

TRANSLATED FROM HEBREW ORIGINAL

**ELECTREON WIRELESS LTD**

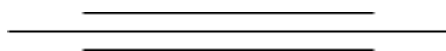
2020 ANNUAL REPORT

**ELECTREON WIRELESS LTD**

2020 ANNUAL REPORT

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## **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, 2020 and 2019 and the related consolidated statements of other comprehensive loss, changes in shareholder's equity and cash flows for each of the three years in the period ended December 31, 2020. These financial statements are the responsibility of the Company's board of directors and management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in Israel, including those prescribed by the Auditors' Regulations (Auditor's Mode of Performance), 1973. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the board of directors and management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable 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, 2020 and 2019 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, 2020, 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, 2020, and our report dated March 29, 2021 included an unqualified opinion on the effective maintenance of those components.

Tel-Aviv, Israel  
March 29, 2021

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



**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, 2020. These control components have been 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 provide an appropriate basis for our opinion within the aforementioned context.

Because of its inherent limitations, internal control over financial reporting in general and certain components thereof 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 effectively maintained, in all material aspects, the audited control components as of December 31, 2020.

We have also audited, in accordance with generally accepted audit standards in Israel, the Company's consolidated financial statements as of December 31, 2020 and 2019, and for each of the three years ended on December 31, 2020, and our report dated March 29, 2021 included an unqualified opinion of said financial statements.

Tel Aviv, Israel  
March 29, 2021

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

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**ELECTREON WIRELESS LTD**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	<u>Note</u>	<u>December 31</u>	
		<u>2020</u>	<u>2019</u>
		<u>NIS in thousands</u>	
<b>Assets</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	5a	35,137	12,592
Short term deposits	5b	135,310	-
Other receivables	6	<u>4,086</u>	<u>2,034</u>
		<u>174,533</u>	<u>14,626</u>
<b>NON-CURRENT ASSETS:</b>			
Restricted deposit	5c	45	45
Long-term prepaid expenses		510	67
Property, plant and equipment	7	6,980	4,586
Right-of-use assets	8	437	495
		<u>7,972</u>	<u>5,193</u>
<b>TOTAL ASSETS</b>		<u>182,505</u>	<u>19,819</u>
<b>Liabilities and shareholder's equity</b>			
<b>CURRENT LIABILITIES:</b>			
Trade payables		5,461	1,058
Other payables	10	6,329	8,356
Current maturities of lease liabilities	8	<u>240</u>	<u>202</u>
		<u>12,030</u>	<u>9,616</u>
<b>COMMITMENTS AND CONTINGENCIES</b>	12		
<b>NON-CURRENT LIABILITIES:</b>			
Lease liabilities	8	<u>404</u>	<u>512</u>
<b>TOTAL LIABILITIES</b>		<u>12,434</u>	<u>10,128</u>
<b>EQUITY:</b>			
Ordinary shares	13	-	-
Premium, warrants and other reserves		276,590	92,713
Foreign exchange reserve on translation of financial statements		(279)	(7)
Accumulated deficit		<u>(106,240)</u>	<u>(83,015)</u>
<b>TOTAL EQUITY</b>		<u>170,071</u>	<u>9,691</u>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>		<u>182,505</u>	<u>19,819</u>

Date of approval of the financial statements: March 29, 2021.

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Oren Ezer  
CEO and Chairman of Board of  
Directors

\_\_\_\_\_  
Barak Duani  
CFO

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

**ELECTREON WIRELESS LTD**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS**

	<u>Note</u>	<u>Year ended December 31</u>		
		<u>2020</u>	<u>2019</u>	<u>2018</u>
		<u>NIS in thousands</u>		
<b>RESEARCH AND DEVELOPMENT EXPENSES:</b>				
Research and development expenses	14	35,183	14,518	16,146
Net of participation in research and development expenses		<u>(20,068)</u>	<u>(6,751)</u>	<u>(4,892)</u>
<b>RESEARCH AND DEVELOPMENT EXPENSES, net</b>		15,115	7,767	11,254
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	15	7,946	5,011	4,280
<b>LISTING EXPENSES</b>	1b	-	-	<u>51,770</u>
<b>OPERATING LOSS</b>		23,061	12,778	67,304
<b>FINANCE EXPENSES (INCOME), net</b>		<u>164</u>	<u>256</u>	<u>(33)</u>
<b>LOSS BEFORE TAXES ON INCOME</b>		23,225	13,034	67,271
<b>TAXES ON INCOME</b>	9	-	<u>32</u>	-
<b>LOSS FOR THE YEAR</b>		23,225	13,066	67,271
<b>ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS</b>				
<b>EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS</b>		<u>272</u>	<u>7</u>	-
<b>COMPREHENSIVE LOSS FOR THE YEAR</b>		<u>23,497</u>	<u>13,073</u>	<u>67,271</u>
<b>BASIC AND DILUTED LOSS PER SHARE (IN NIS)</b>	16	<u>2.60</u>	<u>1.60</u>	<u>9.34</u>

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

**ELECTREON WIRELESS LTD**  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY**

	Ordinary shares	Series A preferred shares	Premium, warrants and other funds	Foreign exchange reserve on translation of financial statements	Accumulated deficit	Total equity (Capital deficiency)
	NIS in thousands					
<b>BALANCE AS OF JANUARY 1, 2018</b>	4	*	1,562	-	(2,678)	(1,112)
<b>CHANGES IN 2018:</b>						
Loss for the year					(67,271)	(67,271)
Share-based compensation expense			15,664			15,664
Reverse acquisition (See note 1b)	(4)	(*)	58,949			58,945
Exercise of warrants			83			83
Issuance of ordinary shares (See note 13e)			6,500			6,500
<b>BALANCE AS OF DECEMBER 31, 2018</b>	-	-	82,758	-	(69,949)	12,809
<b>CHANGES IN 2019:</b>						
Loss for the year					(13,066)	(13,066)
Share-based compensation expense			4,630			4,630
Exchange differences on translation of foreign operations				(7)		(7)
Issuance of ordinary shares (See note 13e)			5,000			5,000
Exercise of warrants			325			325
<b>BALANCE AS OF DECEMBER 31, 2019</b>	-	-	92,713	(7)	(83,015)	9,691
<b>CHANGES IN 2020</b>						
Loss for the year					(23,225)	(23,225)
Share-based compensation expense			5,500			5,500
Exchange differences on translation of foreign operations				(272)		(272)
Issuance of ordinary shares (See note 13e)			177,930			177,930
Exercise of warrants			447			447
<b>BALANCE AS OF DECEMBER 31, 2020</b>	-	-	276,590	(279)	(106,240)	170,071

\*Represents an amount less than NIS 1 thousand.

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



**ELECTREON WIRELESS LTD**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**

	<b>Year ended December 31</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
	<b>NIS in thousands</b>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net cash used in operating activities (See addendum)	<u>(17,274)</u>	<u>(182)</u>	<u>(2,413)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of property, plant and equipment	(3,117)	(1,800)	(3,286)
Bank deposits created	(135,300)	-	-
Interest received	10		
Proceeds from sale of financial assets at fair value through profit or loss	-	-	1,156
Restricted deposit	-	113	(35)
Net cash used in investing activities	<u>(138,407)</u>	<u>(1,687)</u>	<u>(2,165)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Receipt of bridge loan	-	-	550
Proceeds from exercise of warrants	447	325	83
Cash provided by reverse acquisition (See addendum b)	-	-	6,598
Lease principal payments	(167)	(50)	-
Lease interest payments	(85)	(100)	-
Proceeds from issuance of shares	177,930	5,000	6,500
Net cash provided by financing activities	<u>178,125</u>	<u>5,175</u>	<u>13,731</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>22,444</u>	<u>3,306</u>	<u>9,153</u>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	12,592	9,416	168
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<u>101</u>	<u>(130)</u>	<u>95</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>35,137</u>	<u>12,592</u>	<u>9,416</u>

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

**ELECTREON WIRELESS LTD**  
**CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)**

	<b>Year ended December 31</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
	<b>NIS in thousands</b>		
<b>(a) ADDENDUM TO STATEMENT OF CASH FLOWS- CASH FLOWS USED IN OPERATING ACTIVITIES:</b>			
Loss for the year	(23,225)	(13,066)	(67,271)
Adjustments for:			
Depreciation and amortization	723	472	159
Amortization of rights-of-use asset	155	119	-
Fair value losses on non-current financial assets at fair value through profit or loss	-	-	65
Share-based payments	5,500	4,630	15,664
Listing expenses	-	-	50,193
Lease interest expenses	85	100	-
Exchange rate losses in respect to cash and cash equivalents	(146)	102	(95)
	<u>(16,908)</u>	<u>(7,643)</u>	<u>(1,285)</u>
Changes in asset and liability items:			
Decrease (increase) in other receivables	(2,468)	(690)	(1,172)
Increase (decrease) in accounts payable	2,102	8,151	44
	<u>(366)</u>	<u>7,461</u>	<u>(1,128)</u>
Net cash used in operating activities	<u>(17,274)</u>	<u>(182)</u>	<u>(2,413)</u>
<b>(b) CASH PROVIDED BY REVERSE ACQUISITION:</b>			
Working capital (excluding cash)			217
Financial assets at fair value through profit or loss			(1,221)
Bridging loan			(1,150)
Accounting for the impact of reverse acquisition			58,945
Listing expenses			(50,193)
Total net cash provided by reverse acquisition			<u>6,598</u>

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

**ELECTREON WIRELESS LTD**  
NOTES TO FINANCIAL STATEMENTS

**NOTE 1 - GENERAL:**

- a. Electreon Wireless Ltd. (formerly- Biomedix Incubator Ltd.) (hereinafter- the Company) engaged until March 6, 2018, both directly and indirectly through Spearhead Investments (Bio) Ltd. (hereinafter - Spearhead) – a wholly-owned company – in financial investments and investment portfolio holding mainly in life sciences.

On March 6, 2018, a merger transaction was closed between the Company and ElectRoad Ltd (hereinafter - ElectRoad), in which the Company acquired the entire issued and paid-up capital of ElectRoad in consideration of allocation of shares of warrants of the Company, which, at the time of transaction closing, comprised 66.7% of the fully-diluted issued and paid-up capital of the Company.

On March 7, 2018, the name of the Company was changed from Biomedix Incubator Ltd to ElectReon Wireless Ltd.

- b. Beginning on closing date of the merger, the Company is active, through ElectRoad in research and development of technology for wireless charging of electric vehicles through an infrastructure of under-road coils. As noted in note 18c, approval was received on March 21, 2021 from the Registrar of Companies for a statutory merger of ElectRoad with and into the Company, and beginning on that date, the activity of ElectRoad is conducted within the Company.

Despite the fact that from the legal perspective, the Company is the accounting buyer of the shares, since the controlling shareholders of ElectRoad obtained control over the Company, it was decided that ElectRoad is the buyer of the activity for accounting purposes, and therefore, the transaction was accounted for in 2018 using the reverse merger method.

Accordingly, the assets and liabilities of ElectRoad (the buyer for accounting purposes) were recognized in the consolidated financial statements at their carrying amount immediately prior to the transaction. Acquisition consideration, at NIS 59 million, was determined based on the value of the Company's equity instruments (the acquiree for accounting purposes) at the date of transaction closing. The excess of consideration over the carrying amounts of the Company's assets and liabilities immediately prior to the transaction, at NIS 50.2 million, was recognized as "listing expenses" in the statement of comprehensive income. Additionally to the excess of consideration, the "listing expenses" item includes additional transaction costs at NIS 1.6 million.

Comparative information in those financial statements was restated to reflect the financial position and results of activity of the Group, according to the reverse merger method.

For more information on the merger transaction and the activities undertaken within its scope, see note 13d.

- c. In May 2019, the Swedish subsidiary (hereinafter: "Electreon AB") – a granddaughter subsidiary of the Company, which was incorporated in Sweden for implementing a tender – signed an agreement with the Swedish Ministry of Infrastructure for construction of an electric demonstration road. The project is financed at NIS 35 million by the Swedish Ministry of Infrastructure. See note 12e.
- d. The consolidated financial statements include those of the Company, Electreon AB, Spearhead and ElectRoad (hereinafter together - the Group).

**ELECTREON WIRELESS LTD**

NOTES TO FINANCIAL STATEMENTS (continued)

**NOTE 1 - GENERAL** (continued):

- e. In December 2019, the COVID-19 pandemic broke out in the Chinese city of Wuhan (hereinafter: the "Virus" or "COVID" or the "Crisis"). The COVID pandemic quickly spread in early 2020, causing global economic uncertainty and economic distress following mandatory shut-downs of many businesses, slower manufacturing and disruption of national and international shipments and travel. As part of the efforts to cope with the COVID pandemic, most countries worldwide imposed certain restrictions on their populations, including limits on movement, gathering and presence in public places; caps on the numbers of employees allowed in workplaces and more. These restrictions have a direct impact on many industries, to the extent that the activity in some of them was halted completely. since March 2020 the Israeli Government imposed certain alternate restrictions on the market. Due to high vaccinations rates in Israel, the majority of restrictions have been lifted.

As of the date of this report, the activity of the Company and its financial robustness were not significantly impacted by COVID, with its research and development activity continuing as usual. Additionally, the Company believes that COVID is not expected to have material impact on its activity, especially assuming continued recovery of the Israeli and global economy from the crisis. Further, the Company believes that it will be able to continue its research and development activity and meet its obligation for projects it is participating in. However, to the extent that restrictions are tighten on the activity of the Group and/or the activity of its suppliers in Israel and/or overseas and/or significant downturn takes place in the Israeli, Swedish, German or other markets where the Company intends to operate (including to the extent that this adverse situation in the markets undermines the ability to raise capital or receive government grants), such tightening may lead to some delay in planned research and development timeline for products of the Company or delays in execution of projects that the Company participates in.

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES:**

**a. Presentation basis of the financial statements:**

The financial statements of the Group as of December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 are in compliance with 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.
- 3) The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3. Actual results may differ materially from estimates and assumptions used by the Group's management.

**ELECTREON WIRELESS LTD**

NOTES TO FINANCIAL STATEMENTS (continued)

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES** (continued):

- 4) The Group analyzes the expenses recognized in the income statements using the classification method based on the functional category to which the expense belongs.
- 5) The Company did not include separate financial information to this report as this would have provided negligible additional information. The Company wholly owns ElectRoad, Electreon AB and Spearhead, and as of the date of the statement of financial position, all business activity of the Group is performed within ElectRoad, which is fully reflected in the consolidated financial statements of the Group. As of the date of the statement of financial position, the Company, Electreon AB and Spearhead do not have an independent business activity. Therefore, issuing separate financial information would not have added material information to a reasonable investor.

**b. 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.

**c. Translation of foreign currency balances and transactions:**

- 1) Functional and presentation Currency

Items included in the financial statements of the Group's are measured using the currency of the primary economic environment in which that entity operates (the "functional currency"). The consolidated financial statements are presented in New Israeli Shekels (hereinafter- NIS), which is the Company's functional and presentation currency. Changes in exchange rates of the U.S. Dollar (hereinafter- the Dollar) against the NIS and the Swedish Krona (hereinafter- SEK) against the NIS in the reported periods are as follows:

	<b>Change rate in exchange rate of the Dollar against the NIS</b>	<b>Change rate in exchange rate of SEK against the NIS</b>
Year ended December 31, 2020	(7.0)	5.4
Year ended December 31, 2019	(7.8)	(11.3)

Exchange rate of the Dollar against the NIS as of December 31, 2020 is: 1 Dollar = NIS 3.215.

Exchange rate of the Dollar against the NIS as of December 31, 2019 is: 1 Dollar = NIS 3.456.

Exchange rate of SEK against the NIS as of December 31, 2020 is: 1 SEK = NIS 0.3932.

Exchange rate of SEK against the NIS as of December 31, 2019 is: 1 SEK = NIS 0.3715.

**ELECTREON WIRELESS LTD**

NOTES TO FINANCIAL STATEMENTS (continued)

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):**

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 Group companies

- 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 equivalents:**

Cash and cash equivalents in the statement of financial position include cash in hand and highly liquid short term bank deposits with maturity dates not exceeding three months from the date of the investment.

**e. Property, plant and equipment**

Property, plant and equipment is initially reflected in the accounting records at the cost of acquisition. Property and equipment are presented at cost net of accumulated depreciation and impairment losses. Depreciation and impairments relating to property, plant and equipment are charged to the statement of income.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost less their residual values over their estimated useful lives, as follows:

Furniture and office equipment	6-7 years
Machinery and equipment	5-7 years
Computers and peripheral equipment	3 years

Leasehold improvements are amortized by the straight-line method over the shorter of the term of the lease and the estimated useful life of the improvements.

The assets' residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at least once a year.

**ELECTREON WIRELESS LTD**

NOTES TO FINANCIAL STATEMENTS (continued)

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES** (continued):

**f. Research and development expenses:**

Research and development expenses are expensed as incurred. Costs incurred on development projects (associated with design and testing of new or improved products) design and testing of new or improved products) are recognized as intangible assets when the following criteria are met:

- It is technically feasible to complete the intangible assets so that it will be available for use;
- Management intends to complete the intangible asset and use it or sell it;
- There is an ability to use or sell the intangible asset;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- The expenditure attributable to the intangible asset during its development can be reliably measured.

Other development costs that do not meet the above criteria are recognized as cost as incurred. Development costs previously recognized as an expense are not recognized as an asset on a subsequent period. As of December 31, 2020, the Group did not meet the conditions for capitalization of development costs as an intangible asset and accordingly no asset has been recognized in the financial statements in respect of such costs.

**g. Impairment of non-monetary assets:**

Financial assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less selling costs and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels of identifiable cash flows (cash-generating units). Non-monetary assets, other than goodwill, that were impaired are reviewed for possible reversal of the impairment recognized at each statement of financial position date.

**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.

**ELECTREON WIRELESS LTD**

NOTES TO FINANCIAL STATEMENTS (continued)

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES** (continued):

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. 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.

**j. Trade payables**

Trade payables consists of obligations of the Group to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less, otherwise they are classified as non-current liabilities.

Trade payables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method.

**k. Deferred income tax**

Deferred income tax is recognised, 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 realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised 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 utilised.

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

**l. 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.



**ELECTREON WIRELESS LTD**

NOTES TO FINANCIAL STATEMENTS (continued)

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES** (continued):

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.

**m. 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.

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.

**n. Loss per 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).

The number of shares used for calculating loss per share in the periods preceding the reverse acquisition date was retrospectively adjusted according to the replacement ratio set in the merger agreement.

**ELECTREON WIRELESS LTD**

NOTES TO FINANCIAL STATEMENTS (continued)

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES** (continued):

**o. Leases:**

- 1) The policy of the Group regarding leases in which the Group is the lessee applied since January 1, 2019 in accordance with IFRS 16: International Financial Reporting Standard 16 "Leases" (hereinafter- IFRS 16) The Group leases buildings. Lease agreements are mainly for periods of 2 to 6 years, but might include extension options.

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 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.

Lease term is the non-cancellable period of the lease, together with both periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

Subsequent to commencement date, the Group measures the right-of-use asset at cost, less accumulated depreciation and accumulated impairment losses, adjusted for any remeasurement of the lease liability. Depreciation of the right-of-use asset is calculated using the straight-line method over the shorter of estimated useful life of the leased asset or lease term.

The Company estimates the useful life of the buildings to be 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.

**ELECTREON WIRELESS LTD**

NOTES TO FINANCIAL STATEMENTS (continued)

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES** (continued):

- 2) The policy of the Group regarding leases in which the Group is the lessee, as applied through December 31, 2018 in accordance with IAS 17:  
Lease agreements in which a significant part of risks and rewards of ownership are maintained by the lessor are classified as operating lease agreements. Payments made as part of an operating lease (net of any incentives received from the lessor) are charged to the statement of income on the basis of the straight line method over the term of the lease.

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

- 1) New standards and amendments to existing standards that are mandatory for reporting periods beginning on January 1, 2020:
- a) Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" (hereinafter - the amendment to IAS 8) and IAS 1 "Presentation Financial Statements" (hereinafter - the amendment to IAS 1)

The amendment to IAS 8, amendment to IAS 1 and subsequent amendments to other IFRSs:

- (1) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
- (2) clarify the explanation of the definition of material; and
- (3) incorporate some of the guidance in IAS 1 about immaterial information.

The amended definition is:

"Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The Group applies the above amendments retrospectively. The first-time application of those amendments did not have material impact on the financial statements of the group.

- b) Amendments to IFRS 9 "Financial Instruments" (hereinafter - IFRS 9), IAS 39 "Financial Instruments: Recognition and Measurements" and IFRS 7 "Financial Instruments: Disclosures"

The amendments provide temporary exceptions from specific requirements regarding hedge accounting, in connection with the Rate Benchmark Reform (hereinafter - IBOR Reform), so that entities would be able to continue applying hedge accounting under the assumptions the benchmark interest rates remained unchanged following the IBOR Reform. The exceptions refer to the highly probable hedging of cash flows, prospective assessment economic relationship between the hedged item and the hedging instruments under IFRS 9 (or the "highly effective" requirement under IAS 39), retrospective effectiveness assessment (under IAS 39) and the designation of an item as hedged item. However, ineffectiveness will continue to be recognized on a current basis in profit or loss. Additionally, the amendments mandate certain disclosure requirements.

The Group applies the above amendments retrospectively. The first-time application of those amendments did not have material impact on the financial statements of the group.

**ELECTREON WIRELESS LTD**

NOTES TO FINANCIAL STATEMENTS (continued)

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES** (continued):

- 2) Standards, amendments and interpretations that are not in effect and the Company did not elect to early adopt them

- a) IAS 1 "Presentation of Financial Statements" (hereinafter - Amendment to IAS 1)

The amendment to IAS 1 clarifies the guidance regarding the classification of liabilities as current or non-current in the statement of financial position. The amendment clarifies that:

- (1) Liabilities are classified as non-current if the entity has a substantive right to defer settlement for at least 12 months at the end of the reporting period. The amendment indicates that management's expectations do not affect classification and eliminates unconditional rights.
- (2) As substantive right exists only if the entity complies with any relevant conditions at the reporting date.
- (3) 'Settlement' is defined as the extinguishment of a liability with cash, other economic resources or an entity's own equity instruments. However, a right to convert a convertible instrument that is classified to equity does not affect the classification of the liability for that instrument.

The amendment to IAS 1 will be applied retrospectively to annual periods beginning on January 1, 2023 or thereafter. According to the provisions of the standard, early adoption is permitted. The first-time application of IAS 1 is not expected to have material impact on the consolidated financial statements of the Group.

**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 concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

**a. Grants from the Israel Innovation Authority**

As indicated in note 2h, management of the Group is required to assess whether it is reasonably assured that the grant received would not be repaid. 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, 2019 and 2020, the Company has yet to generate revenue from its operations and is currently in a pilot and feasibility testing of its proprietary technology for wireless charging of electric vehicles, which has not yet been proven. As said in notes 12f and 12g, the Company with two companies in Europe for the performance of pilots. Those projects and the charging system technology of the Company that will be installed at those companies are still under development. Therefore, the Company is in the opinion that it is not reasonably assured that royalties are payable to the Innovation Authority beyond the liability it already recognized in respect to those projects. (See note 12b).

**ELECTREON WIRELESS LTD**

NOTES TO FINANCIAL STATEMENTS (continued)

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

**b. Grants from the Swedish Transport Administration**

As indicated in note 2h, management of the Group is required to assess whether it is reasonably assured that the grant received would not be repaid. 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. The grants are recognized as expenses in profit or loss on a systematic basis over the period in which the Group recognizes the underlying costs (for which the grants are intended to compensate).

**c. Development expenses**

As indicated in note 2e, development costs are capitalized only when the conditions indicated in that note are met. Cost capitalization is based on the judgment of management that the Group indeed satisfies conditions allowing capitalization. Management of the Group believes that as of December 31, 2019 and 2020, the said conditions have not been met, and therefore, development costs were not capitalized.

**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: foreign exchange risk, credit risk and liquidity risks. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Credit risks are accounted for at the company level. Credit risks stem from cash and cash equivalents and bank deposits, as well as credit exposure to unpaid receivables as of December 31, 2020. The Group does not see any significant credit risk in those balances and has not recognized a provision for credit loss.

Foreign exchange risks – The activity of the Company is international in nature and is exposed to foreign exchange risks arising from exposure to various currencies. This risk arises from future commercial transactions and assets or liabilities denominated in foreign currency. The Company believes that a reasonable change in exchange rates would not bring material impact on the financial statements.

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

**b. Liquidity risk**

The Company is a research and development entity, and has yet to generate income or positive cash flows from operations. Its continued activity in the present format is dependent on access to financing sources until reaching positive cash flows from operations.

All liabilities are due in one year, except for liabilities for leases, for which the Company expects to pay NIS 240 thousand in 2021, NIS 204 thousand in 2022 and NIS 175 thousand in 2023 and NIS 25 thousand in 2024.

**ELECTREON WIRELESS LTD**

## NOTES TO FINANCIAL STATEMENTS (continued)

**NOTE 4 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued):****c. Capital risk management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other interested parties and to maintain an optimal capital structure to reduce the cost of capital.

**NOTE 5 - CASH AND CASH EQUIVALENTS:****a. Information by currencies:**

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
	<b>NIS in thousands</b>	
NIS	27,200	3,415
Foreign currency	7,937	9,177
	<u>35,137</u>	<u>12,592</u>

**b. Short-term deposits**

As of December 31, 2020, the Company has a NIS-denominated bank deposit at NIS 135,310 thousand.

- c. As of December 31, 2020 and 2019, the Company has a pledged deposit of NIS 45 thousand. This deposit is presented in the statement of financial position within non-current assets.

**NOTE 6 - OTHER RECEIVABLES:**

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
	<b>NIS in thousands</b>	
Value added tax	1,845	568
Receivable for participation in research and development costs	638	1,362
Prepaid expenses	1,496	93
Advances to suppliers	102	-
Others	5	11
	<u>4,086</u>	<u>2,034</u>

The carrying amount of other receivables approximate their fair value.

**ELECTREON WIRELESS LTD**  
NOTES TO FINANCIAL STATEMENTS (continued)

**NOTE 7 - PROPERTY, PLANT AND EQUIPMENT:**

Composition of property, plant and equipment and the accumulated depreciation thereon, grouped by major classifications, and changes therein in 2020, are as follows:

	<u>Cost</u>			<u>Accumulated depreciation</u>			<u>Depreciated</u>
	<u>Balance at</u>	<u>Additions</u>	<u>Balance</u>	<u>Balance at</u>	<u>Additions</u>	<u>Balance</u>	<u>balance</u>
	<u>beginning</u>	<u>during</u>	<u>at end</u>	<u>beginning</u>	<u>during</u>	<u>at end</u>	<u>December 31</u>
	<u>of year</u>	<u>year</u>	<u>of year</u>	<u>of year</u>	<u>year</u>	<u>of year</u>	<u>2020</u>
	<b>NIS in thousands</b>						
Office furniture and equipment	175	35	210	7	29	36	174
Machines and equipment	921	2,415	3,336	164	202	366	2,970
Computers and peripherals	132	324	456	41	74	115	341
Leasehold improvements	4,055	343	4,398	485	418	903	3,495
	<u>5,283</u>	<u>3,117</u>	<u>8,401</u>	<u>697</u>	<u>723</u>	<u>1,420</u>	<u>6,980</u>

Composition of property, plant and equipment and the accumulated depreciation thereon, grouped by major classifications, and changes therein in 2019, are as follows:

	<u>Cost</u>			<u>Accumulated depreciation</u>			<u>Depreciated</u>
	<u>Balance at</u>	<u>Additions</u>	<u>Balance</u>	<u>Balance at</u>	<u>Additions</u>	<u>Balance</u>	<u>balance</u>
	<u>beginning</u>	<u>during</u>	<u>at end</u>	<u>beginning</u>	<u>during</u>	<u>at end</u>	<u>December 31</u>
	<u>of year</u>	<u>year</u>	<u>of year</u>	<u>of year</u>	<u>year</u>	<u>of year</u>	<u>2019</u>
	<b>NIS in thousands</b>						
Office furniture and equipment	7	168	175	*	7	7	168
Machines and equipment	185	736	921	87	77	164	757
Computers and peripherals	59	73	132	13	28	41	91
Leasehold improvements	3,232	823	4,055	125	360	485	3,570
	<u>3,483</u>	<u>1,800</u>	<u>5,283</u>	<u>225</u>	<u>472</u>	<u>697</u>	<u>4,586</u>

TRANSLATED FROM HEBREW ORIGINAL

**ELECTREON WIRELESS LTD**  
NOTES TO FINANCIAL STATEMENTS (continued)

\* Representing less than NIS 1 thousand.



**ELECTREON WIRELESS LTD**  
NOTES TO FINANCIAL STATEMENTS (continued)

**NOTE 8 - LEASE-RELATED ASSETS AND LIABILITIES:**

As indicated in note 2n, beginning on January 1, 2019, the Group applies IFRS 16. This note refers to leases in which the group is the lessee.

**a. Right-of-use assets:**

	Cost			Accumulated amortization / impairment			Depreciated Balance	
	Balance at beginning of year *	Addition s during year	Balance at end of year	Balance at beginning of year	Additions during year	Balance at end of year	Balance at beginning of year	Balance at end of year
<b>2019:</b>								
Buildings	614	-	614	-	119	119	614	495
	614	-	614	-	119	119	614	495
<b>2020:</b>								
Buildings	614	97	711	119	155	274	495	437
	614	97	711	119	155	274	495	437

**Lease liabilities:**

	Balance at beginning of year *	Addition s during year	Interest expenses	Lease-rel ated payment s	Balance at end of year	Current maturitie s of lease liabilities	Long-ter m lease liabilitie s
	NIS in thousands						
<b>2019:</b>							
Buildings	764	-	100	150	714	202	512
	764	-	100	150	714	202	512
<b>2020:</b>							
Buildings	714	97	85	252	644	240	404
	714	97	85	252	644	240	404

\* The balance as of early 2019 arises from first-time adoption of IFRS 16 as of January 1, 2019.

**ELECTREON WIRELESS LTD**  
 NOTES TO FINANCIAL STATEMENTS (continued)

**NOTE 9 - TAXES ON INCOME:**

**a. Taxation of the Company and subsidiaries**

Tax rates

The income of the Company and the Israeli subsidiaries (except income benefiting from reduced tax rates under Israeli management laws, see b. below) is subject to the normal corporate tax rate.

The present corporate tax rate in Israel is 23%.

**b. Taxation of non-Israeli subsidiaries**

Subsidiaries incorporated outside of Israel are taxed based on tax laws in their countries of residency, except those defined as "foreign control company" under the Israel Income Tax Ordinance. The tax rates applicable in 2020 on a Sweden-incorporated granddaughter company is 21.4%. Beginning in 2021, the tax rate will be reduced to 20.6%.

**c. Carryforward losses**

Deferred tax assets on carryforward losses are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Carryforward losses of the Company as of December 31, 2020 are NIS 2.9 million.

Carryforward losses of subsidiaries as of December 31, 2020 are NIS 9 million.

The Company 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 2015 are considered final (subject to dates of filing the returns and the statute of limitation).

**e. Taxes on income included in profit or loss**

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
	<b>NIS in thousands</b>	
Taxes on previous years	-	32
	-	32

**ELECTREON WIRELESS LTD**

## NOTES TO FINANCIAL STATEMENTS (continued)

**NOTE 10 - OTHER PAYABLES:****Composition of other payables:**

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
	<b>NIS in thousands</b>	
Employees and employee institutions	1,758	1,016
Grants received in advance	1,903	6,140
Royalties payable	293	-
Provision for vacation and recreation	1,155	573
Loan to shareholders	-	11
Income in advance	443	-
Accrued expenses	777	616
	<u>6,329</u>	<u>8,356</u>

The carrying amount of other payables approximate their fair value, as impact of discounting is immaterial.

**NOTE 11 - RETIREMENT BENEFIT OBLIGATION:**

- a. According to labor laws and agreement in effect in Israel, the Group is required to pay severance pay and pension to dismissed employees, or those retiring under certain circumstances.
- b. The obligation of the group to pay pension and severance benefits to employees in Israel that are within the scope of Section 14 to the Severance Pay Law, 1963 is covered by regular contributions to defined contribution plans. The amounts contributed are not included in the statement of financial position.

The amount recognized as an expense in respect to defined contribution plans in 2020, 2019 and 2018 is NIS 515 thousand, NIS 278 thousand and NIS 103 thousand, respectively.

**NOTE 12 - COMMITMENTS AND CONTINGENT LIABILITIES:****a. Rent agreement**

In January 2018, the Group engaged with a third party in an agreement to rent land property to be used by the Group for constructing facilities for continued research and development, including building a test road. Under the agreement, the term of the lease will be from March 1, 2018 to February 28, 2021, and the Group was given an option to extend the agreement by three additional years. That option was exercised in 2021.

Monthly rent is NIS 19 thousand, and the agreement provided that the Group will be exempt from rent in the first year, while paying a reduced rent of NIS 15 thousand in the second year.

**ELECTREON WIRELESS LTD**

NOTES TO FINANCIAL STATEMENTS (continued)

**NOTE 12 - COMMITMENTS AND CONTINGENT LIABILITIES (continued):**

**b. Royalties to the Israel Innovation Authority**

The Group has an obligation to pay royalties to the Israel Innovation Authority. The royalties are calculated based on the sales revenue from selling products that were developed with government participation in the form of grants. According to the terms and conditions of such participation, the Innovation Authority is entitled to 3% royalties from the amount of sales of products developed with its support over the first three years from the date of initial refund date, and 3.5% of sales beginning in the fourth year and through full repayment of the grant received by the Group, with linkage to the US Dollar and plus annual interest at LIBOR.

As of the date of this report, the Company recognized a liability at the amount of project receivables (see note 3, note 10 and notes 12g and 12h).

On December 21, 2017, the Group received from the Research Committee in the Innovation Authority an approval for a grant at 50% of the investment in the Company by Dan – Public Transportation Company Ltd (hereinafter - Dan), as part of the exercise of warrant series A, B and C. The amount of grant is NIS 4.05 million, which is conditioned on an NIS 8.1 million investment by Dan. The grant was approved under the National Program for Smart Transportation of the Prime Minister's Office, with the objective of reducing global dependency of oil and making Israel a hub for industry and knowhow on alternative fuels and smart transport. Under the terms of the grant, the Company will pay the Innovation Authority royalties at 3%-5% of revenue, and up to the amount of the grant.

In 2018, shortly after the investment by Dan, the Company received grants totaling up to NIS 4.05 million, as indicated above, which were recognized as an offset from research and development expenses in the 2018 statement of comprehensive income.

In May 2019, the Research Committee of the Innovation Authority notified the Company that a budget of NIS 9.3 million was approved to the Company, representing government participation of 75% for a pilot in Tel Aviv, in cooperation with Dan, which holds 9% of the issued and paid-up share capital of the Company as of the date of this report. As of the date of the statement of financial position – December 31, 2020 – and as of December 31, 2019, NIS 4.7 million and NIS 2.6 million grants were recognized, respectively, of the approved budget as offset of R&D expenses in profit or loss and NIS 638 thousand receivables in respect of participation in research and development expenses as part of receivables (see note 6).

- c.** In May 2019, the Swedish subsidiary (hereinafter: "Electreon AB") signed an agreement with the Swedish Ministry of Infrastructure for construction of an electric demonstration road. The project is financed at NIS 35 million by the Swedish Ministry of Infrastructure. As of December 31, 2020 and December 31, 2019, NIS 16.3 million and NIS 4.1 million, respectively, were approved out of the approved budget. Grants received in advance, at NIS 1.9 million, were included in the statement of financial position within accounts payable.

**ELECTREON WIRELESS LTD**

NOTES TO FINANCIAL STATEMENTS (continued)

**NOTE 12 - COMMITMENTS AND CONTINGENT LIABILITIES (continued):**

**d. Debt restructuring agreement**

In order to enable the activity of the Company until receiving the remainder of the grant under the Israeli Ministry of Energy's Halutz program (hereinafter in this section - "the program" and "the grant"), the Company approached some of its shareholders (hereinafter - "the lenders"), asking them to extend to it a NIS 214 thousand loan (principal) (hereinafter - "the loan"). Additionally, the Company asked its founders to accept a temporary pay cut. The lenders provided the Company the full loan amount and the founders gave their consent to reduce their compensation from December 2016 to September 2017. Those balances were included within accounts payable in the statement of financial position.

On October 24, 2017, an agreement was signed to restructure the loan and the payroll debt of the Company, whereby the loan would bear interest per Income Tax Regulations, and loan and payroll debt repayment would be made out of the amounts of grant and additional amounts as defined by the agreement, subject to satisfaction of conditions precedence in the agreement.

Additionally, in any scenario where the Company does not receive part and/or the entire amount of the grant, founders would not have any right whatsoever for repayment and/or refund of the payroll debt, either all or part thereof, and in case founders so approve, each individually, that they and/or anyone on their behalf have no argument, demand or claim of any kind or type towards the Company and/or anyone on its behalf and/or Electreon in relation to repayment of that debt. As of December 31, 2020, the debt was fully repaid.

On August 20, 2020, the Company signed an agreement with EnBW Energie Baden-Wurtemberg AG (hereinafter - "EnBW"), under which the Company provides EnBW, at the first phase, an electric bus equipped with vehicle receivers; a static electric road system for recharging the bus; and installation, operation and maintenance services (hereinafter - the second phase). In the third phase, the Company will provide EnBW a dynamic proprietary road system that will be installed on a public road in Karlsruhe, Germany, for recharging the bus, as well as installation, operation and maintenance services (hereinafter - the third phase). The Company believes that the expected income from that project is immaterial. After balance sheet date, the Company delivered the above electric bus.

- e. On October 30, 2020, the Company engaged with Societa' di Progetto Brebemi A.p.S (hereinafter - Brebemi) for a pilot project including construction of a 1 Km wireless electric road at the Brebemi site.

**ELECTREON WIRELESS LTD**  
NOTES TO FINANCIAL STATEMENTS (continued)

**NOTE 13 - EQUITY:****a. Composition of share capital:**

	<b>December 31, 2020</b>	
	<b>Authorize d</b>	<b>Issued and paid-up</b>
	<b>Number of shares in thousands</b>	
Ordinary shares without par value	20,000	9,522

	<b>December 31, 2019</b>	
	<b>Authorize d</b>	<b>Issued and paid-up</b>
	<b>Number of shares in thousands</b>	
Ordinary shares without par value	20,000	8,452

**b. Ordinary shares**

The ordinary shares give holders participation and voting rights in shareholders' meetings, right to receive profits and right to participate in surplus assets upon liquidation of the Company by one vote.

**c. Share-based payment**

- 1) For information about options granted as part of a merger deal, see note 13d below.
- 2) 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.

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.

**ELECTREON WIRELESS LTD**

NOTES TO FINANCIAL STATEMENTS (continued)

**NOTE 13 - EQUITY** (continued):

- 3) On February 28, 2019, the Company's Compensation Committee and Board of Directors approved a grant of 58,966 options to employees and officers of the Company. The options will 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. The exercise price of each option is NIS 55.8. The fair value of the options was calculated using the Black and Scholes model, based on the following assumptions: risk-free interest rate of 1.53%, price per share of NIS 55.8, standard deviation of 71%, and projected period to exercise of seven years. In 2020, a total of 1,842 options were exercised and 3,072 options were expired and forfeited.
- 4) On June 25, 2019, the Company's Compensation Committee and Board of Directors approved a grant of 14,363 options to employees and officers of Electreon AB. 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. The exercise price of each option is NIS 90.36. The fair value of the options was calculated using the Black and Scholes model, based on the following assumptions: risk-free interest rate of 1.53%, price per share of NIS 90.59, standard deviation of 68%, and projected period to exercise of seven years.
- 5) On June 25, 2019, the Company's Compensation Committee and Board of Directors approved a grant of 16,315 options to employees and officers of Electreon AB. 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. The exercise price of each option is NIS 61.09. The fair value of the options was calculated using the Black and Scholes model, based on the following assumptions: risk-free interest rate of 1.53%, price per share of NIS 90.59, standard deviation of 68%, and projected period to exercise of seven years.
- 6) On December 5, 2019, the Company's Board of Directors (in light of recommendation by Compensation Committee dated December 3, 2019) approved a grant of 42,257 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. The exercise price of each option is NIS 86.64. The fair value of the options was calculated using the Black and Scholes model, based on the following assumptions: risk-free interest rate of 0.71%, price per share of NIS 86.64, standard deviation of 74%, and projected period to exercise of seven years.
- 7) 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. The exercise price of each option is NIS 163.6. The fair value of the options was calculated using the Black and Scholes model, based on the following assumptions: risk-free interest rate of 0.71%, price per share of NIS 163.6, standard deviation of 76%, and projected period to exercise of seven years.
- 8) 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. The exercise price of each option is NIS 226.4. The fair value of the options was calculated using the Black and Scholes model, based on the following assumptions: risk-free interest rate of 0.1%, price per share of NIS 226.4, standard deviation of 76%, and projected period to exercise of seven years.

**ELECTREON WIRELESS LTD**

NOTES TO FINANCIAL STATEMENTS (continued)

**NOTE 13 - EQUITY** (continued):

**d. Merger agreement**

As indicated in note 1a, on March 6, 2018, a merger agreement was closed between the Company and ElectRoad. As part of the deal, the following transactions were performed:

- 1) The Company allocated to shareholders of ElectRoad 4,610,550 ordinary shares of the Company with no par value, in exchange for transferring the entire share capital of ElectRoad to the Company.
- 2) Shortly before the closing of the merger, ElectRoad allocated options to two officers of ElectRoad (who are controlling shareholders of the Company), which were replaced on merger closing date by 518,338 options of the Company that are exercisable beginning on the date of the merger and for 10 years thereafter for an exercise price of NIS 0.3 per share, subject to commonly-applicable adjustments.

The fair value of the options based on the Black and Scholes model is NIS 9.7 million, and was expensed immediately in profit or loss (NIS 8.7 million was recognized within research and development expenses and NIS 1 million was recognized within administrative and general expenses). The fair value was calculated based on the following assumptions: projected period to exercise of 10 years, standard deviation of 65%, risk-free interest rate of 1.75%, price per share of NIS 18.97.

- 3) The Company allocated to a service provider of ElectRoad 18,049 options of the Company against cancellation of the ElectRoad options that were allocated to a service provider by that company in 2014. The options are exercisable beginning on the date of merger and over 10 years thereafter, in consideration of an exercise price of NIS 0.3 per share, subject to commonly-applicable adjustments.
- 4) The Company allocated to mediator in a merger transaction 60,018 options of the Company that are exercisable over two years from the date of merger closure in consideration of an exercise price of NIS 4.19 per share. The fair value of the options based on the Black and Scholes model is NIS 907 thousand, and was expensed immediately in profit or loss, within listing expenses. The fair value was calculated based on the following assumptions: projected period to exercise of two years, standard deviation of 77%, risk-free interest rate of 0.23%, price per share of NIS 18.97.  
In addition to the options, NIS 251 thousand plus VAT was paid to the mediator.
- 5) Shortly after closing of the merger, the Company allocated to two officers of the Company (who are controlling shareholders of the Company) 462,984 options that are exercisable into shares of the Company in consideration of NIS 5.832 per share. 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. The options are exercisable beginning on vesting date and for 10 years after merger closing date.

The fair value of the options based on the Black and Scholes model is NIS 7.6 million, and will be expensed over the vesting period. The fair value was calculated based on the following assumptions: projected period to exercise of 10 years, standard deviation of 65%, risk-free interest rate of 1.75%, price per share of NIS 18.97.



**ELECTREON WIRELESS LTD**

NOTES TO FINANCIAL STATEMENTS (continued)

**NOTE 13 - EQUITY** (continued):

**e. The Dan agreement**

On November 7, 2017, the Company signed an investment agreement with Dan Public Transportation Company Ltd (hereinafter: "Dan"), in which the Company allocated to Dan warrants for no consideration, whose exercise price amounts to NIS 8.1 million.

The following are the terms of the warrants allocated to Dan:

- 1) 381,861 Series A warrants, with an exercise price of NIS 4.19 per warrant. The warrants were exercisable until March 31, 2018. On March 6, 2018, shortly before closing the merger transaction, the Series A warrants were exercised in consideration of NIS 1.6 million, which are included among the assets arising from the merger deal.
- 2) 267,857 Series B warrants, with an exercise price of NIS 5.6 per warrant. The warrants were exercisable until March 31, 2018. On March 6, 2018, shortly before closing the merger transaction, the Series B warrants were exercised in consideration of NIS 1.5 million.
- 3) Series C warrants, with an exercise price of NIS 5 million. The exercise price of each warrant was determined on merger closing date and was calculated based on a valuation of the Company at NIS 90 million, shortly after merger closing, and the number of warrants was also determined accordingly. The warrants were exercisable through December 31, 2019. The terms of the warrants included an early-exercise mechanism, whereby to the extent that shares of the Company on the stock exchange are traded over 14 consecutive trading days at a price that exceeds the exercise price, the Company was able to trigger an involuntary exercise mechanism. For information about the exercise of Series C warrants, see below.

On January 3, 2018, the Company signed an amendment to the investment agreement, in which it was agreed that Series C warrants would be exercised by Dan shortly after merger transaction closing, subject to the Company allocating to Dan additional warrants (Series D), with a total exercise price of NIS 5 million. The Company allocated to Dan 280,899 Series D warrants for the purchase of Company shares in consideration of an exercise price of NIS 17.8 per share. Shortly after the allocation of Series D warrants, Dan exercised all Series C warrants in consideration of NIS 5 million, and on April 30, 2019, Dan exercised all Series D warrants for NIS 5 million.

**ELECTREON WIRELESS LTD**

## NOTES TO FINANCIAL STATEMENTS (continued)

**NOTE 13 - EQUITY** (continued):

Change in the number of stock options and weighted average of their exercise prices, are as follows:

		Year ended December 31					
		2020		2019		2018	
		Number of options	Weighted average of exercise price	Number of options	Weighted average of exercise price	Number of options	Weighted average of exercise price
Outstanding at beginning of year	1,345,254	11.3	1,247,362	5.2	-	-	
Granted	64,254	207.2	131,901	69.8	**1,247,362	-	
Forfeited	30,384	21.8	-	-	2	5.2	
Expired	-	-	-	-	-	-	
Exercised *	34,898	6.6	34,009	3.7	-	-	
Outstanding at end of year	1,344,226	20.6	1,345,254	11.3	1,247,362	5.2	
Exercisable at end of year	1,136,626	7.1	918,006	4.0	643,398	1.8	

\* The total consideration received in those exercises in 2020, 2019 and 2018 was NIS 229 thousand, NIS 127 thousand and NIS 0 thousand, respectively.

\*\* According to a merger agreement. See note 13D.

The weighted average of share price in 2020, 2019 and 2018 is NIS 187.3 per share, NIS 71.5 per share and NIS 15.9 per share, respectively. The options exercised in the said years led to the issue of 34,898 shares, 34,009 shares and 0 shares, respectively, in consideration of NIS 6.6 per share, NIS 3.7 per share and NIS 0 per share, respectively. Transaction costs at NIS 0 thousand, NIS 0 thousand and NIS 0 per share, respectively, were offset from the consideration received.

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

2020			2019			2018		
No. of outstanding options at end of year	Exercise price range	Weighted average of remaining contractual life	No. of outstanding options at end of year	Exercise price range	Weighted average of remaining contractual life	No. of outstanding options at end of year	Exercise price range	Weighted average of remaining contractual life
1,344,226	0.3-226.4	8	1,345,254	0.3-86.6	9	1,247,362	0.3-18.0	10

The amount of expenses recognized in profit or loss of the Company in 2020, 2019 and 2018 for grant of options to employees was NIS 5,500 thousand, NIS 5,000 thousand and NIS 15,664 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.

**ELECTREON WIRELESS LTD**

## NOTES TO FINANCIAL STATEMENTS (continued)

**NOTE 13 - EQUITY (continued):****f. Financing round**

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. As of the date of the statement of financial position, the entire issue consideration was received.

**NOTE 14 - RESEARCH AND DEVELOPMENT EXPENSES – net:**

	<b>Year ended December 31</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
	<b>NIS in thousands</b>		
Payroll and related expenses	8,036	4,362	1,702
Share-based payment	3,538	3,222	12,283
Subcontractors and advisors	7,479	2,486	1,099
Consumables and materials	13,617	3,633	597
Depreciation	441	220	135
Other	2,072	595	330
	<u>35,183</u>	<u>14,518</u>	<u>16,146</u>
Less - participation in research and development expenses – see note 12	<u>(20,068)</u>	<u>(6,751)</u>	<u>(4,892)</u>
	<u>15,115</u>	<u>7,767</u>	<u>11,254</u>

**NOTE 15 - ADMINISTRATIVE AND GENERAL EXPENSES:**

	<b>Year ended December 31</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
	<b>NIS in thousands</b>		
Payroll and related expenses	2,890	1,208	99
Share-based payment	1,962	1,408	2,474
Rent and maintenance	254	189	65
Director remuneration	238	260	237
Professional services	1,561	1,339	1,110
Depreciation	282	252	24
Other	759	355	271
	<u>7,946</u>	<u>5,011</u>	<u>4,280</u>

**ELECTREON WIRELESS LTD**

## NOTES TO FINANCIAL STATEMENTS (continued)

**NOTE 16 - LOSS PER SHARE:****a. Basic**

Basic loss per share is calculated by dividing the loss attributed to holders of ordinary shares of the Company by the weighted average of issued ordinary shares:

	<b>Year ended December 31</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
	<b>NIS in thousands</b>		
Loss for the year	23,225	13,066	67,271
Income attributed to accumulation of Series A preferred shares	-	-	5
Loss attributed to holders of ordinary shares	<u>23,225</u>	<u>13,066</u>	<u>67,276</u>
The weighted average of the number of issued ordinary shares	<u>8,928,618</u>	<u>8,171,496</u>	<u>7,202,431</u>
Basic loss per ordinary share (NIS)	<u>2.60</u>	<u>1.60</u>	<u>9.34</u>

The number of shares used for calculation of loss per share prior to the date of the reverse acquisition was retroactively adjusted based on the replacement ratio set in the merger agreement.

**b. Diluted**

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to include all dilutive potential ordinary shares. The calculation of diluted loss per share for the reported years no preferred shares and options to employees and shareholders were taken into account since their effect, assuming full dilution, is anti-dilutive.

**ELECTREON WIRELESS LTD**

## NOTES TO FINANCIAL STATEMENTS (continued)

**NOTE 17 - TRANSACTIONS AND BALANCES WITH INTERESTED AND RELATED PARTIES:**

"Principle shareholder" – As this term is defined by Securities Regulations (Annual Financial Statements), 2010.

"Related party" – As this term is defined by IAS 24.

Key management personnel, which are included, among others, within the scope of "related parties" in accordance with IAS 24, include the senior management team and the Board of Directors.

On December 9, 2020, updates were approved to the employment terms of CEO and Chairman of the Board Oren Ezer and Chief Scientist Hanan Runbek, who are officers and controlling shareholders of the Company. Their monthly salary after the update will be NIS 65 thousand per month (hereinafter - the revised salary). Additionally, a bonus was approved equivalent to five monthly revised salaries for 2020 and 2019.

**a. Transactions and benefits to interested and related parties:**

	<b>Year ended December 31</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
	<b>NIS in thousands</b>		
Compensation to officers who are controlling shareholders of the Company *	<u>2,296</u>	<u>1,237</u>	<u>982</u>
Number of individuals relevant to the benefit	<u>2</u>	<u>2</u>	<u>2</u>
Overheads	<u>-</u>	<u>-</u>	<u>-</u>
Director remuneration **	<u>238</u>	<u>260</u>	<u>237</u>
Number of directors relevant to the benefit	<u>4</u>	<u>4</u>	<u>5</u>

\* In addition to the above compensation, the Company recognized in the years ended December 31, 2020 and 2019 share-based payment of NIS 0.9 million and NIS 2.7 million, respectively, in relation to the grant of options to officers who are controlling shareholders of the Company.

\*\* In addition to the above directors' remuneration, the Company recognized in the years ended December 31, 2020 and 2019 share-based payment of NIS (0.1) million and NIS 0.5 million, respectively, in relation to the grant of options to two directors, as indicated in note 13c(2).

**b. Balances with interested and related parties:**

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
	<b>NIS in thousands</b>	
For salary, related benefits and other benefits – balance presented in "accounts payable" within current liabilities	<u>1,286</u>	<u>890</u>

c. For information about balances of loans from related parties, see note 10.

**ELECTREON WIRELESS LTD**

NOTES TO FINANCIAL STATEMENTS (continued)

**NOTE 18 - SUBSEQUENT EVENTS:**

- a. On January 31, 2021, the Company announced winning a wireless charging project in Germany, financed by the German Federal Highway Research Institute – BASt.
- b. On March 8, 2021, the general meeting of shareholders of the Company approved a grant of 11,400 options to four directors. The options will 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. The exercise price per option is NIS 258.60.
- c. On March 21, 2021, approval was received from the Israel Registrar of Company for a statutory merger of ElectRoad with and into the Company.

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