



ElectReon Wireless Ltd.

H1 Report

For the period ended on June 30, 2021

In light of the Company having the characteristics of a company engaged in research and development, and on the backdrop of the uncertainty about whether the development of the Company's various products will succeed and/or will penetrate the relevant markets, in the event the technological development of the Company's products fails and/or in the event of failure to obtain the required approvals to market and sell its products from the competent regulatory authorities and/or them penetrating the relevant markets, such is liable to result in the Company losing its investment in the development of its products; similarly, it should be clarified that as a company engaged in research and development, the Company is likely to be required to raise capital until it is able to generate a positive cash-flow from selling its products to finance its ongoing expenses.

As part of the Company's policy and in addition to the translations of immediate reports which the Company is accustomed to publishing with its reports on the Israel Securities Authority's electronic reporting system (MAGNA) and the Tel Aviv Stock Exchange reporting website (MAYA), the Company intends on publishing convenience translations into the English language of the Company's annual and quarterly reports on the Company's website: <https://www.electreon.com/annual-reports>. It should be clarified that, notwithstanding the significant efforts exerted and talents applied in producing the convenience translations, the convenience translations published by the Company are not official translations and, therefore, they do not bind the Company. In the event of inconsistency between the Hebrew language version and the English convenience translation, the Hebrew language version shall be the binding version.

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Chapter A

Update to the description of the Corporation's business affairs in the Reporting Period from the conclusion of the previous annual reporting period until the publication date of the quarterly report

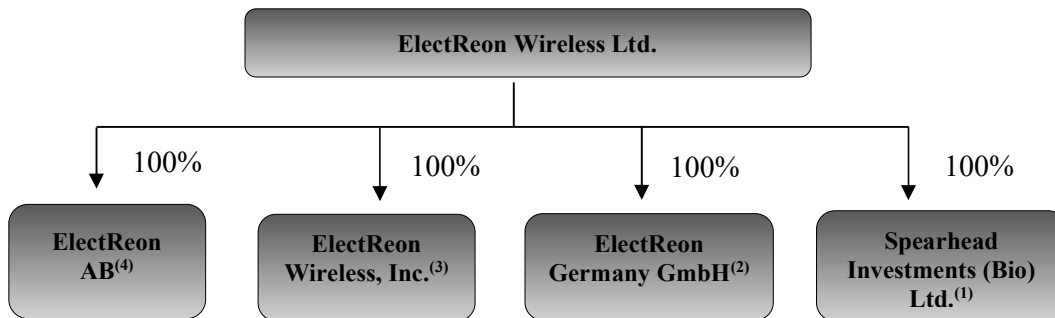
In accordance with Regulation 39A of the Israel Securities Regulations (Periodic and Immediate Reports), 1970 (the “**Report Regulations**”), presented below is an overview of material changes or innovations to the Group's business affairs with respect to any matter which is required to be described in the Company's periodic report, commencing as of the publication date of the Company's 2020 annual report as published on March 29, 2021 (Ref. No: 2021-01-049917) (the “**2020 Periodic Report**”) until the publication date of this report, according to the section numbering in the chapter describing the Corporation's business affairs in the 2020 Periodic Report.

The review presented below is only a summary and refers to events and changes in the state of the Group's business affairs during the Reporting Period and should be read in conjunction with the 2020 Periodic Report.

It should be noted that, unless explicitly stated otherwise, the terms used in this chapter shall have the meaning given to them in the chapter describing the Corporation's business affairs in the 2020 Periodic Report.

1. Section 1.3 - The Company's holding structure

Presented below is a diagram of the Company's holding structure as of the Report Date:



- (1) As of the Report Date, Spearhead (Bio) Ltd. does not have any commercial activities whatsoever.
- (2) A German subsidiary incorporated as the branch for the Company's activities in Germany.

- (3) A subsidiary incorporated in California, USA, for the commencement of the Company's activities in the US.
- (4) A subsidiary established to initiate the Company's activities in Sweden and to participate in the pilot project to exhibit the implementation of the wireless ERS technology in Sweden, as described in Section 9.4(2) of the 2020 Periodic Report.

2. Section 4 - Investments in the Company's share capital and transactions with its shares

Private placements

On April 20, 2021, the Company completed an issuance of 11,400 non-marketable Company options which are exercisable into 11,400 ordinary shares with no par value, to four directors who are not employed by the Company, whereby each director was allotted 2,850 non-marketable options. For more information, see the invitation to the general meeting published by the Company on February 1, 2021 (Ref. No: 2021-01-013000), included in this report by way of reference.

On May 30, 2021, the Company's board of directors approved an issuance of 72,005 non-marketable Company options which are exercisable into 72,005 ordinary shares with no par value, to 18 of the Company's employees. For more information, see the immediate report published by the Company on May 30, 2021 (Ref. No: 2021-01-092778), included in this report by way of reference.

On August 26, 2021, the Company's board of directors approved adopting a master plan to issue options (non-marketable) exercisable into Company shares, to employees and officers of the Company and its subsidiaries (the "ESOP Plan") in accordance with Section 15B(1)(a) of the Israel Securities Law and Securities Regulations (Details of Outlines for Offering Securities to Employees), 2000. According to the ESOP Plan, the Company may issue up to 300,000 options (non-marketable) exercisable into 300,000 ordinary shares of the Company (subject to adjustments stipulated in the ESOP Plan), for no consideration, to employees and officers of the Company and its subsidiaries. The Company's board of directors similarly approved the issuance of 40,857 options exercisable into 40,857 ordinary shares of the Company to 12 Company employees by virtue of the ESOP Plan.

On August 26, 2021, the Company's remuneration committee and board of directors (as applicable) approved an issuance of 58,000 (non-marketable) Company options which are exercisable into 58,000 ordinary shares with no par value, to three of the Company's

employees.¹ For more information, see the immediate report published by the Company on August 28, 2021 (Ref. No: 2021-01-071935), included in this report by way of reference.

3. Section 7 - General environment and influence of external factors on the Company's activities

3.1. Global trends - regulatory/statutory changes impacting the EV (electric vehicle) industry

On April 19, 2021, the Ministry of Environmental Protection published the Climate Bill Memorandum³, which was formulated as part of the implementation of the State of Israel's international commitments under the Climate Treaty and Paris Accords, and on the backdrop of global measures taken at such time to contend with the climate crisis.

3.2. Concurrently with publishing the Climate Bill Memorandum, on April 18, 2021, the Ministry of Energy opened the roadmap document for a low carbon energy economy by 2050 for public comment⁴. Involved is a long-term policy plan which is intended to prepare the energy infrastructure for Israel's economy and which was formulated on the backdrop of the climate crisis, Israel's technological advancement and characteristics, and out of the need to contend with reducing greenhouse emissions. The roadmap relies on 7 general strategic principles: The economy transitioning to solar energy and the associated need for massive storage, investing and examining renewable energy technologies (including hydrogen and carbon capture), futuristic technologies, developing and planning the electricity grid, shortening the distance between generation and usage on the electricity grid, energy transformation for households, and transitioning to electric vehicles. With respect to the transportation sector, the plan presents many policy targets for the next decade including preparation of the electric infrastructure in Israel to generate the additional electricity that will be required by the economy, purchase tax and customs benefits for electric vehicles, deploying a network of charging stations, charging infrastructure in

¹ Including two officers.

³ <https://cdn-media.web-view.net/i/xtjtsh8h/10.pdf>

⁴ https://www.gov.il/BlobFolder/reports/energy_180421/he/energy_2050_new.pdf

new construction and common residential areas, electric vehicles, electric taxis, the intra-city bus network transitioning to electricity, and more.

3.3. Global trends - electric vehicle fleets and charging infrastructure

On April 27, 2021, the US Department of Transportation's Federal Highway Administration published a memorandum addressed to the Federal Departments of Transportation working in conjunction with the State Departments of Transportation.⁵ The purpose of the memorandum is to clarify the right-of-way on highways and leveraging them for urgent public purposes. Included within this, the document expresses support to promote projects for various road usages which improve their productivity and efficiency, including: Projects to transfer and distribute electricity, projects for dynamic charging on roadways, promoting alternative charging/fueling stations, and more. According to the Federal Highway Administration, these and other usages would enable a social-technological breakthrough for the electrification and connection of autonomous transportation and will also increase the efficiency of existing infrastructure while reducing costs and expenses of the State Departments of Transportation.

The Company assesses that these regulatory changes will have a positive impact on the Company's business activities, its ability to raise capital and increase sales should it successfully complete development of its products.

3.4. Trends in Israel - Removing statutory barriers for electrification of public transportation

On July 21, 2021, an open discussion was held by the National Infrastructure Committee (NIC) in which the general public was presented with National Infrastructure Plan 130 which has the objective of broadly removing the statutory barrier for the electrification of public transportation and to enable the short-term electrification of existing/approved transportation facilities throughout the State of Israel with the objective of meeting the target set by the Ministry of Transport and Road Safety to electrify 60% of the intra-city bus fleet by 2026.

⁵ https://www.fhwa.dot.gov/real_estate/right-of-way/corridor_management/alternative_uses_guidance.cfm

The Company assesses that the plan will have a positive impact on the Company's business activities and increase its sales potential in Israel should it successfully complete development of its products.

4. Section 25 - Collaboration Agreements

Section 25.9 - Memorandum of Understanding with BreBemi

For information about the collaboration with an international vehicle manufacturer and other leading companies as part of the pilot in Italy, see the immediate report published by the Company on May 18, 2021 (Ref. No: 2021-01-085704), included in this report by way of reference.

Chapter B

Explanations given by the board of directors about the state of the Company's business affairs

The board of directors of ElectReon Wireless Ltd. (the “**Company**”) hereby submits the board of directors’ report on the state of the business affairs of the Company and its subsidiaries (hereinafter jointly: the “**Group**”) as of June 30, 2021 (the “**Report Date**”), and the Company’s financial results for the six and three-month periods ended on June 30, 2021 (the “**Reporting Periods**”), in accordance with the Securities Regulations (Periodic and Immediate Reports), 1970 (the “**Report Regulations**”).

1. Company's activities and a description of the development of its business affairs

1.1. General

As of the Report Date, the Company is engaged in developing and implementing a wireless charging technology for electric vehicles. The technology which is being developed by the Company is based on copper coil infrastructure deployed underground which enables energy to be transferred wirelessly to vehicles, a management system located alongside the roadway or parking area, aboveground or belowground, and receivers installed on the chassis of the vehicles. The management unit transfers energy from the electricity grid to the relevant coils depending on the location of the vehicle travelling on the infrastructure or being statically charged; and enables ongoing and wireless communication with the underground infrastructure.

The technology allows three forms of charging: Static charging for vehicles which are parked or waiting at a terminal, dynamic charging for vehicles in motion and semi-dynamic charging for vehicles travelling very slowly (e.g., while at the parking bay).

ElectReon's Wireless Charging Solutions

Dynamic Charging

For vehicles in-motion along their fixed routes, for infinite continuous driving

Semi-dynamic Charging

For slow-moving vehicles e.g. queuing taxis waiting for passengers

Static Charging

For stationary charging at bus terminals at the end of the route, depots and parking lots



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Transitioning to electric transportation entails many challenges, especially for companies which manage commercial vehicle fleets. The three types of charging positions being developed by the Company are intended to provide these companies with an optimal and flexible solution, which would enable them to continuously and efficiently operate, to obviate the need for physical contact with plug-in charging stations resulting in savings for overnight parking spaces and increasing the financial feasibility of transitioning to an electric vehicle fleet. The dynamic charging technology (the electric road system of “ERS”) will enable a decrease in the battery size required to power electric vehicles (for vehicles driving on the electric road), increase the mileage for electric vehicles travelling on electric roads and reduce the cost and weight of the vehicles. To the Company’s best knowledge, as of the Report Date, changing weather and other environmental conditions are not meant to have an impact on the wireless ERS being developed by the Company.

It should be clarified that in light of the Company’s characteristic as a research and development company and on the backdrop of the uncertainty of the success of the Company’s products and/or them penetrating the relevant market and/or the costs to develop the Company’s products and/or them succeeding and/or achieving the intended targets, the Company’s investment in the development of its products may be lost. Similarly, it should be clarified that as a company engaged in research and development, the Company is likely to be required to raise capital until it is able to generate a positive cash-flow from selling its products to finance its ongoing expenses.

Furthermore, all the assessments and estimates stated above (including with respect to completing the development of the Company's products and the results thereof), fall within the definition of forward-looking forecasts, assessments and estimates under the Israel Securities Law, 1968 (the "Securities Law"), which are based on the Company's assessments about future developments and events for which the date of their eventuation, if at all, is uncertain and not within the Company's control. These assessments may not eventuate, in whole or in part, or may eventuate differently to what has been assessed, as a result of various factors, including the failure to achieve development and/or marketing targets and/or failing to obtain the required financing and/or the manifestation of any of the risk factors described in Section 28 of the 2020 Periodic Report.

- 1.2. Spread of COVID-19 - Further to that set forth in Section 7.8 of Chapter A of the 2020 Period Report and in accordance with the Israel Securities Authority's positions published on March 8, 2020 and May 11, 2020, the Company discloses that as of the publication date of the report, the Group's activities and financial fortitude were not materially harmed by COVID-19 and the Company's research and development activities continued uninterrupted. Similarly, the Company assesses, also as of the publication date of the report, that COVID-19 is not anticipated to have a material impact on its activities, especially if the assumption is maintained that the trend of the recovery being experienced by the Israeli and global economies will continue. Accordingly, the Company assesses that it will be able to continue to maintain its research and development activities and satisfy its commitments to continue to execute the projects it is involved in. Nonetheless, in the event that increased restrictions are imposed on the Group's activities and/or those of its Israeli and/or foreign suppliers and/or should there be a significant worsening in the general economic situation in Israel, Sweden, Germany, the US and/or other countries in which the Group intends to operate (including, should the worsening of the state of the financial markets harm the ability to raise capital in the capital markets or the ability to receive government grants), this worsening may cause a delay in the planned research and development schedules for the Group's products or may delay the execution of projects the Group is involved in.

The information regarding the impact of COVID-19 on the Group and its ability to respond thereto subsequent to the Reporting Period is "forward-looking information" as defined in the Israel Securities Law, which is based, inter alia, on the Company's assessments, on information currently held by the Company

and the manner that the Israeli government and other governments around the world have responded to the COVID-19 crisis. The actual impact may be different than anticipated as a result of various factors not within the Company's control, primarily including continued restrictions on international travel, the imposition of restrictions on domestic movement, additional restrictions imposed by the Israeli government and/or the Swedish government and/or the German government in response to the COVID-19 crisis and the severity of indirect effects the virus may have on the Group's ability to raise capital and receive government grants in the future due to a slowdown in growth, the economy entering a depression, governmental budgetary cuts, etc.

1.3. For more information about the Company, its activities and a description of the development of its business affairs during the Reporting Period, see Chapter A of the 2020 Periodic Report and Chapter A to this report - Description of the Company's business affairs.

2. Company's Financial Position (ILS 000's)

	June 30	June 30	December 31	Explanations given by the board of directors
	2021	2020	2020	
Cash and cash equivalents	10,124	13,850	35,137	The decrease as of June 30, 2021, relative to June 30, 2020, is primarily attributable to making deposits and utilizations for ongoing activities.
Deposits	137,222	-	135,310	The increase as of June 30, 2021, relative to June 30, 2020, is attributable to making a Shekel denominated deposit with a banking corporation of funds raised from equity issuances performed during 2020 (for more information, see Section 1.5 of Chapter A of the 2020 Periodic Report) and from financial revenues generated by the deposit.
Other receivables	13,727	170,831	4,086	The decrease as of June 30, 2021, relative to June 30, 2020, is primarily attributable to receivables of funds raised from equity issuances performed during 2020 .
Pledged deposit	45	45	45	
Fixed assets (property, plant and equipment)	8,027	4,370	6,980	The increase as of June 30, 2021, relative to June 30, 2020, is primarily attributable to investments made in the Company's testing facility and leasehold improvements.
Long-term prepaid expenses	349	59	510	The increase as of June 30, 2021, relative to June 30, 2020, is primarily attributable to advance expenses.

	June 30	June 30	December 31	Explanations given by the board of directors
	2021	2020	2020	
Right of use assets	815	434	437	The increase as of June 30, 2021, relative to June 30, 2020, is attributable to expanding the Company's office headquarters and its test facility in Israel, while offsetting ongoing depreciation.
Total assets	170,309	189,589	182,505	
Suppliers and service providers, accounts payable	11,929	14,197	12,030	The increase as of June 30, 2021, relative to June 30, 2020, is primarily attributable to an increase in supplier balances as part of the Company readying itself for the projects.
Lease liabilities less current maturities	628	428	404	The increase as of June 30, 2021, relative to June 30, 2020, is attributable to recognizing liabilities for expanding the Company's office headquarters and its test facility in Israel, while offsetting ongoing depreciation.
Total liabilities	12,557	14,625	12,434	
Total equity	157,752	174,964	170,071	

3. Operating Results

3.1. Presented below is data taken from the Company's report on profit and loss for the six and three-month periods ended on June 30, 2021 and 2020 and for the year ended December 31, 2020 (ILS 000's):

	Six-month period ended on June 30		Three-month period ended on June 30		Year ended December 31	Explanations given by the board of directors
	2021	2020	2021	2020	2020	
Research and development expenses	18,656	10,169	9,651	5,422	35,183	The increase in the six-month period ended as of June 30, 2021, relative to the same period last year is primary attributable to employee salary expenses, as a result of an increase of approximately 160% in the Company's manpower and progress made with procurement for the project in Sweden.
Net of participation in research and development expenses	(4,688)	(8,506)	(2,356)	(5,771)	(20,068)	The decrease in the six-month period ended as of June 30, 2021, relative to the same period last year is primary attributable to a decrease in

	Six-month period ended on June 30		Three-month period ended on June 30		Year ended December 31	Explanations given by the board of directors
	2021	2020	2021	2020	2020	
						payments from the Israel Innovation Authority.
Marketing, general and administrative expenses	6,630	3,378	3,765	1,598	7,946	The increase in the six-month period ended as of June 30, 2021, relative to the same period last year is primary attributable to professional advisory expenses - audit, strategic advisement and salary expenses.
Operating loss	20,598	5,041	11,060	1,249	23,061	
Financing expenses (income), net	(1,406)	63	(1,587)	116	164	The increase in financing income in the six-month period ended as of June 30, 2021, relative to the same period last year is primary attributable to financing revenues for a bank deposit.
Loss for the period	19,192	5,104	9,473	1,365	23,225	
Exchange differences on translation of foreign operations	(280)	(2)	(171)	65	272	
Comprehensive loss	18,912	5,102	9,302	1,430	23,497	

4. Cash-flow (ILS 000's):

	Six-month period ended on June 30		Three-month period ended on June 30		Year ended December 31	Explanations given by the board of directors
	2021	2020	2021	2020	2020	
Net cash from (used) in operating activities	(26,119)	995	(16,348)	(1,466)	(17,274)	The increase in cash-flow utilized for current activities in the six-month period ended on June 30, 2021, was primarily due to cash utilized for research and development, business development and building up inventory for projects.
Net cash used in investing activities	(1,666)	(132)	(774)	(125)	(138,407)	The increase in cash-flow utilized for investment activities in the six-month period ended on June 30, 2021, was due to capital investments made in the Company's testing facility.
Net cash provided by	2,558	270	1,875	112	178,125	The increase in cash-flow from financing activities in the six-

	Six-month period ended on June 30		Three-month period ended on June 30		Year ended December 31	Explanations given by the board of directors
	2021	2020	2021	2020	2020	
financing activities						month period ended on June 30, 2021, was primarily due to exercise of options.
Increase (decrease) in cash and cash equivalents	(25,227)	1,133	(15,247)	(1,479)	22,444	

5. Sources of Financing

As of the Report Date, the Group's sources of financing are government grants and capital raises. For details about the capital raise completed by the Company in 2020, see Section 1.5 of Chapter A of the 2020 Periodic Report.

6. Material events after the Report Date

On August 6, 2021, the tenth President of the State of Israel, Mr. Reuven (Ruvi) Rivlin joined the Company as the Company's president.¹¹ For more information, see the immediate report published by the Company on August 8, 2021 (Ref. No: 2021-01-062488), included in this report by way of reference.

For more information about events following the Report Date, see Note 4 to the Company's consolidated financial statements as of June 30, 2021.

7. Corporate Governance

Annual and extraordinary general meeting resolutions

- On August 5, 2021, the Company's annual and extraordinary general meeting approved the following resolutions:
 - 1) Reappointment of the firm of Kesselman & Kesselman (PwC Israel), to serve as the Company's auditors and authorizing the Company's board of directors to establish its fees;
 - 2) Reappointment of the Company's serving directors who are not external directors, Messrs. Oren Ezer, Zeev Bronfeld, Rachel (Heli) Ben-Nun and Ofir

¹¹ As president of the Company, Mr. Rivlin will not serve as an officer of the Company, as such term is defined in the Companies Law, 1999.

Gomeh¹², for an additional term of service, commencing from the date of them being approved by said general meeting.

- 3) Renewing the term of service of Ms. Ronit Noam as one of the Company's external directors for a second term of three years;
- 4) Granting deeds of release and indemnification to Mr. Ofir Gomeh for a period of three years.

For more information, see the immediate report published by the Company on August 5, 2021 (Ref. No: 2021-01-062374), included in this report by way of reference.

Oren Ezer

Chairman of the Board
of Directors and CEO

Barak Duani

CFO

Date: August 26, 2021

¹² It should be noted that Mr. Gomeh was first appointed by the Company's board of directors on July 1, 2021.

Quarterly Report on the Effectiveness of Internal Control on the Financial Reporting and Disclosure pursuant to Regulation 38C(a)

The management, under the supervision of the board of directors of ElectReon Wireless Ltd. (the "Company"), is responsible for establishing and maintaining adequate internal control over the Company's financial reporting and disclosure.

For this purpose, the members of the management are:

- 1.1. Oren Ezer, CEO;
- 1.2. Barak Duani, CFO.

Internal control over the financial reporting and disclosure includes existing Company controls and procedures which were designed by the CEO and the Company's CFO or by anyone under their supervision, or by persons actually performing the above functions, under the supervision of the Company's board of directors, designed to provide reasonable assurance regarding the reliability of the financial reporting and the preparation of the financial statements according to the provisions of applicable law, and to ensure that information that the Company is obligated to disclose in reports published by it under applicable law is collected, processed, summarized and reported in a timely manner and in the format established by law.

The internal control includes, *inter alia*, controls and procedures designed to ensure that information that the Company is required to disclose as aforesaid, is accumulated and forwarded to Company's management, including the Company's CEO and the Company's CFO or anyone actually performing the above functions, to enable timely decision-making concerning disclosure requirements.

Due to its inherent limitations, internal control over the financial reporting and disclosure is not intended to provide absolute assurance that an erroneous presentation or omission of information in the reports will be prevented or detected.

In the annual report regarding effectiveness of the internal control of financial reporting and disclosure that is attached to the periodic report for the period ended on December 31, 2020 (the "**Latest Annual Report Regarding Internal Control**"), the board of directors and management have assessed the Company's internal control. Based on the aforesaid assessment, the board of directors and management of the Company have concluded that the control as stated, as of December 31, 2020, is effective.

By the Report Date, the board of directors and management have not been made aware of any event or matter that may change the assessment of effectiveness of the internal control, as determined in the Latest Annual Report Regarding Internal Control.

As of the Report Date, based on an assessment of the effectiveness of the internal control in the Latest Annual Report Regarding Internal Control, and based on information of which the management and board of directors has been made aware as stated above, the internal control is effective.

Managers' Declarations**CEO's Declaration According to Regulation 38C(d)(1)**

I, Oren Ezer, hereby declare that:

- (1) I have reviewed the quarterly report of ElectReon Wireless Ltd. (the "**Company**") for Q3 2021 (the "**Reports**");
- (2) To my knowledge, the Reports do not include any incorrect representation of a material fact and do not fail to include any representation of a material fact which is required such that the representations included therein, in view of the circumstances pursuant to which such representations were included, shall not be misleading with respect to the period of the Reports;
- (3) To my knowledge, the financial reports and any other financial information included in the Reports properly reflect, in all material respects, the financial position, the operating results and cash-flows of the Company for the dates and periods referred to in the Reports;
- (4) I have disclosed to the Company's auditors, to the board of directors and to the audit and financial statements committees of the Company's board of directors, based on my most recent assessment on the internal control over the financial reporting and disclosure:
 - a. All significant deficiencies and material weaknesses in the establishment or exercise of the internal control over the financial reporting and disclosure which may reasonably have an adverse effect on the Company's ability to collect, process, summarize or report on financial information in a manner which casts doubt on the reliability of financial reporting and preparation of the financial reports pursuant to the provisions of the law; and -
 - b. Any fraud, either material or immaterial, in which the CEO or anyone directly subordinated to him is involved or in which any other employee holding a significant position in the internal control over the financial reporting and disclosure is involved;
- (5) I, alone or together with others in the Corporation:
 - a. Established controls and procedures or ensured that controls and procedures are established and maintained under my supervision, which are designed to ensure that material information concerning the Company, including its consolidated companies as defined in the Securities Regulations (Annual Financial Reports), 2010, is brought to my attention by others in the Company and in the consolidated companies, particularly during the period in which the Reports are being prepared; and -
 - b. I have established controls and procedures or ascertained that controls and procedures are established and maintained under my supervision, which are designed to provide reasonable assurance regarding the reliability of the financial reporting and preparation of the financial reports pursuant to the provisions of any law, including according to generally accepted accounting principles;
 - c. No event or matter was brought to my attention which occurred during the period between the latest report (quarterly or periodic, as the case may be) and the date of this report, which is sufficient to change the conclusion arrived at by the board of directors and management regarding the Company's effectiveness of internal control on financial reporting and disclosure.

Nothing stated above derogates from my responsibility or from the responsibility of any other person, pursuant to any law.

Date: August 26, 2021

Oren Ezer, CEO

CFO's Declaration According to Regulation 38C(d)(2)

I, Barak Duani, hereby declare that:

- (1) I have reviewed the interim financial statements and other financial information included in the interim periodic reports of ElectReon Wireless Ltd. (the "**Company**") for Q3 2021 (the "**Reports**" or the "**Interim Reports**");
- (2) To my knowledge, the interim financial statements and the other financial information included in the Interim Reports do not include any incorrect representation of a material fact and do not fail to include any representation of a material fact which is required such that the representations included therein, in view of the circumstances pursuant to which such representations were included, shall not be misleading with respect to the period of the Reports;
- (3) To my knowledge, the interim financial reports and the other financial information included in the Interim Reports properly reflect, in all material respects, the financial position, the operating results and cash-flows of the Company for the dates and periods referred to in the Reports;
- (4) I have disclosed to the Company's auditors, to the board of directors and to the audit and financial statements committees of the Company's board of directors, based on my most recent assessment on the internal control over the financial reporting and disclosure:
 - a. All significant deficiencies and material weaknesses in the establishment or exercise of the internal control over the financial reporting and disclosure to the extent that it refers to the interim financial statements and the other financial information included in the Interim Reports which may reasonably have an adverse effect on the Company's ability to collect, process, summarize or report on financial information in a manner which casts doubt on the reliability of financial reporting and preparation of the financial reports pursuant to the provisions of the law; and -
 - b. Any fraud, either material or immaterial, in which the CEO or anyone directly subordinated to him is involved or in which any other employee holding a significant position in the internal control over the financial reporting and disclosure is involved.
- (5) I, alone or together with others in the Corporation:
 - a. Established controls and procedures or ensured that controls and procedures are established and maintained under my supervision, which are designed to ensure that material information concerning the Company, including its consolidated companies as defined in the Securities Regulations (Annual Financial Reports), 2010, is brought to my attention by others in the Company and in the consolidated companies, particularly during the period in which the Reports are being prepared; and
 - b. I have established controls and procedures or ascertained that controls and procedures are established and maintained under my supervision, which are designed to provide reasonable assurance regarding the reliability of the financial reporting and preparation of the financial reports pursuant to the provisions of any law, including according to generally accepted accounting principles;
 - c. No event or matter was brought to my attention which occurred during the period between the latest report (quarterly or periodic, as the case may be) and the date of this report, referring to the interim financial reports and any other financial information included in the Interim Reports which is sufficient, in my assessment, to change the conclusion arrived at by the board of directors and management regarding the Company's effectiveness of internal control on financial reporting and disclosure.

Nothing stated above derogates from my responsibility or from the responsibility of any other person, pursuant to any law.

Date: August 26, 2021

Barak Duani, CFO

TRANSLATED FROM HEBREW ORIGINAL

ElectReon Wireless Ltd.
Interim Financial Information
(Unaudited)
As of June 30 2021

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ElectReon Wireless Ltd.
Interim Financial Information
(Unaudited)
As of June 30 2021

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Auditor's Review Report to the Shareholders of ElectReon Wireless Ltd.

Introduction

We have reviewed the attached consolidated financial information of ElectReon Wireless Ltd. and its subsidiaries (hereinafter - the Company), which includes the Concise Consolidated Balance Sheet for June 30 2021 and the Concise Consolidated Statements of Operations, Reports on Comprehensive Loss, Reports on Changes in Equity and Cash Flow Reports for the six- and three-month periods ending that date. The Board of Directors and management are responsible for the preparation and presentation of financial information for this interim period in accordance with International Accounting Standard 34 (IAS 34) "Interim Financial Reporting", as well as for the preparation of financial information for this interim period in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express our conclusion on this interim financial information based on our review.

Scope of the Review

We conducted our review in accordance with Review Standard (Israeli) 2410 of the Israeli Institute of Certified Public Accountants on "Reviewing interim monetary information prepared by the entity's auditing accountant." A review of interim monetary information is comprised of inquiries, mainly from people responsible for monetary and accounting matters, and from the implementation of analytical and other review procedures. A review is significantly more limited in scope than an audit prepared in accordance with generally accepted Israeli auditing standards, and therefore does not allow us to achieve assurance that we familiarize ourselves with all material matters that could have been identified in the audit. Accordingly, we are not expressing an audit-level opinion.

Conclusion

Based on our review, nothing came to our attention that makes us believe that the financial information in question has not been prepared, in all material respects, in accordance with International Accounting Standard IAS 34.

In addition to that stated in the previous paragraph, based on our review, nothing has come to our attention that makes us believe that the monetary information in question is not compatible, in all material respects, with the disclosure directives in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970.

Tel Aviv,
August 26 2021

firm

Kesselman and Kesselman
Certified Public Accountants
A PricewaterhouseCoopers International Limited member

TRANSLATED FROM HEBREW ORIGINAL

ElectReon Wireless Ltd.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of June 30 2021

	As of June 30		As of December 31
	2021	2020	2020
	(Unaudited)		(Audited)
	Thousands of NIS		
Assets			
Current assets:			
Cash and cash equivalents	10,124	13,850	35,137
Short term deposits	137,222	-	135,310
Other receivables	13,727	170,831	4,086
	<u>161,073</u>	<u>184,681</u>	<u>174,533</u>
Non-current assets:			
Pledged Deposit	45	45	45
Long-term prepaid expenses	349	59	510
Right-of-use assets	815	434	437
Property, plant and equipment	8,027	4,370	6,980
	<u>9,236</u>	<u>4,908</u>	<u>7,972</u>
Total assets	<u>170,309</u>	<u>189,589</u>	<u>182,505</u>
Liabilities and Equity			
Current liabilities:			
Trade payables	4,769	1,087	5,461
Other payables	6,778	12,885	6,329
Current maturities of liabilities due to leases	382	225	240
	<u>11,929</u>	<u>14,197</u>	<u>12,030</u>
Non-current liabilities:			
Lease liability, less current maturities	628	428	404
Total liabilities	<u>12,557</u>	<u>14,625</u>	<u>12,434</u>
Equity:			
Ordinary shares	-	-	-
Premium, warrants and other reserves	283,183	263,088	276,590
Foreign exchange reserve on translation of financial statements	1	(5)	(279)
Accumulated deficit	(125,432)	(88,119)	(106,240)
Total equity	<u>157,752</u>	<u>174,964</u>	<u>170,071</u>
Total liabilities and equity	<u>170,309</u>	<u>189,589</u>	<u>182,505</u>

Oren Ezer
Chairman of the
Board of Directors
and CEO

Barak Douani
Chief Financial
Officer

Date of approval of interim financial information by Company Board of Directors: August 26 2021

The attached Notes constitute an inseparable part of these Concise Financial Statements.

ElectReon Wireless Ltd.

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

For the Six and Three Month Periods Ending June 30 2021

	6 Months Ending June 30		3 Months Ending June 30		Year Ending December 31
	2021	2020	2021	2020	2020
	(Unaudited)		(Unaudited)		(Audited)
	Thousands of NIS				
RESEARCH AND DEVELOPMENT EXPENSES:					
Research and development expenses	18,656	10,169	9,651	5,422	35,183
Net of participation in research and development expenses	<u>(4,688)</u>	<u>(8,506)</u>	<u>(2,356)</u>	<u>(5,771)</u>	<u>(20,068)</u>
RESEARCH AND DEVELOPMENT EXPENSES, net	13,968	1,663	7,295	(349)	15,115
MARKETING, ADMINISTRATIVE AND GENERAL EXPENSES	<u>6,630</u>	<u>3,378</u>	<u>3,765</u>	<u>1,598</u>	<u>7,946</u>
OPERATING LOSS	20,598	5,041	11,060	1,249	23,061
FINANCE EXPENSES (INCOME), net	<u>(1,406)</u>	<u>63</u>	<u>(1,587)</u>	<u>116</u>	<u>164</u>
LOSS FOR THE PERIOD	19,192	5,104	9,473	1,365	23,225
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS					
EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS	<u>(280)</u>	<u>(2)</u>	<u>(171)</u>	<u>65</u>	<u>272</u>
COMPREHENSIVE LOSS FOR THE YEAR	<u>18,912</u>	<u>5,102</u>	<u>9,302</u>	<u>1,430</u>	<u>23,497</u>
BASIC AND DILUTED LOSS PER SHARE (IN NIS)	<u>2.01</u>	<u>0.6</u>	<u>0.99</u>	<u>0.16</u>	<u>2.60</u>

The attached Notes constitute an inseparable part of these Concise Financial Statements.

ElectReon Wireless Ltd.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

For the Six and Three Month Periods Ending June 30 2021

	Ordinary Shares	Premiu m Options and Other Funds	Capital Reserve from the Translation of Financial Statements	Accumulate d Loss	Total Equity
	Thousands of NIS				
Balance As of January 1 2021 (Audited)	-	276,590	(279)	(106,240)	170,071
Movement in the 9-Month Period					
Ending June 30 2021 (Unaudited):					
Loss for the period	-	-	-	(19,192)	(19,192)
Differences from the translation of financial statements of foreign activities	-	-	280	-	280
Exercise of options	-	2,782	-	-	2,782
Benefit component in granting options	-	3,811	-	-	3,811
Balance as of June 30 2021 (Unaudited)	-	283,183	1	(125,432)	157,752
Balance as of January 1 2020 (Audited)	-	92,713	(7)	(83,015)	9,691
Movement in the 9-Month Period					
Ending June 30 2020 (Unaudited):					
Loss for the period	-	-	-	(5,104)	(5,104)
Differences from the translation of financial statements of foreign activities	-	-	2	-	2
Issue of shares and options	-	167,942	-	-	167,942
Exercise of options	-	375	-	-	375
Benefit component in granting options	-	2,058	-	-	2,058
Balance as of June 30 2020 (Unaudited)	-	263,088	(5)	(88,119)	174,964
Balance as of April 1, 2021 (unaudited)	-	278,884	(170)	(115,959)	162,755
Movement in the 3-Month Period					
Ending June 30 2021 (Unaudited):					
Loss for the period	-	-	-	(9,473)	(9,473)
Differences from the translation of financial statements of foreign activities	-	-	171	-	171
Exercise of options	-	1,987	-	-	1,987
Benefit component in granting options	-	2,312	-	-	2,312
Balance as of June 30 2021 (Unaudited)	-	283,183	1	(125,432)	157,752
Balance as of April 1, 2020 (unaudited)	-	93,940	60	(86,754)	7,246
Movement in the 3-Month Period					
Ending June 30 2020 (Unaudited):					
Loss for the period	-	-	-	(1,365)	(1,365)
Differences from the translation of financial statements of foreign activities	-	-	(65)	-	(65)
Stock offering	-	167,942	-	-	167,942
Exercise of options	-	168	-	-	168
Benefit component in granting options	-	1,038	-	-	1,038
Balance as of June 30 2020 (Unaudited)	-	263,088	(5)	(88,119)	174,964
Balance as of January 1 2020 (audited)	-	92,713	(7)	(83,015)	9,691
Movement over the course of 2020:					
Yearly loss	-	-	-	(23,225)	(23,225)
Benefit component in granting options	-	5,500	-	-	5,500
Differences from the translation of financial statements of foreign activities	-	-	(272)	-	(272)
Stock offering	-	177,930	-	-	177,930
Exercise of options	-	447	-	-	447
Balance As of December 31 2020 (audited)	-	276,590	(279)	(106,240)	170,071

The attached Notes constitute an inseparable part of these Concise Financial Statements.

ElectReon Wireless Ltd.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Six and Three Month Periods Ending June 30 2021

	6 Months Ending June 30		3 Months Ending June 30		Year Ending December 31
	2021	2020	2021	2020	2020
	(Unaudited)		(Unaudited)		(Audited)
	Thousands of NIS				
Cash flows from current activity –					
Net cash used in current activity (See Appendix A)	(26,119)	995	(16,348)	(1,466)	(17,274)
Cash flows from investment activities:					
Purchase of fixed assets	(1,666)	(132)	(774)	(125)	(3,117)
Deposit of deposits in banking corporations	-	-	-	-	(135,300)
Interest received	-	-	-	-	10
Net cash used in investment activities	(1,666)	(132)	(774)	(125)	(138,407)
Cash flows from financing activities:					
Receipt of short-term loan from the bank	2,782	375	1,987	168	447
Proceeds from the exercise of options	-	-	-	-	177,930
Proceeds from the issue of shares	(180)	(61)	(91)	(34)	(167)
Principal payments due to leases	(44)	(44)	(21)	(22)	(85)
Interest payments due to leases	2,558	270	1,875	112	178,125
Net cash deriving from financing activities	(25,227)	1,133	(15,247)	(1,479)	22,444
Increase (decrease) in cash and cash equivalents	35,137	12,592	25,190	15,174	12,592
Balance of cash and cash equivalents at the beginning of the period	214	125	181	155	101
Profits (losses) from exchange rates, revaluation of cash and cash equivalents, and others, net	10,124	13,850	10,124	13,850	35,137
Balance of cash and cash equivalents at the end of the period	(26,119)	995	(16,348)	(1,466)	(17,274)

The attached Notes constitute an inseparable part of these Concise Financial Statements.

TRANSLATED FROM HEBREW ORIGINAL

ElectReon Wireless Ltd.

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the Six and Three Month Periods Ending June 30 2021

	<u>6 Months Ending June 30</u>		<u>3 Months Ending June 30</u>		<u>Year Ending December 31</u>
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2020</u>
	<u>(Unaudited)</u>		<u>(Unaudited)</u>		<u>(Audited)</u>
<u>Thousands of NIS</u>					
A. Appendix to the Concise Cash Flow Report for current activities:					
Loss for the period	(19,192)	(5,104)	(9,473)	(1,365)	(23,225)
Adjustments due to:					
Depreciation and amortizations	610	348	311	219	723
Amortization of assets due to usage rights	195	61	110	30	155
Interest expenses due to leases	44	44	21	22	85
Benefit component due to options	3,811	2,058	2,312	1,038	5,500
Interest revenues from deposits	(1,912)	-	(1,746)	-	-
Loss (profit) from exchange rate differentials due to cash and cash equivalents	(7)	(149)	(25)	(61)	(146)
	<u>(16,451)</u>	<u>(2,742)</u>	<u>(8,490)</u>	<u>(117)</u>	<u>(16,908)</u>
Changes in operational asset and liability items:					
Increase in accounts receivable	(9,543)	(565)	(7,490)	(16)	(2,468)
Increase (decrease) in trade payables and other payables	(125)	4,302	(368)	(1,333)	2,102
	<u>(9,668)</u>	<u>3,737</u>	<u>(7,858)</u>	<u>(1,349)</u>	<u>(366)</u>
Net cash used in current activity	<u>(26,119)</u>	<u>995</u>	<u>(16,348)</u>	<u>(1,466)</u>	<u>(17,274)</u>
B. Information on un:					
Proceeds from issuance of shares	-	167,942	-	167,942	-

The attached Notes constitute an inseparable part of these Concise Financial Statements.

ElectReon Wireless Ltd.

Notes to the Financial Statements

As of June 30 2021

(Unaudited)

Note 1 – General

- a. ElectReon Wireless Ltd. (hereinafter – the Company) deals in the research and development of technology for the electrical starting of vehicles with electric propulsion using a coil infrastructure buried under the travel path.
- b. In May 2019, Swedish subsidiary ElectReon AB (hereinafter: ElectReon AB) signed an agreement with the Swedish Ministry of Transportation for the construction of an electric road for demonstration purposes. The project is financed by the Swedish Ministry of Transportation at a sum of some 35 million NIS. As of June 30 2021, grants have been received at a total sum of 28.7 million NIS. Grants receivable to the sum of 0.9 million NIS were included in the Balance Sheet under receivables and debit balances.
- c. The Consolidated Financial Statements include the Company's Financial Statements, those of ElectReon AB, of ElectReon Germany GMBH (hereinafter – ElectReon Germany), of ElectReon Wireless Inc. (hereinafter – ElectReon U.S.A) and of Spearhead (Bio) Investments Ltd. (hereinafter together: the Group).
- d. On March 21 2021, approval was received from the Registrar of Companies for a statutory merger between the Company and subsidiary Electric Road Ltd.

Note 2 – Basis of Preparation of the Financial Statements

A. Financial Statements Presentation Basis

- 1) The Group's concise financial information as of March 30, 2021 and for the six- and three-month periods ending that date (hereinafter - "the Financial Information for the Interim Period") has been prepared in accordance with IAS 34 "Financial Reporting for Interim Periods" ("IAS 34"), and includes the supplementary disclosure required in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970. The interim financial information does not include all of the information and disclosure needed within the framework of yearly financial statements.

The financial information for the interim period is reviewed and not audited.

- 2) the Company did not include separate financial information to these Financial Statements due to the negligibility of the added information. The Company fully owns Spearhead, ElectReon Germany, ElectReon U.S.A. and ElectReon AB and as of the balance sheet date, most of the Groups business activity is carried out at the Company, which is reflected in the Group's consolidated statements. As of the balance sheet date, publication of separate Financial Statements will not provide additional material information to the reasonable investor.

B. Estimates

Preparing these Financial Statements requires that Group management exercise its judgment, and requires the use of accounting estimates and assumptions, which influence the implementation of the Group's accounting policy and sums of reported assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

ElectReon Wireless Ltd.

Notes to the Concise Financial Statements (Continued)

As of June 30 2021

(Unaudited)

Note 2 – Basis of Preparation of the Financial Statements (Continued)**B. Estimates (Continued)**

In preparing these Interim Consolidated Financial Statements, the significant judgements exercised by management in implementing the Group's accounting policy and the uncertainty involved in the key sources of the estimates were identical to those in the Group's Yearly Financial Statements for the year ending December 31 2020.

C. Translation of balances and transactions with foreign currency:

Functional and Presentation Currency

Items included in the Group's Financial Statements are measured in the currency of the primary economic environment in which the Group operates (hereinafter – “the Functional Currency”). The Financial Statements are presented in NIS, which is both the Company's functional and its presentation currency.

The following are the changes occurring during the reported periods in the exchange rate of the U.S. dollar (hereinafter – the USD) versus the NIS, the exchange rate of the Swedish krona (hereinafter – SEK) versus the NIS and the rate of the euro (hereinafter – EUR) versus the NIS:

	Change in Exchange Rates of the USD vs. the NIS	Change in Exchange Rates of the SEK vs. the NIS	Change in Exchange Rates of the EUR vs. the NIS
6 months ending June 30 2021	1.4	(2.6)	(1.8)
6 months ending June 30 2020	(0.3)	(0.5)	0.1
Year ending December 31 2020	(7.0)	5.8	1.7

The exchange rate of the USD vs. the NIS on June 30 2021 is \$1 = 3.260 NIS.

The exchange rate of the USD vs. the NIS on June 30 2020 is \$1 = 3.466 NIS.

The exchange rate of the USD vs. the NIS on December 31 2020 is \$1 = 3.215 NIS.

The exchange rate of the SEK vs. the NIS on June 30 2021 is 1 SEK = 0.3830 NIS.

The exchange rate of the SEK vs. the NIS on June 30 2020 is 1 SEK = 0.3696 NIS.

The exchange rate of the SEK vs. the NIS on December 31 2020 is 1 SEK = 0.3932 NIS.

The exchange rate of the EUR vs. the NIS on June 30 2021 is €1 = 3.875 NIS.

The exchange rate of the EUR vs. the NIS on June 30 2020 is €1 = 3.883 NIS.

The exchange rate of the EUR vs. the NIS on December 31 2020 is €1 = 3.944 NIS.

Note 3 – Principal Accounting Policies

Principal accounting policies and calculation methods applied in preparation of the financial information for the interim period are consistent with those used in preparation of the 2020 annual Financial Statements.

ElectReon Wireless Ltd.

Notes to the Concise Financial Statements (Continued)

As of June 30 2021

(Unaudited)

Note 4 – Material Events During the and Subsequent to the Reported Period

- a. Spread of Covid-19 – as of the report date, the Group's activity and its financial fortitude were not materially impacted as a result of the spread of Covid-19 and the Company's research and development activity continued as usual. In addition, the Company also estimates as of this report, that the spread of Covid-19 will not have a material impact on its activity, particularly assuming that the recovery of the Israel and global economy and the global crisis will continue. As such, the Company estimates that it will be able to continue with its research and development activity and its obligations in order to continue with the projects in which it is taking part. At the same time, in the event that the restrictions on the activity of the Group and/or the activity of its suppliers in Israel and/or abroad intensify and/or a material downturn occurs in the general state of the market in Israel, Sweden, Germany, the United States and/or other countries in which the Group intends to operate (including inasmuch as the downturn in the state of the market will harm the ability to raise capital in the capital market or the ability to receive government grants), such a downturn may lead to certain delays in the planned timetables of the research and development processes of the Group's products or delay implementation of projects in which the Group takes part.
- b. On January 31 2021, the Company announced that it had won a wireless loading project in Germany financed by the German Federal Highway Research Institute (BASt).
- c. On March 8 2021 the general meeting of the Company's shareholders approved the issue of 11,400 options to 4 Company directors. The options will vest across a period of 4 years from their granting date – 25% after one year, and the balance in quarterly batches across 3 additional years. The exercise price of each option is 258.60 NIS. The fair value of the options was calculated while using the Black & Scholes model and based on the following parameters: risk-free interest of -0.54%, stock price of 243.5 NIS, standard deviation of the stock price 81% and projected exercise date of 7 years.
- d. On May 30 2021, the Company Board of Directors approved the issue of 72,005 options to 18 Company employees. The options will vest across a period of 4 years from their granting date – 25% after one year, and the balance in quarterly batches across 3 additional years. The exercise price of each option is 253.6 NIS. The fair value of the options was calculated while using the Black & Scholes model and based on the following parameters: risk-free interest of -0.54%, stock price of 253.5 NIS, standard deviation of the stock price 81% and projected exercise date of 7 years.
- e. On August 26 2021 the Company's Remuneration Committee and Board of Directors approved the allocation of 58,857 options to Company workers and executives. The options will vest across a period of 4 years from their granting date – 25% after one year, and the balance in quarterly batches across 3 additional years. The exercise price of each option is 163.4 NIS, and 40,000 options were granted to a Company employee, which will vest across 4 years from their date of issue in quarterly batches. The exercise price of each option is 150.2 NIS. The fair value of the options was calculated while using the Black & Scholes model and based on the following parameters: risk-free interest of -0.54%, stock price of 156.3 NIS, standard deviation of the stock price 76% and projected exercise date of 7 years.