Charging the way forward

ELECTREON WIRELESS LTD

2022 ANNUAL REPORT

Hadassah Neurim Youth Village, Beit Yanai, 4029800 Israel

electreon
Charging the way forward

ELECTREON WIRELESS LTD

2022 ANNUAL REPORT

TABLE OF CONTENTS

Hadassah Neurim Youth Village, Beit Yanai, 4029800 Israel

AUDITOR'S REPORT

To the Shareholders of

ELECTREON WIRELESS LTD.

We have audited the accompanying consolidated statement of financial position of Electreon Wireless Ltd. ("the Company") as of December 31, 2022 and 2021 and the consolidated statements on profit or loss, the total loss, the changes in shareholder's equity and cash flows for each of the three years in the period ended December 31, 2022. These financial statements are the responsibility of the Company's Board of Directors and management. Our responsibility is to have an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Israel, including those prescribed by the Auditors' Regulations (Auditor's Mode of Performance), 1973. According to these standards, we are required to plan and execute the audit in order to obtain reasonable assurance that the financial statements do not contain a material misstatement. Audit includes a sample inspection of evidence supporting the amounts and information in the financial statements. The audit also includes an examination of the accounting rules implemented and the significant estimates made by the Company's board of directors and management, as well as an assessment of the appropriateness of the presentation in the financial statements as a whole. We believe that our criticism provides an adequate basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as of December 31, 2022 and 2021 and the results of their operations, the changes in its shareholder's equity and their cash flows for each of the three years in the period ended December 31, 2022, in conformity with International Financial Reporting Standards (IFRS) and with the provisions of the Securities Regulations (Annual Financial Statements), 2010.

We have also audited, in accordance with Israeli Auditing Standard 911 of the Institute of Certified Public Accountants in Israel "Audit of Components of Internal Control over Financial Reporting", the Company's components of internal control over financial reporting as of December 31, 2022, and our report dated March 28, 2023 included an unqualified opinion on the effective maintenance of those components.

Key Matters in the Audit

Key matters in the audit are matters that were communicated, or were required to be communicated, to the Company's Board of Directors and which, in our professional judgment, were most significant in the audit of the consolidated financial statements for the current period. These matters include, but are not limited to, any matter that: (i) relates to, or may relate to, material clauses or disclosures in the financial statements and (ii) our judgment regarding it was particularly challenging, subjective or complex. We have determined that there is no key issue in the criticism to communicate.

Tel Aviv,
March 28, 2023

Kesselman & Kesselman
Certified Public Accountants (lsr.)
A member firm of PricewaterhouseCoopers International Limited

electreon
Charging the way forward

AUDITOR'S REPORT
to the shareholders of
ELECTRON WIRELESS LTD.

With regard to audit of internal controls over financial reporting
pursuant to section 9B(c) of the Securities Regulations
(Periodic and Immediate Reports), 1970

We have audited components of internal controls over financial reporting of Electreon Wireless Ltd. and its subsidiaries (hereinafter together: "the Company") as of December 31, 2022. These control elements were determined as explained in the next paragraph. The Company's management and Board of Directors are responsible for maintaining effective internal control over financial reporting, and for an assessment of the effectiveness of components of internal controls over financial reporting, which is enclosed with the periodic report as of the said date. Our responsibility is to express an opinion on the Company's components of internal control over financial reporting based on our audit.

The components of internal control over financial reporting which we audited were determined in accordance with Israeli Auditing Standard 911 of the Institute of Certified Public Accountants in Israel "Audit of Components of Internal Control over Financial Reporting" (hereinafter: "Israel Auditing Standard 911"). Those Components are: (1) Entity-level control, including controls over the process of preparation and closing of financial reporting and general controls over information technology; (2) controls over the purchasing process; (3) controls over payroll and option process (all the above together hereinafter - "the audited control components").

We have conducted our audit in accordance with Israel Audit Standard 911. This standard requires us to plan and perform the audit to identify the audited control components, and to achieve reasonable assurance whether these control components have been effectively maintained in all material aspects. Our audit consisted of an understanding of internal control over financial reporting, identification of the audited control components, assessment of the risk of material weakness in the audited control components, as well as review and assessment of the effectiveness of design and operation of said control components, based on the assessed risk. Our audit, with regard to the aforementioned control components, also consisted of other procedures we deemed necessary under the circumstances. Our audit is only in reference to the audited control components, unlike internal control of all material processes related to financial reporting, and therefore our opinion only refers to the audited control components. Further, our audit did not refer to mutual influence among audited control components and non-audited ones, and therefore our opinion does not take into account such potential influence. We believe that our audit provides an appropriate basis for our opinion within the aforementioned context.

Due to inherent limitations, internal control of financial reporting in general, and components of it in particular, may not prevent or detect misstatement. Also, projections of any evaluation of the effectiveness of specific controls or internal control over financial reporting overall to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company has effectively implemented the audited control components as of December 31, 2022.

Kesselman and Kesselman, Menachem Begin Road 146, Tel Aviv 6492103, Israel, P.D. 7187 Tel Aviv 6107120
Telephone: +972-3-7954555, Fax: +972-3-7954556, *www.pwc.com/il*

We have also audited, in accordance with generally accepted audit standards in Israel, the Company's consolidated financial statements as of December 31, 2022 and 2021, and each of the three years in the period ended December 31, 2022, and our report, dated March 28, 2023, included an unreserved opinion on those financial statements.

Tel Aviv,
March 28, 2023

Kesselman & Kesselman
Certified Public Accountants (lsr.)
A member firm of PricewaterhouseCoopers International Limited

Kesselman and Kesselman, Menachem Begin Road 146, Tel Aviv 6492103, Israel, P.D. 7187 Tel Aviv 6107120
Telephone: +972-3-7954555, Fax: +972-3-7954556, *www.pwc.com/il*

Electreon, Hadassah Neurim Youth Village, Beit Yanai, 4029800 Israel

ELECTREON WIRELESS LTD

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	December 31 2022	December 31 2021
		NIS in thousands	
Assets			
CURRENT ASSETS:			
Cash and cash equivalents	5a	67,600	124,412
Short term pledged deposit	5b	1,419	300
Customers		1,282	-
Receivables and payable balances	6	22,947	7,882
Assets for contracts with customers		5,678	7,548
		98,926	140,142
NON-CURRENT ASSETS:			
Long-term Restricted deposit	5c	4,000	76
Long-term prepaid expenses	12 and	33,299	29,138
Fixed Assets	7	8,914	8,488
Right-of-use assets	8	1,337	1,487
		47,550	39,189
TOTAL ASSETS		146,476	179,331
Liabilities and shareholder's equity			
CURRENT LIABILITIES:			
Trade payables		7,594	2,986
Other payables	10	11,927	8,413
Current maturities of lease liabilities	8	1,014	590
		20,535	11,989
COMMITMENTS AND CONTINGENCIES	12		
NON-CURRENT LIABILITIES:			
Lease liabilities	8	307	816
TOTAL LIABILITIES		20,842	12,805
EQUITY:	13		
Shares, Premium, warrants and other reserves		371,658	329,484
Foreign exchange reserve on translation of financial statements		344	828
Accumulated deficit		(246,368)	(163,786)
TOTAL EQUITY		125,634	166,526
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		146,476	179,331

Barak Duani	Ronit Noam	Oren Ezer
Chief Financial Officer	Director	Chairman of the Board and CEO

Approval date of the financial statements: March 28, 2023.

The accompanying notes are an integral part of the financial statements.

ELECTREON WIRELESS LTD

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

	Note	2022	2021	2020
		Year ended December 31		
		NIS in thousands		
REVENUES		8,650	-	-
COST OF REVENUES		7,140	-	-
GROSS PROFIT		1,510	-	-
RESEARCH AND DEVELOPMENT EXPENSES:	14			
Research and development expenses		58,011	43,616	35,183.
Net of participation in research and development expenses		(7,499)	(9,306)	(20,068)
RESEARCH AND DEVELOPMENT EXPENSES, net		50,512	34,310	15,115
MARKETING AND BUSINESS DEVELOPMENT EXPENSES	15	21,410	14,547	3,266
GENERAL AND ADMINISTRATIVE EXPENSES	16	12,368	10,263	4,680
OTHER EXPENSES		268	-	-
OPERATING LOSS		83,048	59,120	23,061
Finance expenses	17	503	1,434	236
Finance income	17	(969)	(3,008)	(72)
FINANCE EXPENSES (INCOME), net		(466)	(1,574)	164
LOSS FOR THE YEAR		82,582	57,546	23,225
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS				
EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS		484	(1,107)	272
COMPREHENSIVE LOSS FOR THE YEAR		83,066	56,439	23,497
BASIC AND DILUTED LOSS PER SHARE (IN NIS)	**18**	8.35	5.99	2.60

The accompanying notes are an integral part of these financial statements.

ELECTREON WIRELESS LTD

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

	Shares Premium, warrants and other funds	Foreign exchange reserve on translation of financial statements	Accumulated deficit	Total equity
	NIS in thousands			
Balance as of January 1, 2020	92,713	(7)	(83,015)	9,691
CHANGES IN 2020:				
Loss for the year	-	-	(23,225)	(23,225)
Exchange differences on translation of foreign operations	-	(272)	-	(272)
Share-based compensation expense	5,500	-	-	5,500
Issuance of ordinary shares (See note 13)	177,930	-	-	177,930
Exercise of warrants	447	-	-	447
Balance as of December 31, 2020	276,590	(279)	(106,240)	170,071
CHANGES IN 2021:				
Loss for the year	-	-	(57,546)	(57,546)
Exchange differences on translation of foreign operations	-	1,107	-	1,107
Share-based compensation expense	14,016	-	-	14,016
Capital compensation for the Dan transaction (see Note 12F)	28,979	-	-	28,979
Exercise of warrants	9,899	-	-	9,899
Balance as of December 31, 2021	329,484	828	(163,786)	166,526
CHANGES IN 2022:				
Loss for the year	-	-	(82,582)	(82,582)
Exchange differences on translation of foreign operations	-	(484)	-	(484)
Share-based compensation expense	14,415	-	-	14,415
Exercise of warrants	27,759	-	-	27,759
Balance as of December 31, 2022	371,658	344	(246,368)	125,634

The accompanying notes are an integral part of these financial statements.

ELECTREON WIRELESS LTD

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended December 31		
	2022	**2021**	**2020**
	NIS in thousands		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net cash used in operating activities (See addendum)	(76,262)	(55,806)	(17,274)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment	(2576)	(3,063)	(3,117)
Consideration from the realization of fixed assets	141	-	-
Bank deposits created	-	135,000	(135,300)
Interest received	193	3,014	10
Restricted deposit	(5,000)	(31)	-
Net cash used in investing activities	(7,242)	134,920	(138,407)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from exercise of warrants	28,108	9,549	447
Lease principal payments	(953)	(405)	(167)
Lease interest payments	(61)	(63)	(85)
Proceeds from issuance of shares	-	-	177,930
Net cash provided by financing activities	27,094	9,081	178,125
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(56,410)	88,195	22,444
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	124,412	35,137	12,592
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(402)	1,080	101
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	67,600	124,412	35,137

The accompanying notes are an integral part of these financial statements.

ELECTREON WIRELESS LTD

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

	Year ended December 31		
	2022	**2021**	**2020**
	NIS in thousands		
(a) **ADDENDUM TO STATEMENT OF CASH FLOWS- CASH FLOWS USED IN OPERATING ACTIVITIES:**			
Loss for the year	(82,582)	(57,546)	(23,225)
Adjustments for:			
Depreciation and amortization	1,769	1,352	723
Capital loss from sale of Fixed assets	275	-	-
Amortization of rights-of-use asset	1,017	423	155
Share-based payments	14,415	17,597	5,500
Interest income	(231)	(3,004)	-
Lease interest expenses	61	63	85
Exchange rate losses in respect to cash and cash equivalents	(63)	16	(146)
	(65,339)	(41,099)	(16,908)
Changes in asset and liability items:			
Increase in Customers	(1,282)	-	-
Decrease (increase) in other receivables	(17,793)	(14,034)	(2,468)
Increase (decrease) in accounts payable	8,152	(673)	2,102
	(10,923)	(14,707)	(366)
Net cash used in operating activities	(76,262)	(55,806)	(17,274)
(b) **INFORMATION REGARDING FINANCING ACTIVITIES THAT DO NOT INVOLVE FLOWS CASH**:			
Receivables from employee options exercised	-	349	
Recognition of the asset against liability for new leases	839	1,170	
Capital compensation for the Dan transaction (see Note 12F)	-	25,398	
	839	26,917	

The accompanying notes are an integral part of these financial statements.

ELECTREON WIRELESS LTD

NOTES TO FINANCIAL STATEMENTS

Note 1 - General:

a. Electreon Wireless Ltd. (hereinafter - the Company) was incorporated in Israel and its registered office is located in Beit Yannai. The Company operates in the research and development of wireless charging technology for electric vehicles through a coil infrastructure that is instold under the road.

On March 21, 2021, an approval was received from the Company's Register of Companies for a statutory merger with the subsidiary, Electric Road Ltd. (hereinafter - Electroad) into the Company and as of this date, Electroad's activity is carried out in the Company.

b. The consolidated financial statements include the financial statements of the Company, and its subsidiaries, Electreon AB, of ElectReon Germany GMBH (hereinafter: Electreon Germany), of ElectReon Wireless, Inc. (hereinafter - Electreon USA), of ElectReon Wireless France (hereinafter - Electreon France) and of Spearhead Investments (Bio) Ltd (hereinafter collectively - the Group).

c. COVID-19 crisis

In December 2019, a COVID-19 pandemic in the city of Wuhan, China, which has spread rapidly worldwide since the beginning of 2020, caused uncertainty in the global economy and enormous economic damage following the shutdown of many businesses, slow down in production, delay in deliveries and partial shutdown of domestic and international transportation (hereinafter: the COVID-19 crisis). As part of dealing with the COVID-19 crisis, many countries around the world have imposed various restrictions on the population, including movement and gathering restrictions, while reducing access to the public space, restrictions on the presence of personnel in workplaces, and more. These restrictions had a direct impact on various sectors of the economy.

In the State of Israel, six “waves” of the coronavirus erupted in 2020, 2021 and 2022. As a result, in 2020 and 2021, the Israeli government took various measures, including the imposition of nation-wide lock downs, restrictions on movement and assembly, and restrictions on the opening of trading places.
As of December 31, 2022, the Company’s activity and economic strength were not significantly impaired as a result of the spread of the Coronavirus and the ongoing R&D activity. In addition, in the company’s assessment, the coronavirus outbreak is not expected to have a significant impact on its activity, especially on the assumption that the trend of the recovery of the Israeli and global economy from the crisis will continue. Meanwhile, the Company estimates that it will be able to meet its continued R&D activities and commitments for the purpose of continuing to carry out the projects in which it participates.

d. Impact of the Russian-Ukrainian Conflict

At the end of February 2022, fighting broke out between Russia and Ukraine, following the invasion of the Russian army into the territory of Ukraine. In response to the invasion, many countries around the world, led by the United States, imposed significant economic sanctions on Russia, including imposing restrictions on the Russian banking system, which make it difficult or prevent the transfer of funds.
Despite the widespread effects of the fighting on the global economy, there is no significant impact on the Company’s operations. However, due to the lack of the company’s ability to assess how the fighting will develop in Ukraine, the expansion of such a geopolitical crisis, the expansion of sanctions in the manner in which these sanctions will also apply to the company or the impact of those on the Israeli economy as a whole, the company cannot, at this stage, assess the possible impact, if at all, that these will have on the results of its future activity.

Note 1 – General (continued):

e. Effects of inflation and interest

Following macroeconomic developments around the world during 2022, inflation rates in Israel and around the world have increased. As part of the measures taken to halt price increases, central banks around the world, including the Bank of Israel, began to raise interest rates.
The Company's management regularly monitors developments in Israel and around the world, examines the implications for its activities and ways of coping if required. As of the date of approval of the financial statements, an increase in the rate of inflation and interest rate has no material effect on the Company's activity.

NOTE 2 – PRINCIPLES OF THE ACCOUNTING POLICY:

A. Presentation basis of the financial statements:

The Group's consolidated financial statements of December 31, 2022 and 2021 and each of the three years in the period ended December 31, 2022, comply with the International Financial Reporting Standards, which are standards and interpretations issued by the International Accounting Standards Board (hereinafter –IFRS) and include the additional disclosure required under the Securities Regulations (Annual Financial Statements), 2010.

As to presentation of these financial statements, note as follows:

1) Significant accounting policies as described below have been consistently applied to all years presented, unless otherwise is indicated.

2) The financial statements were prepared in accordance with the historical cost convention.

   The preparation of financial statements in accordance with IFRS standards requires the use of certain significant accounting estimates. It also requires the group's management to exercise discretion in the process of implementing the group's accounting policy. In Note 3, disclosure is made to areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed. Actual results may differ materially from the estimates and assumptions used by the group management.

3) The Group analyzes the expenses recognized in the income statements using the classification method based on the functional category to which the expense belongs .

4) The operating cycle period of the group is 12 months.

5) The Company did not attach separate financial information to these financial statements due to the negligibility of the addition of the information. The Company has full ownership in Spearhead, Electron Germany, Electron USA, Alectreon France and Alectron AB, and as of the date of the financial statements, most of the Group's business operations are carried out in the Company, and this activity is reflected in the Group's consolidated financial statements. Therefore, as of December 31, 2022, the publication of separate financial statements will not constitute a material addition of information to the reasonable investor.

B. Consolidated Financial Statements:

Subsidiaries are entities (including structured entities) controlled by the Group.

NOTE 2 – PRINCIPLES OF THE ACCOUNTING POLICY (continued):

The group controls the entity when the group has influence over the invested entity, has exposure to or rights to variable returns from its involvement in the entity, and has the ability to use its influence over the invested entity to influence the amount of returns that will arise from that entity. Subsidiaries are fully included in the consolidation starting from the date on which control over them is achieved by the group. Their consolidation is terminated at the time when control ceases. Intra-group balances and transactions for transactions between group companies were cancelled.
The accounting policy applied in the subsidiaries was changed as needed, in order to ensure consistency with the accounting policy adopted by the group.

C. Segment Reporting:

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker in the Company/Group, who is responsible for allocating resources and assessing performance of the operating segments.

The Company operates in one operating segment which is research and development of technology for wireless charging of electric vehicles through under-road coils infrastructure.

D. Translation of foreign currency balances and transactions :

1) Functional and presentation Currency

Items included in the financial statements of each of the group companies are measured in the currency of the main economic environment in which that entity operates (hereinafter - "functional currency"). The consolidated financial statements are presented in a new shekel (hereinafter - NIS), which is the Company's functional and presentation currency.
Below are the changes that occurred in the periods reported in the exchange rate of the US dollar (hereinafter - the dollar) versus the shekel, the Swedish krona rate (hereinafter - SEK) versus the shekel and the Euro rate (hereinafter - the Euro) versus the shekel:

	Change rate in exchange rate of the Dollar against the NIS	**Change rate in exchange rate of SEK against the NIS**	**Change rate in exchange rate of Euro against the NIS**
Year ended December 31, 2022	13.2	(1.8)	6.6
Year ended December 31, 2021	(3.3)	(12.6)	(10.8)
Year ended December 31, 2020	(7.0)	5.4	1.7

The exchange rate of the Dollar compared to NIS as of December 31, 2022 is: 1 Dollar = NIS 3.5190
The exchange rate of the dollar compared to NIS as of December 31, 2021 is: 1 Dollar = NIS 3.110
The dollar exchange rate compared to NIS as of December 31, 2020 is: 1 Dollar = NIS 3.215

NOTE 2 – PRINCIPLES OF THE ACCOUNTING POLICY (continued):

The SEK exchange rate compared to NIS as of December 31, 2022 is: 1 SEK = 0.3373 NIS
The SEK exchange rate compared to NIS as of December 31, 2021 is: 1 SEK = 0.3436 NIS
The SEK exchange rate compared to NIS as of December 31, 2020 is: 1 SEK = 0.3932 NIS
The exchange rate of the euro versus the NIS as of December 31, 2022 is: 1 Euro = 3.7530 NIS
The exchange rate of the euro versus the NIS as of December 31, 2021 is: 1 Euro = 3.5199 NIS
The exchange rate of the euro versus the NIS as of December 31, 2020 is: 1 Euro = 3.9441 NIS

2) Transactions and balances

Foreign currency transactions in currencies different from the functional currency (hereinafter – "foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Exchange differences resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are attributed to income or loss.

Gains and losses resulting from changes in exchange rates are presented in the statement of comprehensive loss under "Finance expenses (income)".

3) Translation of financial statements of the group companies

The results and the financial condition of all group companies (which neither of their activity currency is a hyperinflationary economy currency), whose activity currency is different from the presentation currency, are translated into the presentation currency as follows:

a. Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
b. Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates: in which case income and expenses are translated at the rate on the dates of the transactions);
c. All resulting exchange differences are recognized among other comprehensive income.

d. Cash and cash equivalents

As part of the financial statements, cash and cash equivalents include cash in hand and short-term deposits in banking corporations with a deposit period of no more than 3 months.

e. Property, plant and equipment

Fixed property is first included according to the purchase cost.
The fixed assets are presented according to the cost, less accumulated depreciation and accumulated depreciation losses.
Reductions and depreciations for the fixed assets displayed are attributable to profit or loss.
Depreciation is calculated using the straight line method to reduce the cost of fixed asset items to their residual value over their estimated useful lifespan, as follows:

ELECTREON WIRELESS LTD

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – PRINCIPLES OF THE ACCOUNTING POLICY (continued):

	Years
Furniture and office equipment	5 to 16 (Mainly 10-16)
Machinery and equipment	3 - 7
Vehicles	5-7
Computers and lap equipment	3

Improvements to the Leased Property are reduced according to the straight-line method, over the lease term or the estimated lifespan of the improvements.

The residual values of the assets, their lifespan and depreciation method are reviewed and updated as needed, at least once a year.

f. Research and development expenses

An expense for research is recognized as an expense at the time of its formation. Costs incurred for development projects are recognized as intangible assets when the following conditions are met:

- there is technical feasibility to complete the intangible asset so that it is available for use;
- the management intends to complete the intangible asset and use it or the seller;
- the intangible asset may be used or sold;
- it is possible to illustrate how the intangible asset will generate expected future economic benefits;
- Appropriate resources - technical, financial and other - are available to complete the development and use or sale of the intangible asset;
- The exit attributable to the intangible asset during its development can be reliably measured.

Other development expenses that do not meet these conditions are recognized as expenses when they arise. Development costs previously recognized as an expense are not recognized as an asset in a later period.
Until December 31, 2022, the Group did not meet the rules for capitalizing development costs as an intangible asset and accordingly, no asset was recognized in the financial statements until now for such costs.

g. Depreciation of non-monetary assets

A decrease in the value of depreciable assets is examined, if events or changes in circumstances have occurred, indicating that their value in the books will not be recoverable. The recognized loss amount for impairment is equal to the amount in which an asset in the books exceeds its recoverable amount. The recoverable amount of an asset is greater than the fair value of the asset, minus sales costs, and the value of its use. For the purpose of examining impairment, the assets are divided into the lowest levels, for which there are separate identified cash flows (cash generating units). Non-monetary assets, except for reputation, which have declined in value, are examined for the purpose of identifying the possible cancellation of the impairment recognized for them at each date of the financial status report.

NOTE 2 – PRINCIPLES OF THE ACCOUNTING POLICY (continued):

h. Government Grants

Government grants relating to costs are recognized in the income statement on a systematic basis over the periods in which the Group recognizes the relating costs (the costs that the grants are intended to compensate) as expenses.

Grants from the Innovation Authority as participation in research and development activities performed by the Group (hereinafter – "IIA grants") and other government grants qualify as "forgivable loans" under IAS 20 – "Accounting for Government Grants and Disclosure of Government Assistance" (hereinafter - "IAS 20").

The liabilities for government grants are recognized and measured in accordance with IFRS 9. If on the date in which the entitlement for the grant is formalized (hereinafter - "entitlement date") management concludes that there is no reasonable assurance that the relevant grant (hereinafter - the "grant received") would not be repaid, the Group, as of that date, recognizes a financial liability, which is accounted for under the guidance in IFRS 9 regarding financial liabilities measured in amortized cost. The difference between the grant received and the fair value of the said financial liability on the date of initial recognition is accounted for as government grant and recognized in profit or loss as a reduction of research and development expenses.

In case that on entitlement date the Group's management concludes that there is reasonable assurance that the grant would not be repaid, the grant is recognized, as of that date, to profit or loss as a reduction of research and development expenses. To the extent that management initially concludes that there is no reasonable assurance that the grant would not be repaid, the Group recognizes, as of that date, a financial liability against profit or loss. That said financial liability is accounted for according to the guidance in IFRS 9 regarding financial liabilities measured at amortized cost.

i. Customers

Customer balance refers to amounts transferred from the Group's customers for goods sold or services provided in the normal course of business. When collection of these amounts is expected to occur within one year or less, they are classified as current assets, otherwise, they are classified as non-current assets.

j. Share capital

Ordinary shares and Series A Preferred Shares are classified as share capital under equity of the Company. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds of issuance.

k. Vendors

Vendors balances include group obligations to pay for goods or services purchased from vendors in the normal course of business. Vendors balances are classified as ongoing liabilities when payment is due within one year, otherwise they are presented as non-current liabilities.

Vendors balances are first recognized at fair value, and then measured at reduced cost, based on the effective interest rate method.

NOTE 2 – PRINCIPLES OF THE ACCOUNTING POLICY (continued):

l. Deferred income taxes

The Group recognizes deferred taxes, based on the method of undertaking, for temporary differences between the amounts of assets and liabilities, which are

included in the consolidated financial statements, and the amounts that will be Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred taxes are not recognized in arising from initial recognition of goodwill. Additionally, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized for deductible temporary differences, up to the amount of difference, when it is expected that future taxable profit will be available against which the temporary differences can be utilized .

In the absence of expected future taxable income, deferred tax asset was not recognized in the Group's accounts.

m. Employee Benefits:

1) Pension and Severance Pay Obligations.

A Defined contribution plan is a pension plan under which the group pays fixed contributions into a separate and independent entity. The group has no legal or constructive obligations to pay any further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Group operates various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administrated funds. Based on their terms, the above pension plans meet the definition of defined contribution plans, as above. The contributions in said plans are recognized as employee benefits expenses concurrently with the receipt of service for which they are entitled to the contribution.

2) Vacation and recreation benefits

According to the Law, an employee is entitled to vacation and recreation benefits on a monthly basis. The entitlement is based on the number of years of service. The group recognizes an obligation and expense for vacation and recreation benefits based on the benefit accumulated for each employee.

n. Share-based payment

The Company grants from time to time its equity instruments in consideration for receipt of services from employees and service providers. The fair value of services rendered in consideration for grant of options is recognized as an expense in the income statement. The total amount recognized as an expense in the statement of income is determined referring to the fair value of the options granted.

NOTE 2 – PRINCIPLES OF THE ACCOUNTING POLICY (continued):

The total expense is recognized during the vesting period, the period during which all the specified vesting conditions of a share-based payment arrangement are to be satisfied. At each statement of financial position date, the Group updates its estimates as to the number of options expected to vest and recognizes the impact of

the change in comparison to original estimates, if appropriate, in the income statement and a matching adjustment under equity.

o. Loss of Share

The calculation of basic loss per share is generally based on the loss attributed to ordinary shares of the Company divided by the weighted average number of outstanding ordinary shares during the period.
In calculating the diluted loss per share, the average number of potential shares, assuming all dilutive potential shares are converted, is added to the average number of ordinary shares that is used as basis for calculation of basic loss per share. Potential shares are taken into account, as above, only when their impact is dilutive (i.e. increase loss per share).

p. Revenue Recognition:

1) Revenue measurement

The Company's revenue is measured according to the amount of consideration the Company expects to be entitled to in exchange for the transfer of goods or services promised to the Customer, except for amounts collected for third parties, such as certain sales taxes. Revenues are displayed net from value-added tax or other taxes charged on revenues.

The Company estimates the amount of consideration it will be entitled to in return for the transfer of the goods or services promised to the customer in the framework of the transaction, and includes in the transaction price the entire amount of the variable consideration, or part of it, only to the extent that it is highly expected that a significant cancellation in the amount of the recognized cumulative income will not occur when the uncertainty related to the variable consideration will subsequently become clear. At the end of each reporting period, the Company updates the estimated transaction price to adequately represent the circumstances at the end of the reporting period and the changes in the circumstances during the reporting period.

The Company does not adjust the amount of consideration promised for the effects of a significant financing component if the Company expects, at the time of contract, that the period between the date on which the Customer pays for goods or services will be one year or a period shorter than one year.

2) Time of Income Recognition

The Company recognizes revenue when the Customer gains control over the goods or services promised under the contract with the Customer. For each performance obligation, the Company determines, at the time of contracting, whether it fulfills the performance obligation over time or at a point in time.

A performance obligation is sustained over time, if any of the following criteria are met: (a) the customer receives and simultaneously consumes the benefits provided by the Company's performance; (b) the Company's performance creates or improves an asset controlled by the Customer in the course of its creation or improvement; or (c) the Company's performance does not create an

NOTE 2 – PRINCIPLES OF THE ACCOUNTING POLICY (continued):

asset with alternative use of the Company, and the Company has the right to enforceable payment for performance completed up to that time.

3) Types of income of the company:

a. Income from the sale of goods

The Company manufactures and sells wireless charging systems of electric vehicles (hereinafter - the system). The Company recognizes revenue at a point in time, when the system is installed on the customer's site and the customer receives confirmation that the system works as defined in the sales contract.

b. Revenue from Services

The company provides the customer with wireless charging services while at the terminals where the system is installed. Revenue from the provision of services is recognized upon the performance of the service. In addition, for customers who purchased the company's charging system, the company provides maintenance and operation services for the systems. As of the date of approval of the financial statements, the group has not yet recognized revenue from providing services.
As of December 31, 2022 and 2021, there is a balance within the balance of current assets, in the amount of NIS 5,678 thousand and NIS 7,548 thousand displayed within the assets for contracts with customers.

q. Leases:

1) Group policy with respect to leases where the group is the lessor:

The Group assesses when entering a contract whether it is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group reassesses whether a contract is, or contains, a lease only if the terms and conditions of the contract are changed.

Regarding lease contracts that include non-lease components, such as maintenance services related to the lease component, the group elected not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

At initial recognition, the Group recognizes a lease liability at the present value of future lease payments, which include, among other things, the exercise price of extension options that are reasonably certain to be exercised.

At the same time, the Group recognizes a right-of-use asset for the lease, adjusted for any lease payments made at or before the lease commencement date, less any lease incentives received and plus any initial direct costs incurred by the Group.

Variable lease payments that do not depend on an index or a rate are not included in measurement of lease liability, and are recognized in profit or loss

NOTE 2 – PRINCIPLES OF THE ACCOUNTING POLICY (continued):

in the period in which the event or condition that triggered those payments occurs.

As the interest rate implicit for the lease is not readily determinable, the incremental borrowing rate of the Group is used. This is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar

security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

After the lease commencement date, the Group measures the right of ownership asset, minus accumulated depreciation and accumulated depreciation losses, adjusted for any remeasurement of the lease obligation. Depreciation of the Right of Use asset is calculated according to the straight line method, over the estimated useful life of the leased asset or lease term, whichever is shorter. The company estimates that the useful life of the buildings is 2-6 years.

Interest on the lease liability is recognized in profit or loss in each period during the lease term at the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability.

r. New international financial reporting standards, amendment to standards and new interpretations :

1. New standards and amendments to existing standards that are not yet valid and which the group has not chosen for their early implementation**:**

Amendment to International Accounting Standard 1 "Presenting Financial Statements" (hereinafter – the amendment to IAS 1)

The amendment to IAS 1 clarifies the guidelines regarding the classification of current or non-current liabilities in the financial statements. The amendment clarifies, inter alia, that:

(1) A commitment will be classified as a non-current obligation if the entity has a material right (Substantive Right) to postpone the settlement of the obligation for at least 12 months after the end of the reporting period. In addition, the amendment clarifies that the entity's intention to exercise the right is irrelevant for the purpose of classifying the obligation, and cancels the reference to the existence of an unconditional right.

(2) Such a material right exists only if the entity meets the relevant conditions on the date of the financial status report.

(3) "Dismissal" includes disposal by way of cash payment, other economic resources or capital instruments of the entity. However, the right of conversion for the converter device that was classified as capital does not affect the classification of the liability for the device.

The amendment to IAS 1 will be applied retrospectively for annual periods starting on or after January 1, 2024. In accordance with the repair instructions, its early implementation is possible. The first implementation of the IAS 1 Amendment is not expected to have a material impact on the Group's consolidated financial statements.

2. New standards and amendments to existing standards that are not yet in force and which the Group has not chosen for their early implementation:

NOTE 2 – PRINCIPLES OF THE ACCOUNTING POLICY (continued):

Amendment to International Accounting Standard 1 Presentation of Financial Statements, Disclosure of Accounting Policies (hereinafter in this section - the amendment to IAS 1)

The amendment to IAS 1 requires companies to discover their substantive accounting policies, rather than their significant accounting policies. In accordance with the amendment, information about the accounting policy is material if, when taken into account together with other information provided in the financial statements, it can be reasonably expected that it will affect decisions made by the main users of the financial statements based on these financial statements.

The amendment to IAS 1 also clarifies that information about the accounting policy is expected to be material if, without it, users of the financial statements are denied the ability to understand other material information in the financial statements. In addition, the amendment clarifies that there is no need to disclose information about non-substantial accounting policies. However, if such information is provided, it is appropriate that it does not distract from material information about accounting policy.

The amendment to IAS 1 will be applied to annual periods beginning on or after January 1, 2023. In accordance with the repair instructions, its early implementation is possible. The Group examines the impact of the implementation of the IAS 1 amendment on the information provided regarding its accounting policies in the consolidated reports.

NOTE 3 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS:

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under existing circumstances.

The group makes estimates and assumptions about the future. By their very nature, it is rare that the accounting estimates received will be identical to the actual results. The estimates, assumptions, for which there is a significant risk of making material adjustments in their value in the books of assets and liabilities during the next fiscal year, and the considerations that have the material impact on the implementation of the Group's accounting policy are detailed below:

1) **Grants from the Israel Innovation Authority**
As stated in Note 2H, the group management must examine whether there is reasonable assurance that the grant received will not be returned. Additionally, in a situation where the grant is recognized on initial recognition to the income statement, management of the Group is required to assess whether it is reasonably assured that the project would be successful and royalties are payable to the Innovation Authority. As of December 31, 2022 and 2021, the group is still in the pilot stages and proof of feasibility for wireless charging technology of electric-vehicles it is developing, which has not yet been proven. The group has contracted with several companies in Europe and Israel to carry out experimental projects (pilots).
Since the system is still in the development stage, the group believes that there is no reasonable assurance that royalties will be paid to the Innovation Authority beyond the commitment recorded by the company for those projects (see Note 12B).

NOTE 3 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued):

2) **Development Expenses**
As stated in Note 2F, development costs shall be capitalized only if the conditions specified in said Note are met. The capitalization of costs will be based on the management's discretion that the Group indeed meets the conditions for capitalization.

The Company periodically examines the criteria for recognition of intangible assets, and assesses that it cannot recognize intangible assets as of December 31, 2022 and 2021, inter alia that the Company estimates that technical feasibility (technical feasibility) of completing the intangible asset has not yet been created so that it will be available for use or sale.

3) **Collaboration agreement with Dan**

As stated in Note 12F, the Group's management assesses that the services received from Dan are distinguished and that the fair value can be measured reliably. In addition, the group estimates that since the company's technology is in a preliminary stage and its effectiveness has yet to be proven, no further changes are expected from Dan beyond the consideration for the preliminary stage.

NOTE 4 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT:

Financial Risk Management:

a. **Financial Risk Factors**

The group's activities expose it to a variety of financial risks: currency risks, credit risks and liquidity risks. The Group's overall risk management plan focuses on the fact that the behavior of financial markets cannot be expected and in an attempt to minimize potential negative effects on the Group's financial performance.

Credit risks are handled at the group level. Credit risks arise from cash and cash equivalents and bank deposits, as well as credit exposures in relation to outstanding mandatory balances as of December 31, 2022. The group does not see a significant credit risk for these balances and has not yet recognized the provision for credit losses.

Exchange rate risks - the Group's activity is international and is exposed to exchange rate risks arising from exposures to various currencies, mainly to the euro and the dollar. Exchange rate risk arises from future commercial transactions and foreign currency assets or liabilities. The Group estimates that a reasonable change in exchange rates would not have significantly affected the reports.

Risk management is carried out by the Company CEO and CFO.

b. **Liquidity Risk**

The Company is a R&D company and has not yet generated positive profits or cash flows from its current activity and its continued activity in the current format is conditional on raising funding sources until positive cash flow is generated from the activity.

All the undertakings are for one year except the liabilities for leases that the company expects to pay in 2024 in the amount of NIS 311 thousand.

NOTE 4 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued):

c. Capital risk management

The Group's capital risk management goals are to preserve the Group's ability to continue operating as a live business in order to give shareholders a return on their investment and maintain an optimal capital structure in order to reduce capital costs.

NOTE 5 - CASH AND CASH EQUIVALENTS:

a. Information by currencies :

	31st of December	
	2022	**2021**
	Thousands of shekels	
NIS	62,395	122,472
Foreign currency	5,205	1,940
	67,600	124,412

b. Short-term pledged deposit

As of December 31, 2022 and 2021, the Company has a NIS deposit in a banking corporation of NIS 1,419 thousand and NIS 300 thousand, respectively. The deposit of NIS 1,000 thousand constitutes a bank guarantee for the Afikim project and NIS 300 thousand constitutes a performance guarantee for the Tel Aviv municipality and is expected to be repaid during 2023.

c. Long-term pledged deposit

As of December 31, 2022 and 2021, the Company has a pledged deposit of NIS 4,000 thousand and NIS 76 thousand, respectively. The deposit of NIS 4,000 thousand constitutes a bank guarantee for the Afikim project.

NOTE 6 - OTHER RECEIVABLES:

	31st of December	
	2022	**2021**
	NIS in thousands	
Value Added Tax	1,520	1,715
Receivables for participation in R&D expenses	682	597
*Prepaid expenses	17,185	3,363
Advances to suppliers	3,468	1,705
Receivables for options	-	349
Others	92	153
	22,947	7,882

Their value in the books of the debtors and the balances of duty constitute a reasonable approximation of the fair value.

* A total of NIS 2,540 thousand are attributed to expenses in advance for capital compensation under the Dan agreement, see Note 12F.

ELECTREON WIRELESS LTD

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 7 - PROPERTY, PLANT AND EQUIPMENT:

The composition of the property and the depreciation accumulated in it, according to main groups, and the traffic in them in 2022 are:

	Cost					Accumulated depreciation					
	Balance at beginning of year	**Additions during year**	**Sale of Fixed Assets**	**Other***	**Balance at end of year**	**Balance at beginning of year**	**Additions during year**	**Sale of Fixed Assets**	**Other***	**Balance at end of year**	**Depreciated balance As of December 31 2022**
	Thousands of shekels										
Furniture and office equipment	**614**	459	-	-	**1,073**	**70**	80	-	-	**150**	**923**
Machinery and equipment	**1,007**	1,015	(6)	17	**2,033**	**281**	353	(6)	(26)	**602**	**1,431**
Vehicles	**2,820**	173	(605)	(10)	**2,378**	**650**	348	(189)	-	**809**	**1,569**
Computers and peripherals	**998**	280	-	1	**1,279**	**347**	365	-	(1)	**711**	**568**
Leased Property Improvements	**5,821**	649	-	-	**6,470**	**1,424**	623	-	-	**2,047**	**4,423**
	11,260	2,576	(611)	8	**13,233**	**2,772**	1,769	(195)	(27)	**4,319**	**8,914**

*** The changes are due to differences in the translation of financial statements of subsidiaries prepared in foreign currency.**

The composition of the property and the depreciation accumulated in it, according to main groups, and the traffic in them in 2021 are:

ELECTREON WIRELESS LTD

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 7 - PROPERTY, PLANT AND EQUIPMENT (continued):

	Cost				Accumulated depreciation			
	Balance at beginning of year	Additions during year	Other*	Balance at end of year	Balance at beginning of year	Additions during year	Balance at end of year	Depreciated balance As of December 31 2021
	Thousands of shekels							
Furniture and office equipment	**210**	409	(5)	**614**	**36**	34	70	**544**
Machines and equipment	**2,253**	620	(197)	**2,676**	**312**	395	707	**1,969**
Vehicles	**1,083**	68	-	**1,151**	**54**	170	224	**927**
Computers and peripherals	**456**	543	(1)	**998**	**115**	232	347	**651**
Leased Property Improvements	**4,398**	1,423	-	**5,821**	**903**	521	1,424	**4,397**
	8,400	3,063	(203)	**11,260**	**1,420**	1,352	2,772	**8,488**

ELECTREON WIRELESS LTD

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 8 - LEASE-RELATED ASSETS AND LIABILITIES:

a. Assets for Right of Use:

	Cost				Accumulated amortization / impairment			Depreciated Balance	
	Balance at beginning of year	Additions during year	Other **	Balance To the Final This year	Balance at beginning of year	Additions during year	Balance at end of year	Balance at beginning of year	Balance at end of year
	NIS in thousands								
The year 2022:									
Buildings	2,184	839	28	3,051	697	1,017	1,714	1,487	1,337
	2,184	839	28	3,051	697	1,017	1,714	1,487	1,337
The year 2021:									
Buildings	711	1,477	(4)	2,184	274	423	697	437	1,487
	711	1,477	(4)	2,184	274	423	697	437	1,487

* Includes modification of lease terms
** The changes are due to assets and liabilities due to CFDs from the translation of financial statements of subsidiaries prepared in foreign currency.

ELECTREON WIRELESS LTD

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 8 - LEASE-RELATED ASSETS AND LIABILITIES (continued):

b. Obligations for leases:

	Balance To start This year	Additions For This year *	Expenses Interest	Payments Begin Lease	Changes Others **	Balance To the Final This year	Current links of liabilities For leases	Obligations For leases Long term
	NIS in thousands							
The year 2022:								
Buildings	1,406	839	61	(1,013)	28	1,321	1,014	307
	1,406	839	61	(1,013)	28	1,321	1,014	307
The year 2021:								
Buildings	644	1,170	64	(468)	(4)	1,406	590	816
	644	1,170	64	(468)	(4)	1,406	590	816

* Includes modification of lease terms

** The changes are due to assets and liabilities due to CFDs from the translation of financial statements of subsidiaries prepared in foreign currency.

NOTE 9 - TAXES ON INCOME:

a. Taxation of the company and subsidiaries

Tax Rates

The revenues of the company and subsidiaries in Israel (excluding incomes that benefit from reduced tax rates in accordance with the Encouragement Laws in Israel, see B below), are subject to regular corporate tax.

The corporate tax rate in Israel is 23%.

b. Taxation of non-Israeli subsidiaries

The subsidiaries whose place of association is outside of Israel are subject to tax laws in their respective countries, except for companies defined as a “foreign controlled company” under the Income Tax Ordinance. The tax rate that applies to a subsidiary incorporated in Sweden in 2022 and 2021 is 20.6% and in 2020 21.4%.

The tax rate for a subsidiary incorporated in Germany is 15.8%.
The tax rate for a subsidiary incorporated in France is 26.5%.
The tax rate (federal and state) applicable to a subsidiary incorporated in the United States is 28%.

c. Carryforward losses

Deferred tax assets for tax losses to be transferred to the coming years are recognized to the extent that the realization of the tax benefit that relates to the existence of future taxable income is predictable.

The balance of losses for the transfer of the company as of December 31, 2022, amounts to approximately NIS 72 million.

The balance of losses for the transfer of the subsidiaries as of December 31, 2022, amounts to approximately NIS 9 million.

The group has not did not recognize deferred tax assets on carryforward losses as their utilization is not expected in the foreseeable future.

According to a tax ruling between the Company and the Israel Tax Authority dated February 28, 2018, after closing of the merger deal with ElectRoad, the balance of loss for tax purposes in the Company and Spearhead as of the date of merger were eliminated, and will not be deductible for tax purposes in any way.

d. Tax assessments

Assessments filed by the Company and its Israeli subsidiaries through 2016 are considered final (subject to dates of filing the returns and the statute of limitation).

ELECTREON WIRELESS LTD

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 10 - OTHER PAYABLES:

Composition of other payables:

	31st of December	
	2022	2021
	NIS in thousands	
Employees and employee institutions	2,459	3,439
Income Tax and Value Added Tax	713	191
Royalties to Pay	1,925	350
Pre-Received Grants	602	-
Vacation and recovery	3,333	2,502
Accumulated expenses	1,986	1,735
Others	909	196
	11,927	8,413

The value of the eligible persons' books and the balances of the right constitutes a reasonable approximation of their fair value since the effect of the capitalization is not material.

NOTE 11 - RETIREMENT BENEFIT OBLIGATION:

a. In accordance with the labor laws and work agreements in effect in Israel, the group must pay retirement and pension compensation to employees who will be terminated or retired from their work in certain circumstances.

b. The Group's commitment to pension payments as well as the Group's commitment to compensation payments for employees in Israel for which the said obligation is in accordance with section 14 of the Severance Compensation Law, 5723-1963 is covered by regular deposits in defined deposit plans. The amounts deposited as aforesaid are not included in the financial statements.
The amount charged as an expense for defined deposit plans in the years ended December 31, 2022, 2021 and 2020 is NIS 1,849 thousand, NIS 1,197 thousand and NIS 515 thousand, respectively.

NOTE 12 - COMMITMENTS AND CONTINGENT LIABILITIES:

a. Lease Agreement

In January 2018, the Group entered into a lease agreement with a third party for the area where its offices are located and on which the Group establishes facilities to be used for further research and development activities, including the construction of an experimental road. According to the agreement, the original lease period is from March 1, 2018 until February 28, 2021, when the group was given the option to extend the agreement for another 3 years. The above option was exercised during 2021.

The monthly rents are about NIS 19,000, when under the agreement it was determined that the group would be exempt from rent during the first year, and during the second year, they would pay reduced rents in the amount of about NIS 15,000.

In November 2020, the Group signed an addition to the Lease Agreement, as stated, for additional space. According to the agreement, the lease period is from January 1, 2021 to January 31, 2024. The monthly rent is about NIS 16,000.

NOTE 12 - COMMITMENTS AND CONTINGENT LIABILITIES (continued):

In December 2021, the Group signed an additional addition to the Lease Agreement, as stated, for additional space. According to the agreement, the lease

period is from February 1, 2022 to February 28, 2024. The monthly rent is about NIS 34,000.

In January 2021, the Group entered into a Swedish field rental agreement with a third party for storage and office purposes. According to the agreement, the lease period is from January 1, 2021 to June 30, 2023. The monthly rent is about NIS 3,000 (about SEK 8,000).

In December 2021, the Group entered into a field rental agreement with a third party in Germany for storage and office purposes. According to the agreement, the lease period is from December 1, 2021 to November 30, 2024. The monthly rent is about NIS 16,000 (about EUR 5,000).

b. Royalties to Innovation Authority

The group has obligations to pay royalties to the Innovation Authority. The royalties are calculated based on the consideration from the sale of products developed by the government through grants. In accordance with the terms of participation as aforesaid, royalties will be paid to the Innovation Authority at a rate of 3% of the sales amount of the products under development by which the Innovation Authority participated in the first three years, from the start of the refund, 3.5% of the sales amount from the fourth year until full repayment of the amount of the grant received by the Group, linked to the dollar, plus annual interest at the level of the LIBOR interest. As for the LIBOR index interest exchange - although the Innovation Authority has not set an alternative index interest, the Company does not anticipate that the exchange will have a material effect on its financial reports.

As of December 31, 2022, the Group has recognized the commitment in the expected height of the project receipts (see notes 3, 10 and sections D-I below).

During 2018, shortly after Dan's investment in Public Transportation Company Ltd. (hereinafter - Dan) in the Company, the Company received a grant in a total sum of NIS 4.05 million.

In May 2019, the company was informed by the Research Committee at the Innovation Authority that a budget of approximately NIS 9.3 million was approved for the company, at a rate of 75% participation to carry out a pilot project in Tel Aviv, in cooperation with Dan. As of December 31, 2021, grants of NIS 4.7 million were recognized, out of the budget approved as offset from R&D expenses in profit and loss.

In May 2019, the Swedish subsidiary signed an agreement with the Swedish Ministry of Transport to build an electric road for demonstration purposes. The project is funded by the Swedish Ministry of Transport in the amount of NIS 35 million. On April 3, 2022, the Swedish Transportation Administration decided to extend the pilot duration. For extending the pilot duration, the Company will receive additional funding from the Swedish Transportation Administration in the amount of approximately €2 million (about NIS 7 million).
As of December 31, 2022 and 2021, grants of NIS 6.8 million and NIS 9.3 million were recognized, respectively, from the budget approved as offset from R&D

NOTE 12 - COMMITMENTS AND CONTINGENT LIABILITIES (continued):

expenses in profit and loss. Bonuses received as aforesaid do not require royalty payments in the future.

c. On August 20, 2020, the Company signed an agreement with EnBW Energie Baden-Wurttemberg AG (hereinafter: EnBW) in which the Company will provide EnBW, in the first stage, with an electric bus equipped with receivers, a static system of an electric road for charging for the bus, as well as installation, operation and maintenance services (hereinafter: the first stage). In the second stage, the Company will provide EnBW with a dynamic electric road system, developed by the Company, in the EnBW complex for charging the bus, as well as installation, operation and maintenance services (hereinafter - the second stage). In the third stage, the Company will provide EnBW with a dynamic electric road system, developed by the Company, on a public road in the city of Karlsruhe, Germany, for charging the bus, as well as installation, operation and maintenance services (hereinafter: the third stage). For the year ended December 31, 2022, the Company recognized revenue from the agreement for the first and second stages.

d. On October 30, 2020, the Company entered into an agreement with Societa' di Progetto Brebemi S.p.A. in Italy (hereinafter: Bermain), to conduct a pilot that includes the construction and testing of the wireless electric road one kilometer in the Bermain compound. The company gave Barbie the wireless electric road. In the year ended December 31, 2022, the company recognized revenue from the agreement for the electric road.

e. On October 4, 2021, the Company entered into a cooperation principles agreement (hereinafter in this section - the agreement), according to which the Company will act to install the wireless charging system developed in public transport terminals and on electric buses used by Dan and its subsidiaries (hereinafter - the project; Dan and its subsidiaries will be referred to in this section together - Dan).

Upon obtaining the necessary approvals and establishing the Company's wireless charging system, Dan will be able to use it to charge electricity-driven buses against the payment of monthly use fees to the Company. For Dan's use of the system (with all its various components), its maintenance and in accordance with the steps set forth in the agreement, Dan will pay the Company a fixed monthly amount of NIS 2,500 for each bus (not including the cost of electricity to be paid by Dan directly to the Electric Corporation) in 60 equal monthly payments, starting from the date of completion of installation of each system in the terminal.

The following are the main points of the agreement:

1. The Company will act, at its own risk and expense, to establish, operate and maintain the wireless electric charging system developed by it, which will also include a user identification system (for the purpose of charging for payment according to the user's identity) and the management of the energy and charging system in public transportation terminals used by Dan, in accordance with the stages and locations specified in the agreement.

2. Subject to the completion of Dan's purchasing procedures for electric buses, and according to Dan's choice and guidance, the Company will install the system component required for wireless charging on Dan's electric buses, in order to allow the buses to be loaded through the system, in several stages subject to obtaining the required approvals for each stage, and subject to compliance with the standards set between the parties.

NOTE 12 - COMMITMENTS AND CONTINGENT LIABILITIES (continued):

3. The agreement will be implemented in stages, when in the first stage, the pilot stage, the company will perform the first installation of the system on a defined part of the area of the Reading Terminal in Tel Aviv, where there is feasibility in terms of the existing electrical infrastructures for immediate installation of the system at a scope that allows charging of about 14 buses simultaneously (hereinafter - the preliminary stage). As part of the company's development efforts and for the purposes of establishing the technological feasibility of the company's wireless charging system, Dan has committed to operating the buses for at least 8 hours a day, for a period of 5 years, in which Dan will provide the company, inter alia, with immediate (on-line) access to the system's performance data.

   In return for the operation of the first stage as stated, and for the willingness to cooperate with the company in presenting the project to bus fleet operators in the world, the company allocated 130,0000 restricted shares and 100,000 options (see Note 13C). The maturation of the blocked shares and options is not conditional on the success of the first stage or Dan's agreement to move on to the next, commercial stages of the agreement.

   The fair value of the capital instruments is approximately NIS 28.9 million (see Note 13C).

   Of this sum, the fair total value for receiving the services from Dan in the first stage is estimated at NIS 25.4 million and will be recognized as R&D expenses starting from the start of the bus operation and over five years – the period of bus operation, in accordance with the agreement. A total of NIS 22.9 million is classified in the financial status report as of December 31, 2022, within the framework of non-current assets, and the balance of current assets.

4. Since the Company's technology is in a preliminary stage and its effectiveness has not yet been proven, and since Dan has the right not to continue to the next stages of the agreement, for any reason whatsoever, the Company has reached the conclusion that, beyond its insured return for the first stage, no additional changes from Dan are expected at this stage. Therefore, the difference in which the fair value of the capital instruments increased, less the promised consideration for the first stage, which is a total of about NIS 3.6 million, was recognized as an expense in 2021 in the profit and loss report in the Marketing and Business Development Expenses section (see Note 15).

5. After the first stage and subject to its success, and in accordance with Dan's exclusive decision, the Company will work to install the system in additional terminals in Gush Dan and the Southern District, which will allow charging up to 186 additional buses in accordance with the Charging as a Service (CaaS) business model.

f. On February 1, 2022, the Group announced its winning in a tender to establish a wireless charging demonstration project that will include the deployment of a 1.6 km wireless charging road and static wireless charging stations in Michigan, which is expected to be operated during 2023 in the Detroit district, which also serves as the central district of innovation in Ford transportation. Funding for the project is estimated at $1.9 million. As of the date of approval of the reports, the project has not yet begun.

g. On March 8, 2022, the group announced an agreement for joint research with the University of Utah, in which the company would deploy a dynamic wireless electric

NOTE 12 - COMMITMENTS AND CONTINGENT LIABILITIES (continued):

road on the territory of the University of Utah in order to demonstrate the feasibility and readiness for commercialization of the company's technology.

h. On May 12, 2022, the Group entered into an agreement with Electra Afikim Ltd. (hereinafter - Afikim), to install a wireless charging infrastructure for 30 buses and to provide support, operation and software services for the charging infrastructure for 12 years (hereinafter - this section - the agreement). In return for the services, Afikim will pay the Company a total of approximately NIS 6.5 million, which will be paid subject to the transfer of the consideration from the Ministry of Transport and Road Safety (hereinafter: the Ministry of Transport) to Afikim. In accordance with the agreement, the Company provided a performance guarantee for which it made a deposit of NIS 5 million, which will be reduced by approximately NIS 1 million annually until the fifth year, from which the deposit amount will be NIS 1 million until the end of the agreement. As of the date of approval of the reports, the project has not yet begun.

i. On August 4, 2022, the group announced participation in a consortium selected by the German Federal Ministry of Economics and Climate Change to carry out the E-MPower project in Germany. The project will be budgeted by the German government for a total of €5.7 million. Of this amount, the group will receive a total of about €2.1 million. As of the date of approval of the reports, the project has not yet begun.

j. On September 14, 2022, the Group entered into an additional agreement with Energie Baden-Wuttemberg AG (“EnBW”), in which the Company will deploy a dynamic and static wireless charging system in the city of Baden-Würmberg, sell the Haiger Electric Bus to the Municipality, which is adapted to wireless charging, and provide operating and maintenance services to the system for three years, for a fee of approximately €3.2 million. As of the date of the report, the company recognized revenue in accordance with the progress of the project.

NOTE 13 - EQUITY:

a. Share capital composition:

	31 December 2022		31 December 2021	
	Authorized	Issued and paid-up	Authorized	Issued and paid-up
	Number of shares in thousands		Number of shares in thousands	
Ordinary shares of no nominal value	20,000	9,999	20,000	9,773

b. Ordinary shares

The ordinary shares grant their owners the right to vote and participate in the shareholders’ meetings, the right to receive profits and the right to participate in the excess property when dismantling the company in one vote.

c. Stock-based payment

1) On August 8, 2018, the general meeting of shareholders granted 187,973 options to two directors of the Company. The options are exercisable for an exercise price of NIS 18 per share, and will vest in quarterly tranches over three years from closing date of the merger deal (see d. below). The options are exercisable within three years from the date of grant.

NOTE 13 – EQUITY (continued):

On November 11, 2018, the general meeting of shareholders approved an amendment to the exercise period of the options such that they would be exercisable over a seven-year period from grant date. The value of the grant, together with the incremental value arising from the change of terms amount to NIS 1.9 million, and is recognized over vesting period. The fair value on the original grant date was calculated based on the following assumptions: projected period to exercise of three years, standard deviation of 72%, risk-free interest rate of 0.63%, price per share of NIS 16.83. The incremental value on the date of the change of terms was calculated as the difference between the value of the options before the change of terms and their value after the change, based on the following assumptions: a projected period to exercise of five years (three years before the change of terms), standard deviation of 71% (72% before the change of terms), risk-free interest rate of 1.52% (0.63% before the change of terms), price per share of NIS 20.26 (NIS 16.83 before the change of terms). On March 7, 2020, a director stepped down as a consultant and director of the Company, and therefore, on March 8, 2020, a total of 27,312 options that had been allocated to him as part of his terms of employment expired and were forfeited.

c. Stock-based payment (continued):

1) On June 22, 2020, the Company's Board of Directors approved a grant of 19,653 options to employees of the Company. The options would vest over four years from their date of grant – 25% would vest after a year, and the remainder would vest in quarterly tranches over additional three years.

2) On August 27, 2020, the Company's Board of Directors (in light of recommendation of the Compensation Committee dated August 23, 2020) approved a grant of 44,601 options to employees and officers of the Company. The options would vest over four years from their date of grant – 25% would vest after a year, and the remainder would vest in quarterly tranches over additional three years.

3) On March 8, 2021, the Company’s shareholders’ meeting approved the granting of 11,400 options to four directors of the Company The options would vest over four years from their date of grant – 25% would vest after a year, and the remainder would vest in quarterly tranches over additional three years.

4) On May 30, 2021, the Board of Directors approved a grant of 72,005 options to 18 employees of the Company. The options would vest over four years from their date of grant – 25% would vest after a year, and the remainder would vest in quarterly tranches over additional three years

5) On August 26, 2021, the Remuneration Committee and the Company’s Board of Directors approved the granting of 58,857 options to Company employees and officers. The options would vest over four years from their date of grant – 25% would vest after a year, and the remainder would vest in quarterly tranches over additional three years. In addition, the Company's Board of Directors approved the granting of 40,000 options to the Company's employee, which will be vest over four years from the date of their grant in quarterly portions.

6) On October 4, 2021, as part of the agreement described in Note 12F, the Company's Board of Directors approved the allocation of 100,000 unregistered trading options to Dan, converting to 100,000 ordinary shares and 130,000 restreicted shares. The options will be exerciseable starting from the 12-month period from the date of allocation (hereinafter - the blocking period), when at the end of the blocking period the options will be exerciseable at any time for a period

NOTE 13 – EQUITY (continued):

of three years from the date of the blocking (hereinafter - the exercise period). The blocking period of the shares is 12 months from the date of the Company's engagement, when, as of the date of allocation, they will be equal in their rights for all intents and purposes to the Company's ordinary shares.

7) On November 9, 2021, the Company's Board of Directors approved the allocation of 50,000 options to a service provider of the Company. The options would vest over two years from the date of their grant - 25% after 6 months, and the remaining balance in 3 equal portions after every 6 months thereafter, provided that the offeree will be a service provider of the company at the time of eligibility consolidation.

8) On November 29, 2021, the Board of Directors approved the granting of 23,879 options to 10 employees of the Company. The options would vest over over 4 years from the date of their grant - 25% a year later, and the balance in quarterly doses over another 3 years.

9) On January 17, 2022, the Company's Board of Directors approved the granting of 10,000 options to a service provider of the Company. All options would vest over after one year of their grant.

10) On April 26, 2022, the Board of Directors approved a grant of 25,500 options to 14 employees of the company. The options would vest over 4 years from the date of their grant - 25% a year later, and the balance in quarterly doses over another 3 years.

11) On August 30, 2022, the Company's Board of Directors approved (after the recommendation of the Remuneration Committee dated August 28, 2022) a grant of 31,650 options for the Company's 13 employees and an officer. The options would vest over 4 years from the date of their grant - 25% a year later, and the balance in quarterly doses over another 3 years.

d. Stock-based payment (continued):

1) On September 9, 2022, the Company's Board of Directors approved a grant of 50,000 options for a service provider of the Company. The options would vest over 4 years from the date of their grant – 11,400 options would vest at the time of grant, and the balance will be vested in quarterly portions over 3 years.

2) On September 11, 2022, the Company's Board of Directors approved the granting of 1,000 options to an employee of the Company. The options would vest over 4 years from the date of their grant - 25% a year later, and the balance in quarterly doses over another 3 years.

3) On November 23, 2022, the Company's Board of Directors approved (after the recommendation of the Remuneration Committee dated November 20, 2022) a grant of 16,600 options for the nine Company employees and an officer. The options would vest over 4 years from the date of their grant - 25% a year later, and the balance in quarterly doses over another 3 years.

4) The value of the benefit is measured at the time of grant with respect to the fair value of the capital instruments awarded above (option writing options). The economic value is calculated according to the Black & Schulles formula and based on the following assumptions:

NOTE 13 – EQUITY (continued):

	2022	2021
Expected Dividend	0%	0%
Standard deviation - stock volatility*	79%-76%	81%-76%
Risk-free rate	3.1%-0.8%	0.1%-0%
Expected Lifespan	5-7 years	2-7 years
Excersise price- NIS implementation	48.02-168.0	150.2-258.6

* The degree of volatility is based on the historical volatility of the company's share for the corresponding periods of the option's expected life until the date of exercise.

The traffic in the number of options and the weighted averages of their realization prices are as follows:

	The year ended on December 31					
	2022		2021		2020	
	Number of Options	Weighted average of exercise price NIS	Number of Options	Weighted average of exercise price NIS	Number of Options	Weighted average of exercise price NIS
Outstanding at beginning of year	1,749,118	50.6	1,344,226	20.6	1,345,254	11.3
Granted	134,750	90.9	486,141	131.8	64,254	207.2
Forfeited\ Expired	52,950	205.7	17,504	210.9	30,384	21.8
Exercised *	130,000	0.3	63,745	20.9	34,898	6.6
Outstanding at end of year	1,700,918	52.9	1,749,118	50.6	1,344,226	20.6
Exercisable at end of year	1,367,37	35.08	1,143,590	11.7	1,136,626	7.1

* The total consideration received in those exercises in the years ended December 31, 2022, 2021 and 2020 totals NIS 39,000, NIS 1,335,000 and NIS 229,000, respectively.

The weighted average share price for the years ended December 31, 2022, 2021 and 2020 was NIS 94.3 per share, NIS 207.0 per share, and NIS 187.3 per share, respectively.

The following in information about exercise prices and the remaining contractual life of outstanding options as of the end of the year:

2022			2021			2020		
Number of options available in the cycle at the end of the year	Realization Prices Area	Weighted average of the remaining contractual lifespan	Number of options available in the cycle at the end of the year	Realization Prices Area	Weighted average of the remaining contractual lifespan	Number of options available in the cycle at the end of the year	Redeem Prices Area	Weighted average of the remaining contractual lifespan
525,338	0.3	5	655,338	0.3	6	529,340	0.3	8
569,021	4.2-18	6	569,021	4.2-18	7	623,645	4.2-18.0	8
214,661	48.02-90.4	8	121,868	55.8-90.4	8	126,987	55.8-90.4	9
391,898	143.5-258.6	8	402,891	155.9-258.6	7	64,254	163.6-226.4	10
1,700,918			1,749,118			1,344,226		

NOTE 13 – EQUITY (continued):

The amount of expenses recognized in profit or loss of the Company in 2021, 2020 and 2019 for grant of options to employees was NIS 14,415 thousand, NIS 17,597 thousand and NIS 5,500 thousand, respectively.

The said plans are supposed to be managed under the rules set in place for that purpose under Section 102 to the Income Tax Ordinance.

e. Capital raising

On June 25, 2020, the Board of Directors of the Company resolved to hold a NIS 123 million financing round (hereinafter – "Round 1") through a private placement of shares and unlisted warrants. In the allocation, the Company offered units, each composed of two ordinary shares of the Company and one warrant. Each warrant is exercisable into one ordinary share of the Company through December 31, 2021 for NIS 210.

On June 28, 2020, the Company's Board of Director resolved to expand the financing round (hereinafter - "Round 2") by NIS 49 million at identical terms to those of Round 1.

On July 20, 2020, the Company's Board of Director resolved to expand the financing round (hereinafter - "Round 3") by NIS 10 million at identical terms to those of Round 1.

As of December 31, 2020, a total of 1,160,914 shares and 580,457 warrants were issued in connection to the said financing rounds. Issue proceeds were NIS 177.9 million (after deduction of issue expenses at NIS 4.6 million) and was recognized in the statement of financial position within equity. the entire issue consideration was received.

On January 24, 2023, the Company's Board of Directors decided to raise a capital of approximately NIS 20 million as part of a financing round of shares and unlisted warrants for trading. See also Note 20A.

The traffic in the number of warrants and the weighted averages of their exercise prices are as follows:

	The year ended on December 31					
	2022		2021		2020	
	Number of Options	Weighted average of exercise price	Number of Options	Weighted average of exercise price	Number of Options	Weighted average of exercise price
		NIS		NIS		NIS
Outstanding at beginning of year	635,104	178.83	691,203	177.02	162,669	4.19
Granted	-	-	-	-	580,457	210
Forfeited\ Expired	408,811	209.92	-	-	-	-
Exercised *	226,293	122.67	56,099	156.57	51,923	4.19
Outstanding at end of year	-	-	635,104	178.83	691,203	177.02

* The total consideration received in these implementations in the years ended December 31, 2022, 2021 and 2020 reaches a total of NIS 27.76 million (less a distribution fee of NIS 0.8 million), NIS 8.78 million (less a distribution fee of NIS 0.2 million), and NIS 0.1 million, respectively.

NOTE 14 - RESEARCH AND DEVELOPMENT EXPENSES – net:

	Year ended on December 31		
	2022	2021	2020
	NIS in thousands		
Payroll and related expenses	23,689	17,499	8,036
Share-based payment	4,764	8,246	3,538
Subcontractors and advisors	6,551	2,973	7,479
Consumables and materials	18,270	9,420	13,617
Depreciation	902	784	441
Other	3,835	4,694	2,072
	58,011	43,616	35,183
Less participation in R&D expenses - see Note 12	(7,499)	(9,306)	(20,068)
	50,512	34,310	15,115

NOTE 15 – MARKETING EXPENSES AND BUSINESS DEVELOPMENT:

	Year ended on December 31		
	2022	2021	2020
	NIS in thousands		
Payroll and related expenses	8,998	4,370	1,634
Share-based payment	8,573	4,245	850
Capital compensation for the Dan transaction, see Note 12F	-	3,581	-
Professional services	2,903	1,501	643
Depreciation	783	774	129
Other	153	76	10
	21,410	14,547	3,266

NOTE 16 - ADMINISTRATIVE AND GENERAL EXPENSES :

	Year ended on December 31		
	2022	2021	2020
	Thousands of shekels		
Payroll and related expenses	3,452	2,177	1,222
Share-based payment	1,078	1,525	1,112
Rent and maintenance	722	387	288
Remuneration of Directors	542	482	238
Professional services	4,524	3,823	741
Depreciation	867	568	282
Other	1,183	1,301	797
	12,368	10,263	4,680

ELECTREON WIRELESS LTD

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 17 – EXPENSES (INCOME) FINANCING:

	Year ended on December 31		
	2022	**2021**	**2020**
	Thousands of NIS		
Financing expenses:			
Banking Corporations	435	156	99
Lease Commitment	62	64	87
Exchange rate differences	-	1,212	-
Other	6	2	50
Total financing expenses	503	1,434	236
Financing revenues			
Deposit interest income	(341)	(3,004)	(10)
Exchange rate differences	(580)	-	(62)
Other	(48)	(4)	-
Total financing revenues	(969)	(3,008)	(72)
Financing expenses (income), net	(466)	(1,574)	164

NOTE 18 - LOSS PER SHARE :

A. Basic

The underlying loss per share is calculated by dividing the loss attributable to common shareholders of the Company on the weighted average of the number of common shares issued.

	Year ended on December 31		
	2022	**2021**	**2020**
	Thousands of NIS		
Loss per year	82,582	57,546	23,225
The weighted average of the number of common shares issued	9,891,978	9,599,851	8,928,618
Basic loss per ordinary share (NIS)	8.35	5.99	2.60

B. Diluted

The diluted loss per share is calculated by adjusting the weighted average of the number of common stocks in circulation by including all potential diluted common stock.

In calculating the diluted loss per share for the reported years, option letters and options were not taken into account since their effect, assuming a full dilution, is anti-diluent.

NOTE 19 - TRANSACTIONS AND BALANCES WITH INTERESTED AND RELATED PARTIES:

"Principle Stakeholder" – as defined in this term in the Securities Regulations (annual financial statements), 5770-2010.

"Related Party" – as this term is defined in IAS 24, "Disclosures in the Context of a Related Party".

NOTE 19 - TRANSACTIONS AND BALANCES WITH INTERESTED AND RELATED PARTIES (continued):

Key Management Personnel (which, together with others, are included in the definition of “affiliated parties” stated in IAS 24 include members of senior management and the dectary.

On December 9, 2020, an update of the terms of employment of the CEO and Chairman of the Board of Directors, Oren Ezer and Chief Scientist, Hanan Rumbak, who are officers and controlling shareholders of the Company, was approved. Their monthly salary after the update will be NIS 65 thousand per month (hereinafter – the updated salary). In addition, a bonus of 5 salaries from the updated salary for 2020 and 2019 was approved for them. On March 30, 2022, the Remuneration Committee and the Company's Board of Directors approved a discretionary grant of 4 salaries from the updated salary to the Chairman of the Board and the Chief Scientist, subject to approval by the shareholders, which was received on May 19, 2022.

a. Compensation for key management personnel:

	For the year ended December 31		
	2022	**2021**	**2020**
CEO and VPs:	Thousands of shekels		
Wages and other short-term employee benefits	5,416	5,049	3,826
Severance compensation	352	310	299
Other long-term benefits	126	90	84
Stock-based payment	1,023	2,341	2,148
Total	6,917	7,790	6,357

b. Transactions and benefits for interested parties and related parties:

	The year ended on December 31		
	2022	**2021**	**2020**
	Thousands of shekels		
Pay for officers who are controlling shareholders in the company*	2,542	2,278	2,296
Number of people the benefit relates to	2	2	2
Remuneration of directors**	542	482	238
Number of directors to which the benefit relates	4	4	4

* In addition to the salary as detailed above, the Company recognized in the year ended December 31, 2021, with a share-based payment of NIS 0.04 million, for granting options to officers who are controlling shareholders in the Company.

** In addition to reimbursing directors as detailed above, the Company recognized in the years ended December 31, 2022 and 2021, a share-based payment of NIS 0.2 million and NIS 1.0 million, respectively, for granting options to 4 directors, as specified in Note 13C2.

c. Balances with interested parties and related parties:

	31st of December	
	2022	2021
	thousands of shekels	
For wages, accompanying benefits and additional benefits - a balance presented in the section "Eligibles and balances of right" within the framework of current liabilities	899	1,441

NOTE 20 – EVENTS AFTER THE DATE OF THE FINANCIAL STATEMENTS:

a. On January 15, 2023, the Company's Board of Directors decided to raise a capital in the amount of approximately NIS 20.0 million as part of a private allocation of shares and unregistered warrants for trading. As part of the allocation, the company offered units that included a ordinary share of the company and one option. Each option can be exercised to one ordinary share of the company by June 30, 2024 for NIS 35. The total consideration for exercising the option documents, if realized, will constitute NIS 23.3 million. On February 28, 2023, the funding round was approved by the Company's shareholders, and on March 5, 2023, the Company completed the funding round. At the time of the report, a total of NIS 13.7 million was received.

b. On March 28, 2023, the Company's Board of Directors (after the Remuneration Committee's recommendation of March 23, 2023) approved a grant of 24,350 options for the Company's 20 employees and 3 officers. The options would vest over 4 years from the date of their grant - 25% a year later, and the balance in quarterly doses over another 3 years.

c. On March 28, 2023, the Company's Board of Directors approved the granting of 8,750 options to a service provider of the Company. The options would vest over 2 years from the date of their grant – 4,375 options would vest at the time of grant, and the balance would vest in quarterly portions over 2 years.