2022

Q3 Interim Report

SMART WIRES
REIMAGINE THE GRID

Recent Business Highlights and Guidance

- Company announced it's closed on $5 million in funding under a $20 million aggregate investment
- Company announced plans to apply for delisting of the Company's Swedish Depository Receipts, currently traded on the NASDAQ First North Growth Market
- Announcement that Company is exploring strategic alternatives including without limitation additional financing, a business combination, and a sale of the Company
- Initiation of a restructuring to further focus the business on core markets and improve its cost structure, including a reduction in force affecting 35% of employees
- Given continued supply chain challenges, revenue guidance was suspended
- Current order backlog at $67 million slated for Q4 2022 to Q2 2023 delivery
- Order guidance was lowered from $80 million to $100 million to $50 million to $60 million
- Q3 Revenue of $4.5 million, -23% vs. Q3 2021
- Q3 Net loss of $23.2 million, -50% vs. Q3 2021
- Q3 non-GAAP adjusted EBITDA loss of $20.8 million, -41% vs. Q3 2021
- Successful delivery of first project in Canada
- Completion of large-scale VNI upgrade project with Transgrid in Australia

Key Figures (Unaudited)

($ in millions, unless stated otherwise)	Q3 2022	Q3 2021	Change	2022 Jan - Sep	2021 Jan - Sep	Change
Revenue	**$ 4.5**	**$ 5.9**	**(23%)**	**$ 15.4**	**$ 28.3**	**(46%)**
Cost of revenue	11.9	5.2	(131%)	31.4	27.7	(13%)
Gross profit	**$ (7.4)**	**$ 0.7**	**(1160%)**	**$ (16.0)**	**$ 0.7**	**(2559%)**
Gross margin	*(165%)*	*12%*	*(177%)*	*(104%)*	*2%*	*(106%)*
Operating Expenses	14.8	16.0	7%	44.3	44.6	1%
Net Profit (loss)	$ (23.2)	$ (15.5)	(50%)	$ (62.4)	$ (56.0)	(11%)
EBITDA [1]	$(20.8)	$ (14.8)	(41%)	$(56.0)	$ (42.2)	(33%)
EBITDA margin	*(463%)*	*(252%)*	*(211%)*	*(364%)*	*(149%)*	*(215%)*
Ending cash, including Restricted Cash	**$ 20.4**	**$ 89.5**	**(77%)**	**$ 20.4**	**$ 89.5**	**(77%)**
Net working capital	**$ 43.6**	**$ 97.2**	**(55%)**	**$ 43.6**	**$ 97.2**	**(55%)**
Cash flows from operations	$ (17.5)	$ (19.2)	9%	$ (66.0)	$ (50.0)	(32%)

[1] EBITDA is a non-GAAP measure. Please refer to page 9 for the reconciliation of EBITDA to Net Loss.

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

Due to rounding the number presented may not add to the totals provided.

A transition to a stronger business
There is no doubt that we have faced many challenges in 2022. We're not through the year yet and still have plans to reframe and deliver better output, but supply chain delays have impacted production – in terms of new product cut-in, ramping, and volume – which has prevented backlog execution, deliveries, and milestone payment collections. We have continued to develop and position the business, but the delays reached a point in Q3, where we were left with no choice on dropping revenue and margin guidance, lowering new orders expectations, and announcing the need to address near-term liquidity challenges, up to and including the possible sale of the business.

We retained a management consultant to help us walk through ways we can improve our cost position and cash flow, and an investment bank to help engage with capital markets on debt, equity, and M&A options. These efforts continue, and I am energized and bullish around the positive impact our reframing of the business will have on the long-term growth of our platform. I will share what I can in this release, and you will see further updates as actions translate to outcomes in the coming weeks and months.

Production
We discussed many of the supply chain challenges we have faced in earlier releases this year. We continue to work through supplier quality, volume, and lead time issues on multiple key components, like PCBAs, wiring harnesses, custom mechanical parts, hardware, and fasteners. The good news is that despite the high impact in 2022, we believe we have created a more diverse supply chain capability that will enable stronger performance in 2023.

Our original goal was to ramp up on the new SmartValve 10-1800 v1.04 production through Q2 and Q3. Delays in material availability pushed back product prototype builds, critical testing, and development work, and ultimately production – First Article Inspection and production cut-in. The result is a production cut-in during November, with a production ramp starting in December.

We will now build 9 to 12 of the new SmartValve 10-1800 v1.04 units in 2022 instead of the original plan for 70 units. A substantive shift. The great news is that our key customers have stayed close and supported us throughout the situation and worked with us to support liquidity through adjusted milestone payments, additional costs, and revised scheduling to meet their deployment needs.

Much of our backlog has therefore shifted to 2023, and we continue to build on top of that with new orders for deliveries that would begin in the second half of 2023.

Cost Structure
In October/November we initiated a reduction in force of about 35% of our global workforce, a tough but necessary action that allows us to reframe our cost position align our remaining team to core markets and customer priorities, and positions us to tactically capitalize on near-term growth in a streamlined and cost-efficient manner. These changes, in addition to other cost reduction actions will generate savings of more than $10-12M per year. While we have completed our planned reduction in force initiative, we still have numerous ideas and opportunities to optimize on overhead and cost of goods sold. These include working through supply chain improvements and direct material savings, logistical cost reductions (both inbound and outbound), improved manufacturing cost and absorption, more targeted R&D, and associated new product introduction investments.

Challenges create opportunity
Our business strategy has always been based on volume inflexion delivering profitability and positive cash flow. This is – of course – correct from a modeling perspective, however, we have learned in 2022 that volume alone will not deliver the cash profile and profitability we want – especially if volume is curtailed due to macro events beyond our control. It is easy to say in hindsight, however a decline in global economies and markets, changed many things. As a result, we have pivoted to focus on unit/project economics, core markets, and a right sizing of our overhead. This will result in much stronger financial performance, lower cash burn, and a faster transition to profitability with positive free cash flow.

Market Focus
Our hypothesis that lighthouse customers will drive our growth remains unchanged. We know that these accounts will drive core growth, and a broader ripple effect on the regions and countries where these customers operate.

What has changed is that we will focus our investment, product development, and resource allocation on these customers and markets. We are not dropping the broader marketplace (which remains large and full of potential) but rather than chasing, we will wait for these markets to come to us. This allows us to be far more focused, with a lower cost structure, while positioned to react and respond as opportunities evolve. We therefore are also recalibrating our operating mindset, to reflect a platform with can nimbly scale as and when opportunities manifest in the shape of orders and commitments.

With this deeper focus, we are also re-framing our commercial position with key customers and in key markets. This is enabling better value-based pricing, broader scope, longer term horizons on commitments and volume, the ability to generate annuity streams through analytics and services, and improved milestones.

Peter Wells
CEO

These better terms, along with reframing our cost structure, generate better product and project economics, and obviously scale well. These last few months have presented a tremendous opportunity for us to redefine our priorities, focus areas, and business model. The broader market opportunity remains huge, and the volume inflexion is still considered to be a mid-term event. The difference is that we have a stronger core business that will scale better and with better financial performance.

Strategic Alternatives
Finally, we recently announced the issuance of Preferred Shares that will provide new capital up to $20 million with $5 million already funded and an additional $5 million to be funded by December 1, 2022. In addition, we also announced our plans to apply for delisting from the NASDAQ First North Growth Market. This injection of capital, and our re-framing of the business, has given us operational runway well through 2023 and possibly beyond. We continue to assess other strategic and financial alternatives, but from a position of strength.

We are paving the way to a net zero world with our digital grid technology and solutions. We believe that the grid is the hidden catalyst and nucleus of the energy transition, where a digital edge-to-edge grid platform will enable global energy markets to adopt renewable energy, and electrify consumption, at a pace and scale never seen before – and absolutely needed. This new energy paradigm will create green industries, stimulate economic growth, generate jobs, and deliver net zero. Our technology is key, our business matters, and despite the setbacks in 2022, we believe we are better positioned today with a built a stronger platform for future growth.

Peter Wells
CEO, Smart Wires

Earnings – Q3 2022

Revenue and gross profit
Total revenue for the quarter was $4.5 million, a decrease of 23% compared to Q3 2021. Q3 revenue was impacted by continued global supply chain challenges, specifically the production delays of printed circuit board assemblies, resulting in a shift in the delivery schedule of outstanding customer orders.

Gross margins were (165%) in Q3 2022 down from 12% in Q3 of 2021. Gross Margin was primarily impacted by lower production volumes in the quarter driving deleverage of the fixed manufacturing cost base as well as abnormally high logistics costs. The company incurred $1.3 million in expedited freight charges resulting from the supply chain delays, impacting margins negatively by 30%. The company recognized $1.5 million of warranty-related expense for earlier generation products (v1.03) in the quarter, resulting in a (33%) impact to gross margins. While the company believes the provision to be adequate for potential issues relating to a limited production run of the v1.03, it will continue to assess on a quarterly basis and adjust as necessary.

EBITDA
EBITDA decreased by $6.0 million or 41% to a loss of $20.8 million in Q2 2022 from a loss of $14.8 million in Q3 2021, driven largely by lower revenue and gross margins but partially offset by lower operating expenses compared with the prior year period. Spending in the quarter was reduced to help offset the impact of the supply chain disruptions on revenues and to reduce cash consumption.

Net loss and loss per share
The net loss in Q3 2022 increased by 50% to $23.2 million compared to $15.5 million in Q3 2021 primarily driven by the reduced EBITDA as described above in addition to increased interest expense, depreciation and amortization as well as stock based compensation. Net loss per share on both a basic and fully diluted basis increased from a loss of $0.15 per share in Q3 2021 to a loss of $0.23 in Q3 2022 on a relatively stable share base.

Earnings - YTD September 30, 2022

Revenue and gross profit
Total revenue for the nine-months ended September 30, 2022, was $15.4 million, a decrease of 46% compared to the same period in 2021. The decrease in revenue was impacted by continued global supply chain challenges, specifically the production delays of printed circuit board assemblies, resulting in a shift in the delivery schedule of outstanding customer orders.

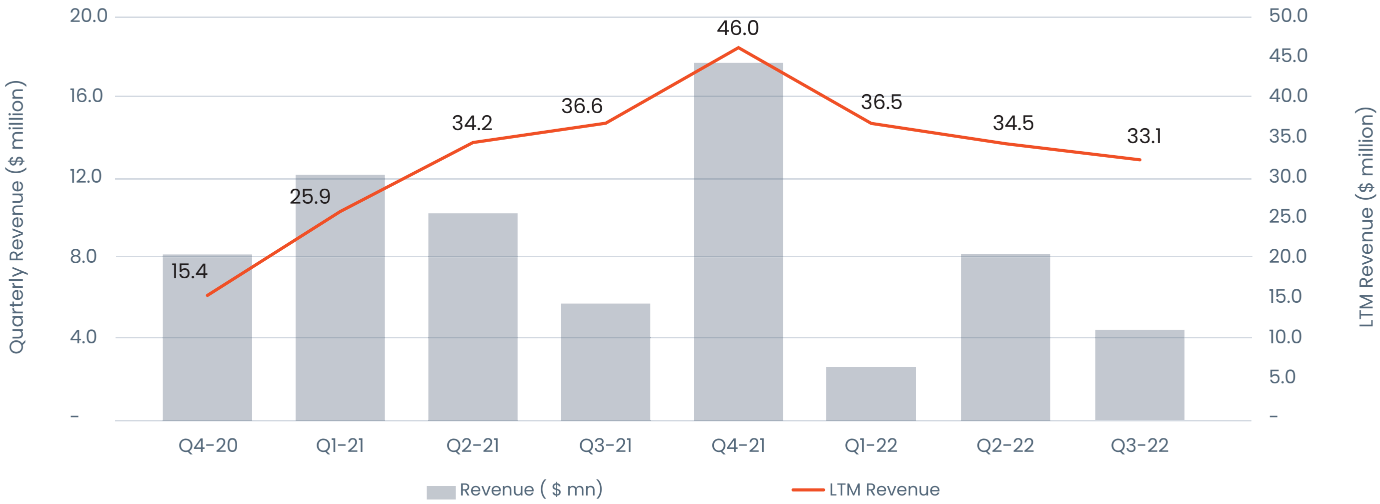
Gross margins declined by 106 percentage points in the first nine months of 2022 to (104%) from gross margin of 2% in the first nine months of 2021. This was driven primarily by lower production volumes during the first nine months of the year caused by the supply chain disruptions discussed previously, and the cutover to the SmartValve™ 10-1800 v1.04. The low production volumes drove deleverage of the fixed manufacturing cost base as well as increased logistics costs. Expedited freight charges of $1.3 million had a negative impact on gross margins of 9%. In addition, a warranty provision of $3.4 million for earlier generation products (v1.03) was recorded during the first nine-months of 2022 which had a (22%) impact to gross margins.

EBITDA
EBITDA decreased by $13.8 million or 33% to a loss of $56.0 million in the first nine-months of 2022 from a loss of $42.2 million in the same period in 2021, driven largely by the lower revenue and gross margins with slightly lower operating expenses in the comparable period.

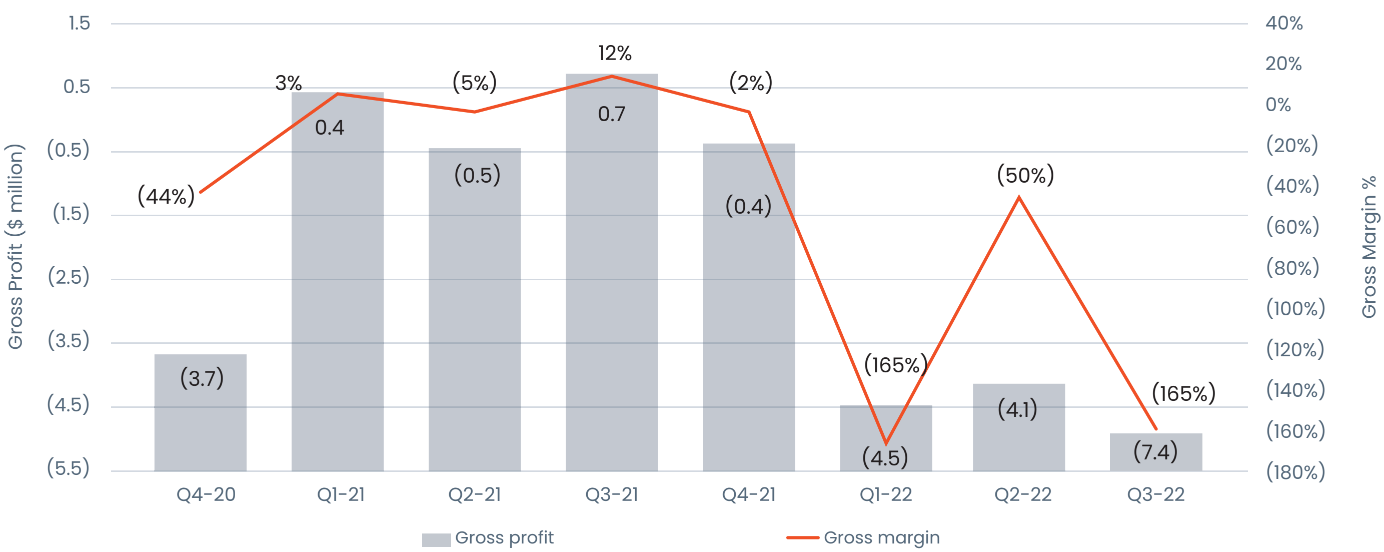
Net loss and loss per share
The net loss in the first nine-months of 2022 increased by 11% to $62.4 million compared with $56.0 million in the same period in 2021. The increased loss is attributable to the decrease in EBITDA described above, partially offset by the $7.3 million in preferred stock warrant revaluation and common stock warrant issuance expenses, a $1.8 million loss on extinguishment of debt, and higher interest expenses in the first nine-months of 2021.

Net loss per share on both a basic and fully diluted basis improved from a loss of $0.74 per share in the first nine-months of 2021 to a loss of $0.61 in the first nine-months of 2022. This improvement is mostly attributable to the weighted average shares outstanding being higher in in the first nine-months of 2022 as result of the public offering in May 2021, offset by the increase in net loss during the comparable period in the previous year.

Revenue Growth



Gross Profit vs Margin



Balance Sheet and Cash Flow

Liquidity and financial position
As of September 30, 2022, the balance of cash, cash equivalents, and restricted cash was $24.2 million including $14.8 million of restricted cash related to advanced payment and performance guarantees for certain customers. Inventory and prepaid assets increased by $18.8 million since December 31, 2021, due to purchases and deposits for raw material associated with the launch of the SmartValve 10-1800 v1.04 product. Total current assets were $68.8 million compared with current liabilities of $25.2 million that consist of $5.3 million of trade payables, $7.3 million of accrued expenses and $11.6 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 12 months. In Q1, the company recorded a right-of-use asset in the amount of $9.7 million and a long-term lease liability of $10.5 million related to the new company headquarters and research facility Durham, North Carolina. The company received a tenant improvement allowance of $5.1 million in Q2 of 2022 which reduced the value of the right-of-use asset on the balance sheet. In December 2021, the company 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 $40 million in trailing six months revenue.

On October 10, 2022, the company announced that it had engaged advisors to explore strategic alternatives for the company including without limitation additional financing to address its liquidity, a business combination, and a sale of the Company. Additionally the company announced on October 31, 2022, restructuring to further focus its business on core markets and improve its cost structure. This action included a reduction in force impacting 35% of the global workforce. The annual impact of the cost reduction initiatives including the reduction in force is expected to be in the range of $10 million to $12 million. Savings in Q4 2022 will be offset by severance related expenses and therefore we expect the positive cash impact to be realized starting in Q1 2023.

On November 16, 2022, the company announced it has closed on $5 million in funding under a facility that provides up to $20 million of aggregate investment through the issuance of Preferred Shares.

Cash flow activities
Cash flow from operating activities for the nine-months ended September 30, 2022, was negative $66.0 million compared with negative $50.0 million for the same period in the prior year. The primary use of cash is to fund ongoing operating expenses, manufacturing and inventory procurement needs. Cash used in investing activities for the nine-months ended September 30, 2022, included $11.3 million in capital expenditures, due primarily to construction of the new facility in Durham, North Carolina which opened in Q2 of 2022. The company received a $5.1 million tenant improvement allowance in Q2 2022. Cash flow from financing activities was immaterial in the nine-months ended September 30, 2022, compared with $130.2 million during the same period in the prior year which was the result of the net proceeds of $143.2 million from the public listing via Nasdaq First North Growth market on May 18, 2021, $23.9 million of net proceeds from borrowing, $7.8 million of net proceeds from issuance of convertible preferred stock and $4.6 million of proceeds from the issuance of convertible notes payable. These proceeds were partially offset by the repayment of $49.4 million in credit facility debt after the completion of the public listing.

2022 Outlook
The Company announced on October 10,2022 that it suspended its revenue guidance as it continues to work through supply chain challenges. Specifically, production delays of printed circuit board assemblies have resulted in a shift in the delivery schedule of committed customer orders. The Company expects to deliver the current backlog of $67M over the course of Q4 2022 through Q2 2023.

While the order pipeline continues to expand, intake is slower than expected and as such the Company is also revising its orders guidance to $50M-$60M from previous guidance of $80M-$100M.

Net Working Capital

	Sep-22	Sep-21	Dec-21
($ in millions)			
Cash and cash equivalents	$ 9.5	$ 84.7	$ 90.7
Restricted cash	11.0	4.8	10.0
Accounts receivable	1.4	0.3	1.3
Inventory	39.4	17.4	18.7
Prepaid expenses and other current assets	7.5	14.2	16.7
Current assets	**$ 68.8**	**$121.4**	**$137.5**
Accounts payable	5.3	2.6	5.0
Accrued expenses and other current liabilities	7.3	8.4	12.7
Deferred revenue and customer deposits	11.6	13.2	12.2
Lease Liability-Current	0.4	-	-
Derivative liability	0.5	-	0.7
Current liabilities	**$25.2**	**$24.2**	**$30.6**
Net Working Capital	**$43.6**	**$97.2**	**$106.9**

Due to rounding the number presented may not add to the totals provided.

Other Disclosures

During Q3 2022

On 12th July, Smart Wires announced the official incorporation of its new Colombian subsidiary. The new subsidiary and corporate office serves as Smart Wires' operational hub for the Latin America region, further enabling the company to help accelerate the region's energy transition. Nearly two dozen Smart Wires employees based in Medellin held a ribbon-cutting ceremony to mark the opening of the office. Medellin was chosen as the ideal location for Smart Wires to establish its Latin America base as it is a source of exceptional talent in the electricity and technology sectors, and the company has seen strong commercial momentum across the region.

On 10th August, Smart Wires announced reseller partnership with software provider Operato. SUMO compliments and strengthens Smart Wires' existing commercial offering. SUMO is a software offering with an optional hardware component that provides system-wide visibility of lines, transformers and other network equipment in real-time and for future forecasts. The total available market for dynamic rating systems and the additional power flow control technology required to fully leverage the newly-identified circuit capacity is estimated at $10B per annum. Operato is a subsidiary of ELES Group which is controlled by the Slovenian transmission system owner and operator ELES d.o.o.

On 11th August, Smart Wires announced new appointments to the executive leadership team. Jessica Joyce was appointed to the role of Chief Sales Officer, and will lead a team covering business development, key account management, technical sales and commercial operations. Michael Walsh, previously Chief Commercial Officer was appointed to the Chief Development Officer role and will be responsible for strategy, marketing, government affairs and corporate development. Jeremy Knepper was appointed to the role of Chief Operating Officer and will lead the safety, quality, sourcing, production and services teams. These changes will enable the business to establish a laser focus on positioning for growth and driving pipeline conversion to orders and backlog. In addition, the Chief Operating Officer role provides for a clear operational focus that is aligned and connected through our business.

On 16th August, the Inflation Reduction Act of 2022 was passed into law in the US to accelerate investments in clean energy and climate change programs. The legislation includes $369 billion in investments in clean energy and climate change programs with the goal to reduce carbon emissions by 40% by 2030. The Department of Energy will receive $100 million to study the development of interregional electric transmission infrastructure and the integration of offshore wind energy. This study will explicitly include Grid Enhancing Technologies (GETs) — including power flow control — as solutions to alleviate constraints that result as more renewables are incorporated onto the grid. This investment builds on years of federal research and support for GETs.

After Q2 2022

On 10th October, Smart Wires announced that it has engaged two advisors to explore strategic alternatives for the company. These strategic alternatives include without limitation additional financing to address the Company's liquidity, a business combination, and a sale of the Company. In this announcement Smart Wires also suspended its revenue guidance for 2022 as it continues to work through supply chain challenges, specifically production delays of a component (Printed Circuit Board Assemblies).

On 31st October, Smart Wires announced a restructuring to further focus its business on core markets and improve its cost structure. As part of this, Smart Wires implemented a reduction in force affecting 35% of employees. The reduction in force is part of a broader strategy to reduce operational expense and costs of goods sold, focus on three core geographic markets, and re-assess the current business model with the goal of capturing more of the value created by SmartValve technology and improving project economics. The annual impact of the cost reduction initiatives including the reduction in force is expected to be in the range of $10 million to $12 million. Savings in Q4 2022 will be offset by severance related expenses and therefore the company expects the positive cash impact to be realized starting in Q1 2023.

On 2nd November, Transgrid announced the successful delivery of the Victoria-NSW Interconnector upgrade in Australia. Transgrid hosted an on-site event to formally mark the completion of the VNI project. The VNI project has unlocked 170 megawatts of additional energy between the states, enough to power more than 30,000 homes.Transgrid CEO Brett Redman said "Transgrid is building the energy superhighways that will benefit millions of Australians and this project is a key example of how we are enabling more efficient sharing of renewable energy between the states. The speed at which the energy transition is accelerating means we must embrace new technology and innovate and SmartValve is a perfect example of how Transgrid is doing just that."

On 10th November, Smart Wires announced the successful delivery of a first project to increase system capacity and improve reliability in Canada. The project marks a significant step towards the adoption of digital power flow control technology in the country. The SmartValves were deployed at a substation in southern Alberta to reduce network congestion by actively balancing power flows across the surrounding circuits. This unlocked increased capacity on the existing network for generation, resolving a short-term network need in the area.

On 16th November, Smart Wires announced that it has closed on USD $5 million in funding under a facility that allows for up USD $20 million of aggregate investment, and plans to apply for delisting of the Company's Swedish Depositary Receipts (SDRs), currently traded on Nasdaq First North Growth Market. The Company expects to formally apply for delisting of the SDRs from Nasdaq First North Growth Market not earlier than three months from November 16, 2022.

Smart Wires Technology Ltd. Consolidated Financial Statements September 30, 2022

Consolidated Statements of Operations (Unaudited)

In thousands, except per share amounts

	Q3 2022	Q3 2021	2022 Jan- Sep	2021 Jan- Sep
Revenues				
Product revenue	$ 4,490	$ 5,856	$ 15,394	$ 26,124
Construction revenue	–	–	–	2,186
Total Revenues	4,490	5,856	15,394	28,310
Cost of Revenues	11,915	5,155	31,388	27,660
Gross Margin	(7,425)	701	(15,994)	651
Operating Expenses				
Research and development	5,430	7,739	16,656	21,086
Selling, general and administrative	9,419	8,267	27,617	23,484
Other operating expenses	–	–	53	–
Total operating expenses	14,850	16,005	44,326	44,570
Loss before other Income (Expenses)	(22,274)	(15,305)	(60,319)	(43,919)
Preferred stock warrant liability revaluation gain (loss)	–	–	–	(6,528)
Financial expenses, net	(937)	(175)	(2,120)	(5,558)
Net Loss	$ (23,211)	$ (15,480)	$ (62,440)	$ (56,005)
Less:				
Net loss attributable to Non-redeemable Non-controlling interests	(411)	(333)	(1,254)	(683)
Net Loss attributable to Smart Wires Technology Ltd	$(22,801)	$(15,147)	$ (61,186)	$ (55,322)
(Loss) per share attributable to Smart Wires Technology Ltd Common Stockholders				
Basic	$ (0.23)	$ (0.15)	$ (0.61)	$ (0.74)
Weighted-average common shares outstanding:				
Basic	100,381,590	99,919,278	100,115,084	74,343,752
Reconciliation of Loss before Other Income (Expenses) to EBITDA				
Loss Before Other Income (Expenses)	(22,274)	(15,305)	(60,319)	(43,919)
Add: Depreciation and amortization	678	380	1,592	1,280
Add: Stock Based Compesation	788	150	2,719	450
Deduct: Bank Fees	–	(12)	–	(24)
EBITDA	**(20,808)**	**(14,786)**	**(56,009)**	**(42,213)**

Due to rounding the number presented may not add to the totals provided.

Note: Prior year quarterly numbers were adjusted to reflect the expense related to the revaluation of preferred stock warrants and issuance of common stock warrants that were recorder in Q4 of 2021 as an out-period adjustment. Other immaterial reclassifications to align with the 2021 audited financial statements are also included and therefore totals presented may not agree to prior year's Interim reports.

Smart Wires Technology Ltd. Consolidated Financial Statements September 30, 2022

Consolidated Balance Sheets (Unaudited)

In thousands, except par value amounts

	September 30, 2022	September 30, 2021	December 31, 2021
ASSETS			
Current Assets			
Cash and cash equivalents	$ 9,463	$ 84,789	$ 90,729
Restricted cash	10,952	4,750	10,020
Accounts receivable	1,447	304	1,277
Inventory	39,398	17,353	18,750
Prepaid expenses and other current assets	4,526	7,959	6,359
Unbilled receivables	3,001	6,236	10,319
Total current assets	**68,788**	**121,390**	**137,454**
Property and equipment, net	16,407	3,032	9,087
Right-of-use asset	5,028	-	-
Deposits and other assets	5,056	490	2,282
Deferred financing costs	464	–	464
Intangible assets, net	213	220	91
Total assets	**$ 95,956**	**$ 125,132**	**$ 149,377**
LIABILITIES			
Current Liabilities			
Accounts payable	$ 5,266	$ 2,600	$ 5,030
Accrued expenses and other current liabilities	7,322	8,389	12,650
Deferred revenue and customer deposits	11,632	13,213	12,158
Lease Liability-Current	443	-	-
Derivative liability	540	-	736
Total current liabilities	**25,204**	**24,201**	**30,574**
Long-Term debt, net of debt issuance costs and discounts	29,017	-	28,585
Lease liabilitiy	10,505	-	-
Other long-term liabilities	38	38	38
Total liabilities	**64,763**	**24,239**	**59,197**
STOCKHOLDERS' EQUITY (DEFICIT)			
Stockholders' Equity (deficit)			
Common stock, $0.01 par value	995	994	994
Additional paid-in capital	462,695	459,365	459,969
Retained Earnings	(372,600)	(306,205)	(306,205)
Net Loss	(61,186)	(55,322)	(66,396)
Acumulated deficit	(433,786)	(361,527)	(372,600)
Acumulated Other Comprehensive Income	726	-	-
Total Smart Wires Technology Ltd stockholders' equity (deficit)	**30,630**	**98,832**	**88,363**
Non-redeemable Non-controlling interests	563	2,060	1,817
Total liabilities and stockholders' equity (deficit)	**$ 95,956**	**$ 125,132**	**$ 149,377**

Due to rounding the number presented may not add to the totals provided.

Smart Wires Technology Ltd. Consolidated Financial Statements September 30, 2022

Consolidated Statements of Cash Flows (Unaudited)

In thousands

	Three-Month ended September30,		Nine-Month ended September 30,	
	2022	2021	2022	2021
Cash flows from Operating Activities				
Net loss	$ (23,211)	$ (15,480)	$ (62,440)	$ (56,005)
Adjustments for non-cash items	1,611	555	4,599	11,409
Changes in operating assets and liabilities:				
Accounts receivable	145	1,300	(170)	2,145
Inventory	(9,179)	3,286	(20,649)	4,723
Prepaid expenses and other current assets	12,954	(1,803)	16,717	(12,899)
Operating liabilities	210	(7,059)	(4,082)	642
Net cash used in operating activities	**$ (17,470)**	**$ (19,200)**	**$ (66,025)**	**$ (49,986)**
Cash flows from Investing Activities				
Purchase of property and equipment	(2,321)	1	(11,293)	(113)
Other	–	(235)	–	(234)
Net cash used in investing activities	**$ (2,321)**	**$ (234)**	**$ (11,293)**	**$ (347)**
Cash flows from Financing Activities				
Net proceeds from borrowings	-	-	(0)	23,909
Repayment and borrowings	-	-	–	(49,375)
Net proceeds from issuance of common stock	3	(233)	7	143,244
Proceeds from the issuance of convertible notes payable	-	-	–	4,626
Proceeds from the issuance of convertible preferred stock, net	-	-	–	7,838
Repurchase of early exercised options to purchase common stock	-	-	–	(12)
Net cash provided by financing activities	**$ 3**	**$ (233)**	**$ 7**	**$ 130,230**
Net Increase (Decrease) in Cash, cash equivalents and restricted cash	$ (19,787)	$ (19,667)	$ (77,311)	$ 79,898
Cash, cash equivalents and restricted cash, beginning of period	44,014	109,206	101,538	9,641
Cash, cash equivalents and restricted cash, end of period	**$ 24,227**	**$ 89,539**	**$ 24,227**	**$ 89,539**
Reconciliation Statement of Cash Flows to Consolidated Balance Sheet				
Cash and Cash equivalents as shown on consolidated balance sheet	$ 9,463	$ 84,789	$ 9,463	$ 84,789
Restricted Cash as shown on consolidated balance sheet	10,952	4,750	10,952	4,750
Restricted Cash included in deposits on consolidated balance sheet	3,812	-	3,812	-
Total Cash, cash equivalents and restricted cash as shown in the statement of cashflows	**$ 24,227**	**$ 89,539**	**$ 24,227**	**$ 89,539**

Due to rounding the number presented may not add to the totals provided.

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.

Smart Wires Technology Ltd. Consolidated Financial Statements September 30, 2022

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

In thousands, share and per share amounts

	Convertible Preferred Stock		Common Stock		Additional	Accumulated	Acumulated Other	Total Smart Wires Tech-	Non-	Total
	Shares	Amount	Shares	Amount	Paid-In Capital	Deficit	Comprehensive Income	nology Ltd Stockholders' Equity (Deficit)	controlling Interests	Stockholders' Equity (Deficit)
Balances at January 1, 2021	546,400	$282,179	3,523	$ 0	$ 7,502	$ (305,486)	$ -	$ (297,984)	–	$(297,984)
Issuance of Series I-1 and Series I-2 convertible preferred stock at $.6165 per share in exchange for convertible notes payable	44,637	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	25,675	7,838	–	–	–	–	-	–	–	–
Issuance of convertible preferred stock in connection with conversion of restricted stock units	82	55	–	–	–	–	-	–	–	–
Issuance of Series I-1 and Series I-2 convertible preferred stock as adjusted for anti-dilution	31,124	-	–	–	–	–	-	–	–	–
Issuance of Series I-1 convertible preferred stock in exchange for accumulated dividends	51,368	-	-	-	-	-	-	-	-	-
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 $0.6165 per share	–	–	-	–	6,528	–	-	6,528	–	6,528
Issuance common stock warrants	–	–	-	-	764	–	-	764	–	764
Issuance of common stock upon exercise of stock options	-	-	112	0	130	-	-	130	-	130
Repurchase of early exercised stock options	-	-	(117)	0	(12)	-	-	(12)	-	(12)
Cancellation and conversion of Series I-1 and Series I-2 convertible preferred stock into common stock	(699,287)	(312,821)	66,204	7	312,814	-	-	312,821	-	312,821
Issuance of common stock in connection with a warrant exercise	–	–	1,466	-	-	–	-	-	–	-
Cancellation of common stock in connection with merger and stock split	–	–	(71,188)	(7)	(312,814)	–	-	(312,821)	–	(312,821)
Non-Controlling interests of common shareholders	-	-	-	-	-	-	-	-	2,749	2,749
Adjustment for NCI net asset	-	-	-	-	(11,021)	8,272	-	(2,749)		(2,749)
Issuance of Parent ordinary shares in connection with merger and stock split	-	-	68,943	689	312,132	-	-	312,821		312,821
Issuance of Parent ordinary shares in exchange for SDRs, net of costs	-	-	30,400	304	142,811	-	-	143,115		143,115
Conversion of NCI into parent company ordinary stock	-	-	60	1	5	-	-	6	(6)	-
Stock-based compensation and other	-	-	-	-	525	-	-	525	-	525
Net loss	–	–	–	–	–	(55,322)	-	(55,322)	(683)	(56,005)
Balances at September 30, 2021	**–**	**$ -**	**99,403**	**$ 994**	**$ 459,365**	**$ (361,527)**	**$ -**	**$ 98,832**	**$ 2,060**	**$100,892**

	Convertible Preferred Stock		Common Stock				Acumulated Other	Total Smart Wires Tech-	Non-	Total
	Shares	Amount	Shares	Amount	Additional Paid-In Capital	Accumulated Deficit	Comprehensive Income	nology Ltd Stockholders' Equity (Deficit)	controlling Interests	Stockholders' Equity (Deficit)
Balances at January 1, 2022	**–**	**–**	**99,434**	**$ 994**	**$ 459,969**	**$ (372,600)**	**–**	**$ 88,363**	**$ 1,817**	**$ 90,180**
Stock-based compensation and other	-	-	-	–	2,719	–	-	2,719	–	2,719
Change in AOCI	-	-	141	1	7	-	-	7	-	7
Exercise of common stock options	-	-	-	-	-	-	726	726	-	726
Net loss	–	–	–	–	–	(61,186)	-	(61,186)	(1,254)	(62,440)
Balances at September 30, 2022	**–**	**$ -**	**99,575**	**$ 995**	**$ 462,695**	**$ (433,786)**	**$ 726**	**$ 30,630**	**$ 563**	**$ 31,193**

Note: *the above Parent ordinary shares excludes outstanding options and warrants. On a fully diluted basis, total ordinary shares equivalent is 117,363,083 shares as of September 30, 2022.*
Unaudited financial statements presented herein are prepared in accordance with U.S. Generally Accepted Accounting Principles.
Due to rounding the number presented may not add to the totals provided.

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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.

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.