	\$ (187,933)	\$ (2,782)	\$ 363,723	—	\$ —	354,148,173	\$ 35	\$ 559,214	\$ (198)	
Balance — March 31, 2024	—	\$ —	353,617,618	\$ 35	\$ 563,966	\$ (214)	—	—	—	—	—	—	—	—	

Nine Month Period Ended September 30, 2022													
(in thousands, except share and per share amounts)	Redeemable Convertible		Class A and Class B				Accumulated		Total Stockholders'	Total			
	Preferred Stock		Common Stock		Additional	Accumulated	Other Comprehensive	Stockholders'					
	Shares	Amount	Shares	Amount	Paid-in-Capital	Deficit	Income (Loss)	Equity					
Balance — December 31, 2021	36,064,095	\$ 269,941	10,474,509	\$ —	\$ 5,604	\$ (94,293)	\$ 367	\$ (88,322)	—	\$ —	\$ —	\$ —	\$ —
Retroactive application of reverse recapitalization upon Business Combination(i)	177,896,191	—	51,668,426	6	(6)	—	—	—	—	—	—	—	—
Balance — December 31, 2021, as converted	213,960,286	\$ 269,941	62,142,935	\$ 6	\$ 5,598	\$ (94,293)	\$ 367	\$ (88,322)	—	\$ —	\$ —	\$ —	\$ —

Conversion of redeemable convertible preferred stock to common stock								
in connection with reverse recapitalization upon Business Combination	(213,960,286)	(269,941)	213,960,286	21	269,920	—	—	269,941
Business Combination and PIPE Financing, net of redemptions and transaction costs ⁽²⁾	—	—	71,767,824	7	234,514	—	—	234,521
Forfeitures of Earn-Out restricted shares	—	—	(9,080)	—	—	—	—	—
Issuance of common stock upon exercise of stock options	—	—	31,217	—	4	—	—	4
Stock-based compensation	—	—	—	—	3,186	—	—	3,186
Net loss	—	—	—	—	—	(27,033)	—	(27,033)
Foreign currency translation adjustments	—	—	—	—	—	—	109	109
Balance — March 31, 2022	— \$ —	347,893,182	\$ 34	\$ 513,222	\$ (121,326)	\$ 476	\$ 392,406	
Release of accrued transaction costs related to Business Combination and PIPE Financing	—	—	—	—	6,174	—	—	6,174
Issuance of common stock upon exercise of stock options	—	—	337,453	—	38	—	—	38
Stock-based compensation	—	—	—	—	5,547	—	—	5,547
Net income	—	—	—	—	—	9,015	—	9,015
Foreign currency translation adjustments	—	—	—	—	—	—	(1,377)	(1,377)
Balance — June 30, 2022	— \$ —	348,230,635	\$ 34	\$ 524,981	\$ (112,311)	\$ (901)	\$ 411,803	
Issuance of common stock upon exercise of stock options	—	—	1,376,206	—	218	—	—	218
Restricted stock units vested	—	—	165,697	—	—	—	—	—
Stock-based compensation	—	—	—	—	7,214	—	—	7,214
Net loss	—	—	—	—	—	(24,328)	—	(24,328)
Foreign currency translation adjustments	—	—	—	—	—	—	(1,194)	(1,194)
Balance — September 30, 2022	— \$ —	349,772,538	\$ 34	\$ 532,413	\$ (136,639)	\$ (2,095)	\$ 393,713	

(1) Included in the share number is 39,881,455 shares of Class B common stock as of December 31, 2021 issued upon recapitalization to the SES Founder Group (defined in Form 10-K filed with the Securities and Exchange Commission (the "SEC") on March 16, 2023).

(2) Includes issuance of 33,793,878 restricted shares of Class A common stock and 3,999,796 restricted shares of Class B common stock, subject to vesting.

Three Months Ended March 31, 2023

(in thousands, except share and per share amounts)	Redeemable Convertible		Class A and Class B				Accumulated	Total
	Preferred Stock		Common Stock		Additional	Accumulated		
	Shares	Amount	Shares	Amount	Paid-in-Capital	Deficit	Income (Loss)	Stockholders' Equity
Balance — December 31, 2022	— \$ —	349,714,840	\$ 35	\$ 538,041	\$ (145,286)	\$ (1,251)	\$ 391,539	
Issuance of common stock upon exercise of stock options	—	—	94,319	—	13	—	—	13
Restricted stock units vested	—	—	4,727	—	—	—	—	—
Forfeitures of Earn-Out Restricted Shares	—	—	(1,904)	—	—	—	—	—
Stock-based compensation	—	—	—	—	6,462	—	—	6,462
Net loss	—	—	—	—	—	(16,226)	—	(16,226)
Unrealized gain on short-term investments	—	—	—	—	—	—	467	467
Foreign currency translation adjustments	—	—	—	—	—	—	72	72
Balance — March 31, 2023	— \$ —	349,811,982	\$ 35	\$ 544,516	\$ (161,512)	\$ (712)	\$ 382,327	

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

Table of Contents

SES AI Corporation

Condensed Consolidated Statements of Cash Flows

(Unaudited)

(in thousands)	Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2024	2023
Cash Flows From Operating Activities				
Net loss	\$ (42,647)	\$ (42,346)	\$ (15,557)	\$ (16,226)
Adjustments to reconcile net loss to net cash used in operating activities:				
Gain from change in fair value of Sponsor Earn-Out liabilities			(875)	(569)
Stock-based compensation	16,205	15,947	4,784	6,462
Accretion income from marketable securities	(8,608)	—		
Depreciation and amortization	3,928	1,580	1,721	1,060
Gain from change in fair value of Sponsor Earn-Out liability	(5,412)	(16,400)		
Accretion income from available-for-sale short-term investments			(1,889)	(2,946)
Other	(511)	(371)	(894)	(683)
Changes in operating assets and liabilities:				
Receivable from related party	(98)	5,943	2,694	(422)
Inventories	(243)	—	121	(120)
Prepaid expenses and other assets	(3,336)	(3,401)	4,993	(2,553)
Right-of-use assets			1,280	(276)
Accounts payable	625	(761)	(249)	(15)
Accrued expenses and other liabilities	(3,797)	2,002	(3,637)	941
Operating lease liabilities			(1,471)	(46)
Net cash used in operating activities	<u>(43,894)</u>	<u>(37,807)</u>	<u>(8,979)</u>	<u>(15,393)</u>
Cash Flows From Investing Activities				
Purchases of property and equipment	(12,281)	(10,645)	(6,758)	(5,974)
Purchase of marketable securities	(180,051)	—		
Maturities of marketable securities	180,000	—		
Net cash used in investing activities	<u>(12,332)</u>	<u>(10,645)</u>		
Purchase of short-term investments			—	(97,119)
Proceeds from the maturities of short-term investments			60,000	60,000
Net cash provided by (used in) investing activities			<u>53,242</u>	<u>(43,093)</u>
Cash Flows From Financing Activities				
Proceeds from Business Combination and PIPE Financing, net of issuance costs	—	282,940		
Proceeds from stock option exercises	157	260	18	13
Net cash provided by financing activities	<u>157</u>	<u>283,200</u>	<u>18</u>	<u>13</u>
Effect of exchange rates on cash	(664)	(639)	(369)	(198)
Net (decrease) increase in cash, cash equivalents and restricted cash	(56,732)	234,109		
Net increase (decrease) in cash, cash equivalents and restricted cash			43,912	(58,671)
Cash, cash equivalents and restricted cash at beginning of period (Note 4)	107,936	161,044	86,966	107,936
Cash, cash equivalents and restricted cash at end of period (Note 4)	\$ 51,204	\$ 395,153	\$ 130,878	\$ 49,265
Supplemental Non-Cash Information:				
Supplemental Cash and Non-Cash Information:				
Income taxes paid			\$ 3	\$ 47
Accounts payable and accrued expenses related to purchases of property and equipment	\$ 4,384	\$ 4,668	\$ 3,535	\$ 1,034
Lease liabilities arising from obtaining right-of-use assets	\$ 1,751	\$ 1,565		
Conversion of Redeemable Convertible Preferred Stock to shares of Class A Common Stock	\$ —	\$ (269,941)		
Release of accrued transaction costs related to Business Combination and PIPE Financing	\$ —	\$ 6,174		
Liabilities acquired in the Business Combination	\$ —	\$ (387)		
Operating lease liabilities arising from obtaining right-of-use assets			\$ —	\$ 776

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

[Table of Contents](#)

SES AI Corporation
Notes to Condensed Consolidated Financial Statements
(Unaudited)
(Dollars in thousands, unless otherwise stated)

Note 1. Nature of Business

Organization

SES AI Corporation and its consolidated subsidiaries (together the "Company" or "SES"), is engaged in the development of high-performance, Lithium-Metal ("Li-Metal") rechargeable battery technologies for electric vehicles ("EVs"), Urban Air Mobility ("UAM") and other applications. We were founded in 2012, and our mission is to ~~facilitate the widespread adoption~~ ~~power a new era of sustainable~~ electric transportation ~~both~~ on land and in air ~~by creating best-in-class, high energy density with~~ Li-Metal batteries centered around long-range performance and safety. Our differentiated battery technology has been designed to combine the high energy density of Li-Metal with ~~the~~ large-scale manufacturability of conventional Lithium-ion ("Li-ion") batteries and will help to promote the transition from the global dependence on fossil fuel-based automotive vehicles to clean and efficient EVs. The Company's headquarters ~~are~~ is located in Woburn, Massachusetts with research and development facilities located there, in Shanghai, China, and in Chungju, South Korea. Principal operations have not yet commenced as of **September 30, 2023** **March 31, 2024**, and the Company has not derived revenue from its principal business activities.

Note 2. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation

The accompanying **unaudited interim** condensed consolidated financial statements include the accounts of the Company and have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and regulations of the U.S. Securities and Exchange Commission ("SEC") for interim financial reporting ~~and are unaudited~~. Management believes that all adjustments necessary for the fair presentation of results, consisting of normally recurring items, have been included in the **unaudited** condensed consolidated financial statements for the interim periods presented. The results of operations for the three and nine months ended **September 30, 2023** **March 31, 2024** are not necessarily indicative of the results that may be expected for the full year or any other future interim or annual periods. All intercompany balances and transactions have been eliminated in consolidation. ~~As a result of the Business Combination completed on February 3, 2022, prior period share and per share amounts presented in the accompanying condensed consolidated financial statements and these related notes have been retroactively converted.~~ The Company's fiscal year ends on December 31.

The year-end balance sheet data was derived from audited consolidated financial statements. These **unaudited interim condensed consolidated** financial statements do not include all of the annual disclosures required by U.S. GAAP; accordingly, they should be read in conjunction with the audited consolidated financial statements and accompanying notes as of and for the year ended **December 31, 2022** **December 31, 2023** included in the Company's Annual Report on Form 10-K filed with the SEC on **March 16, 2023** **February 27, 2024** (the "Annual Report").

Use of estimates

The preparation of these **unaudited interim** condensed consolidated financial statements in conformity with U.S. GAAP requires management to make use of estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of commitments and contingencies, and the reported amounts of revenues, if any, and expenses. The Company bases its estimates on available historical experience and on various other factors that the Company believes are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not apparent from other sources. Changes in estimates are reflected in reported results for the period in which they become known. Actual results may differ from those estimates.

Significant estimates and assumptions include those related to the valuation of (i) certain equity awards, including common stock awards prior to the **Company's** previously disclosed Business Combination **(as defined below in Note 8)**, the Sponsor Earn-Out Shares, the Earn-Out Restricted Shares, restricted stock awards, stock options, and performance stock units, (ii) deferred tax assets and uncertain income tax positions, and (iii) ~~and~~ the measurement of operating lease liabilities. On an ongoing basis, the Company evaluates these judgments and estimates for reasonableness.

Investments

The Company has investments in **short-term** marketable debt and marketable equity securities. Investments in marketable debt securities ~~which are~~ **comprised** **consist** of U.S. treasury securities, are classified as available-for-sale at the time of purchase and **reevaluate** such classification at each balance sheet

date. These available-for-sale marketable securities are recorded at fair value, with any unrealized gains and losses included as a component of accumulated other comprehensive (loss) income in total stockholders' equity on the unaudited interim condensed

[Table of Contents](#)

included as a component of accumulated other comprehensive loss in total stockholders' equity on the consolidated balance sheets until realized or until a determination is made that an other-than-temporary decline in market value has occurred. The amortized cost of debt U.S. treasury securities is adjusted for amortization of premiums and accretion of discounts to maturity, with such maturity. Such amortization and accretion are reported within interest income net in the unaudited interim condensed consolidated statement of operations and comprehensive loss. Investments in marketable debt securities with a stated maturity date of less than one year are classified as short-term investments, while those with a stated maturity date of more than one year, and that are not expected to be used in current operations, are classified as long-term investments on the unaudited interim condensed consolidated balance sheet, respectively. Investments in marketable equity securities are classified as short-term investments when the Company's intention is to sell within a year from the reporting period end, otherwise they will be classified as long-term investments. Investments in marketable equity securities with a readily determinable fair value, not accounted for under the equity method, are recorded at fair value with changes to fair value unrealized gains and losses reported within other comprehensive (loss) miscellaneous income, net in the unaudited interim condensed consolidated statements of operations and comprehensive loss.

Inventories

Inventories consist of raw materials and are stated at the lower of average cost or net realizable value.

Fair Value Measurements

Fair value is defined as an exchange price 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. When determining the fair value measurements for assets and liabilities required or permitted to be either recorded or disclosed at fair value, the Company considers the principal or most advantageous market in which it would transact, and it also considers assumptions that market participants would use when pricing the asset or liability.

The Company maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. GAAP establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The fair value hierarchy is as follows:

- Level 1 Observable inputs such as quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
- Level 2 Inputs other than the quoted prices in active markets that are observable either directly or indirectly.
- Level 3 Unobservable inputs in which there are little or no market data and which require the Company to develop its own assumptions.

[Table of Contents](#)

Certain of the Company's financial instruments, including cash and cash equivalents, accounts payable, accrued expenses and other current liabilities are carried at cost, which approximates their fair value because of their short-term nature. The following table presents information about the Company's financial assets and liabilities that are measured at fair value on a recurring basis:

(in thousands)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
September 30, 2023								
Current assets								

<u>March 31, 2024</u>									
Current Assets									
Cash equivalents in money market funds (Note 4)	\$ 42,518	\$ —	\$ —	\$ —	\$ 42,518	\$ 120,442	\$ —	\$ —	\$ 120,442
U.S. treasury securities ⁽¹⁾	291,631	—	—	—	291,631				
Equity securities ⁽²⁾	594	—	—	—	594				
U.S. treasury securities					187,717	—	—	—	187,717
Equity securities ⁽¹⁾					1,430	—	—	—	1,430
Total current assets at fair value	\$ 334,743	\$ —	\$ —	\$ —	\$ 334,743	\$ 309,589	\$ —	\$ —	\$ 309,589
Non-current assets									
U.S. treasury securities ⁽¹⁾	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Non-current Assets									
Restricted cash in money market funds	614	—	—	—	614	\$ 614	\$ —	\$ —	\$ 614
Total non-current assets at fair value	\$ 614	\$ —	\$ —	\$ —	\$ 614	\$ 614	\$ —	\$ —	\$ 614
Total assets at fair value	\$ 335,357	\$ —	\$ —	\$ —	\$ 335,357				
Total Assets at fair value						\$ 310,203	\$ —	\$ —	\$ 310,203
Liabilities									
Sponsor Earn-Out Liability ⁽³⁾	\$ —	\$ —	\$ 5,549	\$ 5,549					
Sponsor Earn-Out liabilities						\$ —	\$ —	\$ 3,291	\$ 3,291
Total liabilities at fair value	\$ —	\$ —	\$ 5,549	\$ 5,549	\$ —	\$ —	\$ —	\$ 3,291	\$ 3,291
<u>December 31, 2022</u>									
Current assets									
<u>December 31, 2023</u>									
Current Assets									
Cash equivalents in money market funds (Note 4)	\$ 46,308	\$ —	\$ —	\$ —	\$ 46,308	\$ 74,997	\$ —	\$ —	\$ 74,997
U.S. treasury securities ⁽¹⁾	283,460	—	—	—	283,460				
U.S. treasury securities					246,127	—	—	—	246,127
Equity securities ⁽¹⁾					648	—	—	—	648
Total current assets at fair value	\$ 329,768	\$ —	\$ —	\$ —	\$ 329,768	\$ 321,772	\$ —	\$ —	\$ 321,772
Non-current assets									
Non-current Assets									
Restricted cash in money market funds	\$ 614	\$ —	\$ —	\$ —	\$ 614	\$ 614	\$ —	\$ —	\$ 614
Total non-current assets at fair value	\$ 614	\$ —	\$ —	\$ —	\$ 614	\$ 614	\$ —	\$ —	\$ 614
Total assets at fair value	\$ 330,382	\$ —	\$ —	\$ —	\$ 330,382				
Total Assets at fair value						\$ 322,386	\$ —	\$ —	\$ 322,386
Liabilities									
Sponsor Earn-Out Liability ⁽³⁾	\$ —	\$ —	\$ 10,961	\$ 10,961					
Sponsor Earn-Out liabilities						\$ —	\$ —	\$ 4,166	\$ 4,166
Total liabilities at fair value	\$ —	\$ —	\$ 10,961	\$ 10,961	\$ —	\$ —	\$ —	\$ 4,166	\$ 4,166

(1) Fair value was determined using market prices obtained from third-party sources, see "Note 5 – Investments" for more details.

(2) Fair value was determined using publicly quoted market prices obtained from third-party sources in their respective markets.

(3) See "Note 8 – Sponsor Earn-Out Liability" for details about inputs used in the fair value measurements of the Sponsor Earn-Out Liability.

There were no transfers in or out of Level 3 measurements during the three and nine months ended **September 30, 2023** **March 31, 2024**.

Recently Adopted Accounting Pronouncements

In November 2023, the FASB issued ASU 2023-7, *Improvements to Reportable Segment Disclosures*, which requires disclosures of significant reportable segment expenses that are regularly provided to the Chief Operating Decision Maker ("CODM") and included within each reported measure of a segment's profit or loss. This ASU also requires disclosure of the title and position of the individual identified as the CODM and an explanation of how the CODM uses the reported measures of a segment's profit or loss in assessing segment performance and deciding how to allocate resources. The ASU is effective for annual periods beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Adoption of the ASU should be applied retrospectively to all prior periods presented in the financial statements. Early adoption is also permitted. We are currently evaluating the provisions and impact this ASU will have when adopted for the year ended December 31, 2024 and anticipate it will likely result in inclusion of additional required disclosures in our consolidated financial statements.

In December 2023, the FASB issued ASU 2023-9, *Improvements to Income Tax Disclosures*, which requires disaggregated information about a reporting entity's effective tax rate reconciliation as well as additional information on income taxes paid. The ASU is effective on a prospective basis for annual periods beginning after December 15, 2024. Early adoption is also permitted for annual financial statements

[Table of Contents](#)

that have not yet been issued or made available for issuance. We are currently evaluating the impact this ASU will have when adopted and anticipate this ASU will likely result in the required additional disclosures being included in our consolidated financial statements.

Climate-Related Disclosures

In March 2024, the SEC adopted final rules that would require registrants to provide certain climate-related information in their registration statements and annual reports. The new rules require information about a registrant's climate-related risks that are reasonably likely to have a material impact on its business, results of operations, or financial condition. The rules also require disclosure of a registrant's greenhouse gas emissions and certain climate-related financial metrics in their audited financial statements. In April 2024, the SEC voluntarily stayed the rules pending completion of a judicial review that is currently pending in the U.S. Court of Appeals for the Eighth Circuit. We are currently evaluating the impact these rules will have when adopted and anticipate these rules will likely result in the required additional disclosures being included in our consolidated financial statements.

The Company has reviewed all accounting pronouncements issued during the three months ended September 30, 2023 March 31, 2024 and concluded they were either not applicable or not expected to have a material impact on the Company's unaudited interim condensed consolidated financial statements.

Note 3. Partnerships

In December 2020, the Company established a partnership with Hyundai Motor Company ("Hyundai") when it entered into a joint development agreement ("JDA") to jointly research and develop Li-Metal battery technology, technology, which concluded in November 2023. Further, in May 2021, the Company executed another JDA with Hyundai to jointly develop an A-Sample Li-Metal battery effective August 31, 2021. The JDAs have an initial term of three years. In March 2024, the Company extended this JDA until December 2025 to develop the B-sample Li-Metal battery.

[Table of Contents](#)

In February 2021, the Company established a partnership with GM Global Technology Operations LLC ("GM Technology"), an affiliate of GM Ventures LLC ("GM Ventures"), and General Motors Holdings LLC ("GM Holdings") (collectively, "General Motors" or "GM") when it entered into a JDA to jointly research and develop

an A-Sample Li-Metal battery cell and build-out a prototype manufacturing line for GM Technology. The JDA has an initial term of three years, which can be extended based on mutual agreement.

In December 2021, the Company established a partnership with Honda Motor Company, Ltd. ("Honda") when it entered into a JDA to jointly research and develop R&D an A-Sample Li-Metal battery, which concluded in June 2023.

In November 2023, the Company entered into a B-Sample JDA with one of our OEM partners for delivery of B-Sample battery. The JDA has a term of two years, which concluded on June 30, 2023, and half years.

Under the terms of certain JDAs, the Company will fund research and development activities and capital expenditures related to the buildout of pilot manufacturing lines and the JDA partner will be required to reimburse such expenses to the Company, regardless of the results of the research and development activities. The following table summarizes the expenses incurred by the Company that were recorded as a credit to research and development recorded expense in accordance to the terms of the JDA agreements:

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Research and development (related party)	\$ 2,511	\$ 2,216	\$ 6,818	\$ 5,672
Research and development	414	1,045	7,580	3,443
Total credits to research and development	\$ 2,925	\$ 3,261	\$ 14,398	\$ 9,116

Additionally, the Company recorded \$0.5 million and \$9.9 million as a credit to property and equipment in the condensed consolidated balance sheet for the three and nine months ended September 30, 2022, respectively, which represents reimbursements received from a related party for property and equipment constructed and owned by the Company.

(in thousands)	Three Months Ended March 31,	
	2024	2023
Research and development (related party)	\$ 1,217	\$ 1,771
Research and development (non-related party)	2,308	1,416
Total reimbursements to research and development	\$ 3,525	\$ 3,186

As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, \$2.5 million \$1.2 million and \$2.4 million, respectively, were \$3.9 million was outstanding as a receivable from related party as disclosed in the unaudited interim condensed consolidated balance sheets. As of September 30, 2023 March 31, 2024 and December 31, 2023, there none and \$5.1 million was recorded as receivable from non-related party receivable of \$0.5 million outstanding compared to no amount outstanding at December 31, 2022. JDAs. As of September 30, 2023 March 31, 2024 and December 31, 2023, there \$0.1 million and none was recorded as deferred income for non-related party JDAs as compared to the \$4.2 million recorded as deferred income at December 31, 2022. JDAs. Amounts for non-related party receivables and deferred income are recorded within prepaid expenses and other current assets and the deferred income is recorded within accrued expenses and other current liabilities respectively, in the unaudited interim condensed consolidated balance sheets.

Note 4. Cash and Cash Equivalents

Cash, cash equivalents, and restricted cash consisted of the following:

(in thousands)	September 30, 2023	December 31, 2022
Cash	\$ 7,420	\$ 60,315
Money market funds	42,518	46,308
Total cash and cash equivalents	49,938	106,623
Restricted cash included in other assets	1,266	1,313
Total cash, cash equivalents, and restricted cash shown in the condensed consolidated statements of cash flows	\$ 51,204	\$ 107,936

[Table of Contents](#)

(in thousands)	March 31, 2024	December 31, 2023
Cash	\$ 9,167	\$ 10,674
Money market funds	120,442	74,997
Total cash and cash equivalents	129,609	85,671
Restricted cash included in other assets	1,269	1,295
Total cash, cash equivalents, and restricted cash shown in the unaudited condensed consolidated statements of cash flows	\$ 130,878	\$ 86,966

Restricted cash includes cash held in checking and money market funds as collateral to secure certain insurance policies and a letter of credit for corporate lease activity.

11

[Table of Contents](#)

Note 5. Short-Term Investments

The following table provides amortized costs, gross unrealized gains and losses, and fair values for the Company's investments in available-for-sale marketable debt U.S. treasury securities as of ~~September 30, 2023~~ March 31, 2024 and December 31, 2023, which have maturity dates that range from 1 month to 9 months. There were no realized 7 months and 1 month to 10 months, respectively. Fair value was determined using market prices obtained from third-party sources. Realized gains or losses were insignificant for the three and nine months ended ~~September 30, 2023~~ March 31, 2024 and 2023.

<u>September 30, 2023</u>	Gross		Gross	
(in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Short-term U.S. treasury securities	\$ 291,888	\$ —	\$ (257)	\$ 291,631
Total	\$ 291,888	\$ —	\$ (257)	\$ 291,631

<u>December 31, 2022</u>	Gross		Gross	
(in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Short-term U.S. treasury securities	\$ 283,705	\$ 2	\$ (247)	\$ 283,460
Total	\$ 283,705	\$ 2	\$ (247)	\$ 283,460

<u>March 31, 2024</u>	Gross		Gross	
(in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Short-term U.S. treasury securities	\$ 187,686	\$ 43	\$ (12)	\$ 187,717
Total	\$ 187,686	\$ 43	\$ (12)	\$ 187,717

<u>December 31, 2023</u>	Gross		Gross	
(in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Short-term U.S. treasury securities	\$ 245,797	\$ 337	\$ (7)	\$ 246,127
Total	\$ 245,797	\$ 337	\$ (7)	\$ 246,127

Note 6. Accrued Expenses and Other Current Liabilities

The components of accrued expenses and other current liabilities consisted of the following:

(in thousands)	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Employee compensation and related costs	\$ 3,736	\$ 3,115	\$ 3,460	\$ 7,022
Construction in process	1,674	229	2,494	3,182
Income taxes payable	1,075	1,422	454	288
Professional and consulting services	572	1,566	552	1,273
Deferred income received under joint development agreements	—	4,189	—	—
Deferred income received under partnerships			77	—
Other	780	750	1,708	1,356
Accrued expenses and other current liabilities	\$ 7,837	\$ 11,271	\$ 8,745	\$ 13,121

Note 7. Government Grant

In December 2022, the Company was awarded a grant (the "Grant") from certain government agencies. The incentives received under the Grant, which is in the form of cash, can be used for facilities related expenses and the purchase of property and equipment. The Company is required to adhere to certain the following conditions attached to the incentives, which include purchase of a government grant guarantee insurance policy, required minimum investments into specified spending categories and the creation of a minimum amount of permanent full-time jobs in a certain geographical location over the next five years, with the option to extend to 10 years by remaining in a certain geographical location. If subsequently it was determined that we were in non-compliance with the Grant conditions, we could be required to pay the Grant in its entirety with interest. The Company has yet to fulfill the required minimum investment, and the compliance with this condition will continue to be monitored over the remaining grant period.

As of March 31, 2024 and December 31, 2023, the Company has received, but not yet earned, 8.4 billion cash grants of 12.0 billion Korean won, which is won. These balances are equivalent to \$6.2 million \$8.9 million and \$6.7 million, \$9.3 million after translation, respectively, as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively, which is disclosed as a noncurrent liability in the unaudited interim condensed consolidated balance sheet sheets.

[Table of Contents](#)

Note 8. Sponsor Earn-Out Liability Liabilities

Prior to in connection with the closing of the Business Combination (the "Closing") on February 3, 2022 (the "Closing Date"), Ivanhoe Capital Acquisition Corp. ("Ivanhoe"), a Cayman Islands exempted company, migrated out of the Cayman Islands and domesticated as a Delaware corporation (the "Domestication") and, changed its name to "SES AI Corporation." Corporation", and Wormhole Amalgamation Sub Pte. Ltd., a Singapore private company limited by shares and a direct, wholly-owned subsidiary of Ivanhoe ("Amalgamation Sub"), consummated the previously announced Business Combination (the "Business Combination") pursuant to which, among other things, Amalgamation Sub merged with and into SES Holdings Pte. Ltd., a Singapore private company limited by shares ("Old SES"), with Old SES surviving the Business Combination as a wholly-owned subsidiary of SES.

On February 2, 2022, in connection with the Domestication, 6,900,000 of Ivanhoe's Class B ordinary shares held by Ivanhoe Capital Sponsor LLC (the "Sponsor") converted into an equal number of shares of duly authorized, validly issued, fully paid and nonassessable Class B common stock, par value \$0.0001 per share (the "Class B Common Stock"), of the Company. At Closing, these 6,900,000 shares of Class B Common Stock converted into an equal number of shares of duly authorized, validly issued, fully paid and nonassessable Class A common stock par value \$0.0001 per share (the "Class A Common Stock", and together with the Class B Common Stock, "Common Stock"), of the Company (the "Sponsor Earn-Out Shares"). These Sponsor Earn-Out Shares are subject to certain transfer restrictions and forfeiture terms following the Closing, which will be released as follows:

- 20% were subject to transfer restrictions until the date that was 180 days after the Closing ("Tranche 1");

- 20% are subject to transfer restrictions until SES's closing stock price equals or exceeds \$12.00 for 20 out of 30 consecutive trading days following the date that is 150 days after the Closing ("Tranche 2");

[Table of Contents](#)

- 20% are subject to transfer restrictions until SES's closing stock price equals or exceeds \$14.00 for 20 out of 30 consecutive trading days following the date that is 150 days after the Closing ("Tranche 3");
- 20% are subject to transfer restrictions until SES's closing stock price equals or exceeds \$16.00 for 20 out of 30 consecutive trading days following the date that is 150 days after the Closing ("Tranche 4"); and
- 20% are subject to transfer restrictions until SES's closing stock price equals or exceeds \$18.00 for 20 out of 30 consecutive trading days following the date that is 150 days after the Closing ("Tranche 5").

If there is a change in control of SES at a per share value of greater than \$18.00, then 100% of the Sponsor Earn-Out Shares will be released from these transfer restrictions; however if the per share value is less than \$18.00 upon a change in control, then the Sponsor Earn-Out Shares will be released pro rata based on the per share value of the change in control and the stock price thresholds for release specified above. Any Sponsor Earn-Out Shares not released will be forfeited and **cancelled**. **cancelled upon a change in control**.

The Sponsor Earn-Out Shares in Tranche 1 were accounted for as equity instruments because they are legally owned by the Sponsor, cannot be forfeited and were subject only to transfer restrictions that lapsed 180 days after the Closing Date, which occurred on August 2, 2022. The Sponsor Earn-Out Shares in Tranches 2 through 5 represent the Sponsor Earn-Out **Liability** **liabilities** and are accounted for as a derivative liability because the earn-out triggering events that determine the number of Sponsor Earn-Out Shares to be earned back by the Sponsor include events that are not solely indexed to the shares of Class A common stock.

The Sponsor Earn-Out **Liability** **is liabilities** are measured at **its** estimated fair value using Level 3 inputs in a Monte Carlo simulation valuation model. As of **September 30, 2023** **the three months ended March 31, 2024**, the earn-out triggering events were not achieved for any of Tranche 2 through Tranche 5, and as such the Company adjusted the carrying amount of the Sponsor **Earn-out Liability** **Earn-Out liabilities** to its estimated fair value **as presented within gain on change in fair value** of Sponsor **Earn-out Liability**, net \$3.3 million in the **unaudited interim condensed consolidated statement of operations and comprehensive loss**. **balance sheet**.

The following table provides a reconciliation of the beginning and ending **fair value** balances for the Sponsor Earn-Out **Liability**, which is recorded in the condensed **consolidated balance sheet: liabilities**:

(in thousands)		
Balance as of December 31, 2023		\$ 4,166
Change in fair value		(875)
Balance as of March 31, 2024		\$ 3,291
(in thousands)		
Balance as of December 31, 2022	\$	10,961
Change in fair value		(5,412)
Balance as of September 30, 2023	\$	5,549
Balance as of March 31, 2023		\$10,392

[Table of Contents](#)

Inherent in the valuation model are assumptions related to expected stock price volatility, risk-free interest rate, expected life, term, and dividend yield. The key inputs used in the Monte Carlo simulation model at their respective measurement dates were as follows:

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Contractual term (in years)	3.3	4.1		
Expected term (in years)			3.1	3.1
Risk free rate	4.82%	4.09%	4.30%	4.04%
Expected volatility	84.0%	85.0%	85.0%	91.0%
Expected dividends	0%	0%	0%	0%
Stock price	\$ 2.27	\$ 3.15	\$ 1.68	\$ 1.83

The stock price is based on the closing price of the Company's Class A common stock as of the valuation date and simulated through the end of the earn-out period following Geometric Brownian Motion. The Company estimates the volatility of its common stock by using an weighted average of historical volatilities of SES's shares and warrants and select peer companies' common stock that matches the expected remaining term of the awards. awards (range of the weighted average of volatility was 78.2% - 89.2% and 83.8% - 96.2% as of March 31, 2024 and December 31, 2023, respectively). The expected term is derived from a probability weighted model, considering a number of inputs, including the probability of a change in control. The risk-free interest rate is based on the yield curve for zero-coupon U.S. Treasury notes with maturities corresponding to the expected remaining life term of the awards, which is assumed to be equivalent to their remaining contractual term. awards. The dividend rate is based on the historical rate, which the Company anticipates remaining at zero.

Note 9. Commitments and Contingencies

Commitments

Under the terms of one of the JDAs entered into in 2021 and amended in March 2024, the Company is committed to undertake certain research and development activities to the benefit of both itself and its OEM partner Partner which involves expenditures related to engineering efforts and purchases of related equipment. This JDA The Company has an agreed-upon value of a commitment to spend up to \$50 million, of which the Company has spent \$8.7 million \$35 million under this JDA as of September 30, 2023 March 31, 2024.

13

[Table of Contents](#)

In December 2021, the Company amended the lease agreement on a facility for an office space in Woburn, Massachusetts. The amendment includes an obligation for the Company to pay monthly relinquishment charges (equal to the total rental obligation for the duration of the lease term), only if the new tenant does not pay the monthly rental amount and the lessor has provided a notice to collect the relinquishment charges from the Company. As of September 30, 2023 March 31, 2024, the Company assessed the probability of any liability to be incurred for relinquishment charges as remote.

Legal Contingencies

From time-to-time, the Company may be subject to claims arising in the ordinary course of business or become involved in litigation or other legal proceedings. While the outcome of such claims or other proceedings cannot be predicted with certainty, the Company's management expects that any such liabilities, to the extent not provided for by insurance or otherwise, would not have a material effect on the Company's financial condition, results of operations or cash flows.

Indemnifications

The Company enters into indemnification provisions under agreements with other companies in the ordinary course of business, including, but not limited to, partnerships, landlords, vendors, and contractors. Pursuant to these arrangements, the Company agrees to indemnify, defend, and hold harmless the indemnified party for certain losses suffered or incurred by the indemnified party as a result of the Company's activities. The maximum potential amount of future payments the

Company could be required to make under these agreements is not determinable. The Company has never incurred costs to defend lawsuits or settle claims related to these indemnification provisions. In addition, the Company indemnifies its officers, directors, and certain key employees against claims made with respect to matters that arise while they are serving in their respective capacities as such, subject to certain limitations set forth under applicable law, and applicable indemnification agreements. The Company maintains insurance, including commercial general liability insurance, product liability insurance, and directors and officers insurance to offset certain potential liabilities under these indemnification provisions. To date, there have been no claims under these indemnification provisions.

[Table of Contents](#)

Note 10. Stock-Based Compensation

The Company's stock-based compensation included in its **unaudited interim** condensed consolidated statements of operations and comprehensive **income (loss)**, net of forfeitures, was as follows:

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
	2023		2022		2024	
	2023	2022	2023	2022	2024	2023
Research and development	\$ (1,437)	\$ 2,417	\$ 2,623	\$ 4,678	\$ 1,451	\$ 1,847
General and administrative	3,855	4,797	13,582	11,269	3,333	4,615
Total stock-based compensation	\$ 2,418	\$ 7,214	\$ 16,205	\$ 15,947	\$ 4,784	\$ 6,462

The following table summarizes **share-based stock-based** compensation expense by award **type**, net of forfeitures:

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
	2023		2022		2024	
	2023	2022	2023	2022	2024	2023
Earn-Out Restricted Shares					\$ —	\$ 2,135
Restricted Stock Units ("RSUs")	\$ 2,393	\$ 2,984	\$ 7,077	\$ 4,802	3,085	1,961
Earn-Out Restricted Shares	(1,597)	2,195	2,704	5,760		
Performance Stock Units ("PSUs")	739	1,345	3,471	2,420	932	1,326
Restricted Stock Awards ("RSAs")	782	578	2,638	2,624	491	930
Stock options	101	112	315	341	276	110
Total	\$ 2,418	\$ 7,214	\$ 16,205	\$ 15,947	\$ 4,784	\$ 6,462

In **April 2023, February 2024**, the Company granted **4,071,979** **8,996,931** RSUs and **1,631,800** **3,280,083** PSUs, which relates to the annual grant to our directors, executive officers and employees. PSUs are measured at their estimated fair value using a Monte Carlo simulation valuation model with the effect of the market condition reflected in the grant date fair value of the award. The fair value of RSUs is estimated based on the closing price of the Company's Class A common stock at the date of grant.

Note 11. Income Taxes

The Company's effective tax rate for the three and nine months ended **September 30, 2023** **March 31, 2024** was **(1.5)%** **(1.8)%** and **(1.4)%**, respectively, compared with **(0.5)%** and **(0.7)%** for the three and nine months ended **September 30, 2022** **March 31, 2023**. The difference between the provision for income taxes

14

[Table of Contents](#)

and the income tax determined by applying the statutory federal income tax rate of 21% principally results from income taxes on earnings from its foreign tax jurisdictions offset by losses generated in the U.S. where no benefit was recorded because the Company had fully reserved its deferred tax assets as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023** and the recording of uncertain tax positions and interest expense.

As of September 30, 2023, there were \$0.9 million in changes to the total amount of unrecognized tax benefits related to transfer pricing adjustments from prior year end.

Note 12. Net Income (Loss) Per Share

Basic net income (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding for the period. Diluted net income (loss) per share is computed by dividing net income (loss), as adjusted for changes in fair value recognized in earnings from equity contracts classified as liabilities, by the weighted average number of common shares outstanding and, when dilutive, common share equivalents from outstanding stock options and restricted stock units (using the treasury-stock method). The weighted-average number of common shares used in the computation of basic and diluted net income loss per share were as follows:

(in thousands, except share and per share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2023	2022	2024	2023
Numerator:						
Net loss attributable to common stockholders - basic	\$ (13,473)	\$ (24,328)	\$ (42,647)	\$ (42,346)	\$ (15,557)	\$ (16,226)
Denominator:						
Weighted average shares of common stock outstanding - basic and diluted	315,627,263	311,680,656	314,550,810	280,859,250	318,790,719	313,422,442
Net loss per share attributable to common stockholders - basic and diluted	\$ (0.04)	\$ (0.08)	\$ (0.14)	\$ (0.15)	\$ (0.05)	\$ (0.05)

16

[Table of Contents](#)

The number of common stock equivalents excluded from the computation of diluted net loss per share because either the effect would have been anti-dilutive, or the performance criteria related to such shares and awards had not been met, were as follows:

	As of September 30,		As of March 31,	
	2023	2022	2024	2023
Escrowed Earn-Out Shares		27,690,978	27,690,978	

Escrowed earn-out shares			27,690,978	27,690,978
Options to purchase common stock	16,032,057	18,724,863	12,381,133	18,203,903
Public Warrants	9,199,947	9,199,947		
Public warrants			9,199,947	9,199,947
Sponsor Earn-Out Shares	5,520,000	5,520,000	5,520,000	5,520,000
Private Warrants	5,013,333	5,013,333		
Private warrants			5,013,333	5,013,333
Unvested RSUs	6,350,199	2,755,058	16,525,573	2,789,984
Unvested PSUs	3,364,810	2,116,942	6,812,398	2,116,942
Earn-Out Restricted Shares	1,622,377	1,952,336		
Earn-out Restricted Shares			908,700	1,929,140
Unvested RSAs	753,038	1,505,944	551,774	1,090,610
Total	75,546,739	74,479,401	84,603,836	73,554,837

Note 13. Related-Party Transactions

As of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, pursuant to the Director Nomination Agreement, General Motors Company and its affiliates ("GM") were considered **a related parties party** due to their board representation and the board member's employment position at GM, **which remained in effect as long well as GM continues to hold holding** more than 5% of the fully diluted outstanding equity securities of SES as per the agreement. SES. See "Note 3 – Partnerships" for more details about our partnership with GM.

15 17

[Table of Contents](#)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis provides information which our management believes is relevant to an assessment and understanding of our consolidated results of operations and financial condition. The following discussion and analysis should be read in conjunction with the accompanying unaudited interim condensed consolidated financial statements as of and for the three **and nine** months ended **September 30, 2023** **March 31, 2024** and the related notes included in this Quarterly Report on Form 10-Q and our audited consolidated financial statements as of and for the year ended **December 31, 2022** **December 31, 2023** and the related notes contained in the Company's Annual Report on Form 10-K filed with the SEC on **March 16, 2023** **February 27, 2024** (the "2022" "2023 Annual Report"). This Quarterly Report on Form 10-Q includes forward-looking statements. These forward-looking statements within the meaning of the federal securities law are based on our current expectations and beliefs concerning future developments and their potential effects on us. These forward-looking statements are not statements of historical fact and may include statements regarding possible or assumed future results of operations. There can be no assurance that future developments affecting us will be those that we have anticipated. These forward-looking statements involve a number of risks, uncertainties (some of which are beyond our control) or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements. Factors that might cause or contribute to such forward-looking statements include, but are not limited to, those set forth in Part II, Item 1A of this Quarterly Report on Form 10-Q and in Item 1A. Risk Factors in the **2022** **2023** Annual Report. Unless the context otherwise requires, references in this section to "the Company," "we," "us" and "our" refer to the business and operations of SES Holdings Pte. Ltd. ("Old SES") and its consolidated subsidiaries prior to the Business Combination and to SES AI Corporation and its consolidated subsidiaries following the Closing. References in this section to our future plans that indicate the timing of when we expect such plans to be completed by a certain year mean at any point during that year.

Overview

We are a pre-commercialization stage company engaged in the development and production of high-performance, Lithium-Metal ("Li-Metal") rechargeable battery technologies for electric vehicles ("EVs"), Urban Air Mobility ("UAM"), which encompasses electric vehicle take-off and landing ("eVTOL") technology, and other applications. Our differentiated battery technology has been designed to combine the high energy density of Li-Metal with the large-scale manufacturability of

conventional Lithium-ion ("Li-ion") batteries and will help to promote the transition from the global dependence on fossil fuel-based automotive vehicles to clean and efficient EVs. EVs in order to enable a new era of electric transportation on land in air.

Our SES AI's mission is to facilitate the widespread adoption power a new era of sustainable electric transportation both on land and in air by creating best-in-class, high with Li-Metal batteries. We believe Li-Metal is the "end game" for electric transportation energy storage with its potential for step-change in energy density compared to state-of-the-art Li-ion. Our team has dedicated the past decade to developing a comprehensive and proprietary Li-Metal battery technology platform, including high concentration solvent-in-salt electrolyte, ultra-thin wide format lithium anode, protective anode coating, and novel cell engineering processes that are based on scalable Li-ion manufacturing but address unique Li-Metal challenges. As we build more automotive large capacity Li-Metal cells and generate more data, artificial intelligence ("AI") becomes an increasingly integral part in material development, battery health monitoring and incident prediction.

There are four pillars to our mission.

1. Electric Vehicles (EV)

Since our founding, EV has always been our core focus. In 2012, we transitioned away from solid state Li-Metal, so our Li-Metal batteries centered around long-range performance could operate at room temperature and safety. To assist in achieving this mission, be manufactured at large scale. In 2015, we have partnered with leading global original equipment manufacturers ("OEMs"), received the first strategic investment from General Motors ("GM"), Hyundai Motor Company ("Hyundai"), and Honda Motor Company, Ltd. ("Honda"), among other strategic partners, under Motors. In 2021, we signed what we believe to be the world's first automotive A-sample Li-Metal joint development agreements ("JDAs") (JDAs) with GM, Hyundai and Honda, all of whom made strategic investments in our Company. In 2023, we signed what we believe to jointly develop and produce be the world's first automotive B-sample Li-Metal JDA with a major global automaker. In 2024, we extended our Li-Metal battery cells and technology. We are currently working JDA agreement with Hyundai to transition from the development and production of A-Sample batteries to B-Sample batteries with specifications required by OEMs for their EVs. A-Sample batteries are functional prototypes developed for OEMs based on their technical specifications. These are in contrast with B-Sample batteries, which are A-sample batteries manufactured under much higher throughput and tested in actual vehicles, and C-Sample batteries, which would be fully functional, mature samples for mass production and tested for full drivability.

We are also conducting conduct further research and development activities in order to further improve achieve production of B-sample batteries. As of March 31, 2024, we operate three A-sample lines and we are in the performance, process of building two B-sample lines.

We have made significant progress in large 50Ah and 100Ah automotive Li-Metal cell manufacturing. We have addressed key manufacturing challenges in ultra-thin wide format lithium anode, powder and metal bur issues in lithium anode punching, high concentration electrolyte scale-up, and other quality and cost of safety related issues in automotive large Li-Metal cell manufacturing. We have performed inhouse testing on these 50Ah and 100Ah Li-Metal A-sample cells and shared testing data with our battery technology by focusing on the following key areas, all of which we expect JDA original equipment manufacturer (OEM) partners, as well as shipped these A-sample cells to help us achieve our commercialization goal, at our facilities in Woburn, Massachusetts in the United States, Shanghai, China, other third parties and Chungju, South Korea. These activities include: OEMs for their further performance and safety testing.

- **Scale-up:** Our design is further being customized with and validated by several OEMs. Based on our collaborations with OEMs, we believe that a roughly 100 Ah cell-size manufactured at GWh scale (five to seven cells-per-minute) is needed to achieve commercialization in EVs at a large, global scale. We are developing processes and equipment to scale up the manufacturing of our current cell design from three to nine Ah capacity to 50 Ah and 100 Ah.
- **Module and Pack Design:** Li-Metal cells must be integrated into modules and packs as part of their integration into vehicles. Our active development efforts are focused on the integration of our Li-Metal cells in modules to enable our Li-Metal cells to perform as intended once they are integrated into modules and vehicles.
- **Advanced Artificial Intelligence ("AI") Software and Battery Management Systems ("BMS"):** Software is critical to ongoing monitoring of battery health and safety. We continue to develop advanced AI algorithms to diagnose battery cell-related health issues, develop advanced control algorithms and charging methods to enhance cycle life and safety, and port such software on to a BMS that could be integrated into a battery pack.

1618

Table of Contents

- **2. Advanced Materials and Coatings Urban Air Mobility (UAM):** We continue to research and develop advanced electrolyte and anodes to further improve cycle life and safety. In addition, we continue to develop novel methods of laminating or depositing lithium metal onto current collector that can be deployed at commercial GWh scale.
- **Cathode Materials and Design:** We develop our Li-Metal cells for a variety of different cathode materials, cathode design and cathode processing methods that can provide ultra-high energy density and/or significant cost-reduction.
- **Li-Metal Recycling:** Along with other battery components that are already being recycled today, Li-Metal foil will also need to be recycled in the future. We continue to explore methods of recycling that are productive and cost-effective.

We continue believe that B-sample in EV is almost equivalent to make improvements commercial production for UAM. We believe that UAM is a perfect fit for Li-Metal and will require little additional development now that we have reached EV B-sample status. UAM frequently operates on a fleet business model where the key business metrics are cost per passenger per mile, with weight being a paramount factor to costs. We believe that the step-change gravimetric energy density that Li-Metal can potentially offer means that an aircraft has the potential to carry twice the number of passengers, or twice the payload for cargo applications, or fly twice the distance, which has the potential to significantly improve the profitability of UAM operators. We are converting one of our three EV A-sample production lines one in China and two in South Korea, which are producing and testing large 50 Ah and 100 Ah Li-Metal cells. We expect to launch our fourth production line in 2024, which will be dedicated to B-sample EV cells. In addition, UAM cell production in 2024.

3. Artificial Intelligence (AI)

We started two AI programs out of necessity, due to the need to provide a high level of safety in the field and the need to further accelerate our future roadmap for material development.

We seek to provide a high level of safety in the field and we are leveraging our automotive 50Ah and 100Ah cell production volume and quality data to train our Avatar AI. Our Avatar AI prediction accuracy increased from less than 60% in 2022, to 92% in 2023, and we expect it to reach 95% accuracy by the end of 2024. Our ultimate goal is to be able to reach near 100% safety in the field, which we believe will be paramount to both EV and UAM OEMs.

We are also planning developing new AI models designed to screen a vast universe of small molecules for potential electrolyte solvent candidates. We have also built an electrolyte foundry designed to provide high throughput synthesis and testing of these materials.

4. Sustainability

We are executing several initiatives to improve the environmental sustainability of our business, and to reduce cost and ensure traceability of our Li-Metal battery supply chain. The technological innovations include dry electrode that can significantly reduce our electricity consumption and CO2 and chemical solvent emission, and recycling of Li-Metal that allows us to build a fifth production line, which new supply chain with better traceability and robustness. We also announced SES Cares, where we power advanced drones with our Li-Metal A-samples and B-samples to collect field data to train Avatar AI, at the same time, partner with operations such as forest fire monitoring and marine animal protection.

Outlook

We believe that 2024 will be dedicated to B-sample battery cells for UAM applications. Furthermore, a key year in July 2023, we entered into a new lease for a facility near our Woburn facility where we will be building an electrolyte foundry, which will focus on novel electrolyte molecule discovery and synthetic pathway development and which we expect to be ready by early 2024.

Outlook

As the joint development commercialization of Li-Metal batteries with our for automotive applications. We plan to continue to focus on EV B-sample JDAs including building and operating B-sample lines, improving cell practical safety and accelerating future roadmap electrolyte development; building and shipping cells to UAM OEM partners continues to progress, we expect this will allow us to transition from A-sample to B-sample battery development partners; and improving Avatar AI prediction accuracy by the last quarter deploying Avatar infrastructure and training it across a wide range of 2023. Further, this will lead to an increase in our headcount and footprint of our research and pre-production pilot facilities as we expand our existing facilities and entering into new facilities. data.

After B-Sample, we plan to transition to C-Sample in 2024, 2026, which we then expect to enable us to commence commercial production of our technology in 2025, 2027. We expect this transition to commercial production to lead to future research facilities and, eventually, commercial production manufacturing facilities in the United States, which will significantly increase our materials consumption and the rate of cash utilization over time.

Finally, we expect to explore opportunities for partial vertical integration, both upstream and downstream, to ensure scalability of our battery cells and battery technology. Upstream, we intend to explore integrating vendors of key materials of our cells and providers of key equipment and engineering capabilities, such as cell assembly, anode processing, chemical processing and safety testing. Downstream, we plan to explore integrating providers of key engineering capabilities, such as battery state-of-health monitoring software, charging optimization software, battery module development and recycling.

Results of Operations

Factors Affecting Operating Results

As a pre-commercialization company, of March 31, 2024, we have not generated any revenue from sales to customers to date through our one operating segment. We segment and have spent \$11.4 million \$15.3 million and \$11.7 million on gross research and development activities during the three months ended September 30, 2023 March 31, 2024 and 2022, respectively, and \$37.7 million and \$28.8 million on gross research and development activities during the nine months ended September 30, 2023 and 2022, respectively, which is prior to credits reimbursements received by of \$3.5 million and \$3.2 million during the three months ended March 31, 2024 and 2023, respectively, from our OEM partners under the JDAs. As a result, we have incurred net losses from operations of \$19.4 million \$15.6 million and of \$21.7 million \$16.2 million for the three months ended September 30, 2023 March 31, 2024 and 2022, and losses from operations of \$60.2 million and \$60.0 million for the nine months ended September 30, 2023 and 2022, respectively. Our historical results may not be indicative of our

future results for reasons that may be difficult to anticipate and our ability to generate revenue in the future that is sufficient enough to achieve profitability will depend largely on the successful development of our products. Accordingly, the drivers of our future financial results, as well as the components of such results, may not be comparable to our historical results of operations.

1719

Table of Contents

The following table sets forth our historical operating results for the periods indicated:

(in thousands)	Three Months Ended September 30,		\$	%
	2023	2022		
Research and development	\$ 8,472	\$ 8,421	\$ 51	0.6 %
General and administrative	10,885	13,308	(2,423)	(18.2)%
Total operating expenses	\$ 19,357	\$ 21,729	\$ (2,372)	(10.9)%

(in thousands)	Nine Months Ended September 30,		\$	%	Three Months Ended March 31,		\$	%
	2023	2022			Change	Change		
Research and development	\$ 23,308	\$ 19,680	\$ 3,628	18.4 %	\$ 11,765	\$ 8,489	\$ 3,276	39 %
General and administrative	36,932	40,305	(3,373)	(8.4)%	9,506	13,123	(3,617)	(28)%
Total operating expenses	\$ 60,240	\$ 59,985	\$ 255	0.4 %	\$ 21,271	\$ 21,612	\$ (341)	(2)%

Research and Development

Research and development expenses consist primarily of costs incurred for salaries and personnel-related costs for scientists, engineers and technicians, expenses, including salaries, performance-based bonus and stock-based compensation expense, for scientists, experienced engineers and technicians, expenses for materials and supplies used in product research and development, process engineering efforts and testing, as well as payments to consultants, depreciation, and allocated facilities and information technology costs. Additionally, payments received from the JDA agreements are treated as credits reimbursements to research and development expenses.

Research and development expenses for the three months ended September 30, 2023 March 31, 2024 increased \$0.1 million \$3.3 million, or 0.6% 39%, to \$8.5 million \$11.8 million, compared with \$8.4 million \$8.5 million for the three months ended September 30, 2022 March 31, 2023. This The increase was primarily driven resulted from a total \$2.6 million increase in personnel costs mainly attributable to our growth in headcount in support of our ongoing research and development efforts for battery cell development, which included a reduction of \$0.4 million in stock-based compensation expense that primarily relates to support our operations, \$1.8 million forfeitures during the period. Further, there was a \$1.2 million increase in facility related costs such as rent, due to utilities and depreciation expenses, and a \$0.7 million \$0.3 million increase in consulting and professional consulting services, and a \$0.9 million decrease in credits fees. These increases were partly offset by \$0.3 million of increased reimbursements to research and development expenses, from decreased billings which are amounts received pursuant to our JDA partners. These increases were partially offset by the JDAs, a \$3.8 million \$0.2 million decrease in stock-based compensation mainly attributable expenses for lab consumables and material supplies due to forfeited awards, limited activity for certain JDAs during the period, and a \$1.2 million \$0.3 million decrease in software development costs due to change in project specifications and timelines, and a \$1.0 million decrease in lab equipment and material supplies to support JDA activity in our research and pre-production facilities.

Research and development expenses for the nine months ended September 30, 2023 increased \$3.6 million, or 18.4%, to \$23.3 million compared with \$19.7 million for the nine months ended September 30, 2022. The increase primarily resulted from a \$6.2 million increase in personnel costs mainly attributable related to our growth in headcount to support our operations, a \$4.6 million increase in facility related costs such as increased rent, utilities and depreciation expenses, \$2.2 million increase in lab equipment and material supplies to support JDA activity in our research and pre-production facilities, and a \$1.0 million increase in professional consulting services. These increases were partially offset by a \$6.6 million increase in credits to research and development expenses from billings to our JDA partners, a \$2.1 million decrease in stock-based compensation mainly attributable to forfeited awards and the earn-out shares fully expensed due to completion of derived service period during the current quarter, and a \$1.9 million decrease in computer and AI software development costs due to a change decrease in project specifications and timelines, consultant costs from prior year.

General and Administrative

General and administrative expenses consist primarily of costs incurred for salaries and personnel-related expenses, including bonus and stock-based compensation expense, for our finance, legal and human resource functions, including salaries, bonus and stock-based compensation expense, expenses for director and officer insurance, outside contractor and professional service fees, audit and compliance expenses, legal fees, patent related costs, accounting and other advisory services, as well as allocated facilities and information technology costs, including depreciation. Upon commencement of commercial operations, we also expect to incur customer and sales support and advertising costs.

General and administrative expenses for the three months ended September 30, 2023 March 31, 2024 decreased \$2.4 million \$3.6 million, or 18.2% 28%, to \$10.9 million \$9.5 million, compared with \$13.3 million \$13.1 million for the three months ended September 30, 2022 March 31, 2023. This decrease was primarily driven by resulted from a total \$1.3 million decrease reduction in insurance expense stock-based compensation, mainly due to lower premiums incurred to cover potential liabilities under our indemnification obligations to our directors and certain officers the full expensing of the Company, a \$0.9 million Earn-Out Restricted Shares in 2023. This decrease in marketing and public relations expenses due to a decrease in promotional events, and a decrease of \$0.9 million of stock-based compensation expense that primarily related to the earn-out shares fully expensed due to completion of derived service period during the current quarter. These decreases were was partially offset by a \$0.4 million

[Table of Contents](#)

\$0.2 million increase in personnel costs mainly attributable payroll due to our growth headcount increases. Further, there was a \$1.1 million decrease in headcount to support our operations accounting related expenses from a reduction in audit fees from the prior period resulted from a more efficient reporting process, a \$0.7 million decrease in insurance premiums for directors' and compliance as officers' business insurance policy, a public company \$0.6 million decrease in consulting and professional fees, and a \$0.1 million net decrease in professional consulting services.

General and administrative expenses for the nine months ended September 30, 2023 decreased \$3.4 million, or 8.4%, to \$36.9 million, compared with \$40.3 million for the nine months ended September 30, 2022. This decrease was primarily driven by a decrease of \$4.7 million of transaction costs incurred in the prior year period as a result of the Business Combination completed in February 2022 with no comparable costs in the current period, a \$2.5 million decrease in insurance expense due to lower premiums incurred to cover potential liabilities under our indemnification obligations to our directors and certain officers of the Company compared to the prior year period, and a \$1.7 million decrease in marketing and public relations expenses due to a decrease in promotional events compared to the prior year period. These decreases were partially offset by an increase of \$2.4 million of stock-based compensation expense that primarily related to the effect of restricted and performance stock units granted subsequent to the corresponding prior year period, a \$1.8 million increase in personnel costs mainly attributable to our growth in headcount to support our operations and compliance as a public company, a \$0.6 million increase in professional fees related primarily to increased recruiting and consulting services, a \$0.4 million increase in accounting and audit related expenses, and a \$0.3 million increase in legal fees to support our operations as a public company.

other G&A expenses.

Non-Operating Items

Interest Income Net

Interest income primarily consists of interest earned on our cash and cash equivalents and marketable debt securities, which are primarily invested in money market funds and U.S. treasury securities, and accretion income from the U.S. treasury securities.

During the three and nine months ended September 30, 2023 March 31, 2024, we had interest income of \$4.2 million and \$12.5 million, respectively, compared with \$2.0 million and \$2.5 million \$4.1 million for the three and nine months ended September 30, 2022, respectively. March 31, 2023. The \$2.2 million and \$10.0 million increases from the three and nine months ended September 30, 2022 to the three and nine months ended September 30, 2023, respectively, were increase was primarily due to a change in our investment strategy of investing in higher yielding U.S. treasury securities during the fourth quarter of 2022. Our investment strategy for the first three quarters of 2022 was investing in money market funds. interest rate yield.

Change of in Fair Value of Earn-Out Liability, Net Liabilities

During the three and nine months ended September 30, 2023 March 31, 2024, we incurred a gain of \$1.9 million and \$5.4 million, respectively, \$0.9 million associated with the change in fair value of the Sponsor Earn-Out Liability liabilities compared with a loss of \$4.9 million and a gain of \$16.4 million, respectively, \$0.6 million for the three and nine months ended September 30, 2022 March 31, 2023. With the fair value of the Sponsor Earn-Out Liability liabilities primarily tied to the Company's stock price, continued volatility in the stock price could result in further gains or losses. losses

[Table of Contents](#)

resulting from the change in fair value. Refer to "Note 8 – Sponsor Earn-Out Liability" to the unaudited interim condensed consolidated financial statements for additional information.

Other (Expense) Miscellaneous Income, Net

During the three months ended September 30, 2023 March 31, 2024, we had other expense miscellaneous income of less than \$0.1 million, \$0.9 million compared with other miscellaneous income of \$0.4 million \$0.8 million for the three months ended September 30, 2022 March 31, 2023. This \$0.4 million decrease in other income was primarily as a result of lower realized foreign currency gains on Chinese renminbi (CNY) in the current year period.

During the nine months ended September 30, 2023, we had other income of \$0.4 million, compared with other expense of \$0.9 million for the nine months ended September 30, 2022. This \$1.3 million The \$0.1 million increase in other miscellaneous income was primarily the result of the accounting for certain postemployment benefits in the prior year period. a realized gain on foreign currency translation.

Provision for from Income Taxes

The provision for income taxes for the three and nine months ended September 30, 2023 March 31, 2024 increased to \$0.2 million and \$0.7 million, compared to \$0.1 million and \$0.3 million for the three and nine months ended September 30, 2022, respectively, primarily March 31, 2023 mainly due to local tax an increase in the foreign jurisdictions pre-tax income in which the Company operates. China and South Korea.

[Table of Contents](#)

Liquidity and Capital Resources

As of September 30, 2023 March 31, 2024, we had total cash and cash equivalents of \$49.9 million \$129.6 million and investments in marketable debt and equity securities of \$292.2 million \$189.1 million. As a pre-commercialization stage research and development company, the net operating losses we have incurred since inception are consistent with our strategy and within budget.

As a result of the capital-intensive nature of our budgeted expenditures.

We business, we expect to sustain substantial operating expenses, due to the capital-intensive nature of our research and development activities, without generating sufficient revenues to cover expenditures, for a number of years. To date, we have funded our operations through a combination of our cash on hand, which primarily originated from proceeds from the Business Combination private investments in public entity and PIPE Financing and from funding received through the sales of our redeemable convertible preferred stock, proceeds from the JDAs with our OEM partners and investment income, stock. These funds are expected to finance our principal sources of liquidity and ongoing costs, such as research and development relating to our Li-Metal batteries and the construction of additional manufacturing facilities. In the future, if we are not able to fund our operations from cash flows generated from anticipated product sales, we expect that we will need to raise additional funds through a variety of possible methods, including, but not limited to, entry into joint ventures or other strategic arrangements, issuance of equity, equity-related or debt securities or through obtaining credit from financial institutions, as well as anticipated future revenue from product sales.

We believe that our cash on hand and marketable securities will be sufficient to meet our working capital and capital expenditure requirements for a period of at least 12 months from the date of filing this Quarterly Report on Form 10-Q, and also sufficient to fund us to commercialization. However, additional funding may be required for a variety of reasons, including opportunities to build an integrated supply chain in the United States and delays in expected development of our Li-Metal battery cells. Our ability to successfully develop our products, commence commercial operations and expand our business will depend on many factors, including our working capital needs, the availability of equity and/or debt financing and, over time, our ability to generate positive cash flows from operations.

Summary of Cash Flows

The following table provides a summary of our cash flow data for the periods indicated:

(in thousands)	Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2024	2023
Cash (used in) provided by:				
Operating activities	\$ (43,894)	\$ (37,807)	\$ (8,979)	\$ (15,393)
Investing activities	(12,332)	(10,645)	53,242	(43,093)
Financing activities	157	283,200	18	13
Effect of exchange rate changes on cash	(664)	(639)	(369)	(198)
Net (decrease) increase in cash, cash equivalents and restricted cash	\$ (56,732)	\$ 234,109		
Net increase (decrease) in cash, cash equivalents and restricted cash			\$ 43,912	\$ (58,671)

Operating Activities

Our cash flows used in operating activities to date have primarily comprised research and development and general and administrative activities as discussed above. As we continue to ramp up hiring for research and development headcount to accelerate our engineering efforts, we expect our cash used in operating activities to increase significantly before we start to generate any material cash inflows from our operations.

21

[Table of Contents](#)

Net cash used in operating activities of \$43.9 million \$9.0 million for the nine three months ended September 30, 2023 March 31, 2024 was primarily attributable to net loss of \$42.6 million \$15.6 million, as adjusted for stock-based compensation expense of \$16.2 million \$4.8 million, accretion income from marketable securities of \$8.6 million \$1.9 million, depreciation and amortization of \$1.7 million, a gain on change in fair value of Sponsor Earn-Out Liability liabilities of \$5.4 million \$0.9 million, depreciation and amortization of \$3.9 million and a \$6.8 million \$3.7 million working capital outflow inflow. The working capital outflow inflow was primarily driven by a \$3.8 million \$5.0 million decrease in accrued expenses and other liabilities and a \$3.3 million increase in prepaids and other assets partially offset by a \$0.6 million dollar increase in accounts payable. The increase in prepaids and other assets was primarily due to amounts the receipt of \$7.0 million in JDA receivable related payments from an OEM partner, of which \$4.6 million was outstanding at year-end, and a \$1.0 million decrease due from JDA partners, to the renewal of an our insurance contract policy at lower rates to cover potential liabilities under our indemnification obligations to our directors and certain officers and prepaid costs partially offset by an increase in \$1.4 million related to advanced payments for software development, development and research agreements. The working capital inflow was further decreased by a \$2.7 million decrease in receivable from related party driven by \$3.9 million in receipts and \$1.2 million of billed activity and a \$0.1 million decrease in inventory due to materials consumption. The working capital inflow was partially offset by a \$3.6 million decrease in accrued expenses and other liabilities was primarily due to the release of deferred liabilities related to JDAs. The increase decreases in accounts payable was primarily due to the timing of payments, accrued bonuses, accrued taxes, and professional fees associated with our audit.

Net cash used in operating activities of \$37.8 million \$15.4 million for the nine three months ended September 30, 2022 March 31, 2023 was primarily attributable to net loss of \$42.3 million \$16.2 million as adjusted for stock-based compensation expense of \$6.5 million, accretion income from marketable securities of \$2.9 million, depreciation and amortization of \$1.1 million, a gain on change in fair value of Sponsor Earn-Out liability Liability of \$16.4 million, stock-based compensation expense of \$15.9 million, \$0.6 million and depreciation and amortization of \$1.6 million, partially offset by a \$3.8 million \$2.5 million working capital cash inflow outflow. The working capital cash inflow outflow was primarily driven by a \$5.9 million decrease in receivable from a related party and a \$2.0 million increase in accrued expenses and other liabilities, partially offset by a \$3.4 million \$2.6 million increase in prepaids and other assets and a \$0.8 million decrease in

20

[Table of Contents](#)

accounts payable. The decrease in receivable from related party was driven by activity from the JDAs. The increase in accrued expenses and other liabilities was primarily due to certain postemployment benefits. The increase in prepaids and other assets was primarily due to the renewal of the insurance costs policy to cover

potential liabilities under our indemnification obligations to our directors and certain officers, and receivables a \$0.4 million increase in receivable from our other JDAs. The decrease in accounts payable was primarily related party driven by activity from the timing of payments associated JDA, and a \$0.1 million increase in inventory due to materials purchases. The working capital outflow was partially offset by a \$0.6 million increase in accrued expenses and other liabilities primarily due to increases in accrued bonuses, accrued taxes, and professional fees associated with audit fees.

Investing Activities

Net cash used in provided by investing activities was \$12.3 million \$53.2 million for the nine three months ended September 30, 2023, March 31, 2024 compared to net cash used in investing activities of \$10.6 million \$43.1 million for the nine three months ended September 30, 2022 March 31, 2023.

Purchases and Maturities of Investments – Net purchases of proceeds from investments in marketable debt and equity securities were \$0.1 million \$60.0 million for the nine three months ended September 30, 2023, March 31, 2024 compared to no \$37.1 million of net purchases of investments during in debt and equity securities for the nine three months ended September 30, 2022 March 31, 2023.

Capital Spending – Capital expenditures were \$12.3 million \$6.8 million and \$10.6 million \$6.0 million for the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively, and primarily related to the timing of purchases of lab machinery and equipment, lab tools and instruments related to our build out of production lines and facilities. instruments. We expect capital expenditures for the rest of 2023 2024 to continue to increase compared with the corresponding period in 2022 to 2023 as we continue to invest in the build out of our fourth and fifth production lines and research and development manufacturing pre-production facilities.

Financing Activities

Net cash provided by financing activities was \$0.2 million immaterial for the nine three months ended September 30, 2023 related to proceeds from option exercises.

Net cash provided by financing activities of \$283.2 million for the nine months ended September 30, 2022 primarily related to proceeds received from the Business Combination March 31, 2024 and PIPE Financing, net of transaction costs. March 31, 2023.

Contractual Obligations and Commitments

The following table summarizes our material contractual obligations for cash expenditures as of September 30, 2023 March 31, 2024, and the periods in which these obligations are due:

	Short Term	Long Term	Total	Short Term	Long Term	Total
Purchase obligations(1)	\$ 33,334	\$ 24,681	\$ 58,015	\$ 48,552	\$ 2,197	\$ 50,749
Operating lease obligations(2)	2,754	10,086	12,840	3,457	11,663	15,120
Total	\$ 36,088	\$ 34,767	\$ 70,855	\$ 52,009	\$ 13,860	\$ 65,869

Table of Contents

(1) Purchase obligations include commitments for the purchase of lab supplies and equipment as well as committed spend related to a JDA. These commitments are derived from purchase orders, supplier contracts and open orders based on projected demand information.

(2) Operating lease obligations represent the fixed lease payments for the noncancelable lease term, fixed lease payments for optional renewal periods where the Company is reasonably certain the renewal option will be exercised, and variable lease payments that depend on an underlying index or rate in effect at lease commencement.

Off-Balance Sheet Arrangements

As of September 30, 2023 March 31, 2024, we had a letter of credit issued by a financial institution totaling \$0.6 million. The letter of credit relates to deposits the Company is required to maintain for under one of its operating lease agreements. We have restricted cash that serves as collateral for this outstanding letter of credit that is included in other assets on our unaudited interim condensed consolidated balance sheet. No amounts have been drawn under the letter of credit.

Recent Accounting Pronouncements

See "Note 2 – Basis of Presentation" of our accompanying unaudited **interim** condensed consolidated financial statements for the three and nine months ended **September 30, 2023** **March 31, 2024** included in this Quarterly Report on Form 10-Q for more information about recent accounting pronouncements, the timing of their adoption, and their potential impact on our financial condition, results of operations and cash flows.

21

[Table of Contents](#)

Critical Accounting Estimates and Judgments

Our financial statements have been prepared in accordance with U.S. GAAP. In the preparation of these unaudited **interim** condensed consolidated financial statements, we are required to use judgment in making estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the unaudited **interim** condensed financial statements, as well as the reported expenses incurred during the reporting periods.

There have been no significant changes to our critical accounting policies or in the underlying accounting assumptions and estimates used in such policies from those disclosed in our annual consolidated financial statements and accompanying notes included in our Annual Report on Form 10-K for the year ended **December 31, 2022** **December 31, 2023**.

Other Information

The Company's website is www.ses.ai. Information contained on the Company's website is not part of this report. Information that we furnish to or file with the SEC, including the Company's annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to, or exhibits included in, these reports are made available for download, free of charge, through the Company's website as soon as reasonably practicable. The Company's SEC filings, including exhibits filed therewith, are also available directly on the SEC's website at www.sec.gov.

The Company may use its website as a distribution channel of material company information. Financial and other important information regarding the Company is routinely posted on and accessible through the Company's website at www.ses.ai. Accordingly, investors should monitor this channel, in addition to following the Company's press releases, SEC filings and public conference calls and webcasts. The contents of our website are not, however, a part of this report.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no significant changes to the Company's market risk during the three months ended **September 30, 2023** **March 31, 2024**. Refer to "Part II. Item 7A. Quantitative and Qualitative Disclosures About Market Risk" in our Annual Report on Form 10-K for the year ended **December 31, 2022** **December 31, 2023** for a discussion of the Company's exposure to market risk.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our chief executive officer ("CEO") and chief financial officer ("CFO"), we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of **September 30, 2023** **March 31, 2024**, as such term is defined in Rules 13a-15(e) and 15d-15(e) under Securities Exchange Act of 1934, as amended (the "Exchange

23

[Table of Contents](#)

"Exchange Act"). Disclosure controls and procedures include, without limitation, controls and procedures designed to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal

executive officer and principal financial officer, as appropriate, to allow for timely decisions regarding required disclosure. Based on this evaluation, our principal executive officer and principal financial officer have concluded that as of **September 30, 2023** **March 31, 2024**, our disclosure controls and procedures were not effective due to material weaknesses in our internal control over financial reporting, as discussed in more detail below.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of a company's annual or interim financial statements will not be prevented or detected on a timely basis.

Notwithstanding the identified material weaknesses, management, with the participation of the principal executive officer and principal financial officer, believes the **unaudited interim** condensed consolidated financial information included in this Quarterly Report on Form 10-Q fairly represent in all material respects our financial condition, results of operations and cash flows at and for the periods presented in accordance with U.S. GAAP.

22

[Table of Contents](#)

Material Weaknesses

We previously identified material weaknesses, as disclosed in our **2022** **2023** Annual Report.

Certain components of the Company's control environment were ineffective as the **The Company did not have a design and maintain sufficient complement of resources with assigned responsibility** **user access** and **accountability** for the design, operation and documentation of internal control over financial reporting. This created deficiencies in the Company's risk assessment process that led to ineffective information and communication activities as the **monitoring** controls necessary to ensure the **reliability** appropriate segregation of **information used in** **duties** and adequately restrict access to a financial **reporting** and communicate relevant **information about roles and responsibilities** for internal control over financial reporting were ineffective. application. As a result, **process-level automated** and **manual business process controls** that are dependent on the affected IT general controls were also deemed ineffective, as they could have been adversely affected due to their reliance on information and configurations from the affected IT system. In addition, a management review control activities were associated with the **valuation of the Sponsor Earn-Out liabilities** did not **designed, implemented or operated** **operate** effectively as it did not evaluate a key assumption used in the **substantial majority** valuation at an appropriate level of precision.

Further, in the first quarter of 2024, we identified an additional material weakness in a review control because it failed to detect an error in the accounting for forfeitures of Earn-Out Restricted Shares upon a holder's termination of employment.

The material weaknesses did not result in any material misstatements to our processes **unaudited condensed consolidated financial statements or disclosures** in any of the three months ended March 31, 2024 or 2023 included in this Quarterly Report on Form 10-Q, and our management believes the condensed consolidated financial information included in this Quarterly Report on Form 10-Q fairly represent in all material respects our financial condition, results of operations and cash flows for such periods in accordance with U.S. GAAP.

Changes in Internal Control over Financial Reporting

Other than the actions taken as described in "Management's Remediation Initiatives" below to improve the Company's internal control over financial reporting, there have been no changes in our internal control over financial reporting during the most recent fiscal quarter that materially affected, or which are reasonably likely to materially affect, our internal control over financial reporting.

Management's Remediation Initiatives

We have **developed detailed remediation plans**, with appropriate executive sponsorship, to specifically address the material weaknesses.

We have taken the following steps towards remediation of the identified material weaknesses and to enhance our internal control over financial reporting:

- We have developed a detailed remediation plan, with appropriate executive sponsorship and with the assistance of a national accounting firm, to specifically address the material weaknesses.
- We have hired, and will continue to hire, additional **certified public professionally qualified accountants** (including those with public company experience) who have the appropriate level of expertise in the areas of accounting, financial reporting, and **internal controls commensurate with the volume and complexity of our reporting requirements**. **IT general controls**.
- We have taken steps to enhance the design of existing control activities **related to IT environment** and implement additional process-level control activities and ensure they are operating effectively.
- We have taken steps **restricted**, and will continue to **design and implement additional information and communications controls** **restrict access to the financial application** to ensure **use appropriate segregation of** and **obtain relevant and quality information to allow operation of effective control activities, including internal and external communication**. **duties**.

- We are improving our capabilities to identify, research, and prepare supporting documentation for technical accounting issues.
- We have enhanced our risk assessment process, designed updated processes and controls around change management monitoring to ensure that all changes have sufficient documentation and are reviewed by an authorized person.
- We have begun to maintain, and will continue to make it a more comprehensive maintain sufficient and continuous process, appropriate review documentation for the assessment of all key assumptions related to identify and assess risks the valuation of material misstatements and ensure that the related internal controls are properly designed and in place to respond to those risks. Sponsor Earn-Out liabilities.

24

[Table of Contents](#)

- We have taken steps to implement new IT applications which added, and will automate some maintain an additional layer of internal review over the accounting of the manual financial reporting processes, Earn-Out Restricted Shares' expense in relation to employees' terminations and forfeitures.

We have expended, and will continue to expend, a substantial amount of effort and resources for the remediation and improvement of our internal control over financial reporting. We will continue to work on improvements to our internal controls during 2023 2024 as we assess and evaluate the controls intended to remediate the material weaknesses. Until these weaknesses are remediated, we plan to continue to perform additional analyses and other procedures to ensure that our consolidated financial statements are prepared in accordance with GAAP.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we may be subject to claims arising in the ordinary course of business or become involved in litigation or other legal proceedings. We are not currently a party to any litigation or legal proceedings that, in the opinion of our management, are likely to have a material adverse effect on our business. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

Item 1A. Risk Factors

In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the risk factors disclosed in "Part I, Item 1A" of our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023, and the other reports that we have filed with the SEC. Any of the risks discussed in such reports, as well as additional risks and uncertainties not currently known to us or that we

23

[Table of Contents](#)

currently deem immaterial, could materially and adversely affect our results of operations, financial condition or prospects. During the period covered by this Quarterly Report on Form 10-Q, there have been no material changes in our risk factors as previously disclosed.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Rule 10b5-1 Trading Arrangements

On ~~September 5, 2023~~ January 5, 2024, Jing Nealis (our Chief Financial Officer) terminated a Rule 10b5-1 plan that had been adopted on June 14, 2022 which provided for the sale of a number of shares of Class A common stock sufficient to cover satisfy minimum statutory withholding tax obligations upon vesting of a restricted share award granted on August 16, 2021.

On February 9, 2024, each of Qichao Hu (our Founder, Chairman and Chief Executive Officer), Jing Nealis (our Chief Financial Officer), Hong Gan ~~our~~ (our Chief Science Officer), Kyle Pilkington (our Chief Legal Officer) and Gang "Daniel" Li (our Chief Manufacturing Officer, ~~adopted a trading plan intended to satisfy and collectively with Dr. Hu, Ms. Nealis, Dr. Gan, and Mr. Pilkington, the conditions "Executive Officers"~~ entered into written stock selling plans in accordance with Rule 10b5-1 (the "Plans") under Rule 10b5-1(c) of the Exchange Act. Mr. Gan's plan is for ~~Act in connection with the potential exercise~~ sale of up to 450,000 vested stock options with an expiration date of March 14, 2029 and sale of the shares of Class A common stock underlying RSUs and PSUs granted to Dr. Hu, Ms. Nealis, Dr. Gan, Mr. Pilkington and Mr. Li on February 9, 2024. The Plans provide for the sale of only such stock options. The duration number of shares necessary to satisfy minimum statutory withholding tax obligations arising from the vesting of such equity awards (with the RSUs vesting subject to continued service in three equal installments on each anniversary of the trading plan) is through August 15, 2024, or earlier, upon grant date, and the completion of all transactions PSUs vesting subject to continued service and performance in one installment following a three-year performance period after the trading plan.

On ~~September 7, 2023~~ grant date, Jing Nealis, our Chief Financial Officer, adopted a trading plan intended and, thus, the exact number of shares to be sold is unknown. Each Plan expires once all shares are sold to satisfy the conditions under Rule 10b5-1(c) of the Exchange Act. Ms. Nealis's plan is for the potential sale of up to 870,000 vested stock options with an expiration date of February 10, 2031 and sale of the shares of Class A common stock underlying such stock options. The duration of the trading plan is through August 15, 2024, or earlier, upon the completion of all transactions subject to the trading plan.

On September 11, 2023, Rohit Makharia, our President and Chief Strategy Officer, adopted a trading plan intended to satisfy the conditions under Rule 10b5-1(c) of the Exchange Act. Mr. Makharia's plan is for the potential exercise sale of up to 675,000 vested stock options with an expiration date of March 1, 2031 and sale of the shares of Class A common stock underlying such stock options. The duration of the trading plan is through August 15, 2024, or earlier, upon the completion of all transactions subject to the trading plan.

2425

Table of Contents

Item 6. Exhibits

Exhibit No.	Description
3.1	Certificate of Incorporation of SES AI Corporation (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K (File No. 001-39845), filed with the Securities and Exchange Commission on February 8, 2022).
3.2	Bylaws of SES AI Corporation (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K (File No. 001-39845), filed with the Securities and Exchange Commission on February 8, 2022).
10.1#	Separation Letter, dated as of January 24, 2024, by and between Rohit Makharia and SES Holdings Pte Ltd (incorporated by reference to Exhibit 10.11 to the Company's Annual Report on Form 10-K (File No. 001-39845) filed with the Securities and Exchange Commission on February 27, 2024).
31.1†	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2†	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Chief 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 Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INST	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH†	Inline XBRL Taxonomy Extension Schema Document.
101.CAL†	Inline XBRL Taxonomy Extension Calculation Linkbase 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.
104†	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101).

† Filed herewith.

* Furnished herewith.

Indicates management contract or compensatory plan or arrangement.

25 26

[Table of Contents](#)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, duly authorized.

Date: **November 7, 2023** May 3, 2024

SES AI CORPORATION

By: /s/ Qichao Hu
 Name: Qichao Hu
 Title: Chief Executive Officer
 (Principal Executive Officer)

By: /s/ Jing Nealis
 Name: Jing Nealis
 Title: Chief Financial Officer
 (Principal Financial Officer and Authorized Signatory) Officer

26 27

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO RULE 13a-14 AND 15d-14
UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**

I, Qichao Hu, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of SES AI 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 controls over financial reporting.

Date: **November 7, 2023** May 3, 2024

By: /s/ Qichao Hu
Qichao Hu
Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO RULE 13a-14 AND 15d-14
UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**

I, Jing Nealis, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of SES AI 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 controls over financial reporting.

Date: **November 7, 2023** May 3, 2024

By: /s/ Jing Nealis
Jing Nealis
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO
18 U.S.C. 1350
(SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)**

In connection with the Quarterly Report on Form 10-Q of SES AI Corporation (the "Company") for the quarter ended **September 30, 2023** **March 31, 2024**, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Qichao Hu, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (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.

Date: **November 7, 2023** May 3, 2024

By: /s/ Qichao Hu
Qichao Hu
Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO
18 U.S.C. 1350
(SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)**

In connection with the Quarterly Report on Form 10-Q of SES AI Corporation (the "Company") for the quarter ended **September 30, 2023** **March 31, 2024**, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jing Nealis, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (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.

Date: **November 7, 2023** May 3, 2024

By: /s/ Jing Nealis
Jing Nealis
Chief Financial Officer
(Principal Financial Officer)

DISCLAIMER

THE INFORMATION CONTAINED IN THE REFINITIV CORPORATE DISCLOSURES DELTA REPORT™ IS A COMPARISON OF TWO FINANCIALS PERIODIC REPORTS. THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORT INCLUDING THE TEXT AND THE COMPARISON DATA AND TABLES. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED IN THIS REPORT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S ACTUAL SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2024, Refinitiv. All rights reserved. Patents Pending.