

## SMART WIRES TECHNOLOGY LTD. Q4 2021 INTERIM REPORT

### Recent Business Highlights and Guidance

- Q4 Revenue of \$19.2 million, +131% improvement
- Q4 non-GAAP adjusted EBITDA loss of \$8.3 million, +46% improvement
- Secured \$50 million debt facility in December, drawing \$30 million in first tranche
- 2021 Revenue of \$47.5 million, >3x growth over 2020; exceeds guidance of \$38 million to \$42 million
- 2021 Gross margin of 4%, +98 ppt improvement
- 2021 non-GAAP adjusted EBITDA loss of \$50.5 million, +12% improvement
- 2021 weighted average loss per share of \$1.03, +94% improvement
- Advanced opportunities in pipeline grew by \$48 million to over \$240 million
- Delivered and commissioned over 80 SmartValves™ at 9 customer sites in 2021
- Expanded Smart Wires team by 81 during 2021, strengthening organizations across the company
- 2022 Full-year revenue guidance of \$65 million to \$70 million
- 2022 Orders expected of \$100 million to \$120 million
- Current order backlog at \$58 million slated for 2022 delivery
- 2022 Full-year gross margins of 12% to 14%
- 2022 Full-year non-GAAP adjusted EBITDA loss of \$57 million to \$62 million

### Key Figures (Unaudited)

(\$ in millions, unless stated otherwise)	Q4 2021			Q4-2020			Change
<b>Revenue</b>	<b>\$19.2</b>	<b>\$8.3</b>	<b>131%</b>				
Cost of revenue	18.1	12.0	(52%)				
<b>Gross profit</b>	<b>\$1.1</b>	<b>\$(-3.7)</b>	<b>129%</b>				
<b>Gross margin</b>	<b>6%</b>	<b>(44%)</b>	<b>50%</b>				
Operating Expenses	10.7	12.2	12%				
EBITDA	\$(8.3)	\$(15.3)	46%				
<b>EBITDA margin</b>	<b>(43%)</b>	<b>(184%)</b>	<b>141%</b>				
Net profit <sup>(2)</sup>	\$(17.1)	\$(16.9)	(1%)				
Weighted Average Common Shares Outstanding - Basic & Diluted	98.3	3.5					
No. of Shares Outstanding End of Period	99.3	3.5					
Weighted Average Earnings Per Share - Basic & Diluted <sup>(1)</sup>	\$(0.17)	\$(4.81)	96%				
<b>Ending cash, including Restricted Cash</b>	<b>\$100.7</b>	<b>\$9.6</b>	<b>945%</b>				
<b>Net working capital</b>	<b>\$108.3</b>	<b>\$2.4</b>	<b>4456%</b>				
Cash flows from operations	\$(11.7)	\$(22.8)	49%				

(1) Due to the loss position, net loss per share is properly calculated using weighted average basic shares. Q2 and Q3 loss per share was calculated using the fully diluted share count.

(2) The non-cash valuation of preferred stock warrants that converted into common stock and the issuance of common stock warrants in Q2 2021, was recorded out of period in Q4 2021 resulting in a \$7.3M negative impact to Q4 net loss. There is no impact on a full-year basis.

**Note:** Unaudited financial statements presented herein are prepared in accordance with U.S. Generally Accepted Accounting Principles

	2021 Jan - Dec	2020 Jan - Dec	Change
<b>Revenue</b>	<b>\$47.5</b>	<b>\$15.4</b>	<b>208%</b>
Cost of revenue	45.8	30.0	(53%)
<b>Gross profit</b>	<b>\$1.7</b>	<b>\$(14.6)</b>	<b>112%</b>
<b>Gross margin</b>	<b>4%</b>	<b>(94%)</b>	<b>98%</b>
Operating Expenses	55.6	45.5	(22%)
EBITDA	\$(50.5)	\$(57.6)	12%
<b>EBITDA margin</b>	<b>(106%)</b>	<b>(373%)</b>	<b>267%</b>
Net profit <sup>(2)</sup>	\$(65.9)	\$(63.1)	(4%)
Weighted Average Common Shares Outstanding - Basic & Diluted	63.1	3.6	
No. of Shares Outstanding End of Period	99.3	3.5	
Weighted Average Earnings Per Share - Basic & Diluted <sup>(1)</sup>	\$(1.03)	\$(17.52)	94%
<b>Ending cash, including Restricted Cash</b>	<b>\$100.7</b>	<b>\$9.6</b>	<b>945%</b>
<b>Net working capital</b>	<b>\$108.3</b>	<b>\$2.4</b>	<b>4456%</b>
Cash flows from operations	\$(61.7)	\$(66.5)	7%

# CEO Statement



**Peter Wells**

CEO

Countries around the world understand the importance of eliminating carbon emissions and reaching the international goal of net zero by 2050. The world has come a long way, but so much more must happen for us to reach this critical target.

Alongside this global momentum towards net zero, we have continued to gain traction in 2021. At Smart Wires, we are in the business of the energy transition, helping the owners and operators of today's electricity networks modernize and digitalize their grids. We deliver advanced technology and analytics to transform today's electricity grid into a next-generation, platform.

Renewable solar and wind energy are making up an increasing share of energy production, while consumers are quickly electrifying their lifestyles, led by the adoption of electric vehicles. Transmission grids, the backbone of the electricity network that ensures energy is reliably delivered from where it is produced to the end user, are many decades old and were not originally designed to accommodate today's surge in renewable energy and shifting generation and demand patterns. The distributed location and variability of renewables causes network congestion, or traffic jams on the network, and dynamic challenges preventing the clean energy from reaching its destination. This leads to higher costs for grid operators that get passed through to end users.

Modernizing the grid and unlocking the capacity that could be available on today's networks is critical – enabling the pace and scale of renewable energy and electrification – needed, as we target net zero over the coming decades. Smart Wires is helping customers transform their networks to have an impact now.

Last year was strong for Smart Wires despite the global supply chain challenges that rippled across all industries.

I joined the company at the start of 2021 and was immediately impressed with the technology and know-how at Smart Wires.

We installed our first project in Colombia with Empresas Pùblicas de Medellín (EPM) and drove further momentum in that region with an order of \$20 million to \$23 million from ISA Transelca.

We started a technology collaboration with Slovenian transmission system operator ELES. We also implemented solutions with the Bulgarian Transmission System Operator (ESO) and the Greek Transmission System Operator (IPTO) to increase the amount of renewable energy the grid can accommodate and solved a key challenge around improving cross-border transfers of electricity in Europe.

We collaborated with U.K.-based National Grid Electricity Transmission (NGET) to help them unlock 1.5 GW of network capacity – enough to power one million additional homes with renewable energy. This collaboration will continue in 2022 with an additional work to unlock a further 500 MW of capacity.

Across these projects and more, the company manufactured, delivered, installed, and commissioned 84 devices at 9 customer sites in 2021 across 6 countries totaling 320 MVA of product deployment. Thanks to growing market interest Smart Wires now supports 20 customers across our key markets of Europe, Latin America, North America, and Australia, with nearly 3,000 device-years of field experience. The company secured expansion orders with repeat customers NGET, TransGrid and EPM as part of the ongoing SmartValve platform adoption. We now have 63 granted patents to ensure we maintain our technological edge.

**Growth** – Smart Wires' 2021 revenue was \$47.5 million, more than tripling 2020 revenue, even after facing headwinds in the year due to Covid-19-related supply chain challenges. Gross margins were up 98 percentage points to a positive 4% for the year. The company's contract backlog was \$58 million for deliveries in 2022, up 53% from a year earlier, with further expansion throughout 2022. Smart Wires is gaining traction with grid operators around the world, proof that our technology and solutions are increasingly in demand.

We continue to invest in our core technology, industrialize our operations and position ourselves for global scale. Taking these steps will improve our efficiency, boosting growth and profitability. These efforts will also help us diversify our product and solution offerings and expand into new revenue streams.

As part of our evolution, we relocated our technology development center and offices from California to North Carolina for an improved cost footprint, access to talent and ease of scaling. We expanded the Smart Wires team during the year to support global growth, with 81 new full-time employees joining the company. We also complemented the existing leadership capabilities at Smart Wires through new appointments in the areas of Finance, Engineering, Manufacturing, Safety, and People. By adding to and diversifying our expertise and experience in these areas, we are better positioned to further strengthen our market position and drive forward the energy transition.

A key milestone for Smart Wires was our IPO on Nasdaq First North on 18th May, 2021. The Swedish market is a leader in energy technology and positions us for continued growth. Smart Wires also improved its cash position with a debt facility announced in December. This strengthens our position for the mid-term as we work towards profitability by mid-2024.

**Market outlook** – Smart Wires' revenue is bolstered by backlog and pipeline progression, and we expect 2022 revenue between \$65-\$70 million. We anticipate continued growth and strong performance with \$100 -\$120 million of orders throughout 2022. This represents an approximate 40% to 50% conversion rate of the late-stage pipeline of \$240 million.

As we continue to work through supply chain challenges, and cut-over production from the SmartValve v1.03 to the SmartValve v1.04 in May, we expect revenue to ramp significantly during the year with much lower volumes in the first half of 2022 compared to the second half. In addition, we expect gross margins to improve significantly from 4% in 2021 to 12% – 14% for 2022 as we begin to see volume leverage of our fixed manufacturing costs. We expect the EBITDA loss for 2022 will be in the range of \$57 to \$62 million as the impact of higher revenue and gross margins is offset by investments in our core business, product range, technology adoption and industrialization. As well as positioning the business for more rapid scaling in the mid-term, we continue to monitor global energy policies and market design, global technology adoption and supply chain challenges, assessing their combined impact on the business. As conditions change, we will provide updates and calibrate accordingly throughout the year.

Smart Wires made tremendous progress in 2021. The company strengthened its team and brought in new investors with its listing. We entered new markets and began working with new customers around the world. Smart Wires has a robust backlog and pipeline of projects for 2022, and interest in our technology and solutions to help modernize and digitalize the electric grid is rapidly increasing.

The world has urgent and essential environmental goals to achieve by 2050, and these require immediate action as referenced in the recent IEA report, where renewable energy adoption needs to grow at 4X the current levels. We already have much of the technology and know-how to make a difference and have an impact now.

Thanks for following Smart Wires.

# Q4 2021 Interim Report

## Earnings – Q4 2021

### Revenue and gross profit

Total revenue increased by \$10.9 million or 131% to \$19.2 million in Q4 2021 from \$8.3 million in Q4 2020. Revenue growth was driven by delivery of SmartValve™ projects, with improved supply chain management and manufacturing output.

Gross margins improved by 50 percentage points in Q4 2021 to 6% from a negative gross margin of (44%) in Q4 of 2020. This was driven by revenue mix with 2021 revenue driven by product revenue from the delivery of SmartValve units vs a high level of lower margin construction revenue in 2020. In addition, the higher revenue drove leverage of the fixed manufacturing cost base. The favorable mix and positive volume impact were partially offset by a year-to-date reclassification of internal labor costs for production and installation support. In addition, a warranty provision of \$1 million for earlier generation products (SmartValve v1.03) was recorded which had a negative 5 percentage point impact to gross margins. The company believes this provision to be adequate for potential issues relating to a limited production run of SmartValve v1.03, where significant product improvements are coming with the release of SmartValve v1.04 in May 2022.

### EBITDA

EBITDA increased by \$7.0 million or 46% to a loss of \$8.3 million in Q4 2021 from a loss of \$15.3 million in Q4 2020, driven by the higher revenue, improved gross margin and lower operating expenses on research and development. EBITDA margin has improved significantly to (43%) in Q4 2021 from (184%) in Q4 2020 driven by higher margin revenue and improved efficiencies in manufacturing and overall operations.

### Net loss and loss per share

The net loss in Q4 2021 was relatively flat at \$17.1 million vs \$16.9 million in Q4 2020. The Net loss benefited from the improved EBITDA as described above as well as the favorable impact of the elimination of debt in Q2 2021 which drove lower cash interest expense. The non-cash valuation of preferred stock warrants that were converted to common stock and the issuance of common stock warrants in Q2 2021 was finalized in Q4 2021. The impact of which is a negative \$7.3M to Q4 2021 net loss.

Net loss per share improved from a loss of \$4.81 per share in Q4 2020 to a loss of \$.17 in Q4 2021.

## Earnings – YTD December 31, 2021

### Revenue and gross profit

Total revenue in 2021 grew by 208% to \$47.5 million from \$15.4 million in 2020. This exceeds the previously provided revenue guidance of \$38 million to \$42 million as production and delivery supply chain recovery outperformed expectations leading to higher-than-expected deliveries of SmartValve™ devices in Q4 2021. This 3x revenue growth was driven by continued SmartValve technology adoption by new and existing customers in key markets across the globe.

Gross margins for 2021 period were 4%, an improvement of 98 percentage points over the 2020 gross margin of (94%). This improvement was driven by a combination of improved leverage of fixed manufacturing costs, favorable revenue mix driven by product deliveries vs low margin construction revenue, and favorable comps related to manufacturing startup costs that were incurred in 2020. These improvements were partially offset by a \$1 million charge for a warranty provision related to earlier generations of the product that was recorded in Q4 2021 which resulted in a 2 percentage point negative impact to gross margins.

### EBITDA

EBITDA for 2021 improved 12% to a loss of \$50.5 million vs \$57.6 million in 2020. The improvement in EBITDA was driven by increased revenues and the improvement in gross margins, partially offset by an increased level of investment in the business to support expansion, new product introductions and engineering solutions.

EBITDA margins improved significantly from (373%) to (106%) in 2021 vs 2020 driven by an increase in revenue and improved gross margins.

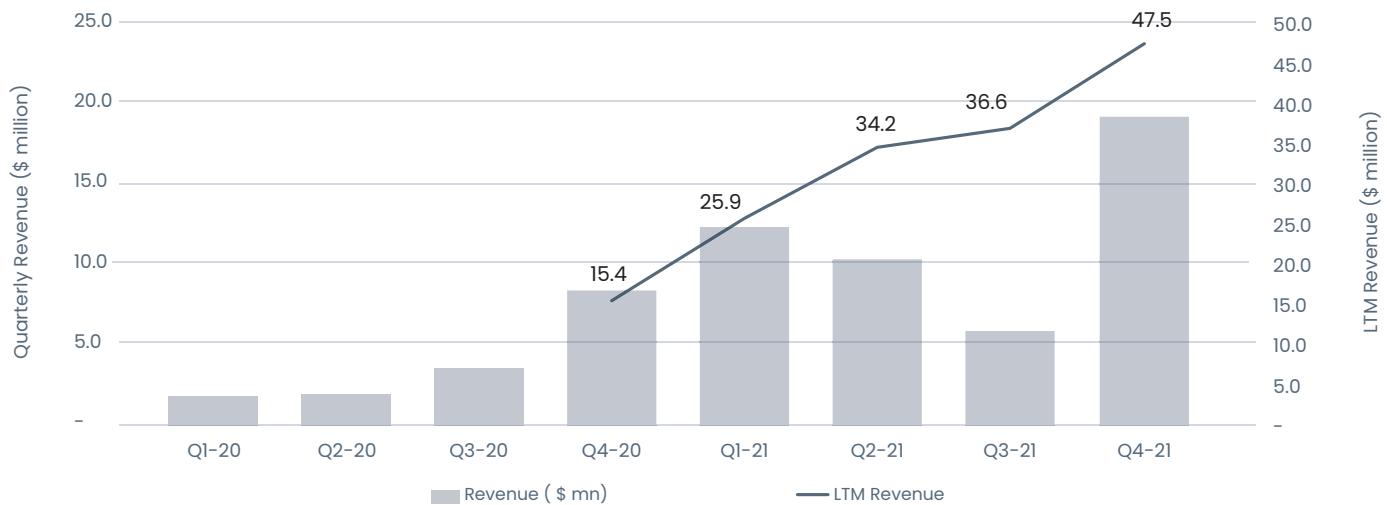
### Net loss and loss per share

The net loss in 2021 was \$65.9 million vs \$63.1 million in 2020. The change was primarily attributable to the improved EBITDA as described above, as well as the favorable impact of the elimination of debt in Q2 2021 which drove lower cash interest expense offset by \$7.3 million in expense related to the valuation of preferred and common stock warrants.

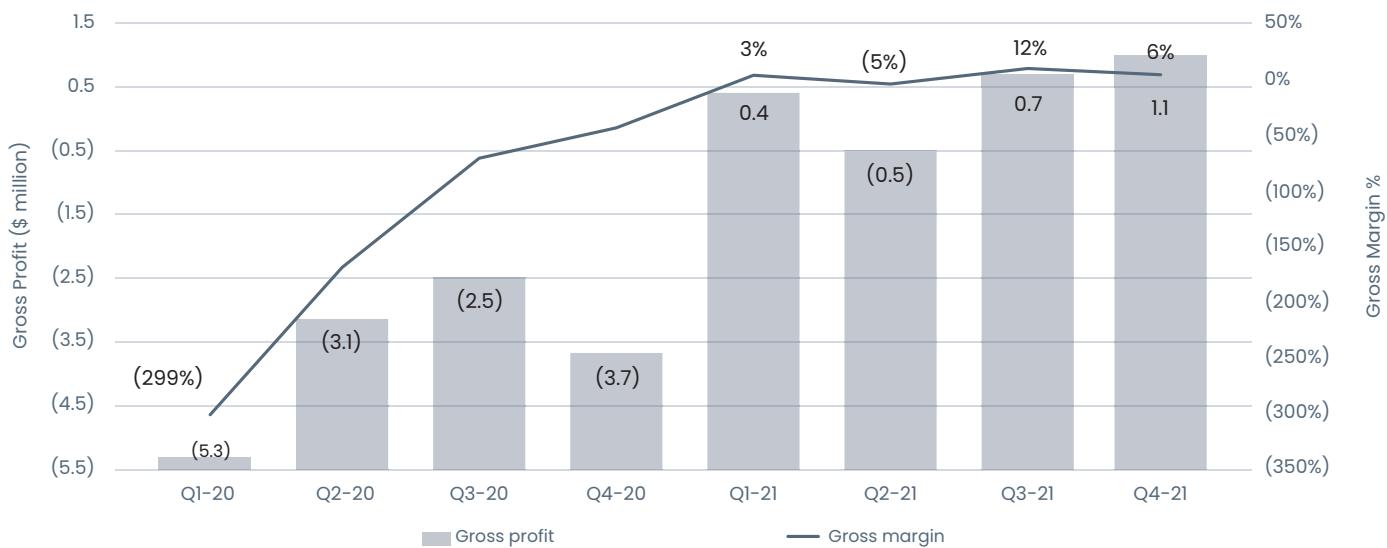
Net loss per share on a fully diluted basis improved to \$1.03 loss per share in 2021 from \$17.52 loss per share in 2020.



## Revenue Growth



## Gross Profit vs Margin



# Q4 2021 Interim Report

## Balance Sheet and Cash Flow

### Liquidity and financial position

As of December 31, 2021, the balance of cash, cash equivalents, and restricted cash was \$101.5 million including \$10.8 million of restricted cash related to advanced payment and performance guarantees for certain customers. Total current assets were \$138.9 million compared with current liabilities of \$30.6 million that consist of \$5.0 million of trade payables, \$12.7 million of accrued expenses and \$12.2 million of deferred revenue and customer deposits. The deferred revenue represents milestone payments received to date that are expected to be recognized in the next twelve months. In December 2021, we entered into a senior secured term loan agreement for a \$50 million facility subject to certain milestones being achieved. The first tranche of \$30 million was funded on December 31, 2021. A second tranche of \$20 million is available from April 2023 to September 2023 provided the company achieves \$40 million in trailing six months revenue.

### Cash Flow Activities

Cash flow from operating activities for the twelve months ended December 31, 2021 was negative \$61.7 million, a \$6.0 million improvement compared to the same period in 2020. The primary use of cash is to fund ongoing operating expenses and manufacturing and inventory procurement needs. Cash used in investing activities for the twelve months ended December 31, 2021, included \$5.4 million in capital expenditures, an increase of \$3.2 million compared to the same period in prior year, due primarily to construction of the new headquarters and research facility in Durham, NC which is scheduled to open in Q2 of 2022. Cash flow from financing activities was \$159.1 million for the twelve months ended December 31, 2021, an increase of \$110.0 million compared to the twelve months ended December 31, 2020. It is primarily driven by the net proceeds of \$143.3 million from the public listing via

Nasdaq First North Growth market on May 18, 2021, and \$29.6 million in net proceeds from the initial tranche from a new \$50 million debt facility on December 31, 2021, partially offset by the \$49.4 million repayment of a credit facility.

## 2022 Outlook

The Company anticipates 2022 orders to be in the range of \$100 to \$120 million. This represents an approximate 40% to 50% conversion rate of the late-stage pipeline of \$240 million. Based on the timing of tenders in process and the stage of negotiations with customers, we expect the order flow to be more weighted to the back half of 2022. We continue to monitor global energy policies and market design, global technology adoption and supply chain challenges, assessing their combined impact on the business. Taking these factors into consideration and with a current backlog of \$58 million, we are providing revenue guidance of \$65 to \$70 million for 2022. As we continue to work through supply chain challenges and cut-over production from the SmartValve v1.03 to the SmartValve v1.04 in May, we expect revenue to ramp significantly during the year with much lower volumes in the first half of 2022 compared to the second half. Gross margins are anticipated to improve significantly from 4% in 2021 to 12% - 14% for 2022 driven primarily by volume leverage of fixed manufacturing overhead. We expect the EBITDA loss for 2022 will be in the range of \$57 to \$62 million as the impact of higher revenue and gross margins is offset by investments in our core business, product range, technology adoption, and industrialization. As well as positioning the business for more rapid scaling in the mid-term. This guidance is highly sensitive to our assumptions of the impact of global supply chain challenges related to component availability, sub-assembly production and logistics. If actual conditions differ to these assumptions in either a positive or negative way, we may need to update this guidance and will provide calibration in future releases.

## Net Working Capital

(\$ in millions)	Dec-21	Sep-21	Jun-21	Dec-20
Cash and cash equivalents	90.7	84.7	104.4	9.6
Restricted cash	10.0	4.8	4.8	-
Accounts receivable	1.3	0.3	1.6	2.4
Inventory	18.7	17.4	20.6	22.1
Prepaid expenses and other current assets	18.1	14.2	12.4	1.3
<b>Current assets</b>	<b>\$138.9</b>	<b>\$121.4</b>	<b>\$143.8</b>	<b>\$35.5</b>
Accounts payable	5.0	2.6	8.4	4.8
Accrued expenses and other current liabilities	12.7	8.4	6.9	2.8
Deferred revenue and customer deposits	12.2	13.2	15.9	15.9
Current portion of long-term debt, net	-	-	-	0.5
Convertible notes payable, net	-	-	-	8.3
Derivative liability	0.7	-	-	0.7
<b>Current liabilities</b>	<b>\$30.6</b>	<b>\$24.2</b>	<b>\$31.3</b>	<b>\$33.1</b>
<b>Net Working Capital</b>	<b>\$108.3</b>	<b>\$97.2</b>	<b>\$112.6</b>	<b>\$2.4</b>



## Other Disclosures

### During Q4 2021

- **On 21st October, Smart Wires jointly announced the successful completion of a key project in Greece with the transmission system operator IPTO.** This project marks the second deployment of power flow control technology by IPTO, where it is intelligently controlling the flows of power across the network and unlocking available cross border interconnection capacity between Greece and Bulgaria.
- **On 8th December, Smart Wires received the 2021 Cleantech Impact Award for Economic Development.** This award recognizes Smart Wires' contribution to driving cleantech innovation and workforce development in North Carolina, following the company's relocation to Research Triangle Park announced earlier in the year.
- **On 21st December, Smart Wires and Ausnet Services jointly announced the completion of a key project that is enabling increased electricity flows on the NSW-Victoria Interconnector.** In what is one of the first installations of its kind in Australia, Victorian transmission system operator AusNet Services deployed SmartValve on the Jindera-Wodonga line, where it is routing power flow onto the underutilised western 330 kV transmission corridor to unlock around 15 MW of export capacity. This project supports Australia's progress towards the energy transition, enabling increased renewable energy to connect and reducing the risk of supply shortfalls in Victoria following the recent retirement of fossil fuel-based generation.
- **On 21st December, Smart Wires announced new projects aimed at modernizing the grid to accelerate progress to net zero in North and South America.** After an initial installation of SmartValves in early 2021, Empresas Pùblicas de Medellín (EPM) plans to expand the utilization of this technology with a further deployment in 2022 as part of the Aburrá Valley expansion plan. SmartValve is widely recognised in Colombia as a key technology for cost-effectively connecting lower cost generation and increasing reliability. Modular power flow control technology is adopted as part of the approved solutions for the country's 2020-2034 Transmission Expansion Plan, published by the national planning agency (Unidad de Planeacion Minero Energetica, UPME). In 2023, Los Angeles Department of Water and Power (LADWP) will test the rapidly deployable nature of SmartValve to enable more efficient and reliable outage management. LADWP has significant construction planned over the next decade to meet the Los Angeles 100% renewable energy goal by 2035, and is therefore exploring flexible and innovative solutions to reliable outage management.
- **On 31st December, Smart Wires signed an agreement for a \$50 million senior secured term loan.** The debt financing agreement has been signed between Smart Wires Technology Ltd.'s subsidiary Smart Wires Inc as the Borrower and an affiliate of Innovatus Capital Partners, LLC as Lender, granting Smart Wires access to a debt facility of up to \$50 million. The Term Loan may be used to fund ongoing operations and working capital expenses and for costs, fees and expenses incurred in connection with the financing agreement.

### After Q4 2021

- **On 27th January, Smart Wires and Austrian Power Grid (APG) announced a SmartValve mobile deployment, under a cooperation agreement between the companies.** The success of the SmartValve deployment, combined with detailed network studies, have demonstrated the potential of this technology to utilise the capacity on the existing transmission grid and improve operational reliability in Austria.
- **On 8th February, Smart Wires, National Grid Electricity Transmission (NGET), and Omexom were jointly awarded the Collaborate to Innovate (C2I) 2021 Energy & Environment award by The Engineer for the 'Working smarter to get to net zero' projects.** The project involved deploying cutting-edge modular power flow control technology, SmartValve, on five circuits at three National Grid substation sites in the north of England in 2021, releasing a total of 1.5 GW of extra network capacity – enough to power one million homes in the UK with renewable energy. The award recognizes the results of 5+ years of a successful partnership delivering impact via innovation.
- **On 8th February, Smart Wires and Amprion announced the successful completion of a project that tested the use of innovative technology for optimizing grid loading in Germany.** As part of this cooperation, Amprion carried out extensive studies and technical analyses of SmartValve. The project demonstrated that SmartValve can optimally utilise the capacity of Amprion's lines through targeted load flow change, and has strong potential to use the grid more efficiently and to reduce the need for redispatch in the future.
- **On 10th March, Smart Wires and Grupo Energía Bogotá (GEB) announced the installation of SmartValve to improve supply of electricity in the Caribbean region and unlock 252 MW capacity.** By using the network more efficiently, SmartValve is releasing new interconnection capacity for the Termocandela power plant on the existing network. This newly released capacity provides greater availability of energy to meet demand and improves reliability of supply, alleviating dispatch restrictions and supporting economic development in the region. This marks the second installation of SmartValve in Colombia, with more projects to be delivered in 2022 to further strengthen the national transmission network. The use of FACTS devices (such as SmartValve) is incentivized in Colombia's 2020-2034 Transmission Expansion Plan, which includes multiple FACTS projects over the coming years.

Consolidated Financial Statements – Unaudited as of December 31, 2021

## **Smart Wires Technology Ltd Consolidated Statements of Operations (Unaudited)**

Figures in USD in thousands

# Consolidated Financial Statements – Unaudited as of December 31, 2021

## Smart Wires Technology Ltd Consolidated Balance Sheets (Unaudited)

Figures in USD in thousands

	December 31, 2021	December 31, 2020
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 90,729	\$ 9,641
Restricted cash	10,020	-
Accounts receivable	1,277	2,448
Inventory	18,750	22,075
Prepaid expenses and other current assets	18,147	1,296
<b>Total current assets</b>	<b>138,923</b>	<b>35,461</b>
Property and Equipment, net	9,087	4,185
Deposits	2,282	255
Deferred Financing Costs	464	-
Intangible Assets, net	91	235
<b>Total assets</b>	<b>\$150,847</b>	<b>\$40,136</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 5,030	\$ 4,827
Accrued expenses and other current liabilities	12,650	2,807
Deferred revenue and customer deposits	12,158	15,916
Current portion of long-term debt, net of debt issuance costs and discounts	-	503
Convertible notes payable, net of debt discounts	-	8,295
Line of credit	-	-
Derivative liability	736	735
<b>Total current liabilities</b>	<b>30,574</b>	<b>33,083</b>
Long-Term Debt, net of debt issuance costs and discounts	28,585	22,756
Other long-term liabilities	38	102
Series I convertible preferred stock	-	282,179
Stockholders' Equity (deficit)		
Common stock, \$0.01 par value	994	0
Additional paid-in capital	459,947	7,502
Retained Earnings	(306,182)	(242,376)
Net Loss	(64,958)	(63,111)
Accumulated deficit	(371,140)	(305,486)
<b>Total Smart Wires Technology Ltd stockholders' equity (deficit)</b>	<b>89,801</b>	<b>(15,805)</b>
Non-redeemable Non-controlling interests	1,849	
<b>Total liabilities and stockholders' equity (deficit)</b>	<b>\$150,847</b>	<b>\$40,136</b>

# Consolidated Financial Statements – Unaudited as of December 31, 2021

## Smart Wires Technology Ltd Consolidated Statements of Cash Flows (Unaudited)

Figures in USD in thousands

	Q4 2021	Q4 2020	2021 Jan – Dec	2020 Jan – Dec
<b>Cash Flows from Operating Activities</b>				
Net loss	\$(17,139)	\$(16,922)	\$(65,852)	\$(63,111)
Adjustments for non-cash items	8,559	783	12,676	3,432
Changes in operating assets and liabilities:				
Accounts receivable	(974)	(2,120)	1,171	6,292
Inventory	(2,710)	(120)	2,012	(11,185)
Prepaid expenses and other current assets	(3,952)	2,615	(16,851)	(720)
Operating Liabilities	4,498	(7,076)	5,140	(1,168)
<b>Net cash used in operating activities</b>	<b>(11,718)</b>	<b>(22,841)</b>	<b>(61,704)</b>	<b>(66,460)</b>
<b>Cash Flows from Investing Activities</b>				
Purchase of property and equipment	(5,246)	(141)	(5,358)	(2,197)
Other	135	9	(99)	(17)
<b>Net cash used in investing activities</b>	<b>(5,111)</b>	<b>(132)</b>	<b>(5,458)</b>	<b>(2,215)</b>
<b>Cash Flows from Financing Activities</b>				
Net proceeds from borrowings	28,857	(0)	52,776	23,485
Repayment of borrowings	-	(313)	(49,375)	(9,180)
Net proceeds from issuance of common stock	(29)	12	143,216	37
Proceeds from the issuance of convertible notes payable	-	9,000	4,626	9,000
Proceeds from the issuance of convertible preferred stock, net	-	(0)	7,838	25,732
Repurchase of early exercised options to purchase common stock	-	(16)	(12)	(16)
<b>Net cash provided by financing activities</b>	<b>28,828</b>	<b>8,684</b>	<b>159,058</b>	<b>49,059</b>
<b>Net Increase (Decrease) in Cash, cash equivalents and restricted cash</b>	<b>11,999</b>	<b>(14,289)</b>	<b>91,897</b>	<b>(19,615)</b>
Cash, cash equivalents and restricted cash, beginning of period	89,539	23,940	9,641	29,266
<b>Cash, cash equivalents and restricted cash, end of period</b>	<b>\$101,538</b>	<b>\$9,651</b>	<b>\$101,538</b>	<b>\$9,651</b>

### Reconciliation Statement of Cash flows to Consolidate Balance Sheet

Cash and cash equivalents as shown on consolidated balance sheet	\$90,729
Restricted Cash as shown on consolidated balance sheet	10,020
Restricted cash included in deposits on consolidated balance sheet	789
<b>Total Cash, cash equivalents and restricted cash as shown in the statement of cash flows</b>	<b>\$101,538</b>

Amount included in restricted cash and restricted cash included in deposits represent amounts restricted by contractual agreement with certain customers during the term of the customer contract. The restriction will be released by the customer at the end of the contract period.

# Consolidated Financial Statements – Unaudited as of December 31, 2021

## Smart Wires Technology Ltd

### Consolidated Statements of Convertible and Redeemable Preferred Stock and Stockholders' Equity (Deficit)

Period Ended December 31, 2021 (Unaudited)

Figures in USD in thousands

	Convertible Preferred Stock		Common Stock / Ordinary Shares		Additional Paid-In Capital	Accumulated Deficit	Total Smart Wires Technology Ltd Stockholders' Equity (deficit)	Non-Controlling Interests	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount					
<b>Balances at December 31, 2020</b>	<b>546,400,159</b>	<b>\$282,179</b>	<b>3,523,493</b>	<b>\$0</b>	<b>\$7,502</b>	<b>\$(305,486)</b>	<b>\$(297,984)</b>	<b>-</b>	<b>\$(297,984)</b>
Issuance of Series I-1 and Series I-2 convertible preferred stock at \$.6165 per share in exchange for convertible notes payable	44,637,106	13,759	-	-	-	-	-	-	-
Issuance of Series I-1 and Series I-2 convertible preferred stock at \$0.6165 per share in exchange for cash, net of issuance costs	25,674,892	7,838	-	-	-	-	-	-	-
Issuance of convertible preferred stock in connection with conversion of restricted stock units	82,492	55	-	-	-	-	-	-	-
Issuance of Series I-1 and Series I-2 convertible preferred stock as adjusted for anti-dilution	31,123,939	-	-	-	-	-	-	-	-
Issuance of Series I-1 convertible preferred stock in exchange for accumulated dividends	51,368,183	-	-	-	-	-	-	-	-
Accretion of convertible preferred stock cumulative dividends	-	8,990	-	-	-	(8,990)	(8,990)	-	(8,990)
Conversion of Series I-1 and Series I-2 preferred stock warrants at \$0.6165 per share	-	-	-	-	6,528	-	6,528	-	6,528
Issuance common stock warrants	-	-	-	-	764	-	764	-	764
Issuance of common stock upon exercise of stock options pre merger	-	-	111,577	\$-	144	-	144	-	144
Repurchase of early exercised stock options	-	-	(117,292)	\$-	(12)	-	(12)	-	(12)
Cancellation and conversion of Series I-1 and Series I-2 convertible preferred stock into common stock	(699,286,771)	(312,821)	66,204,113	7	312,814	-	312,821	-	312,821
Issuance of common stock in connection with a warrant exercise	-	-	1,465,847	-	-	-	-	-	-
Cancellation of common stock in connection with merger and stock split	-	-	(71,187,738)	(7)	(312,814)	-	(312,821)	-	(312,821)
Noncontrolling interest of common shareholders	-	-	-	-	-	-	-	2,750	2,750
Adjustment for NCI net asset	-	-	-	-	(11,021)	8,272	(2,750)	-	(2,750)
Issuance of Smart Wires Inc. common stock in connection with merger and stock split	-	-	-	-	-	-	-	-	-
Issuance of Parent ordinary shares in connection with merger and stock split	-	-	68,943,337	689	312,109	-	312,799	-	312,799
Issuance of Parent ordinary shares in exchange for SDRs, net of costs	-	-	30,400,000	304	142,790	-	143,094	-	143,094
Conversion of NCI into parent company common stock	-	-	59,595	1	5	-	6	(6)	-
Issuance of common stock upon exercise of stock options in parent company	-	-	31,023	-	-	-	-	-	-
Stock-based compensation and other	-	-	-	-	1,159	-	1,159	-	1,159
Net loss	-	-	-	-	-	(64,958)	(64,958)	(895)	(65,852)
<b>Balances at December 31, 2021</b>	<b>-</b>	<b>\$-</b>	<b>99,343,337</b>	<b>\$994</b>	<b>\$459,969</b>	<b>\$(371,162)</b>	<b>\$89,801</b>	<b>\$1,849</b>	<b>\$91,650</b>

**Note:** the above Parent ordinary shares excludes outstanding options and warrants. On a fully diluted basis, total ordinary shares equivalent is 117,445,967 as of December 31, 2021.



## EARNINGS CALL INFORMATION

### Smart Wires Technology LTD, Audiocast with teleconference, Q4, 2021

**Time:** Thursday March 24

15:00 Stockholm (CET) / 10:00 EST.

<https://financialhearings.com/event/41650>

**Language:** English

**Speakers:** Peter Wells, CEO and Julie Andrews, CFO

#### Webcast:

<https://tv.streamfabriken.com/smart-wires-q4-2021>

**Teleconference:** Dial-in number **SE:** +46856642705

**UK:** +443333009271 **US:** +16467224957

#### FINANCIAL CALENDAR:

Annual Report: April 28, 2022

Q1 Earnings Call: May 12, 2022

Q2 Earnings Call: August 11, 2022

Q3 Earnings Call: November 10, 2022

#### CONTACTS

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#### Important notice about forward-looking information

This interim report contains certain forward-looking information and statements that reflect the Company's current views on future events as well as financial and operational developments. Words such as "refer", "assess", "expect", "can", "plan", "estimate", "calculate", "could" and other expressions that indicate indications or assessments regarding future developments or trends, and which does not relate to historical facts, constitutes forward-looking information. Forward-looking information is inherently associated with both known and unknown risks and uncertainties because it is dependent on future events and circumstances. Forward-looking information does not constitute a guarantee regarding future results or development and the actual outcome may differ materially from what is stated in forward-looking information. Neither the Company nor anyone else make any representations about publishing updates or revisions of forward-looking information as a result of new information, future events or similar circumstances other than as provided by applicable mandatory rules and regulations.

*This information is information that Smart Wires Technology Ltd is obliged to make public pursuant to the EU Market Abuse Regulation. The information in this press release has been made public through the agency of the responsible person set out above for publication at the time stated via the Company's news distributor Cision at the publication of this press release.*

#### ABOUT SMART WIRES TECHNOLOGY LTD.

Smart Wires conducts grid technology business that helps utilize, modernize, optimize and monetize grid capacity to meet the demands and opportunities of the energy transition. The Company operates in the global transmission grid technology market and is a leader in modular power flow control technology. Power flow control technology controls and directs power flow on high voltage electric transmission systems. Smart Wires serves transmission owners, primarily electric utilities. Transmission owners use power flow controllers to eliminate line overloads by redirecting power to other lines, to reduce transmission congestion, and to enable renewable energy connection and dispatch. Currently, Smart Wires' main projects are located in Europe, the United States and Australia with upcoming projects in South America and Canada. The Company has a large customer base comprised of utilities globally. For more information, please visit [www.smartwires.com](http://www.smartwires.com).