

Electreon Wireless Ltd

Annual Report for 2022

Highlights

An aerial photograph of a road with several cars driving, surrounded by a dense green forest. The image is used as a background for the lower half of the page.

electreon
Charging the way forward

anytime, anywhere

Electreon Wireless Ltd

("The Company")

Annual Report Highlights (translation from Hebrew) for 2022

In light of the Company having the characteristics of a company engaged in research and development, and on the backdrop of the uncertainty whether the development of its various products will succeed and/or will penetrate the relevant markets, the Company may lose its investment in developing its products should the technological development of the Company's products fail and/or should the Company fail to obtain the required approvals to market and sell its products from the competent regulatory authorities and/or should the Company's products fail to penetrate the relevant markets; similarly, it should be clarified that as a company engaged in research and development, the Company is required to raise capital to finance its ongoing expenses until it is able to generate a positive cashflow from selling its products.

It is the Company's policy that in addition to the translation 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 also 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.

Soon after the publication of this report, the Company will publish reports accessible through the link:

<https://ir.electreon.com/financial-results>

Electreon Wireless Ltd

("The Company")

Annual Report Highlights (translation from Hebrew) for 2022

10 July, 2023

Dear Shareholders,

Subject: Letter to the Company's Shareholders

We are honored to share with you the company's business activities during the fiscal year 2022 (the "**Report Period**"), as shown in the company's annual report (the "**Annual Report**"). This year was a significant year in the Company's mission to accelerate the global transition to carbon neutrality, through the use of the wireless charging technology for electric vehicles developed by the Company, and as Annual Report shows - the Company met the goals it set for itself for the Report Period and even exceeded them, in many aspects of its business activity.

Thus, during the Report Period, the Company recorded an increase in revenues, which amounted to approximately NIS 8.65 million, with a gross profit of approximately NIS 1.5 million. The aforementioned revenues are an expression of the trend to which the Company referenced in the financial report for the third quarter of 2022 (*see Immediate Report dated November 24, 2022, reference number: 2022-01-141685*) (hereinafter: "**Third Quarter Report For 2022**"), according to which the Company's efforts to establish and expand commercial partnerships with existing partners and

to establish collaborations with new partners are materializing, and the Company expects revenues and earnings target of approximately NIS 102 million for the years 2023-2024 (as detailed in the Third Quarter Report for 2022). In this context, we are excited to update that already in the past quarter, the Company took steps to achieve the aforementioned target, so that the current earnings from existing contracts and contracts in negotiations or tender processes is about 79 million NIS (compared to about 60 million NIS reported in the target presented in the Third Quarter Report for 2022). In addition to this, the Company raised funds to the amount of approximately NIS 43 million, of which NIS 20 million against shares (*see the Company's Immediate report dated March 7, 2023, reference number: 2023-01-018994*). All of these Company milestones are within the context of an extremely challenging global financial market milieu.

The Company also significantly ramped up the research and development processes of the technology and product development. The Company met all of its predefined research and development goals that it set for the report Period. These goals' completion depended on, among other things, substantial efforts it invested in strengthening the research and development teams in Israel and Germany. The company intends to continue this trend and meet the ambitious research and development goals it set for 2023, as expressed in the Annual Report.

The maturity of the technology, as reflected in the Company's many ongoing international projects and as proven in various tests the Company and its partners (car manufacturers, research institutes and universities, governments and private customers) completed in various territories, across multiple technological areas, has allowed the Company to move

forward on its path towards the commercialization of the technology and the signing of strategic agreements and the deepening of existing collaborations.

In this context, we would like to highlight the Company's strategic Memorandum of Understanding with the automotive giant TOYOTA and with DENSO, an international Tier 1 auto parts manufacturer, for the joint development of a wireless charging system that will be integrated (Built-in) in new Toyota vehicles as part of the production process, and of a wireless charging kit for simple installation on electric vehicles available on the market of a variety of manufacturers (Aftermarket Kit) (see *the Company's immediate report of March 23, 2023, reference number: 2023-01-026563*); and the selection of the Company as the "sole supplier" for the development, construction and operation of an Electric Road in the USA together with the Utah Inland Port Authority and the Research Institute of the University of Utah, funded by the National Science Foundation in the USA ASPIRE, in a project whose total value is estimated to be approximately 15 million dollars (see *the Company's Immediate Report of February 7, 2023, reference number: 2023-01-014991*). These said agreements are the result of efforts invested by the Company over the years, and even more so during the Report Period. The Company continues to cultivate partnerships with government officials in the various markets where the Company operates, with existing and new customers and with vehicle manufacturers. These achievements are added to additional agreements signed this year - some continuation agreements with existing customers, and some with new customers and partners (see *Part 3 of this translated Annual Report*).

The described data and trends described above demonstrate how far the Company has come during the reporting period - the Company established the activities of its subsidiaries in Germany, Sweden and the United States; worked to promote, refine and optimize its supply chain, and even provided the vast majority of procurement for the existing engagements; strengthened its human capital; strengthened the strategic partnerships; improved the performance of the technology developed; and signed many significant agreements with partners and clients. All of this fits well with clear global trends in the market, of the transition of various vehicle fleets to electric vehicles, and of the recognition of the importance and even the adoption and the establishment of "**Electric Road Systems**" ("**ERS**") in Europe and the USA.

During the period of the Report, decision makers around the world, particularly in USA and Europe, promoted regulation that limits the use of fuel-powered vehicles, and that supports the transition to electric vehicles, and as a result of this, many countries allocated significant budgets, subsidies and grants for the purpose of establishing infrastructure relevant to the company's field of activity. Additionally, significant industrial players, and the car manufacturers in particular, have set themselves the goal of transitioning to carbon neutrality and eliminating CO2 emissions and have allocated resources accordingly. It is clear that the demand for electric vehicles and charging solutions is increasing. Also, during the reporting period, the world's first tender was published in Sweden, to the best of the company's knowledge, for the establishment of a 42-kilometer (26 miles) **ERS** - a tender that is the first sign of the intention of many European countries and the US to electrify thousands of kilometers of public roads (*for more details, see Sections 7.7-7.5 of Chapter A in the annual report*).

The Company's approach to the "market" and of the "market" towards the Company - gives rise to great hope for the fulfillment of the Company's goals for increasing activity in the coming year, for the increase in revenues and profits, and for the establishment of Electreon as the leading global player in the field of wireless charging and particularly wireless **ERS**.

On this occasion, we would like to thank you, the shareholders of the Company, for your support and your faith in the Company and technology. We pledge to continue working with all our might and soul to meet the goals and to generate additional business opportunities.

Please note that the above review is not intended to replace the need to review the Company reports and that the information contained therein is presented in summary and does not exhaust all the data about the Company and its activities. Also, this review includes, among other things, forward-looking information, as defined in the Securities Law, 1968, based on the estimates of the Company's management, which were made on the basis of the information and data that the company's management had at the time of this review (including by relying on data published by various entities, the content of which has not been verified by the Company independently, and therefore it is not responsible for their correctness). Such information includes, among other things, forecasts, goals, assessments and/or estimates relating to future events and/or matters, the realization of which is uncertain and which are affected by factors beyond the company's control and which it is unable to assess in advance.

Chapter A - Description of the Company's Business

Part 1 - Description of the General Development of the Company's Business

The Company's activities and description of its business development

Part 2 - Risk Factors in the Company's Areas of Business

A discussion on risk factors

Part 3 - A Summary of Key Trends and Events in the Company's Business Activities

During the Period of the Report and up to the Date of Publication of the Report

Part 1 - Description of the General Development of the Company's Business

Introduction

Many countries in the world have declared that they will transition to non-polluting transportation and/or a date when the entry of polluting vehicles into city centers will be prohibited, and some have even announced that they will prohibit the entry of polluting vehicles into city centers as early as 2025 (*for more details about the trends in the world to transition to non-polluting transportation, see sections 7.4 and 7.6 below*).

This policy requires fleet vehicle operators wherever they are if they wish to continue their activity.

Transitioning to net-zero transport is very challenging. To the best of the company's knowledge, there are several solutions, however, the solution of electric transportation is the most mature solution, when in 2022 alone, there will be an increase of approximately 55% in sales of electric or hybrid vehicles compared to 2021. As the graph below shows, among most of the automobile companies there are A significant increase in the production of electric or hybrid vehicles and most car manufacturers are working to produce various vehicles that are fully or partially powered by rechargeable batteries.

In the Company's view, the transition to electric transport requires preparation in multiple ways: purchase of electric vehicles; investment in charging infrastructure; changing and adjusting the way vehicle fleets are operated.

To the best of the Company's knowledge, at this current time, there is a gap between the current charging infrastructures and the needs of electric transportation: current wired charging stations do not provide an optimal solution since they cannot be installed everywhere and they take up space in parking lots.

According to the Company, wireless charging technology is able to bridge the gap. This technology can be deployed anywhere, enables charging in motion, it is also a shared charging platform that allows simultaneous charging for any and all types of electric vehicles and is embedded under the road or paved area surface - making it invisible and does not require any real estate.

Wireless charging solutions will accelerate the transition to electric vehicles by reducing costs and operating more efficiently



Existing charging solutions take up real estate and are not suitable for autonomous vehicles

Electreon is a technology company that aims to enable the global efforts to accelerate the transition to electric transportation by developing unique wireless charging technology. The Company develops all the technology and its components itself, which includes the charging infrastructure in the road/paved areas, the hardware for the vehicle and the cloud-based software. This fact places the Company among the leading companies in the field of global wireless charging. The Company's technology is protected by patents, and in accordance with the Company's vision, it will enable fast and safe charging of electric vehicles, increase the driving range, reduce the total costs of electric vehicle ownership related to maintenance, giving electric fleet operators the possibility to diversify their energy consumption and enable the reduction of battery size. This technology was initially developed for charging vehicles while driving wirelessly, and naturally, the Company has developed additional capabilities, such as static (stationary) wireless charging, which enables any vehicle to charge while parked.

In the Company's estimation, the combination of the two aforementioned charging modes allows the Company to provide an optimal solution for any vehicle fleet operator regardless of whether it is a taxi fleet operator based on private vehicles, delivery vehicles, buses or trucks.

Company Technology

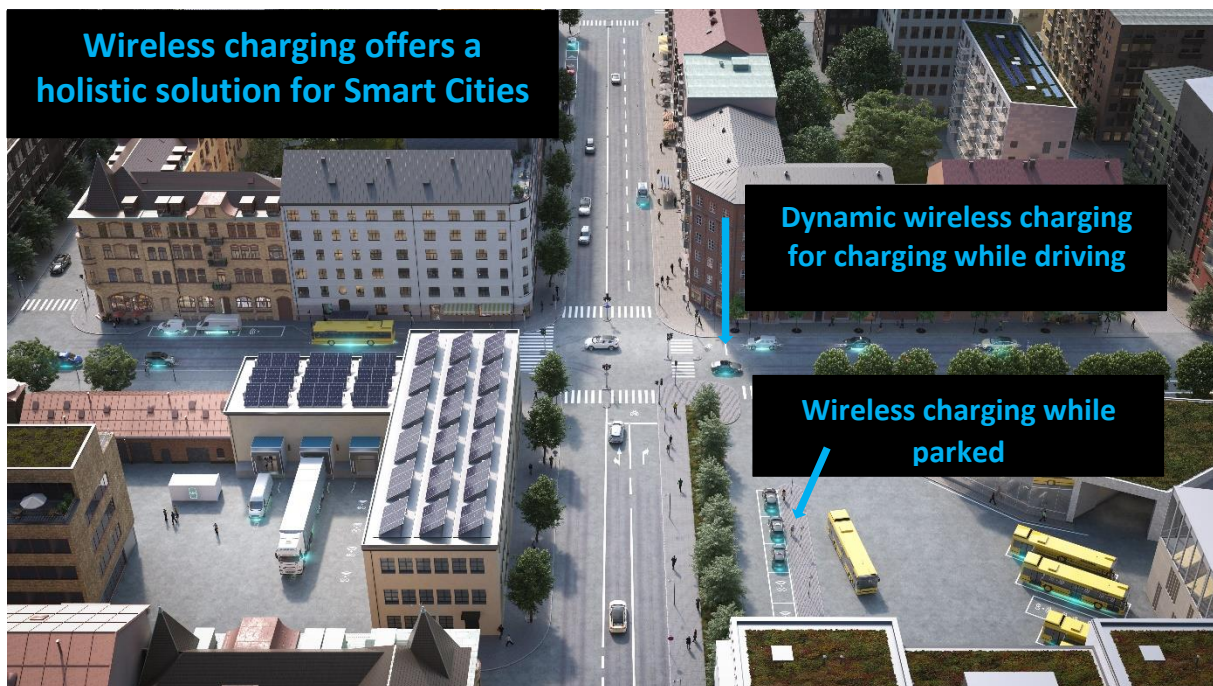
The technology developed by the Company consists of three basic components:

(1) An infrastructure of coils buried under the road or the parking lot surface;

(2) Energy management units connected both to the electricity grid and to the coil infrastructure; and

(3) A vehicle receiver that allows the energy to be transferred directly to the battery (*and together - "the system"*) (*for more details, see section 16 below*).

In addition, at this time, the Company is developing a cloud-based service that allows control and monitoring of all system components remotely (*the "Software"*). This service is expected to allow fleet managers full control over the loading method (*for more details, see section 16 below*).



In the Company's view, the Advantages of the Technology Developed by the Company are:

Intellectual property - the Company has 16 patents registered in different territories in the world, as well as 11 applications for additional patent registration, which are in the process of protection around the world, all of which revolve around the core of the technology. The technology developed by the Company is a shared charging platform and can be used by a wide variety of vehicles

- The receiver unit is simple to install on any type of electric vehicle and allows connection to various energy storage devices, such as a battery or a supercapacitor

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- The technology developed by the Company is a shared platform and can be used by a wide variety of vehicles simultaneously
- The vehicle receiver unit is simple to install on any type of electric vehicle and allows connection to various on-board energy storage devices, such as a battery or super capacitor
- The installation of the road/paved zone infrastructure is simple and can be deployed in the field in a relatively short time

- The system is safe to use as all the system units are buried underground without direct contact with the surrounding environment, and because the transfer of energy only occurs when the Company's receiver is directly above the coil

The Company works in close cooperation with its many partners in Israel and around the world on various shared activities , among them: strategic partners in the following fields: governments, electric vehicle automotive companies, infrastructure companies, road construction and management companies, electricity companies and more. These collaborations help the company to act quickly and at the same time in several different projects throughout. These collaborations enable the Company to act quickly in several different projects throughout Europe in parallel.

Target Audiences

As of the date of the report, the main activity of the Company is with vehicle fleet operators and governments promoting smart transportation solutions that reduce carbon emissions. The Company believes that it can offer great value to this clientele.

Below is a breakdown of the vehicle fleets the Company focuses on:

Municipal Bus Fleets

This mode of transport is predominantly characterized by fixed routes. Each bus performs multiple trips (rounds) of its route per day, and as the driver takes a break or



drivers switch several times several times throughout the day - all of which present opportunities for stationary (static) charging. Additionally, at the end of the day, the majority of the buses return to the bus parking lots.

In the Company's estimation, a combination of the Company's charging solutions (dynamic and static) can provide an optimal e-bus charging solution to bus fleet operators.

Placing wireless charging stations in waiting terminals can create a great advantage for the bus fleet operator which will allow them to charge the buses while waiting (utilizing "wasted time"). This charging has the potential to provide a significant part of the energy required for a full working day of a bus. For more details, see section 9.3 below.

Last-Mile and Urban Distribution Truck and Van Fleets

Delivery trucks, for the most part, have somewhat set routines and drive somewhat fixed daily routines starting with loading goods in the warehouse, distributing goods to customers, and then they return back for another loading cycle at the warehouse. This cycle may repeat several times throughout the day, and the trucks return at night.



With the transition to electric trucks, and depending on the capacity of the battery, it can be assumed that the fleet operator will need to charge the trucks delivery trucks throughout the day.

With the help of the Company's wireless charging technology, the van and truck loading and unloading times can be utilized to charge the vehicles. Thus, the Company's technology may help reduce the need for fleet vehicle downtime or complete operational stop time; it may also give the distribution trucks greater driving range throughout the operational shift, with a smaller battery. All this, with the investment of only a few individual charging stations, since the loading and unloading points are shared. For more details, see section 9.3 below.

Taxi Fleets and Shared Vehicle Fleets

To the best of the Company's knowledge, among other things, based on inquiries it has had in some of the territories in which it is active, municipalities and city planners around the world prefer not to place charging



poles along streets, since placing them creates an environmental hazard. In addition, a lack of charging stations makes it difficult for taxi drivers to switch to using electric taxis. In light of the above, a taxi driver interested in charging may often be required to leave the city or look for a designated parking lot that contains charging stations.

This phenomenon burdens the transition of city taxis to electric vehicles.

In accordance with the Company's vision, it aims to install wireless charging stations in various parking taxi queues and parking bays throughout the city, in waiting areas outside train stations, airports and around shopping centers, in order to provide charging options for taxis and shared vehicle fleets.

For taxis while they are waiting for passengers so that the need to go to a designated parking lot for charging will be eliminated. For further details, see section 9.3 of the below.

Freight Transport Fleets and Point-to-Point (P2P) Shipments

There are many cases where the movement of goods between two fixed points on a daily basis is required (for example - transporting goods between a port and a warehouse). For this purpose, heavy trucks are



predominantly used. Transitioning heavy trucks to electric propulsion is a very challenging process, both in terms of battery costs and their heavy weight, and in terms of the supporting charging infrastructure.

In these cases, the Company's wireless dynamic charging solution may allow energy to be transferred to the truck while driving, thereby allowing a reduction in the size of the battery and an extension of the operational working time of the electric trucks. In addition, the stationary (static) system can be used to utilize the loading and unloading time at the end points for charging, thus reducing the use of charging stations at night. In projects of this type, according to the Company, it is possible to receive financial assistance from countries interested in promoting the transfer of truck fleets to electric drive such as: Germany, Sweden, France and more.

The Company intends to work to promote these projects together with logistics centers, port operators, truck operators and truck manufacturers, so that the company will deploy the infrastructure and manage the overall loading system. For more details, see section 16.3 and 9.3- below.

The Company is also taking significant steps towards integrating its products into the private vehicle market, including taxi vehicles. Thus, during the period of the report, the company held a lengthy feasibility survey together with representatives of TOYOTA, which is one of the largest auto manufacturers in the world, producing approximately 10 million vehicles per year, and representatives of DENSO, a Tier 1 global manufacturer of auto parts. 1 Tier, whose developed technology is embedded in almost every private vehicle available on the market. At the end of the feasibility study, the parties agreed within the framework of a strategic Memorandum of Understanding on continued cooperation whose goals are, among other things, the joint development of new private Toyota vehicles adapted to the company's systems, as well as a wireless charging kit intended for installation on existing vehicles of various types with an Aftermarket Kit. For more details, see section 25.2 below.

It should be noted that the Company continues to work with countries, government organizations in the various territories with various regulators, in order to promote its goal in the medium-long term, to increase the deployment of its technology on urban and interurban roads and in other appropriate locations, so that it can offer a charging solution for all users of electric vehicles with a wide variety of charging needs; including,

eventually private passenger vehicles. For example, the Company intends to submit through its Swedish subsidiary Electreon AB, a fully owned by the Company ("**AB Electreon**") and together with the Spanish construction Company Instalaciones Cobra A.S, Servicios Y "Cobra" which was recently purchased by the French construction giant, the Vinci company, its offer in the first tender of its kind in the world, to the best of the Company's knowledge, published by the Swedish Transport Authority ("**TRV**"), which concerned the installation of an electric charging system on a road with a length of about 42 km . For more details, see section 8.4 below. Also, for more details about the company's business model, see section 3 below.

The Company's wireless charging technology is in the development stage and the Company has not yet completed the full development of its charging technology system. The above in reference to the Company's technology, the way it is used and the target audiences relevant to it, reflect the Company's strategy and there is no certainty that it will be realized in practice. Without detracting from the foregoing, all the assumptions and/or estimates and/or data detailed above are in the nature of forecasts, estimates and estimates and constitute "forward-looking information", as this term is defined in the Securities Law, 1968 ("Securities Law"), which are based in part on various public publications and in part on the Company's estimates regarding future developments and events whose date of occurrence, if any, is uncertain and not under the control of the company. These estimates may not be realized, in whole or in part, or may be realized in a different way than estimated by the Company, as a result of factors Various, including the company's failure to meet development goals and/or the failure to market the products and/or the failure of the

collaborations listed above and/or additional factors that are not under the company's control and/or the realization of any of the risk factors listed in section 31 below.

Section 2 - Risks in the Company's Areas of Business

Discussion on Risk Factors

The Company's operating segment entails risks which are characteristic of research and development stage companies. Presented below is an overview of the risk factors which may have a material impact on the Company's activities and its commercial results:

Macro-Economic Risks

The Global COVID-19 Pandemic

The COVID-19 pandemic impacted businesses and markets around the world throughout 2020-2021 and the beginning of 2022, but its impact waned as the year progressed. The Company's activities and its financial position were not materially harmed by COVID-19 and the Company's research and development activities continued uninterrupted. Moreover, COVID-19 spawned increased environmental awareness, which, together with government regulations and incentives, led to a growth in EV market shares in Europe.

Economic Slowdown and Uncertainty in the Global Market

The economic slowdown and economic uncertainty in the Israeli and/or global market in general and particularly in the potential target markets that the Company wishes to penetrate in the future may adversely impact the Company's ability to raise the funds required for its future activities. Additionally, the capital market is characterized by significant fluctuations as far as it relates to technology companies. Fluctuations in the global economy and the state of the local and global capital markets may affect the Company's results and the development of its business affairs, including the Company's ability to raise capital and its access to financial resources, as well as the timing and conditions of investments made in the Company and by the Company. According to an assessment of the ECB (European Central Bank) at its last meeting in 2022, the Euro block is forecasted to experience a short recession into Q1 2023, but to then revert to positive growth of 0.5% by the end of 2023. The US economy was also forecasted to undergo a recession, however, growth in Q4 2022 increased to 2.9%, exceeding the forecasts. The GDP in Israel experienced accelerated growth of 6.5% in 2022, beating the Bank of Israel's outlook over the last five quarters.¹ The Company assesses that a relatively short recession as provided in these assessments is not anticipated to materially impact the Company.

Changes with Interest Rates and Inflation

There was a global trend of increasing inflation throughout 2022. This trend was experienced both in the Israeli market as well as in other markets in which the Company operates. Various measures were taken both in Israel

<https://www.boi.org.il/publications/pressreleases/55237> ¹

and around the world in response to the sharp increase in inflation, these included a significant increase in interest rates. These measures have led to a relatively recent moderation in the sharp increase in inflation and interest around the world, and the central banks have been publishing cautious forecasts of reduced inflation and a corresponding decrease in inflation, over the coming years. For more information, see Section 7.1 above.

The Company is liable to be impacted by changes in inflation and interest rates due to the fact that it operates in a number of markets around the world (including Israel, the USA and Europe). Among other things, the Company is liable to be impacted by an increase in the prices of raw materials due to an increase in inflation in countries from which the Company purchases raw materials, and also impacted by the macro-economic factors impacting the cost of employment and energy in these countries and in countries in which the Company operates. It should be noted that as of the date of this report, the Company primarily finances its operating activities through its equity, capital issuances, and grants; the Company does not have any credit facilities, nor has it entered into loan agreements. In light of the foregoing, as of the date of this report, the increased interest rates have not had a material impact on the Company. However, if the Company will in the future consider obtaining credit, loans or issuing debt, the interest rate in the economy will impact the conditions involved in the provision of said financing.

Exposure to Foreign Currency Fluctuations

A significant part of the Company's procurement of raw materials is linked to foreign exchange rates, and the vast majority of the Company's revenues, if applicable, are expected to be received from foreign

customers; therefore, foreign currency fluctuations, primarily with the USD and Euro, may expose the Company to currency fluctuations which may impact its profitability. As described above in Section 7.3, in January 2023, the Israeli government started promoting legislation introducing material changes to the Israeli legal system. These changes are liable to impact exchange rates and the strength of the Shekel against various currencies, and, among other things, are liable to impact foreign currency exchange rates and availability.

The Security, Governmental and Political Situation in Israel

Changes in the security and political conditions may affect the Company's activities. A deterioration in the security and political condition may, *inter alia*, reduce the Company's ability to raise the additional funds required for its operations, mainly in foreign markets.

In addition to the foregoing, and as described above in Section 7.3, in January 2023, the Israeli government started promoting legislation introducing changes to the Israeli legal system. According to statements and assessments made by senior Israeli economists (including the Commissioner of the Bank of Israel), as well as according to a report issued by the Budgetary Division at the Ministry of Finance and the Chief Economist at the Ministry of Finance, these changes are liable to result in social and political instability, together with a negative impact on the Israeli market and economy. As of the approval date of the report, the aforementioned events are not having a material impact on the Company's activities. However, if the assessments described above manifest in whole or in part, this may impact exchange rates, the availability and cost of

financing for the Company which it may require to expand its commercial operations.

The Geo-political Situation between Ukraine and Russia

As described above in Section 7.3, the international hostilities and geo-political crisis also had a significant impact on the global economy, including high volatility in the Israeli and global capital markets and exchange rates, and created an energy crisis in Europe, which, among other things, resulted in increased gas and oil prices which resulted in the EU taking actions to transition to alternate fuels and to promote energy storage, energy charging/loading and preservation solutions, which may contribute towards adopting and implementing the kinds of systems developed by the Company.

As of the approval date of the report, the aforementioned geo-political events are not having a material impact on the Company's activities. However, due to the Company's inability to assess how the conflict in the Ukraine will unfold, and how said geo-political crisis will expand, how the expansion of sanctions may also affect the Company or the implications these factors may generally have on the Israeli economy on the one hand, and the potential for advancing energy storage, energy charging/loading and preservation on the other hand, at this stage the Company is unable to assess the possible impact, if at all, these may have on its future operating results.

Industry Risks

Technological Changes

Despite the fact that in the short term no material technological changes or breakthroughs are expected which may affect the relevancy of the Company's manufacturing equipment and technologies in the Company's operating segment, the development of alternative technology to the technology developed by the Company may have an adverse effect on the scope of its activity.

International Regulation and Standards

The Company's R&D activity and the future marketing of its products may be subject in the future to the control and regulation of standard institutes and to legislation in different jurisdictions. Changes and developments in regulatory requirements and in standardization requirements relevant to the Company's operating activity and/or the Company's failure to meet such requirements may impose limitations and/or cause delays in the development of the Company's products and/or cause the cessation thereof, and may also cause the Company to incur material costs. However, the Company is acting to advance certainty with respect to standardization, and some of its activities have already borne fruit as of the date of the report. For information regarding the regulatory environment in which the Company operates see Section 8.7.3 above.

Raising Capital and Sources of Financing

Research and development in infrastructure and in the vehicle industry requires very high long-term liquidity to achieve effective business results. However, there is no certainty that the Company will be able to raise additional funds, to the extent necessary, for the execution of the more advanced and necessary development stages of these products. The

Company's ability to raise additional capital as said may be affected by factors not under the Company's control, including changes in the economic environment, including fluctuations with inflation and interest rates. For information about the increase in inflation and interest rates during the reporting period and its possible impact on the Company, see Section 31.1.3 above. It should be noted that a lack of sufficient financial resources may result in the cessation of the Company's commercial activities.

Professional Personnel

The Company's operations require the highest level of knowledge, professionalism and expertise, as well as high quality, experienced and skillful management in the areas of transportation and high-voltage wireless power transfer, a relatively new and unique area. The Company's ability to continue developing its products depends, *inter alia*, on its ability to employ skillful personnel as aforesaid.

Tests during the R&D Process

Tests and experiments during the development of the Company's products may be delayed or stopped for different reasons, including, *inter alia*, as a result of reasons unrelated to the Company's products and due to regulatory changes or a significant increase in the prices of raw materials used to develop the Company's products.

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Competition

The EV charging market is relatively new, and the competition therein is also developing. The Company's competition is primarily impacted by the progress made by competitors with their research and development, and by technology companies entering the charging field. The Company will need to offer innovative and efficient solutions, and to contend with different kinds of vehicles entering the market, such as Hydrogen or biodiesel fueled vehicles. Furthermore, the competitors may be acquired by third-parties with greater resources, and the Company would therefore need to more effectively contend with market changes and changing opportunities. Moreover, there are additional products on the market for charging EVs which may impact the level of demand for the Company's charging solutions. For more information about the Company's competitors, see Section 12 above.

Cyber and Data Security

The Company makes regular usage of data, communication and computer systems for its ongoing activities. Among other things, these systems hold data regarding the Company's products and its technology, data about its employees and financial information about its activities. Part of the product being developed by the Company is a software-based product, which includes communications between external services and the terminals. Moreover, the Company's products are connected to the cloud in a manner which allows various charging data to be saved and processed. Thus, among other things, the Company uses this data to streamline processes, for product development and to develop its "smart charging" services. These systems are subject to the threat of being infiltrated by unauthorized parties which may harm both the Company's ability to use these systems as well as its ability to save the collected data and protect it.

The Company is acting to protect its various systems, to use up-to-date data security software and advanced cloud services and to bolster its ability to recover in the event of a cyber attack. Thus, the Company has tech systems which are able to monitor its infrastructures and oversee purchases related to computing and IT. In order to establish and operate these systems the Company has recruited a director of IT, and also engaged external professionals (including an external CISO), who oversee the process. The Company has also acquired cyber insurance; and has started operating in accordance with internal cyber and data security procedures, approved by the Company's management and which will be examined by it once annually, and is particular about regularly being updated about and discussing the matter. The cyber and data security risks are examined by the Company's board of directors at least once annually. Under the Company's procedures, data security training is given annually to all the Company's employees to ensure ongoing data security and employee awareness. The Company is also particular about providing designated training to the Company's personnel teams and divisions which have some interface with tech infrastructures or sensitive materials.

However, there is no certainty regarding the Company's ability to prevent a cyber attack or limit its impact on its activities. Such an event may harm the Company's ability to reinstate its systems' activities within a reasonable amount of time or harm its ability to meet the demand or needs of its customers. The Company may also incur costs related to the aforementioned preventative actions and in order to rectify harm which may be caused by a breach or cyber attack event. As of the date of the report, to the best of the Company's knowledge, no exceptional cyber event has occurred with a material impact on its activities.

Risks Unique to the Company

Failure to Complete R&D

As of the date of the report, the Company has not yet completed the development of its products and no revenues have been generated from its activities. There is no certainty that the R&D activities will produce a commercially marketable wireless charging system.

Commercialization and Marketing of the Company's Products

The Company's ability to establish a customer base, to penetrate the market, to generate revenues, to reduce its losses and to increase its future profitability is dependent on its ability to create and increase sales.

Future demand for the Company's Products and their Prices and the Company's Ability to Increase its Future Sales

If and to the extent that the Company successfully completes the R&D of the products developed by it, there is no certainty that at such time there will be sufficient demand for these products justifying their commercial production and marketing. The Company's growth and its revenues will, to a large extent, be contingent upon its ability to sell the product to a wide-range of customers, including urban public transportation fleet operators, electric taxis and delivery vehicles (P2P). Furthermore, the transport electrification market is a developing market, and fleet operators may not broadly adopt usage of electric vehicles, may operate with a schedule different to that expected by the Company or rely on other charging solutions. Additionally, it should be noted that transitioning to an EV fleet may be expensive and may be a factor in slower than expected market

penetration. Fleet operators may also request significant technical support from the Company, and it may harm the Company's ability to sell its products to additional customers if it is unable to provide the required support.

Failure to Receive the Required Approvals

The Company operates in various territories, each potentially having different regulatory requirements regarding the approvals and permits required particularly for deployment and for connecting to the electric grid. These potential difficulties may result in the deployment and/or manufacturing not being commercially feasible, or may delay the commercialization of the products in some of the territories.

Intellectual Property

The Company develops complex knowledge-intensive technological products and there is no certainty that it will be able to successfully protect its intellectual property. As of the date of the report, most patent applications filed by the Company are at different stages of examination and approval. There is a risk that the patent applications filed by the Company, in whole or in part, will be rejected for any reason, including reasons not within the Company's control.

Rating the Risks

The table presented below presents the main risk factors described above, ranked according the impact they may have on the Company's business in its operating segment, as assessed by the Company:²

○	○ Impact of Risk Factor		
	○ Low Impact	○ Medium Impact	○ High Impact
○ Macro-Economic Risks			
The global COVID-19 pandemic	X		
Economic slowdown and uncertainty in the global market			X
Changes with interest rates and inflation		X	
Exposure to foreign currency fluctuations		X	
The security, governmental and political		X	

The risk factors and their impact on the group are made according to the group's² assessment. Risk factors may possibly exist which have not yet been identified or whose impact may be different than specified above.

○	○ Impact of Risk Factor		
	○ Low Impact	○ Medium Impact	○ High Impact
situation in Israel			
The geo-political situation between Ukraine and Russia	X		
Industry Risks			
Technological changes		X	
International regulation and standards		X	
Raising capital and sources of financing		X	
Professional personnel	X		
Tests during the R&D process	X		
Competition		X	
Cyber and data security	X		

○	○ Impact of Risk Factor		
	○ Low Impact	○ Medium Impact	○ High Impact
Risks Unique to the Company			
Failure to complete R&D		X	
Commercialization and marketing of the Company's products		X	
Future demand for the Company's products and their prices and Company's ability to increase its future sales		X	
Failure to receive the required approvals	X		
Intellectual property		X	

That stated above in this section concerning potential risks facing the Company, the chance of them eventuating and the risk they pose against the Company's operating activities and its business plan, fall within the definition of "forward-looking information" under the Securities Law. This information is based on the Company's strategic plans and goals for the upcoming year. The realization or non-realization of the above plans, or them being realized differently to how they are being anticipated depends (*inter alia*) on the successful completion of the Company's products, on market conditions, negotiations with vehicle manufacturers or the manifestation of any of the risk factors specified above.

Section 3 - A Summary of Key Trends and Events in the Company's Business Activities

During the Period of the Report and up to the Date of Publication of the Report

Below is the Relevant Translated Section of the Original Section B of the Company's Hebrew Annual Report - The Company Board's Explanations

of the Company's Business Situation:

On February 1, 2022, the Ministry of Transportation of the State of Michigan in the United States, in cooperation with the Ministry of Future Transportation and Electrification of the State, announced that the Company won the tender for the establishment of a project to demonstrate wireless charging, which will include the layout of a wireless charging road with a length of about 1.6 km and stationary (static) stations for wireless charging. The project in Michigan is expected to be operational during the year 2023 in the district of the city of Detroit which also serves as the central district of Ford's transportation innovations. For additional details, see an immediate report dated February 1, 2022 (reference number: 2022-01-012387), which is included in this report on the referral method

Success in a series of tests for a dynamic and stationary (static) wireless tracking system for passenger vehicles On February 10, 2022, the Company announced the completion of a series of tests for static and dynamic tracking of a passenger vehicle using the wireless tracking system it developed, and its intention to market this tracking solution to commercial fleets and city cooperative transport fleets, among The rest, through the implementation of system deployment projects

The wireless decoy developed by the company in waiting platforms at airports and train stations. For additional details, see the immediate report dated February 10, 2022 (reference number: 2022-01-017116), which is included in this report on the diversion method.

Winning the Tender of Michigan State for the Establishment of the first

Wireless Charging Road in the USA

On February 1, 2022, the Ministry of Transportation of the State of Michigan in the United States, in cooperation with the Ministry of Future Transportation and Electrification of the State, announced that the company won the tender for the establishment of a project to demonstrate wireless charging, which will include the installation of a wireless charging road with a length of about 1.6 km and stationary charging stations for charging EVs wirelessly. The project in Michigan is expected to be operational during the year 2023 in the district of the city of Detroit which also serves as the central district of Ford's transportation innovation. For additional details, see an immediate report dated February 1, 2022 (reference number: 2022-01-012387).

Success in a Series of Dynamic and Static Wireless Charging System Trials for Passenger Cars

On February 10, 2022, the Company announced the completion of a series of tests and trials for static and dynamic charging of passenger vehicles using the wireless charging system it developed, and its intention to market this charging solution to municipal fleets and city Transport Authorities, among multiple other clients, through the implementation of system deployment projects through the implementation of projects for the deployment of the wireless charging system developed by the Company in taxi queuing areas at airports, train stations and other transport hubs. For additional details, see the immediate report dated February 10, 2022 (reference number: 2022-01-017116).

A binding Memorandum of Understanding for Strategic Cooperation with Jacobs Inc

On March 3, 2022, the Company reported on the signing of a binding Memorandum of Understanding for strategic cooperation with Jacobs Inc. Group Engineering ("**Jacobs**"), according to which the Company's management and Jacobs will meet on a quarterly basis to discuss procurement opportunities and cooperate in marketing wireless charging services in the USA. In addition, the Memorandum of Understanding states that the Company and Jacobs will have the right of mutual first refusal to join joint collaboration agreements in wireless charging projects with certain entities, including several of the largest municipal transportation authorities in the US. Also, the parties will have the right of mutual first offer to join joint collaboration agreements in connection with any proposal to submit proposals for wireless charging projects in North America. In addition, as part of the binding Memorandum of Understanding, Jacobs undertook to make commercial efforts to promote the Company's products to its existing and future customers. For additional details, see an immediate report dated March 3, 2022 (reference number: 2022-01-021408).

Entering into a Research Agreement with the University of Utah within the Framework of which the Company's Technology will be Deployed in Demonstration Compound

On March 8, 2022, the Company reported entering into a joint research agreement with the University of Utah, within the framework of which the Company will deploy a wireless Electric Road on the territory of the University of Utah in order to demonstrate the viability and suitability for commercialization of the Company's technology, to develop strategic partnerships that will advance the commercialization of the wireless decoy technology, and to leverage the demonstration project to promote additional projects throughout the US. For additional details, see an immediate report dated March 8, 2022 (reference number: 2022-01-027313).

Extending the Duration of the Company's Project in Sweden

On April 3, 2022, the Company announced that the Swedish Transport Authority decided to extend the duration of the pilot in connection with the demonstration project of the wireless Electric Road System developed by the Company on the island of Gotland in Sweden, and that for this extension the Company will receive additional funding from the Swedish Transport Authority in the amount of approximately 2 million euros. For additional details, see an immediate report dated April 3, 2022 (reference number: 2022-01-035049).

A Deal to Install a Wireless Charging Infrastructure and Services for the Public Transportation Company Afikim in Israel

On May 12, 2022, the Company entered into an agreement with Electra Afikim Ltd. ("Afikim") to install wireless charging infrastructure for 30 buses that could be charged simultaneously for 24 hours a day. In addition, as part of the agreement, the Company will provide Afikim with support services, operation and equipment for the charging infrastructure. In exchange for these services Afikim will pay the Company a total of approximately NIS 6.5 million, which will be paid subject to its transfer from the Ministry of Transportation to Afikim. For additional details, see an immediate report dated May 15, 2022 (reference number: 2022-01-057976).

The Company's Participation in the E-MPower Project in Germany

On August 4, 2022, the Company announced that the Company and its subsidiary in Germany were chosen by the German Federal Ministry of Economy and Climate Change to be part of a consortium that will carry out "**E-MPower**", which was a project whose purpose, to the best of the Company's knowledge, was to develop mechanization for the mechanical production of key components in and around the infrastructure of the Company for large-scale installation projects. Accordingly, as part of the project, methods will be developed for the rapid installation of a wireless Electric Road System for large-scale government projects. Meanwhile, the consortium group will deploy a kilometer-long wireless Electric Road section in the "Autobahn" Road System that will be used to demonstrate the extent of the system's deception to the general public and decision makers. To the best of the Company's knowledge, the project will be budgeted by the German government for a total amount of 5.7 million euros, and out of this amount, according to the company's estimation, the group will receive a total of approximately 2.1 million euros. For additional

details, see an immediate report dated August 4, 2022 (reference number: 2022-01-099010).

A Cooperation Agreement with the Energy Company EnBW under which a 1 km long Wireless Electric Road and two Static charging Bays will be Built in Baden-Württemberg in Germany

On September 14, 2022, the Company reported that after a successful pilot conducted by the Company in the city of Karlsruhe, Germany, it signed an additional agreement with Energie Baden-Württemberg AG ("**EnBW**"), one of the leading companies in Germany in fast charging infrastructure for Electric Vehicles and a services solution provider. As part of the contract for the execution of the project, the Company will deploy a dynamic and static wireless charging system in the city of Baden-Württemberg, sell an electric bus of the HIGER company to the Municipality adapted for wireless charging, and will also provide operation and maintenance services for the system for three years, for a payment of approximately 3.2 million euros. For additional details, see an immediate report dated September 14, 2022 (reference number: 2022-01-117193).

Agreement with the Department of Transportation of the State of Michigan in the USA

On September 20, 2022, the Company signed an agreement with the Department of Transportation of the State of Michigan in the United States, within the framework of which the parties undertook to work to promote Michigan's position as a leading state in all matters concerning

the establishment of a Wireless Electric Road System, and this, among other things, by creating collaborations with local partners, including media, municipal, public transport operators, owners of commercial vehicle fleets and courier companies, through which the development and implementation of a wireless Electric Road System on a commercial scale will be promoted and accelerated, by various parties. The period of the agreement was 5 years from the date of its signing. In addition, the parties undertook to act in cooperation to raise media and federal budgets and resources for increasing the use of Electric Vehicles and the implementation of projects to establish a wireless Electric Road System in order to meet the goal of electrifying the vehicle fleet of Michigan State by 2030. For additional details, see an immediate report dated September 21, 2022 (reference number: 2022-01-097098).

The Selection of the Company as the "Sole Supplier" for the Development, Construction and Operation of Electric Roads in Utah with ASPIRE and the Utah Inland Port Authority

On February 6, 2023, Electreon Inc. was established as wholly owned subsidiary of the Company (the "subsidiary"), as a "sole supplier" within the framework of a procedure established by the University of Utah in the USA, for the purpose of establishing a joint project for the subsidiary, the Utah Minerals Authority, and the Research Institute of the University of Utah, funded by the ASPIRE National Science Foundation, Which will include the joint development, construction and operation of an "Electric Road where the Company's dynamic wireless charging system will be installed, in the first phase with a length of about 1.6 km. According to information provided to the Company by ASPIRE, the funding for the project resulted

from the decision of the Utah Legislature from 2021 to allocate funding in the amount of approximately 15 million US dollars. For additional details, see an immediate report dated February 7, 2023 (reference number: 2023-01-014991).

A Strategic Memorandum of Understanding with Toyota and Denso, for the Joint Development of a Wireless Charging system that will be Integrated into New Toyota Vehicles (as part of the production process) and Existing Vehicles (as Part of an Aftermarket Solution)

On March 22, 2023, the Company signed a strategic Memorandum of Understanding together with two of the leading and most respected companies in the global automotive industry - the Japanese car manufacturer Corporation Motor Toyota ("**Toyota**") and the manufacturer (1 Teir (the global auto parts corporation "**Denso**"). The Memorandum of Understanding details the principles and conditions for the joint development of wireless charging technology for existing and new vehicles, based on the technology developed by the Company.

This Memorandum of Understanding is the result of a comprehensive and successful technological assessment of the Company's wireless charging system carried out by Toyota and Denzo, among other things as part of a feasibility survey conducted at the Company's headquarters in Beit Yanai for two weeks, in which Toyota and Denzo's technical teams participated, and at the end of which a demonstration of the system's technological capabilities was held at the Company's headquarter complex. The demo utilized a Toyota RAV 4 hybrid vehicle.

As part of the Memorandum of Understanding, the parties agreed that they would cooperate in the realization of five key products: First and foremost, Toyota and Denso pledged that they would work together with the Company's development teams for the joint development of a wireless charging kit intended for simple installation on existing vehicles (Aftermarket Kit) of a variety of vehicle manufacturers. In addition, the parties committed to develop a wireless charging solution that will be integrated in-built into new Toyota Electric Vehicles as part of the production process. The parties also agreed to cooperate with the international standards committees for wireless charging of Electric Vehicles; to hold a pilot in Japan with the aim of forming a local association of companies and harnessing decision makers to promote projects in the field the dynamic wireless charging; and to hold a pilot in the USA and/or Europe for the purpose of achieving commercial projects and firmly establishing the Company's business model. For additional details, see the report dated March 23, 2023 (reference number: 2023-01 026563).