For an alternative, accessible version, please contact the Company's accessibility coordinator at telephone no. 03-7261616, fax no. 03-7261617 or emailinfo@gencellenergy.com.

GenCell Ltd.

2022 Periodic Report

The Company is a "small corporation" as this term is defined in Section 5c of the Securities Regulations (Periodic and Immediate Reports), 1970 ("the Reporting Regulations"). Accordingly, on March 27 2023 the Company Board of Directors decided to adopt the reliefs listed in Regulation 5d of the Reports Regulations, as follows:

- **Raising the threshold needed to attach highly material valuations to 20% (in lieu of a rate of 10%) (if and inasmuch as valuations exist);**
- **Exemption from the attachment of a report on the effectiveness of controls (ISOX) (including the attachment of the opinion of the auditing accountant)**
- **Relief in the obligation to attach associated company reports – raising the attachment threshold to the interim statements of the reports of material associates to 40% (while leaving the attachment threshold for yearly financial statements at 20%) (if and when relevant).**
- **Exemption from "Galai Report" – issuing exemption from implementing the provisions of the Second Addendum to the Report Regulations (Details on Exposure and Market Risks and Management Thereof) (Galai Report) for small corporations, the exposure of which to market risks deriving from financial instruments is not material, in accordance with materiality thresholds set in the Reports Regulations;**
- **Exemption from including separate financial information;**
- **Exemption from detailing the value of the convertible stocks or securities in accordance with Regulation 11(1) of the Reports Regulations, inasmuch as the public does not hold bonds issued;**

It is noted that since the Company is considered a "Tech-Elite" corporation, as this term is defined in the Securities Regulations (Reports of Corporation with Shares Included on the TA Tech-Elite Index), 5776-2016 (the "Tech-Elite Regulations"), the Company adopted the expedients listed in Regulation 3 of the Tech-Elite Regulations.

For further details see the Company's immediate reports from January 1 2023, and January 4 2021 (reference nos.: 2023-01-000813 and 2021-01-001390, respectively). The references in question constitute inclusion by way of reference.

Table of Contents

Definitions

For the sake of convenience, the following are definitions of key terms appearing in the Periodic Report:

“USD” –	U.S. dollars;
“The Stock Exchange“	The Tel Aviv Securities Exchange Ltd.;
“The Company” –	GenCell Ltd. (Corporate no. 514579887)
“The Prospectus” or “the Shelf Prospectus” –	A prospectus for an initial public offering that also constitutes a shelf prospectus of the Company from November 9 2020, bearing a date of November 10 2020, extended to November 9 2023 (reference no.: 120750-2020-01 and 2022-01-132550, respectively);
“The Companies Law“ –	The Companies Law, 1999;
“The Securities Law“ –	The Securities Law, 1968;
“Ordinary shares” –	Ordinary Company shares, worth NIS 0.01 NV each;
"CFE"-	Federal Electric Company of Mexico;
"TDK"-	TDK Corporation, a corporation incorporated in Japan;
"EV"-	E.V. Motors Ltd., an Israeli company;
“The Icelandic Communications Company”	Neyðarlínan Ohf;

G5""-	A fuel cell using hydrogen as a fuel and intended for backing up critical systems for extended periods of time and providing 5KW; this system is planned to be replaced by a new and upgraded system called BOX;
"**BOX**"**-**	A fuel cell using hydrogen as a fuel and intended for backing up critical systems for extended periods of time, intended to operate in outdoors conditions and supply 5KW; this upgraded system will replace the G5 system;
"**G5RX**"**-**	A fuel cell using hydrogen as a fuel and intended for backing up critical systems for extended periods of time and providing 5KW with an exit voltage compatible with 130 DC transformer rooms. Inside a container capable of operating during an earthquake and containing a separate room for gasses; this system is planned to be replaced with the new upgraded REX model;
"**REX**"**-**	A fuel cell using hydrogen as a fuel and intended for backing up critical systems for extended periods of time and providing 5KW with an exit voltage compatible with 130 DC transformer rooms; This upgraded system is based on the BOX system platform, and will replace the G5RX system;
"**A5**"**-**	A fuel cell using ammonia as a fuel and intended for continuous work and providing 4.5 KW with an exit voltage of 48 DC; this system will be replaced with the new and upgraded FOX model;
"**"FOX-**	A fuel cell using ammonia as a fuel and intended for continuous work and providing 4.5 KW with an exit voltage of 48 DC; This upgraded system will replace the A5 system;
"**EVOX**"	A system that combines fuel cell-based energy generation and an energy storage system intended to supply energy to electrical vehicles.
"**GenCell OX™**"	A fuel cell using hydrogen as a fuel and intended for backing up critical systems for extended periods of time and intended to operate in outdoor conditions, providing 10KW.

Chapter A – Description of the Corporation's Business

Chapter A – Description of the Company’s Business

Part One - Genral

1. General

The Company Board of Directors is hereby honored to submit a description of the Company's business as of December 31 2022, reviewing a description of the Company and the development of its business, as these occurred in the twelve-month period ending December 31 2022 (“**the Reported Period**” and “**the Report Date**”, respectively). Data appearing in this report as accurate as of the Report Date, and is up to date as of December 31, 2022, unless stated otherwise.

The Company is in compliance with the terms set in Section 1a of the First Addendum to the Securities Regulations, and accordingly, a description of the Company and its business, in this chapter below, are for the period starting January 1 2021 and ending near the report’s publication date, unless specified otherwise.

The financial data included in the report is in U.S. dollars, unless stated otherwise.

All of the data presented in this report refer to the Company's Financial Statements, unless noted otherwise.

The Description of the Company’s Business chapter includes data on the basis of public surveys and studies, including information appearing on various websites. Note that unless expressly stated otherwise, the Company has not asked, and in any event has not received, the consent of the parties consulting the surveys, the studies and the website in question, for the inclusion of information in the Description of the Corporation’s Business chapter, and this information is accessible to the public and to the best of the Company's knowledge is public. The Company is not responsible for the contents of the surveys, the studies and sites as noted.

The Description of the Company's Business features forward-looking information, defined in the Securities Law as a forecast, assessment, estimate or any other uncertain information, referring to a future event of matter, the realization of which is uncertain, and not under the Company's sole control ("Forward-Looking Information"). Forward-looking information given in the Description of the Company's Business is based on information present at the Company and includes assessments, estimates or intentions of the Company, as of the report date. Results in practice may be different from the results estimated or expected by the Company. In certain cases, forward-looking information may be identified by the presence of wording such as "the Company predicts", "the Company estimates", "the Company plans" and similar, but this information may also be worded otherwise.

2. Definitions

For the sake of convenience, the following are definitions of key terms appearing in the Periodic Report:

“Fuel cells”–	A fuel cell is an electrochemical cell that converts chemical energy to an electrical current.
“**Alkaline**” –	A word for the description of basic ionic slats of certain metals (such as sodium) or basic water soluble materials or basic materials in general. These salts were the first known bases and to this day serve as common based in industry. Inside the fuel cells, the medium between the electrodes is comprised of a base (alkaline) made of potassium hydrochloride, dissolved in water (30% concentration).
"Low Temperature"-	Work temperature of fuel cell – around 70 degrees Celsius;
“**Electrochemical process” –**	A process dealing with the chemical reactions in which hydrogen is separated and an electron passes between an electrical conductor (the electrode) and an ionic conductor (electrolyte). These are reactions in which an electron passes through the area between the electrode and the ionic conductor;
“Hydrogen” –	A chemical element with chemical symbol H and an atomic number of 1. The hydrogen molecules are comprised of two hydrogen molecules bonded with a single covalent bond (H-H) and marked as H2;
“**DC” –**	(The initials of Direct Current) The flow of electrical charges through a conducting medium with a fixed trend, or in other words which does not reverse its direction;
“**Electrochemical reaction” –**	The connection of oxygen and hydrogen in a chemical process that creates electricity, heat and water;
"**Catalyst**"-	A catalyst is a material that can accelerate chemical reactions;

"**Electrode**" –	An electrical conductor used to make contacts with a non-metallic medium of an electrical current. In the fuel cell, the hydrogen separation process occurs on the surface of the electrode where the catalyst is located;
"**H2O"-**	Chemical symbol of water;
"**Platinum**"–	A chemical element the chemical symbol of which is Pt and the atomic number of which is 78;
"Palladium"-	A chemical element the chemical symbol of which is Pd and the atomic number of which is 46;
"Nickel" –	A chemical element from the transition metal group the chemical symbol of which is Ni and the atomic number of which is 28;
"Ammonia" –	Ammonia Compound Nitrogen NH_3;
"**Semiconductor" –**	The material has an electric conductivity value falling between that of a conductor, such as a metallic copper, and an insulator, such as glass;
"Nitrogen" –	A chemical element with chemical symbol N and an atomic number of 7. The nitrogen molecule is comprised of two nitrogen atoms bonded in a triple covalent bond (N≡N) and marked N_2. Besides hydrogen this is the element with the smallest atomic mass relative to its number of electrons;
"Gravimetric Energy Density"	The electrical energy deriving from the presence of an electrical charge in an electrical field;
"**Electrolysis**" –	A chemical process that passes through an ionic material or a water solution, of breaking bonds between various molecular materials and compounds to their separate elements; For example, breaking water into hydrogen and oxygen;
"**UPS**"-	An uninterrupted power supply backup array. Allows ongoing load control so that the load does not feel any disruption. Used to protect critical loads from power supply issues, including peaks,

current drops, fluctuations and absolute chemical failures. The source of the energy is mostly designated batteries;

“**Cathode”–**	A cathode is a type of electrode (positive or negative dependent on the application); in a fuel cell, the cathode serves as the negative potential to which the free electrodes move through the high potential load (anode);
“**Anode**” –	a type of an Electrode. In the fuel cell, serves as an electrode in which an oxygenation reaction of hydrogen and oxygen occurs.
“**Liquid Electrolyte**” –	Any material containing free ions and acting as an electric conductive medium.
"**TUV Rhineland**"**-**	An internationally recognized German-Austrian certification and testing body. Provides certification in a broad variety of test and standards including highly certified experts who tests systems and technical products around the world. Its certification is accepted around the world;
“Carbon Dioxide” –	A gas that constitutes a compound of carbon and oxygen;
"**Black carbon**"**-**	(Black carbon) a component of a delicate particle material
"**IEEE 693 seismic standard**"**-**	Standard – a combined system of requirements for seismic certification of electrical equipment, designated for the world’s advanced electric companies. Unlike other standards, also requires the examination of equipment in practice and in effect does not consider the model sufficient. Users must use IEEE Std 693 with no changes or removals of any requirements;
"**Mini Power Plant**"**-**	Intended to provide a response to electricity needs in distant areas without a power grid. The mini-energy plant is comprised of a tank of ammonia fuel, an ammonia cracker, a fuel cell and a control system (EMS);
"**EFC EV**"**-**	An electrical vehicle powered by a hydrogen fuel cell;
“**Haber-Bosch**” -	An artificial nitrogen fixation process, and currently the primary industrial process for the production of ammonia;

"CO2"-	Carbon dioxide (chemical formula CO_2) is a colorless gas with a density 60% higher than dry air;
“Megawatt” –	a watt is a Unit of measurement that indicates the Output in the International units system. A megawatt is 1,000,000 watts;
"PEMFC"-	A fuel cell in which the medium between the anode and cathode is a membrane (and not a liquid);
"DMFC"-	Fuel cells that operate directly on methanol;
“Methanol” –	Methanol is the simplest form of alcohol. It is a colorless, flammable and toxic liquid with a distinctive smells;
"Pem"-	A membrane serving as a catalytic medium between the anode and cathode in PEMFC fuel cells;
“Palladium“-	A chemical element the chemical symbol of which is Pd and the atomic number of which is 46;
"PHD"-	Dr. title;
“Polypropylene” –	A thermoplastic polymer used in a variety of applications: warping material and badges, textiles, packaging and plastic parts, lab equipment, auto parts and so on;
"S&OP"-	Sales & Operation Planning Process;
"TUV"-	Technical testing association (Germany and Austria). Europe's current leading technical body for testing and certification;
"CE"-	European standard mark used to state that the marketed product meets the require relevant European legislation. These standards are required to market electrical products, for example, in Europe, Switzerland and Turkey;
"IEC"-	Israeli electric company;

"IEEE"- The world’s leading electrical engineering and electronics organization in the field of electric product and electronics standards. Regularly distributes international standards recognized by the entire world in the field of electricity and electronics. Testing and documentation bodies (such as TUV) use standards written by the IEEE as the bass for tests for the equipment they test;

Part Two – Description of the General Development of the Corporation's Business

3. The Company's Activity and a Description of its Business Development

The Company was incorporated and registered in Israel on February 21, 2011, in accordance with the provisions of the Companies Law, as a private company limited by shares, under its current name.

On November 18, 2020, the Company completed an initial public offering of its shares by virtue of the prospectus, in which the Company's shares were listed on the stock exchange, and accordingly, the Company became a public company, as this term is defined in the Companies Law, and also a reporting corporation, as this term is defined in the Securities Law.

As of the publication of the report, the Company develops, manufactures and markets green energy electricity backup and supply solutions based on hydrogen-based alkaline fuel cells. The Company develops the fuel cells in response to the growing need for non-oil-based energy. The Company's activity takes place in its offices and factory in Petach Tikva.

The Company does not hold any other corporation, except for its possession of 100% of the issued and paid-up stock capital of GenCell Inc. which was incorporated on October 30, 2017 according to the laws of the State of Delaware (U.S.), which over the course of the reported period, has no business activity.

4. Company's Area of Activity

The Company is a producing technology company which is engaged in the planning, development, production, marketing and provision of after sale services for alkaline fuel cell-based electricity generation systems featuring the production of green energy without creating carbon dioxide emissions, in response to the growing need for green energy as an alternative to internal combustion engines based on oil substitutes. The Company's systems are designed to provide uninterrupted power supply solutions for critical points in the economy, and mobile electricity solutions for geographical regions which are not connected to the power grid.

The Company's products are based on fuel cells. A fuel cell features a reaction between two gasses: hydrogen and oxygen. The product of this chemical product is electricity, water (H2O) and heat. The electricity is generated completely cleanly and does not create any pollution during the production process.

The fuel cell generates a direct current and can be used for various applications, such as electrical backup for various systems surrounding us that rely on a constant and stable power supply, as well as providing continuous power to areas that are not connected to electrical infrastructure or which receive electricity only some hours of the day. In addition, fuel cells are becoming a larger and larger party of the auto industry as a clean and long-term solution for powering vehicles. Fuel cell technology is considered an important element in helping decrease CO2 emissions and helps meet CO2 emission goals.

Fuel cells that operate under low temperatures (some 70 degrees Celsius) require the use of a catalyst. A catalyst accelerates chemical reactions between hydrogen and oxygen. In order to work, the catalyst is based on noble metals, like platinum and palladium. Noble metals are expenses and serve as a barrier in the ability to lower fuel cell costs and thus make it difficult to market fuel cells due to their high cost.

The Company has developed a cheap replacement for the use of a noble metal (platinum), with the replacement based on a unique compound of materials based on black carbon and nickel, which are significantly cheaper than the accepted alternative in the fuel cell market. This fact helps the Company lower the cost of its catalyst relative to platinum-based alternative catalyst on the merchandise market as it exists as of this report. Furthermore, the price of platinum fluctuates greatly, changing from time to time, and therefore replacing it with the cheap, unique compound developed by the Company reduces exposure to fluctuations in product prices.

The Company has invested significant efforts in research and development, and has reached a breakthrough in completing development of the catalyst, which is not based on a noble metal, including palladium. The new catalyst developed by the Company constitutes a cheap replacement for a catalyst based on noble metals. The catalyst is patent protected in a number of places around the world. For further details see Section 19.1 below as well as an immediate report published by the Company on March 9, 2021 (reference no.: 2021-01-029763). The above constitutes inclusion by way of reference.

The Company has developed a technology that allows it to provide electricity in areas in which the power grid does not exists or exists on a partial basis (for just several hours per day). The Company's technology allows the production of clean electricity in areas that have been disconnected from the power supply while supplying green electricity and in most countries, operational savings vs. internal combustion engines (diesel engines). This development by the Company can operate continuously day-round independent on the sun or wind, with limited maintenance and off-site control. The solution proposed by the Company is characterized by minimal refueling logistics, from one per month to even once per year. This ability is based on the use of ammonia as the source of energy. Ammonia is the second-most common chemical on Earth, with a market value of over $100 billion in 2022[1]. Ammonia is highly available and is very common in agriculture, the semiconductor industry, deep freezing, cosmetics, medicine and more. Ammonia is comprised of one atom of nitrogen and three atoms of hydrogen and stays in a liquid state at low pressure, which allows it to be transported on trucks, trains and ships to almost anywhere.

The Company has developed a unique capability to extract hydrogen (which is needed to operate the fuel cell) from ammonia without using and connecting to the power grid, which is not present in those places, and thus feed the fuel cell with hydrogen that is used to generate electricity. The system operates as an independent unit. The Company's unique ability to extract hydrogen from liquid ammonia, allows the Company to present in areas lacking a power grid, a clean alternative to internal combustion engines, with minimum savings. As of the report date, there are no government grants of subsidies that help develop the Company's products in the area.

On February 22, 2021, it entered into a strategic cooperation agreement for TDK's participation in the Company's "Green Ammonia" project, ("**the Agreement**"), intended to develop a product that will allow the production of "green ammonia" with no CO2 emissions at the electricity production point. This solution will allow the Company to offer its customer a full solution that includes producing the ammonia and using a completely clean source of energy for the generation of clean electricity using the Company fuel cells, with the ammonia serving as fuel for them. The Company also estimates that insofar as it will succeed in developing the technological capability to produce green ammonia, it will have the possibility to enter the ammonia production market, which was estimated in 2019 at approximately 180 million tons, and in a financial scope of over USD 100 billion.

This solution will allow the Company to offer to its customers a solution which includes not only the production of electricity, but also the production of fuel at the point of electricity production. Use of natural resources that include sun, air and water required to produce the Company's green ammonia will allow the production of clean electricity using the Company's fuel cells, for which the green ammonia will serve as a fuel. The Company intends to use this technology in a manner which will allow the production of green ammonia (the fuel) for the Company's customers at the electricity production point, resulting in savings of the entire logistics activity involved in bringing and storing ammonia in the sites where the Company's fuel cells are located.

Over the course of the reported period the Company reached a significant technological breakthrough, which allowed the production of green ammonia directly from water under very low pressure and temperature relative to the ammonia production process that is currently available around the world. Accordingly, TDK notified it, after evaluating the above breakthrough, of its intention to exercise its rights to continue investing in the Project in accordance with the terms of the agreement, for the purpose of continuing the development of the project within the framework of the next milestone.

---

https://www.prnewswire.com/in/news-releases/ammonia-market-is-forecast-to-be-a-readjusted-size-of-usd-80500-million-by-2028-with-a-cagr-of-1-1-valuates-reports-896853349.html

The development of green ammonia production also constitutes, from the Company's perspective, the first step indicating its intention to enter the clean fuel production segment as well, which the Company believes will be a unique and very significant business opportunity in the coming years. The Company believes that the increasing use of hydrogen as the fuel of the future will drive initiatives to find ways to transport and store it, with green ammonia being one way of efficiently storing energy in hydrogen form. Furthermore, the Company believes that the possibility to produce green ammonia at the points of use will open up the possibility of offering this technology to the main segments of the ammonia market, including agriculture, industry, and others. The Company believes that its capabilities in the field of hydrogen and in particular in the development of catalysts to operate in hydrogen environments will boost its position in this continuously evolving market.

As of the report date, the green ammonia project is still in development stages and this activity does not constitute an independent area of activity. At the same time, in as much as matters mature, the Company will consider separating this activity and moving it to a subsidiary that will operate completely independently in this matter.

To be clear, all of the above information and forecasts, including the collaborations within the framework of the green ammonia project, the ability to complete the development of the scientific breakthrough to a product, including the ability to commercialize it, the realization of strategic partnerships with TDK and the completion of the project, as well as their assistance and advancement in the Company's commercial processes, constitute forward-looking information as the term is defined in the Securities Law. These estimates and forecasts may not be realized, in whole or in part, or be realized in a materially different manner than estimated. The Company's estimates and forecasts are based on the information which is currently available to the Company with respect to its activities, and are not under the Company's control.

For full details on the area of activity, see description in this chapter below.

5. Investments in the Company's Capital and Transactions with its Shares

5.1. To the best of the Company's knowledge, from January 1, 2021 to the publication date of this report, there have been no investments made in the Company's capital, except as detailed below:

Date	Nature of Change	Type of Security	Proceeds for Sales	Price per Share	Number of Shares Added to Company Capital
April 12 2021	Public offering of ordinary Company shares in accordance with a shelf offering report from April 11 2021 (1)	Ordinary shares	Approx. NIS 47 million (some $14.2 million)	NIS 13.5 (approximately 4.1 USD)	3,484,000
January 18 2022	Private allocation of ordinary Company shares in accordance with a material private allocation report (2)	Ordinary shares	Approx. NIS 112.5 million (some $36 million)	NIS 9.4 (Approx. 3 USD)	11,966,979

(1) On April 12 2021 the Company completed an additional offering of its shares ("**the Additional Offering**") by way of a non-uniform offer as noted in Regulation 11(a).(1) of the Offering Regulations for Institutional Investors (as defined in the Offering Regulations), including foreign institutional investors, including BNPP PARBIS CAPITAL which has a reputation of investing in leading international green energy companies, according to the shelf offering report from April 11 2021 published by virtue of the prospectus. For further details, see the shelf offering report and offering results report published by the Company on April 11 2021 and April 12 2021 (reference no. 2021-01-061635 and 2021-01-061755). The references in question constitute inclusion by way of reference.

(2) On January 17, 2022, the Company's Board of Directors approved a private allocation of 11,966,979 ordinary Company shares to third parties which are unaffiliated with the Company and/or its controlling shareholder (the "**Offerees**" and the "**Private Allocation**", as applicable), against the payment of NIS 9.4 per ordinary Company share, so that the total gross proceeds received from the Offerees amounted to a total of NIS 112,489,602 (some $35,996,673). To the best of the Company's knowledge, within the framework of the private allocation, ordinary shares were allocated, inter alia, to Migdal Insurance and Financial Holdings Ltd., an interested party in the Company, and to member entities of the group of Harel Insurance Investments and Financial Services Ltd., which became an interested party as a result of the private allocation. Note that the Company undertook towards one of the recipient investors that during 2022, that it will not allocate Company shares at a share price lower than NIS 11 per share, unless it

performed an allocation to a strategic investor and/or as part of a strategic process. For further details see the material private offering report in accordance with the Securities Regulations (Private Offering of Securities in Registered Company), 2000 published by the Company on January 18 2022, (reference no.: 2022-01-008007). The above constitutes inclusion by way of reference.

5.2. To the best of the Company's knowledge, from January 1 2021 to the publication date of this report, there have been no material transactions involving the Company's shares made by Company interested parties outside the stock exchange, except as detailed below:

Interested Party	Transaction Date	Transaction Type	Number of Shares	Transaction Rate (0.01 NIS)
Ben Zion (Benny) Landa[2]	24.5.2021	Off-market trade	2,411,056	1,200
Migdal Insurance and Finance Holdings Ltd. [3]	24.5.2021	Off-market trade	2,411,056	1,200
Rami Reshef[4]	22.6.2022	Off-market trade	147,159	339.50
Rami Reshef	June 23 2022	Off-market trade	65,000	375
Rami Reshef	June 28 2022	Off-market trade	21,068	445
Rami Reshef	June 29 2022	Off-market trade	25,000	436.5
Rami Reshef	June 30 2022	Off-market trade	50,000	423
Rami Reshef	July 7 2022	Off-market trade	24,000	390.5
Rami Reshef	July 21 2022	Off-market trade	30,000	343.5
Rami Reshef	31.8.2022	Off-market trade	14,492	339.7
Rami Reshef	1.9.2022	Off-market trade	14,492	344.93
Rami Reshef	28.9.2022	Off-market trade	23,729	315
Rami Reshef	30.1.2023	Off-market trade	26,399	189.2
Rami Reshef	31.1.2023	Off-market trade	73,200	204.8

6. Dividend distribution

6.1. From the Company's establishment to the publication of this report, the Company has not distributed dividends to its shareholders nor has it bought back its own shares.

[2] Note that Mr. Benny Landa is a Company director and its controlling shareholder. For additional details, see section 9 in Chapter A of the periodic report.

[3] Note that following the purchase Migdal Insurance and Finance Holdings Ltd. has become a Company interested party.

[4] Note that Mr. Rami Reshef is the Company's CEO. For additional details, see section 8.2(a) in Chapter D of the periodic report.

6.2. As of the publication of this report, the Company has no dividend distribution policy.

6.3. To the best of the Company's knowledge, subject to the provisions of the Companies Law, in the matter of meeting distribution tests, it does not come any restrictions that may influence its ability to distribute dividends.

6.4. As of the publication of this report, the Company has no distributable surplus balance.

Part Three – Other Information

7. Financial Information on the Areas of Activity

The Company's Financial Statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**").

As of the report date, the Company has a single area of activity.

For the Company's financial data for 2021-2022, see the Company's December 31 2022 Financial Statements attached as Chapter C to the Periodic Report.

For an explanation on developments in the financial data see the Board of Directors' report, attached as Chapter B to the Periodic Report.

8. General Environment and Impact of External Factors on the Corporation's Activity

The following will be the Company's estimates regarding the trends, events and developments in the Company's macroeconomic environment which to the best of the Company's knowledge and estimate have or are expected to have an economic impact on the Company's business results or developments in the Company's areas of activity and their implications:

8.1. The Economic/Political/Security Situation in Israel

The Government of Israel is currently attempting to make changes to its judicial system. The proposed changes are highly controversial, and according to media publications and the opinions of various experts, their influences, the disputes concerning them and the parties' behavior in their regard may have a negative impact on the Israeli economy. Uncertainty in the Israeli economy, whether due to a major national security incident, political uncertainty, due to an economic recession or any other factor, may lead to a decrease in the entrance of new customers from around the world that will lead to direct harm to the Company's revenues and business expenses. The economic/political/security situation in Israel constitutes a risk factor for the Company. For further details see Section 32 below.

8.2. <u>Spread of Covid-19</u>

In early 2020 a new virus started spreading across the world, the Covid-19 Coronavirus, which was declared a global pandemic by the World Health Organization (“**The Pandemic**”, or “**Covid-19 Coronavirus**”). Over the course of the reported period there have been alternating increases and decreases, with the infection rate and spread of the Covid-19 coronavirus increasing towards the end of the year. There is still significant uncertainty in connection with additional “waves” of infection, the imposition and/or lifting of restrictions, the population's vaccination against Covid-19 and the effectiveness of vaccines against new mutations and/or strains of the coronavirus, and the development of effective drugs against the coronavirus, and in connection with the manner and duration of the recovery from the crisis, and the frequent changes occurring therein. The outbreak of the virus, and the uncertainty regarding its spread, as well as the various directives and measures imposed by governments in Israel and around the world in order to respond to the pandemic, resulted in a global economic crisis, including, inter alia, in Israel.

In the period since the pandemic broke out there has been a drop in the level of economic activity in various areas around the world, including in Israel, sharp fluctuations have been felt in many markets (both real and financial), which are characterized by high levels of uncertainty, and these have been expressed, among other things, in an increase in fluctuations and in risk. In addition, 2022 was characterized by a shortage of raw materials and a significant increase in shipping costs, which harmed the supply of products according to the original timetables agreed upon. This shortage, one must note, was closed in the second half of 2022 and as of the report date the Company has no problems supplying raw materials, with a few exceptions. At the same time, in light of the high rate of infection in China, which constitutes an important source of some of the Company’s raw materials, we cannot predict the future course and scope of the crisis and its impact on business activity in Israel and around the world in general, and on the Company in particular. The Company is continuing to track the spread of the virus and its economic impact and will act accordingly. For further details on the Covid-19 Crisis and its impact on the Company’s business activity, see Section 1.2 of Chapter B of the Periodic Report. The spread of Covid-19 poses a risk to the Company. For further details on this risk factor and its impact on the Company, see Section 32

a. **<u>GenCell Backup Operations extender (BOX)</u>**

In light of the increasing demand of the telecom market for technological applications that generate and supply renewable energy, the Company has launched the BOX system, which supplies long-term backup energy for critical sites and for sites in the communications field on the basis of the Company's fuel cell technology. The BOX system has an output of 5 KW, with a long-term backup capability in extreme weather conditions. The BOX system can be installed quickly and efficiently on a plug and play basis. Over the course of its work, the BOX system generates clean energy with no CO2 signature, no vibrations and no noise upon operation. In addition, the BOX system was designed so that it can interface with energy management systems based on standard telecom energy management system protocols. Relative to the G5 system, the BOX system has the following advantages: a. a 25% smaller footprint; b. the ability to operate in outdoor conditions; c. a significant decrease in the price of an individual product while maintaining the product's level of performance. Over the course of the reported period, the Company has completed the installation of the Company's systems in North America, at suppliers of energy services for the gas transmission industry, for evaluation and presentation to their customers. One of North America's leading gas transmission suppliers evaluated the Company's BOX systems throughout a period of approximately 8 months, including under extreme conditions of -40 degrees Celsius. The BOX system very successfully met all of the minimum conditions, throughout the entire test. For further details see the Company's immediate report from September 29 2021 (ref. no. 2021-01-081598). The above constitutes inclusion by way of reference.

b. **<u>GenCell FOX</u>-**

A system for supplying electricity continuously and over time, intended for places not connected to the power grid. The Company has developed a hydrogen "cracking" system produced by ammonia as a liquid fuel that allows ammonia to be a clean and cheap source of hydrogen. This development in effect allows the construction of a mini power plant that allows long periods of time to past between refueling in isolated areas that are not connected to the power grid and generation of electricity at a price lower than electricity produced by internal combustion engines using diesel fuel. This technology is intended to replace internal combustion engines. The development of the ammonia cracker allows the Company to present the FOX system as a solution for supplying electricity independently outside the power grid.

The Company's FOX system, which relies on ammonia as a source of fuel, has uses in many areas, starting from power supply systems for telecommunication, borders, off-grid schools and clinics, as well as completely independent electric vehicle charging stations that can be placed independently of the availability of the power grid. The Company has chosen to start with the telecom market as its primary market – a market estimated at some 300,000 cellular antennas that are not connected to the power grid[5]. In accordance with the Company's estimates, each installation of the FOX system will save, over the course of 10 years, approximately 500 tons of CO_2 emissions from diesel engines, and operating costs will drop by tens of percentages points compared to use of diesel engines. Note that as of the publication of this report, the FOX system is still in advanced stages of development and the Company has begun testing the product outside the Company's lab at potential partners and customers, with the plan being to begin commercial installations by the end of 2022 and declare it a commercial product by the end of 2023. Within this framework, during the reporting period, and further to the engagement in the strategic agreement with the Icelandic Telecom Company, the Company installed the FOX system at one of the Icelandic Telecom Company's stations, in order to test its activation at the telecommunications company's emergency communications sites. For further details see Section 27.6 below.

In addition, the Company, along with Deutsche Telecom, conducted a field experiment in Israel of the FOX system, comprised of two stages. The trial was conducted in accordance with metrics that were determined between the parties. As of the publication date of this report, the parties have completed the field trials of the FOX system, and in the first stage the system successfully fulfilled the threshold conditions of 1,000 hours of continuous operation, while fulfilling the energy profile that was established by Deutsche Telekom and in the second stage, the FOX system was tested in 4 series of loads graded from 2KW to 4.5KW, while running continuously, and operated as required. The system operated under an extreme work profile as defined by Deutsche Telecom. In accordance with the collaboration agreement, the FOX system became an approved product for purchase for all member companies of Deutsche Telecom Group around the world. For further details on the strategic cooperation

[5] https://www.gsma.com/mobilefordevelopment/resources/closing-the-coverage-gap-how-innovation-can-drive-rural-connectivity/

agreement with Deutsche Telecom, see Section 27.7 below.

c. **<u>EVOX-</u>**

The EVOX system is a hybrid, autonomous product capable of generating electricity independently of the power grid and alternate sources of energy and with no emissions. EVOX was developed on the basis of the Company's proven hydrogen-based fuel cell technology, the BOX. EVOX combines the ability to generate electricity in the Company's fuel cells (fuel by hydrogen), use of energy coming from the power grid (if such a connection exists) and use of means for storing energy in lithium batteries, while connecting and managing these sources of energy using a unique program developed at the Company. EVOX constitutes a solution that ensures energy availability for charging electric vehicles at all hours of the day regardless of the availability of the power grid, solar energy or wind. The EVOX system provide a response for the increasing demand for autonomous electric vehicle charging stations, in places where the power infrastructure is insufficient or does not exist, and allows an increase in the charging capability of a larger number of electric vehicles.

For further details on the cooperation agreement with EV, according to which the Company's systems will be integrated into the charging systems of EV’s hybrid vehicles, see Section 29.8 above.27.8

9. Cross-Section of Revenues and Profitability of Products and Services

The following is data on the breakdown of the Company's revenues from products the rate of which constitutes 10% or more of the Company’s total revenues in 2021-2022:

The Product	For the Year Ending December 31 2022		For the Year Ending December 31 2021	
	Revenue in Thousands of Dollars	Rate of Total Company Revenues	Revenue in Thousands of Dollars	Rate of Total Company Revenues
The REX System (Including Associated Services)	852	11.5%	5,226	94%
The BOX System (Including Associated Services)	1,060	14.3%	-	-
The EVOX System (Including Associated Services)	5,491	74.2%	-	-

10. New Products and Developments

10.1. The Company has identified an increasing demand for fuel-cell based technological applications in the global energy production and supply market at outputs greater than the current product line, at an output of 10 KW. This fact requires the Company to invest in new research and development of fuel cells with a greater output in the 10 KW range. These new fuel cells are based on a new fuel cell "module".

The fuel cell "module" is the core of the Company's technology and its intellectual property. The purpose of the development is increasing the energy density of the "module" significantly while maintaining, as much as possible, existing size and weight data. In simple terms, receiving twice the output at the size and weight given today while decreasing the cost of a KW unit. The project's success will ensure a response for the current market demand for fuel cells at an output of 10 KW inside the Company's target markets, such as the telecom market. The Company is planning to launch a new product named OX in 2023. In the next stage the Company will strive to use the development of the new "module" as a springboard for its development for applications that will require higher outputs by connecting a number of "modules" concurrently, and thus supporting outputs of tens of KW.

10.2. Use of ammonia constitutes a key component of the Company's vision, seeking to make electricity availability clean and cheap. Producing industrial ammonia is based on a known process known as the Haber-Bosch process, which is based on the use of natural gas as the raw material for ammonia production. This process is currently responsible for the production of most of the world's ammonia. On the one hand, it ensures a continuous supply of ammonia for agricultural and industrial purposes, while on the other hand, this manufacturing process is responsible for 2% of all global CO_2 emissions. Over the course of 2021 the Company began developing a process of producing green ammonia, using an environmentally friendly process, with the source of energy for producing ammonia being excess energy currently created in solar fields and water. The Company has filed a patent request for this invention, which is under examination.

For details on the strategic cooperation agreement with TDK for the joint development of green ammonia, see 27.3 below.

10.3. The Company estimates that developing this technology may change the Company and allow it to become not only a supplier of end products but also supply fuel and/or the technology for the manufacture of fuel (green ammonia) for the fuel cell market that consumes ammonia, and for other ammonia consumers such as in agriculture and industry, in a period of between 5 and 10 years. The Company estimates that the capability achieved in 2021 within the framework of the development of the catalyst unique to the Company in which a direct process takes place of converting water to ammonia with no need for an expensive electrolysis process as part of the process for the development of green ammonia it launched along with TDK, will allow the Company to enter the future fuel market with a unique competitive advantage. Electric vehicles are becoming more common in many countries and according to estimates and publications around the world, in 2025 16% of all vehicles in the world will be electric. This phenomenon has already been posing a significant challenge to electric infrastructures. Many investments will be needed to face the demand for electricity during peak hours. The Company is acting to adapt its products to be part of an independent electrical system that will allow electric vehicles to be charged in any place where the power grid is insufficient or does not exist, and thus serve as a replacement for the use of polluting diesel, which is currently the primary response to this need. This development will be based on the Company's advantage in building charging stations that are disconnected from the power grid (autonomous systems).

For this purpose, further to the Company’s engagement on November 14 2021 in an agreement with EV, the Company's systems shall be integrated into the EV hybrid vehicle charging stations, with the aim of planning and building projects in Israel for charging electrical vehicles via hybrid autonomous charging stations, which are not connected to the national power grid, and in order to replace generators operating using fossil fuels. Furthermore, In accordance with the collaboration agreement, EV has purchased, through a subsidiary under its control, EVOX fuel cells adapted to the specific needs of the EV’s hybrid vehicle charging systems, in order to work together to build hybrid charging stations for electric vehicles throughout Israel (“Purchase of EVOX Systems”). For additional details, see Section 27.8 below as well as the Company's immediate reports from November 15 2021 and June 2 2022 (reference nos. 2021-01-097258 and 2022-1-069163, respectively). The references in question constitute inclusion by way of reference.

In the Company's view, and in the Company's estimate, these positive results may significantly advance and position the Company at a significant starting point in the global electric vehicle charging market in accordance with the Company’s goals and business strategy. Proof of the Company’s ability to produce and supply clean, emission-free energy solutions at hybrid autonomous electric vehicle charging stations which are not connected to the national power grid. The Company estimates that the project is expected to allow the creation of a new solution for the supply of clean, emission-free electricity for charging electrical vehicles at autonomous charging stations. By 2030, the international electric vehicle charging market is expected to increase to $207 billion [6], and as a result, the Company estimates that the project constitutes a significant starting point in the Company's attempt to penetrate this market and market its systems and technology in the future.

10.4. Over the course of the reported period the Company has made progress in the development of a software called GEMS (GenCell Energy Management System), a unique program for monitoring and managing the emergency backup energy array. The system is based on reading electrical loads in real time, such as vital systems, computer systems and any critical system consuming electricity and requiring backup. The system tests the sources of energy that are supposed to provide the energy when the power grid is down. In addition, the system can identify unplanned energy consumption that may be greater than existing energy reserves and issue real-time alerts. The system can provide users with the backup situation at any given time and allow the transfer of energy. The system has an industrial communications interface with high cyber survivability, the ability to communicate with all types of network consumers connected to the backup systems.

10.5. The Company believes that as a result of the multiple sources of energy currently being used (sun, wind, fuel cells, batteries and so on) the resources and energy consumer management program will have a material impact on customers; decision in the future regarding the selection of a fuel cell supplier, and therefore it will continue to improve and invest in the GEMS energy management program in the foreseeable future as well. The Company is continuing to adapt its monitoring and IOT systems to interface with the monitoring systems of its customers, purchase monitoring systems of electric companies and cellular companies, with connectivity with leading manufacturers of transmission equipment.

10.6. On the basis of the GEMS system being developed by the Company, the Company is focusing on developing an energy management program for the EVOX system that will allow management of all energy resources, including solar, wind, electricity from the electric company, fuel cells, storage and so on. The Company estimates that this system will allow the maximization of the profits of the corporation operating the station where the EVOX systems are installed, while providing tools and knowledge to understand cost vs. demand at any given time. For further details on the submittal of a

[6] Guidehouse Insights, 13/10/2021 - https://guidehouseinsights.com/news-and-views/electric-vehicle-charging-infrastructure-market-is-expected-to-exceed-$207-billion-by-2030

patent request for the development of this software, see Section 19 below.

The Company's estimates on new Company products and developments and its strategic and business plans constitute forward-looking information as the term is defined in the Securities Law. These estimates are based on the information possessed by the Company today regarding its activity and on the estimates made by Company Management, and they are not under the Company's sole control and may not occur at all or may occur on a partial basis.

11. <u>Customers</u>

Customer's Name	Sum of Income as Recognized in the 2022 Financial Statements.	Sum of Income as Recognized in the 2021 Financial Statements.	אחוז Percentage of Company's Total Revenues in 2022	Percentage of Company's Total Revenues in 2021	Description of Customer and Engagement
CFE	852	5,226	12%	95%	In 2021 the Company won a tender prepared by CFE for the supply and installation, in the initial stage, of 37 Company REX systems, adapted to work in transformation stations ("**the Systems**) as well as installation, maintenance and warranty services for two years from the completion of the systems' installation ("**the Tender**"). For the purposes of the Tender, the Company entered into an agreement with a local partner in Mexico and pursuant to it was decided that the Company would be responsible for providing the systems and that works connected to the installation and maintenance for the systems and their ongoing treatment, would be carried out through the local partner and not through the Company, and they would bear the expenses for the provision of these services Accordingly, the total proceeds from the systems in question amount to approximately $5.8 million, of which the Company is entitled to receive a total of approximately $3.8 million with respect to the provision of the systems, training the local partner's employees, and supporting the local partner throughout the service period. in the second stage of the tender, CFE exercised its right and increased the number of systems by 37 additional systems, such that the total proceeds with respect to both stages of the tender amounted to a sum of approximately 11.6 million dollars, of which the Company's share is approximately 7.3 million dollars (a total of approximately 3.5 million dollars is with respect to the additional systems which were purchased in the second stage). The Company has provided all of the systems to CFE and has completed their inspection in accordance with the tender.

Customer's Name	Sum of Income as Recognized in the 2022 Financial Statements.	Sum of Income as Recognized in the 2021 Financial Statements.	אחוז Percentage of Company's Total Revenues in 2022	Percentage of Company's Total Revenues in 2021	Description of Customer and Engagement
					Note that in light of delays in the installation of the systems, CFE offset a sum equal to 10% of the total proceeds of the Tender, such that the total proceeds to be received by the Company within the framework of both stages of the tender amounts to approximately $6.75 million. Within the framework of the agreement, it was agreed that the local partner would back all of the payments for the tender directly from the CFE and pass all of its portion on to the Company as noted above. As of the publication date of the report, the local partner has transferred to the Company a total of approximately USD 6 million. Within the framework of the preparations for the tender, the Company provided the local partner with loan bearing 5% yearly interest, and as of December 31 2022, the balance of the loan amounted to approximately $2.746 million. On November 1 2022, the Company and the local partner signed an agreement to arrange the debt and spread the payments for the loan, which will be paid no later than April 1 2025, in accordance with the clearance board which was determined. Note that redemption of the loan is not dependent on payments received from CFE. As of December 31 2022, the sum of the provision to projected credit losses for this loan amount to 1.5 million dollars. Also, in accordance with the terms of the tender, the Company has provided bank collateral to the sum of $1.2 million. For further details, see Note 15 to Chapter C of the Periodic Report, as well as the Company's immediate reports from December 20 2020, May 10 2021, May 11 2021 and August 17 2021 (reference nos.: 2020-01-137091, 2021-01-081384

Customer's Name	Sum of Income as Recognized in the 2022 Financial Statements.	Sum of Income as Recognized in the 2021 Financial Statements.	אחוז Percentage of Company's Total Revenues in 2022	Percentage of Company's Total Revenues in 2021	Description of Customer and Engagement
					2021-01-082731, and 2021-01-066232, respectively). The references in question constitute inclusion by way of reference.
EV	5,891		80%	0%	Within the framework of the cooperation agreement with EV, a subsidiary under its control purchased BOX systems of the Company, for a total of USD 400 thousand, with respect to several BOX systems and related services. The systems and services were provided in the first quarter of 2022. This sum has been collected in full. Additionally, in 2022 EV acquired, through a subsidiary under its control, additional fuel cell systems of the EVOX™ type. The consideration with respect to the sale of the Company's systems, as stated above, amounts to approximately 5 million dollars, plus VAT. In the fourth quarter the order was increased and updated to a total of approximately 5.66 million dollars. As of the report date, the Company has provided all of the EVOX system and part of the infrastructure equipment for a number of sites and recognized income for this order to the sum of $5.25 million. As of the publication date of the report, the Company has collected a total of approximately USD 2.8 million (including VAT) and has received a check in the amount of the balance of consideration payable as of April 30, 2023. In accordance with the parties agreements, the Company will recognize income at the rate of the Company's progress and the provision of services to the various sites according to a "Cost+" model. As of the date of this report, the Company has recognized income for this order to the sum of $238,000.

11.1. As of the publication of this report, and taking into account that the Company is a manufacturing company, the Company is continuing with efforts to market its products to potential customers, in accordance with strategic collaborations as detailed in Section 2927 below. In accordance with the agreements in question and as part of various pilot projects, for the purpose of the penetration of Company products, Company products have been installed at various customers, such as FE, Deutsche Telekom Delta, Horizon Power SDG&E Vodafone, ATCO, SimTel TEAM, AICOX SOLUCIONES, an Israeli hospital, the Israeli Electric Corporation and additional customers. The Company’s installed systems have so far displayed functionality at high levels of reliability under extreme weather conditions, at high altitudes and even during earthquakes.

11.2. The Company estimates that its future customers will include, among others, electric companies, telecom companies, charging station for electric vehicles companies, as well as companies and areas that cannot withstand extended power outages and which are interested in moving to continuous backup clean of any CO2 emissions. The Company is active and intends to continue offering business collaborations, within the framework of which it will sell and market its products through companies that are already active in the intended markets with complementary products.

11.3. While both CFE and EV constituted material Company customers in 2021 and 2022, the Company estimates that as of the publication of the report, it is not dependent on these customers or on any of its customers

The Company's estimates on potential customers constitute forward-looking information as the term is defined in the Securities Law. These estimates are based on the information possessed by the Company today regarding its activity and on the estimates made by Company Management, and they are not under the Company's sole control and it is possible that such business activity will not be successful with potential customers as noted.

12. Marketing and Distribution

The Company has begun controlled marketing of its products among strategic players in the target markets. The Company has a marketing, business development, customer support and sales array centered in Israel and with a presence in the United States and in Europe. The Company works directly with end customers to sell its products directly. In addition, the Company works together with distributors and partners. The Company estimates that in order to create significant sales through these distribution channels, it will be forced to continue investing and establishing its extensive knowledge among salespeople in the distribution channels and even present its products to potential customers itself.

As part of the Company's marketing and sales efforts in the U.S. market and in order to ensure the Company's competitive advantage in the U.S. domestic market, on November 4 2022 the Company entered into a farmwork agreement for strategic cooperation with Linde Gas and Equipment ("**Linde**"), an American industrial company, which deals among other things in supplying hydrogen ("The Cooperation Agreement"). In accordance with the Cooperation Agreement, the parties will work together to formulate a plan for marketing and selling its various products and in particular hydrogen gas, which will be specifically adapted to the Company's customers and will be marketed along with the BOX^{TM}systems, as a single package that offers a complete solution and a response to the various need of the Company's customers in the United States, as they exist from time to time. For additional details, see the Company's immediate report dated November 6, 2022 (reference number 2022-01-133201). The above constitutes inclusion by way of reference.

On December 6 2022 the Company entered into a framework agreement for a strategic cooperation ("**the Cooperation Agreement**") with Air Liquide Deutschkand GmbH, a German gas company, which is a subsidiary of Air Liduide S.A. ("**ALD**"), a leading international company in the field of gas and services. In accordance with the Cooperation Agreement, ALD and the Company shall cooperate to formulate a personally adapted plan to supply hydrogen gas to the Company for its customers, which will be marketed along with the Company's FOX and BOX systems ("**the Company's Systems**"), as a single package that offers a complete solution and a response to the various need of the Company's customers in the United States, as they exist from time to time. It was also decided in the collaboration agreement, that ALD shall be responsible, among other things, for all matters pertaining to shipping and supplying hydrogen to the Company's customer sites and will support the Company's customers as needed in connection with complying with relevant regulatory requirements connected to storing and using hydrogen. For additional details, see the Company's immediate report dated December 7, 2022 (reference number 2022-01-148081). The above constitutes inclusion by way of reference.

The Company's estimates on penetration strategy, including marketing methods and collaborations, constitute forward-looking information as the term is defined in the Securities Law. These estimates are based on the information possessed by the Company today regarding its activity and on the estimates made by Company Management, and they are not under the Company's sole control and it is possible that such business activity will not be successful with potential customers as noted.

13. Order backlog

The following is a description of sums of revenues expected to be recognized from the current orders backlog by periods (in thousands of dollars):

	Q1 2023	Q2 2023	Q3 2023	Q4 2023	2024	2025	Total
Orders backlog as of December 31 2022	952	633	285	285	85	-	2,239
Order backlog immediately prior to the publication of the report	-	713	448	325	85	-	1,571

The cross-sectioning of the orders backlog, to quarters and coming years, was carried out to the best of the Company's estimates on the basis of the data and information in its possession as of the publication of the report, and constitutes forward-looking information, as defined in the Securities Law. This information may not be realized in the event of delays in the timetables set for transactions and for the supply of products, that are not dependent on the Company or in the event that conditions for recognizing revenues for their supply have not yet vested.

The orders backlog as of December 31 2021 amounted to a total of 2,438 million.

14. Competition

According to the estimates of leading analysts, the financing economy shall constitute one fifth of the final demand for energy by 2050 with a constant increase in demand for financing to a value of $2.5 trillion in revenues[7]. The global fuel cell-based generator market has increased by 4% since 2014, and is expected to grow by a yearly average of 21% by 2025[8].

According to industry estimates, the static fuel cell market is expected to grow by over 22% in 2018-2022[9], while the total fuel cell market (static and mobile) has experienced an annual growth of over 15% and is

---

[7] https://www.businesswire.com/news/home/20180507005557/en/Global-Stationary-Fuel-Cell-Market-2018-2022-to-Post-a-CAGR-of-over-22-Technaviomarket.html

[8] http://www.fuelcellindustryreview.com/archive/TheFuelCellIndustryReview2018.pdf

[9] https://www.businesswire.com/news/home/20180507005557/en/Global-Stationary-Fuel-Cell-Market-2018-2022-to-Post-a-CAGR-of-over-22-Technaviomarket.html

expected to reach a market share of $33 billion as early as 2027[10].

As noted in Sections 9.2.9 and 9.2.10 above, the market is characterized by high entrance barriers and some 10 competitors with significant scopes of activity engaging in the development and manufacture of fuel cells using various technologies (see details in this section below).

One may note that most of the use of fuel cell technology is currently using PEMFX technology (photon exchanging membrane fuel cells[11]) followed by SOFC (fuel cells operating at high temperatures and using methane gas, CH4, as fuel[12]).

The Company considers companies that manufacture fuel cells based on proton exchange membrane (PEM) technology, which operate using a methanol/water mixture and direct methanol fuel cells (DMFC), which operate using methanol, as the chief competitors to the Company's products.

Fuel cells using PEM technology require pure hydrogen to operate. This form of hydrogen is expensive to manufacture, ship and store. Fuel cells using DMFC technology, operate using methanol, which is a chemical liquid that needs to be manufactured and diluted at designated facilities with very limited distribution. Methanol is cheaper than pure hydrogen (which appears as a gas) and easier to transport and store as it is a liquid. At the same time, DMFC fuel cells are more expensive, less efficient that PEM fuel cells and the electricity production process features a CO2 signature, meaning that they do not generate clean electricity.

All of the Company's products, both those that are powered by hydrogen gas and those powered by ammonia, generate clean energy with no CO2 signature. The Company's products installed at isolated sites can operate off a 12-15 ton ammonia tank continuously for a whole year, while with the competing DMFC technology, it can operate of a methanol tank of up to 1 ton, this act requires a monthly supply of fuel (when working 24/7) while at a site in which the FOX system is installed, the frequency of fuel supply can be minimal, as little as once per year, thus achieving significant operational savings. It's important to add that use of methanol is not clean and creates CO2 emissions.

The technological value the Company presents with the FOX system may allow it to compete not just in the fuel cell market, but in the diesel generator market, which is the dominant technology in the field today. The

[10] https://www.bloomberg.com/press-releases/2020-03-12/fuel-cell-market-size-worth-33-09-billion-by-2027-cagr-15-5-grand-view-research-inc

[11] https://www.sciencedirect.com/topics/chemistry/proton-exchange-membrane-fuel-cells

[12] https://www.bloomenergy.com/blog/everything-you-need-know-about-solid-oxide-fuel-cells

FOX product in planned to present a green solution, with minimal maintenance and most importantly, that the FOX product is now cheaper to operate in many countries around the world and therefore may gave competitive potential for the Company. In addition, the Company is working to significantly reduce the production cost of the FOX system with continued technological developments pertaining to lowering costs and increasing production rates, which may increase the Company's competitiveness in additional markets and countries.

There are a few players in the market who are focusing on developing generators based on alkaline fuel cell technologies in addition to the Company, one of which is AFC Energy, which to the best of the Company's knowledge is in advanced stages of product development. The market share attributed to this type of fuel cells was estimated as close to zero in 2018 but is expected to grow significantly in coming years[13].

The global market of fuel-cell based generators was estimated at $10 billion in 2019, with a yearly growth rate of 15% for coming years (2027)[14]. The demand for clean energy sources serves as a key catalyst. Government involvement around the world for adopting clean sources of energy by providing assistance such as assistance with research and development, toughening regulation against pollution and regulation encouraging clean energy sources creates a business framework that is comfortable for investments in this sector.

The Company's key competitors in the global market are: AFC Energy (traded on the London Stock Exchange), Hydrogenic (traded on the NASDAQ), Ballard Power Systems (traded on the NASDAQ), Plug Power (traded on the NASDAQ), AB Powercell (traded on a secondary stock exchange on behalf of the NASDAQ – First North Growth Market), Proton Power Systems (traded on the secondary London stock exchange – AIM), Altergy, Horizon Fuel Cells, US Hybrid, Nedstack Fuel Cell, SFC Energy (traded on the Frankfurt stock exchange), SerEnergy, Bloom Energy (traded on the New York Stock Exchange), Ceres Power (traded on the secondary London stock exchange – AIM), Fuel Cell Energy (traded on the NSADAQ), and Doosan Fuel Cell America.

Companies like Ballard, Hydrogenic, Plug Power and Ceres Power have high integration up their entire chain of value. Some of these companies have established themselves as key producers. They focus on R&D activity for the development of fuel cell technologies. Mergers and acquisitions (M&A) are some of the main

[13] See Footnote 6 above.

[14] https://www.grandviewresearch.com/industry-analysis/fuel-cell-market?utm_source=abnewswire.com&utm_medium=referral&utm_campaign=Rohit_Aug01_cmfe_fuel-cellRD1&utm_content=content

strategies adopted by the market players.

As a rule, competition from PEM technology poses a significant competitive threat to assimilation in the market of fuel cells based on alkaline fuel cell technology. At the same time, the Company's products have a number of operation and cost advantages over PEM technology, as follows:

- ✓ <u>Use of capital expenses in the absence of need to use in noble metals –</u>

  When the Company starts manufacturing at the amounts and scopes of competing companies selling PEM fuel cells, the Company predicts that the cost of manufacturing its fuel cells, which lack noble metals, will make them more competitive in the market as detailed above.

- ✓ <u>Savings in operational costs as a result of use of hydrogen produced from ammonia</u> –

  The Company uses industrial-grade hydrogen (as well as ammonia used in the AFOX system) compared to the pure hydrogen needed for some of the PEM fuel cells. The Company considers this a major advantage for two main reasons: (1) the large availability of hydrogen at the industrial level over its pure version; and (2) cost savings, as the cost of industrial-grade hydrogen is 30%-50% cheaper than pure hydrogen.

- ✓ <u>Humidity –</u>

  The membrane in a fuel cell using PEM technology is negatively influenced by high humidity levels (creates excess water) or low ones (the membrane dries out), with these often conditional on the general operating temperature of the fuel cell itself.[15] On the other hand, the Company's products can withstand humidity levels of 90%.

- ✓ <u>Temperature –</u>

  The electrolyte of a PEM full cell starts to crystalize at below freezing temperatures, and therefore requires preliminary heating to make its operation easier. On the other hand, the Company's alkaline fuel cell technology can operate at sub-freezing temperatures without a preliminary heating system. In the context of markets like North America and Asia, which are known for particularly low temperatures, these advantages give a good opportunity to increase demand for the Company's products compared to competing fuel cells.

[15] https://www.researchgate.net/scientific-contributions/2083722851-Luis-Alberto-Martinez-Riascos

- ✓ <u>Price advantage</u> –

  After almost a decade in which the Company developed its products, including use of a platinum-free catalyst and the use of ammonia as the source of finance, it completed local production capabilities, installing system is in over 20 countries, and the Company is preparing to realize the price advantage potential allowed by the Company's technology. Therefore, the Company is continuing to develop the future generations of its products with the aim of continuing to reduce the price of the product, increase the power supply output per unit and continue the industrialization and automation of the fuel cells in order to lower costs.

The increased competition in the alternative energy market in general and in other fuel cell companies in particular, drives the country to invest in the research and development of innovative and improved products, that are expected to offer a significant competitive advantage both for the static and the mobile markets, and therefore allow fast commercialization and revenues from sales.

The Company is already active in various countries directly and therefore conducts business activity through distributors and strategic partners, such as partners in programs and technologies such as Hydrogen Europe and the California Hydrogen Business Council, and the Ammonia Energy Association, with whom the Company is active around the world in promoting fuel cell technologies, partners in existing programs such as the African Hydrogen Partnership, through which the Company is advancing the deployment of fuel cell and renewable energy products. For details on cooperation agreements with ABB and Deutsche Telecom, see 27 below.

Parallel to the skilled personnel, the unique knowledge and the expertise the Company has accumulated over the years, along with the unique patents the Company has been implementing in its various products, the Company has mainly been active with potential customers, but also maintains business relationships with select distributors in various countries.

The Company has strategic partners like TDK, Deutsche Telecom, ABB, EV, Linde, the Islandic Telecom Company and ALD, which share its vision of supplying clean energy. These strategic partners constitute a strong basis for attempts to enter new markets as well as expanding existing business activities.

15. <u>Seasonal Factors</u>

The Company estimates that seasonal factors are not expected to have a material impact on its monetary results, as the Company's products are not influenced by weather conditions. The Company's products work in any weather, cold or hot, and under extreme humidity conditions. Thus they ensure energy continuity for customers under any weather conditions.

Accordingly, during the reported period the Company and the Islandic Telecom Company completed a trial for testing the operation of the FOX system at an active communications site where the FOX system is the continuous 24/7 power supplier under extreme weather conditions. For further details see Section 27.6 In addition, the G5 system has been operated successfully at a temperature of -20 degrees Centigrade at a Canadian customer.

16. Manufacturing Capacity

The Company's potential production capacity is 200-300 units pr year within the framework of the existing production line with an accelerated production capacity to 500 units in the existing facility.

The Company intends to increase the production line over the course of the next five years by a number of stages and in accordance with the Company's ongoing needs to ensure extensive serial production, both in the Company's facilities and through outsourcing. In addition, the Company has increased the space in which it is currently carrying out its production activity where it currently resides (for further details, see 17 below), in order to absorb the new personnel hired by the Company in order to support its plans. Also, as of the publication of the report, the Company increased its operational efforts to strengthen and increase the efficiency of its production line in order to allow it to fulfill the Company's production forecast, and implemented an inventory policy which guarantees raw materials and items for continuous supply, in order to address the shortage of raw materials and logistical problems. Over the course of the reported period, the Company has received two machines for the electrode production line, which are in advanced installation and calibration stages, and which will help the Company manufacture the electrodes at higher rates and will support the manufacture of the electrodes for the Company's systems. The machines are expected to increase electrode production capacity while significantly reducing workforce, by virtue of them being automatic and supported by advanced robotics, and will also reduce the potential depreciation that is caused during the electrode production process.

The production lines are varied lines, some of them completely automatic and some requiring operator involvement. The Company intends to shift the production lines to maximum automation in order to improve output, lower and raise quality, within the framework of an approved automation plan.

The Company shall act to preserve the core technology by the Company only in order to preserve the intellectual property assets embodied in this part. Other parts of the product that do not bear any intellectual property and do not require expertise and do not contain the Company's core technology can be manufactured by various countries in Israel and abroad near the target markets.

17. Fixed Assets and Installations, Equipment and Primary Means of Production

For details on the Company’s offices, see Note 9 to Chapter C of the Periodic Report.

The fixed assets owned by the Company is production equipment for fuel cells and examination of fuel cell systems. For further details on fixed assets, see Note 12 to Chapter C of the Periodic Report.

18. Research and Development

18.1. Grants

As of the publication of this report, the Company has a grant approved by the Israel United States Binational Industrial Research and Development Foundation (“**BIRD**”) for the “Industrialization of New Cathode for Next Generation Electrochemical Fuel Cells (“**the Project**”); industrialization of the cathode is needed to move to mass production of the cathodes. Each fuel cell made by the Company has a large number of cathodes (some 400 units), and therefore development of the industrialization was needed in order to allow serial and quantitative production.

As of the report date, the total grant received from BIRD for the Project amounted to a total of $803,839.[16]

For further details on agreements signed with BIRD, see Sections 29.3 and 29.4 below.

The sum of the liability for the projects recognized in the Company’s Financial Statements as of December 31 2022, amounts to a total of 762 dollars.

[16] Note that over the course of 2020 the Company decided that the results of the Project B did not justify continued development, and accordingly, the Company announced that it was halting an additional project with the BIRD Foundation to develop an ammonia cracker for AFC technology based on an innovative catalyst intended to operate in low temperatures.As of the publication of the report, the Company is continuing to develop a catalyst for work at low temperatures on parallel paths. This is accepted practice in R&D companies, which operate on a number of parallel development levels.

18.2. <u>Proceedings in Future Development</u>

The Company is continuing with its development efforts that include, among other things, increasing the electrode's energy density, continuing development plans for lowering the prices of its products, development of green ammonia (manufacture of ammonia with no CO2 emissions) (for further details on the strategic cooperation agreement with TDK for the joint development of green ammonia, see 29.5 below), as well as the continued industrialization and automation of the manufacture of electrodes which constitute a key component. Introducing industrialization and automation will improve product costs and quality. The Company has organized plans for the development of future products, based on the Company's current technology. as well as development plans for new technologies in the Company's area of activity.

The Company expects that for the purpose of the research and development activities for the coming year, it will be required to make an investment of approximately 17 million dollars, including, among other things:

(1) Finding solutions to lower the price of the BOX system by redesigning items and processes;

(2) Completion of the FOX system development;

(3) Development of a new fuel cell with double energy density that will lead to the OX product in 2023;

(4) A study for the development of a product that will produce green ammonia (ammonia with no CO2 signature – clean fuel) for a period of at least 2.5 years;

18.3. As of the reporting date, amounts spent with respect to research and development amounted to USD 16 thousand.

18.4. The following is data on sums of investment in the Company's products and milestones for their continued development (all data in thousands of dollars):

The Product	Sums Invested in Development	Development Grants and their Repayment Terms	Sum of Investment Expected in Next 12 Months	Milestones for the Coming Year	Milestones for the Coming Two Years	Milestones for the Coming 3-4 Years
BOX	$26.4 million	Some 804 Thousands of Dollars. For further details see Section 29 below.	-	The product began being sold in 2022, and is now in cost reduction stages.	-	-
OX	$2.8 million	-	$3.7 million	OX working prototype	OX ready for certification by end of Q1/2024 -Full commercial release – June 2024	-
FOX	$17.9 million	Some 378 Thousands of Dollars. For further details see Section 29 below.	$4 million	FOX pre commercial unit by Q3 /2023. -FOX ready for certification – Q1/24 -Full commercial release – June 2024	FOX commercial unit certificated by CE and TUV	-
EVOX	390 Thousands of Dollars	-	240 Thousands of Dollars	EVOX US and CA Configuration EVOX Cost Reduction	EVOX SW including EDGE OPTIMIZER	-
Green NH3	$2.2 million	Some 966 Thousands of Dollars. For further details see Section 29 below.	$1.84 million	NH3 small-scale alpha working prototype	NH3 Full -scale alpha working prototype	-

The Company's estimates on the matter of the completion date of any of the projects under development, including projects that have not yet begin and the Company intends to implement, constitute forward-looking information as the term is defined in the Securities Law. These estimates are based on the information possessed by the Company today regarding its activity and on the estimates made by Company Management, and they are not solely under the Company's control and may not occur at all or may occur on a partial basis.

19. Intangible Assets

19.1. Patents

19.1.1. The Company has an array of patents that it has filed since its establishment. The Company is working to register patents in accordance with a strategy that covers all of the relevant aspects of the Company's products, while taking the following considerations into account:

a. Generating value for the Company;

b. Paying attention to the expected timetable for approving every patent request;

c. Protecting the Company's intellectual property;

d. Paying attention to the Company's vision and possible future directions of development;

e. Blocking potential competitors;

f. Cost and budget considerations.

19.1.2. The Company has 9 registered patents and 7 patents pending The Company's patents have been listed in the United States, Europe and Israel.

19.1.3. The following table details the Company's registered patents as of the publication of the report:

Patents	Patent Description	Patent Rights	Filing Date (Priority Date)	Expiry Date	Countries Relevant to Patent
Gas Diffusion Electrode and Process for Making Same (US Patent No. 9,966,609)	An electrode that allows gas diffusion and its manufacturing process	Owned by the Company	December 15 2015 (June 20 2013)	September 27 2034	United States
Scrubbing Device for Gas Used in a Fuel Cell and Method of Scrubbing Gas Using the Device (US Patent No. 10,530,001)	A gas adsorption installation for use in a fuel cell and a gas adsorption process	Owned by the Company	November 15 2016 (May 19 2014)	March 16 2035	United States
Nickel-Based Catalyst for Fuel Cell (US Patent No. 10,522,844)	Nickel based catalyst for fuel cell	Owned by the Company	April 24 2017 (March 18 2014)	August 3 2037	United States
Process for the Thermal Decomposition of Ammonia and Reactor for Carrying out said Process (US Patent No. 10,450,192)	The process of thermal breakdown of ammonia and a reactor in which the breakdown process takes place	Owned by the Company	July 22 2016 (July 22 2015)	July 22 2036	United States
Low-Voltage Electric-Hydraulic Drive System for Electric Transportation (US Patent No. 11,028,863)	Low-voltage electric propulsion system for electric transportation	Owned by the Company	January 30 2020 (January 31 2019)	January 30 2040	United States
Gas Diffusion Electrode and Process for Making	Electrode that allows gas diffusion and its manufacturing process	Owned by the Company	December 17 2015 (June 20 2013)	June 19 2034	Israel

Patents	Patent Description	Patent Rights	Filing Date (Priority Date)	Expiry Date	Countries Relevant to Patent
Same (Israeli Patent-243217)					
Scrubbing Device for Gas Used in a Fuel Cell and Method of Scrubbing Gas Using the Device (Israeli Patent-249000)	Gas adsorption installation for use in a fuel cell and a process for scrubbing gas using the device	Owned by the Company	November 16 2016 (May 19 2014)	May 18 2035	Israel
Scrubbing Device for Gas Used in a Fuel Cell and Method of Scrubbing Gas Using the Device (EU patent 3146583)	Gas adsorption device for use in a fuel cell and a gas adsorption process using the device	Owned by the Company	November 21 2016 (May 19 2014)	May 18 2035	Germany, France, Great Britain and Italy
Gas Diffusion Electrode and Process for Making Same (EU patent 3011625)	Electrode that allows gas diffusion	Owned by the Company	December 9 2015 (June 20 2013)	June 19 2034	Germany, France, Great Britain and Italy

19.1.4. The following table details the Company's registered patent applications as of the publication of the report:

Patent Filings	Patent Description	Rights in Patent Filings	Patent Filing Date (Priority Date)	Expiry Date	Countries Relevant to Filing
Method for the Electrochemical Synthesis of Ammonia and Apparatus for Carrying out the Method (US Provisional Application-63/261,615)	A process for electrochemical synthesis of ammonia and a device for performing the process	Owned by the Company	24.9.2021	Dependent on the dates of follow-up filings, the date the patent is received and patent term adjustment terms	United States

Patent Filings	Patent Description	Rights in Patent Filings	Patent Filing Date (Priority Date)	Expiry Date	Countries Relevant to Filing
Nickel-Based Catalyst for Fuel Cell Anode (PCT/US20/55738)	Nickel based anode for fuel cell	Owned by the Company	October 15 2020 (October 18 2019)	15.10.2040 (or later date pending on grant date and patent term adjustments terms)	PCT (Filed in the United States)
Process for the Thermal Decomposition of Ammonia and Reactor for Carrying out said Process (PCT/US2021/27983)	The process of thermal decomposition of ammonia and reactor to perform the decomposition process	Owned by the Company	April 19 2021 (April 27 2020)	19.4.2041 (or later date pending on grant date and patent term adjustments terms)	PCT (Filed in the United States)
Nickel-Based Catalyst for the Decomposition of Ammonia (EU patent application 16747045.9)	Nickel-based catalyst for ammonia decomposition	Owned by the Company	4.8.2017 (February 3 2015)	12.3.2035 (or later date pending on grant date and patent term adjustments terms)	Europe
Process for the Thermal Decomposition of Ammonia and Reactor for Carrying out said Process (EU patent application 16828614.4)	The process of thermal decomposition of ammonia and reactor to perform the decomposition process	Owned by the Company	February 6 2018 (July 22 2015)	22.7.2036 (or later date pending on grant date and patent term adjustments terms)	Europe
Nickel-Based Catalyst for the Decomposition of Ammonia (Israeli patent application 253738)	Nickel-based catalyst for ammonia decomposition	Owned by the Company	July 31 2017 (February 3 2015)	1.2.2036 (or later date pending on grant date and patent term adjustments terms)	Israel
Process for the Thermal Decomposition of Ammonia and Reactor for Carrying out said Process (Israeli patent application 257019)	The process of thermal decomposition of ammonia and reactor to perform the decomposition process	Owned by the Company	January 18 2018 (July 22 2015)	22.7.2036 (or later date pending on grant date and patent term adjustments terms)	Israel

19.1.5. Submitting the filings and managing the patents as noted above was accompanied by professional consultation and guidance and was carried out on the basis of information already published, according to the request date, with the aim of granting the Company proper proprietary protection in most of the patents in question.

19.1.6. As of this report, the Company has invested a total of approximately $367,000 in patent filings.

19.1.7. The Company has a clear patent filing strategy, within the framework of which the Company make sure to file payments for innovative subjects that the Company estimates could grant it a significant advantage and generate value for it.

19.2. Other Intangible Assets

As of the publication date of the report, the Company has 9 trademarks which are registered in various countries around the world, including in Australia, Israel, the EU, the UK, Russia, Serbia, and China, with respect to the Company's name (GenCell). Trademarks in Israel are registered for a fixed period of 10 years from the date of their submittal request, and can be renewed at the end of the period. In accordance with its needs, from time to time the Company files requests to register trademarks and extend its registered trademark. As of the report date, the Company does not know of any violations of the trademarks which are registered under its name.

In addition, as of the report date, the Company has a registered sample for one of its products in the following countries: Israel, the European Union, India and the United States.

As part of its strategy for managing and protecting its intellectual property, some of the Company's intellectual property is protected as trade secrets. The Company takes measures as accepted in the field in order to protect its trade secrets, including physical protections at the Company plant, upholding and maintaining compartmentalization procedures inside the Company plant and secrecy protection procedures as well as protections in the cyber space (defined by the Company as a unique risk factor, as detailed in 34.3(e) below).

Starting January 1 2021, the conditions for capitalizing the development costs in accordance with International Accounting Standard 38 (IAS38), which deals with intangible assets, had matured, for three primary projects:

1. Development of the FOX system;

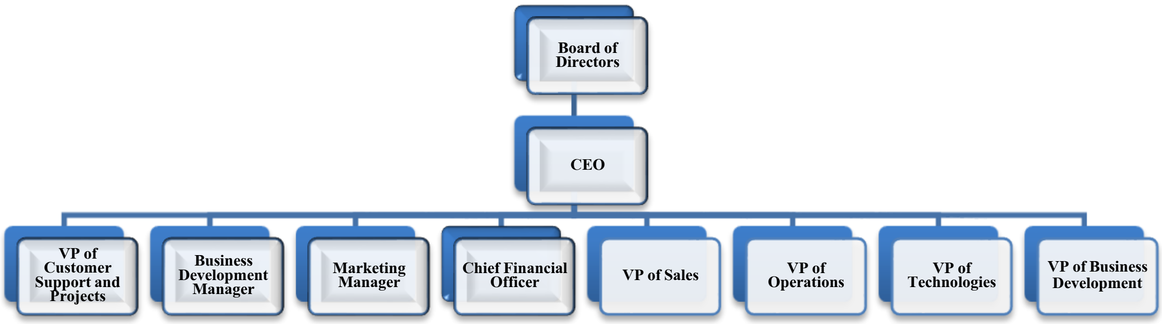
2. Development of the BOX system;

3. Development of the OX system;

Accordingly, the Company has capitalized, as of December 31 2022, development costs for an intangible asset to the sum of approximately 11,472 thousand dollars. In accordance with Accounting Standard IAS 36, the Company has amortized this asset in its financial statements for 2022. For additional details, see Note 11 in Chapter C to the Periodic Report.

20. Human Capital

20.1. Diagram of the Company's Organizational Structure



20.2. Workers

As of the report date, the Company has approximately 157 staff members (as of the publication of the report, approximately 158), reflecting an increase of approximately 26% relative to the end of 2021, including experts in the field of alkaline fuel cells, including veterans of space programs and submarine design. The Company's human capital represents an inter-generational combination of scientists with tens of years of experience in the field of alkaline fuel cells, with this experience accumulated in leading fuel cell companies around the world along with a promising young generation of scientists, chemists, electrochemists, engineers and technicians working at the Company. The Company has over 10 scientists with PhDs.

As of the publication of the report, most Company employees are employed under personal employment agreements. The employment agreements include, among other things, a confidentiality obligation, non-complete clauses and protection of the Company's intellectual property from third parties and ensuring that it is the Company's sold property. Employment benefits include, among other things, vacation rights, convalescence fees and other social benefits as required by law. These employment agreements are, in general, for an unfixed period of time, with each party entitled to end the agreement with advance notice as required by law, except for special cases that allow an immediate halt as described in the agreement.

The following table details the worker roll at the Company (in terms of positions) as of December 31 2021 and 2022:

Area of Activity	As of the publication of the report	On December 31 2022	On December 31 2021
Research and Development	70	68	71
Manufacturing	37	36	18
Operations	10	10	5
Customer Support	7	6	4
Marketing	6	6	3
Sales	9	10	10
Management and administration	11	12	8

Area of Activity	As of the publication of the report	On December 31 2022	On December 31 2021
Finance	8	9	6
Total	158	**157**	125

20.3. Dependence on Key Figures

As of the publication of the report, the Company estimates that it is not dependent on ant key figures the halt of the activity of whom at the Company may have a negative impact on the Company's activity and its business results.

20.4. Employee and Executive Remuneration

The Company has a practice of rewarding employes for special efforts or special projects they have carried out. The bonuses are given at the discretion of Company Management and are not given on a set date. As a rule, the bonuses are not part of the employees' employment benefits. A number of factors are taken into account when determining the level of the bonus, such as the employee's position at the Company, their areas of responsibility, their contribution to the Group's activity and so on. כמו כן, On November 8 2020 the Company Board of Directors and the General Meeting approved, in accordance with Regulation 1 of the Companies Regulations (relief on the Obligation to Set a Remuneration Policy), 2013, an exempt remuneration policy for the Company in accordance with Section 2a of the regulations in question. In accordance with the above regulations, the Company's existing remuneration policy was described in the Company's prospectus, and therefore will be considered a remuneration policy determined in accordance with Section 267a of the Companies law, and shall require approval only after five years from the date the Company went public. As of the publication of the report, the terms of service of all Company officers are in compliance with the directives of the remuneration policy.

20.5. **Employee and Officer Option Allocation Plan ("the Options Plan")**

During 2016, the Company Board of Directors approved an options plan according to which from time-to-time unregistered options for the purpose of ordinary Company shares would be allocated to employees, directors, officers, consultants, service providers and Company shareholders, for no compensation, as decided by the Company Board of Directors. The grant will be carried out in accordance with Section 102 of the Income Tax Ordinance with a trustee or a plan with no trustee. Consultants, service providers, controlling shareholder or some other person who is not a Company employee shall be allocated options in accordance with Section 3(i) of the Income Tax Order only. On March 29 2022, in accordance with the Options Plan, the Company Board of Directors approved an outline plan for employees in accordance with Section 15.b.(a).(a) of the Securities Law, and the Securities Regulations (Details of Outline of Securities Offering to Employees), 2000, to Company employees and officers ("**Employee Outline**").

For further details on the terms of the Company's options plan, including allocations and realization carried out by virtue of it in the reported period, as well as an outline for employees, see Note 18 of Chapter C of the Periodic Report as well as the immediate report the Company published on March 30 2022 (reference no. 2022-01-032781). The above constitutes inclusion by way of reference.

20.6. Consultants

Pursuant to its activities, the Company employs the service of a number of consultants on a variable salary basis that includes, among other things, mediation fees or success-based salary, all in accordance with the nature of the consulting services given the Company. The Company receives consultation services in order to penetrate the relevant markets, with regulatory bodies, research and development services, including patents and so on. As of the report date, the Company's total expenses for consultants and professional services amounted to approximately 1,016 thousand dollars.

20.7. Senior Executives and Management

For details on the terms of service and employment of senior Company officers, including directors, see Regulation 21 of Chapter D of the Periodic Report.

21. Raw materials and suppliers

The primary raw materials used to manufacture the Company's fuel cells are: a catalyst made of carbon and nickel components, nickel mesh, conducting plastic, aluminum frame, various electronic components, electronic circuits and processed metal items and polypropylene castings.

The optical elements and the electronic components are mainly acquired from the original manufacturers or from distributors in the United States, Western Europe, Russia and Japan.

Metalworking is carried out by subcontractors approved for this purpose by the Company's Quality Assurance Department.

Cast polypropylene is mainly purchased from Turkey.

The supply dates of raw materials change over time and their manufacture and availability last between 4 and 16 weeks. Note that over the course of the reported period, the Company has forced to deal with shortages in raw materials and various products it requires to maintain regular production processes of its systems and has experienced logistical problems in receiving the raw materials and shipping its products to its customers overseas. In addition, as a result of delays and problems with global shipping and logistics, there has been a significant increase in the shipping cost of its products.

In order to deal with these problems, the Company has approved a forward-looking inventory program according to which the Company hold an inventory of parts for variable periods, in order to allow the Company to prepare to achieve solutions or find alternative suppliers in the event of technical malfunctions or others or in the event of supply problems from any of the suppliers in question.

In light of the ongoing global complexity in the supply of parts and raw materials, the Company has invested significant efforts to increase the number of manufacturers for each item in order to ensure the availability of the items and their price. The Company controls the entire chain of production and works with a number of alternate suppliers for each item to ensure continuity of supply of the products it requires. In cases featuring a single supplier, the Company purchases a safety inventory that should provide it with a sufficient period of time to find a suitable alternative or allow the development of in-house production capacity of that product and therefore as of the report date, the Company has no dependence on any of its suppliers.

In general, purchases are made in accordance with Management's decisions taking place in the S&OP process, which takes place on a frequent and routine basis. Based on the S&OP process, test are performed on a number of price quotes, with the exception of a number of key components purchased according to a price list set for the Company and with its consent.

Note that the production of the Company's products meets severe testing conditions, with the Company holding quality standards for the manufacturing processes (ISO9001:2015) and severe quality and safety standards for its products (TUV, CE, IEC, IEEE).

The Company believes that it is not dependent on any of its suppliers, due to the fact that there are other suppliers in the market who can provide the product components and perform the same work if the Company so chooses, or inasmuch as circumstances compel it to do so.

22. Working Capital

The following are the balances of the Company’s working capital components:

	Sum Included in the December 31 2022 Financial Statements (Thousands of Dollars)	Sum Included in the December 31 2021 Financial Statements (Thousands of Dollars)
Current assets	69,932	60,497
Current liabilities	9,556	6.346
Surplus of current assets over current liabilities	60,376	54,151

<u>The following are details on the Company's primary working capital components:</u>

22.1.1. **Inventory**

The Company maintains a level of inventory that allows it to provide its customer in reasonable periods of time of 3-6 months, in accordance with expected sales involved in various projects. As of the report date, the Company's inventory level amounted to approximately 3.135 million dollars.

22.1.2. **Customer credit and Supplier credit**

a. <u>Customer credit</u>:

As of December 31 2022 and December 31 2021, the credit the Company provided its customers amounted to $5,450,000 and $2,347,000, respectively.

Credit terms for customers generally range between cash and current +30 days. At the same time, there may be cases, mainly with major projects and tenders, in which the Company grants longer credit terms accordingly, in accordance with the terms dictated by the commissioning party. Thus, for instance, within the framework of a CFE transaction, Mexico grants the Company credit of current + 120 days.

b. Supplier credit:

As of December 31 2022 and December 31 2021, the Company's supplier credit amounted to $2,493,000 and $1,826,000, respectively.

22.1.3. The credit period granted the Company by its supplier is on average current +30 days.

23. Financing

23.1. The Company finances its activity out of the proceeds from its initial public offering from November 2020 by virtue of the prospectus, the second offering from April 2021 in accordance with the shelf offering report published by virtue of the prospectus, as well as the private allocation to institutional investors from January 2022. For additional details, see Section 5 above as well as Regulation 10 in Chapter D of the Periodic Report.

23.2. According to the Company's estimates, the cash flow available shall suffice to cover the operation of its business for the next 24-27 months.

23.3. From time to time the Company considers expanding its activity, and therefore it may need to raise additional sources of finance as needed.

23.4. For details on financing given the Company by the BIRD Foundation, see 29.3 below.

23.5. As of the report date, the Company has no restrictions on taking credit.

24. Taxation

For details on tax aspects applicable to the Company, see Note 30 of Chapter C of the Periodic Report.

25. Environmental Risks and their Management

25.1. The Company considered protecting the environment, preventing harm to the environment and ensuring maximum safety in all aspects of its business activity, a primary value. The Company invests significant time and resources to achieve this goal. At the same time, due to the Company's activity and business, it involves a number of environmental risks deriving from the possibility that the Company's activity will lead to various forms of environmental damage. For the purpose of dealing with these environmental risks, the Company is working to increase safety in its various activities and meet the binding legal requirements pertaining to this.

25.2. The Company's fuel cell systems generate clean energy with no emissions of pollutants or toxins. At the same time, the fuel cell systems based on hydrogen and ammonia involve certain environmental risks.

25.3. Hydrogen is the lightest element and is used for industry, transportation, rocketry and research labs. Hydrogen is the most common element in nature, and constitutes approximately 0.76% of the Earth's mass. At the same time, attention must be given to several risks connected to hydrogen, deriving from the gas's characteristics: it lacks color and odor, making it more difficult to detect leaks, it has low ignition energy so that a concentration of hydrogen in a certain location beyond the permitted volume restorations that is exposed to a source of electricity (a spark) can lead to an uncontrolled release of high levels of energy (explosion). The Company operates according to existing standards and regulation for the storage and use of hydrogen, with the hydrogen stored in sealed and secured tanks that include a safety value for the immediate release of the hydrogen in the event of a malfunction. The storage tanks are located in an area exposed to open air, so that in the event of an unexpected leak of hydrogen gas, the hydrogen, being lighter than air, will move quickly and undisturbed into the atmosphere.

25.4. Ammonia is a nitrogen and hydrogen compound and its formula is NH3. Ammonia is one of the world's most common and important industrial chemicals. Its primary use is as a raw material in the fertilizer industry, and in the manufacture of nitrogen compounds. Ammonia is also present in our bodies and has many uses: as a raw material for the manufacture of various products and materials, such as nitrous acid, plastics, cleaning supplies, explosives, synthetic fibers for the textile industry, as a catalyst for the manufacture of synthetic resins, water treatments, fertilizer, fuel, for industrial cooling and more Most industrial ammonia is produced from natural gas. Ammonia is a toxic material that may lead to various health effects, including death. Exposure to ammonia may also lead to eye irritation, respiratory irritation, digestive system irritation and skin irritation. The degree of harm caused by the material depends on the duration of the exposure and its concentration. Long-term damage may be caused as a result of exposure to a large concentration for an extended period of time. Ammonia is defined as a hazardous material in the

Hazardous Materials Law. A safety sheet (MSDS) serves as sort of an ID card for a hazardous material and details risks and safety instructions for working with the material. Under standard pressure and temperature conditions, ammonia is a colorless gas with a sharp odor. Ammonia gas is lighted than air, and is highly soluble, and therefore water is an excellent way of neutralizing ammonia in the event of a leak. Therefore, strict safety rules are needed during manufacture, shipping, storage and use of this material. The Company operates in accordance with existing regulations and standard for the shipping, storage and use of ammonia.

25.5. As a rule, in Israel the Ministry of Environmental Protection is responsible for regulating use of hazardous materials, including ammonia. The Ministry of Environmental Protection holds this authority by virtue of the Hazardous Materials Law. As detailed in Section9.2.1 above. Within this framework, the Ministry of Environmental Protection supervises all those working with hazardous materials in Israel and their activity in this area, including storage, sales, transportation, and us and all users must act in accordance with these legal requirements. For further details, see 9.2.3 and 9.2.4 above.

25.6. The Company regularly works to implement and comply with the legal and regulatory requirements applicable to it, including the directives and guidelines of the Ministry of Environmental Protection, the Ministry of Energy and the Environment and holds the required toxic materials permit. In addition, the Company is in constant contact with the local authorities relevant to its activity as well as any other relevant authority, all this in order to prevent harm to the environment and minimize potential environmental risks.

25.7. The Company operates in accordance with various internal Company procedures in the matter of environmental risks such as a health and safety procedure (which determines how workers operate around hazardous materials), a factory visitors procedure, a subcontractor work at Company site procedure, a chemical waste removal procedure and more. In addition, the Company has established a well-equipped emergency team (which has, among other things, protective suits, breathing systems, gas masks and so on) which is responsible for acting in the event of a leak according to procedures for the prevention of environmental harm from the hazardous materials the Company uses.

25.8. As of the publication of the report, as the Company operates in accordance with the above regulation, the Company does not know of any material environmental risks pertaining to its activity and no material environmental risks have occurred. Therefore, the Company estimates that directives pertaining to the environment will not have any material impact due to which it will be required to invest or bear any investment or cost, and it does not estimate that this will have any impact on its profitability and competitive status in the foreseeable future.

26. <u>Restrictions and supervision of the Corporation</u>

As of the publication of the report, the Company is a recognized supplier of the Acquisitions Administration at the Ministry of Defense with a rating of **A** (the highest level, suppliers with design and development (planning and developing products) as well as manufacturing including an analysis of quality/lack of quality costs.

For further details on the permit from the Electricity Authority and the Ministry of Health for operating the system in a vital facility for a hydrogen-powered generator, see Section 8.8 Error! Reference source not found. **above.**

For further details on restrictions and supervision of the corporation, see that stated in Section **9.2** above.

27. Material Agreements and Cooperation Agreements

27.1. Cooperation and project financing agreement from April 13 2014 between the Company and BIRD

27.1.1. This agreement establishes the terms and restrictions for the granting of financing by the BIRD foundation to parties in connection with the "Development and Industrialization of New Cathode for a Next Generation Electrochemical Fuel Cell Generator" ("**the Project**").

27.1.2. The BIRD Foundation shall provide the parties a maximum sum of financing equal to (a) $900,000; or (b) 50% of the project's expenses in practice. As of the report date, financing from the BIRD Foundation amounted to $803,839.

27.1.3. The conditional grant shall be repaid in dollars at a rate of 5% of the gross sales of the developed product or the commercial product covered by the development. The maximum sum of the conditional bonus that will be repaid the BIRD Foundation the parties shall not exceed 150% of the grant given in practice.

27.1.4. In the event of a license agreement signed between any of the parties to the agreement and/or their related parties and any third party, that party shall pay the BIRD Foundation a sum equal to 30% of all payments received within the framework of the license agreement in question. These payments along with any other reimbursement shall not exceed the maximum repayment percentage (150%).

27.1.5. In the event that none of the following cases occur: (a) creation of gross sales, (b) sales (as detailed below) to a third party, or (c) issuing a product license in accordance with a license agreement – the participants shall have no obligation to reimburse the BIRD Foundation.

27.1.6. Any transfer of ownership of the intellectual property and/or technology pertaining to the product and/or the product itself (which has been developed through the bonus given by the BIRD Foundation), in whole or in part, to any third party, this before the full redemption of the repayment to the BIRD Foundation, requires the advance written consent of the BIRD Foundation. Regarding any proposed sale, the parties shall publish an advance notice to the BIRD Foundation, detailing the relevant sales conditions. The agreement establishes conditions for repayment in the event of a partial or full sale of the developed product.

27.1.7. The agreement grants rights to the U.S. Government and Israel to manufacture or sell the developed product for government purposes under certain conditions detailed in the agreement.

27.1.8. In addition, the governments and the BIRD Foundation reserve the right to use, with no charge, the product and technical knowledge, the data, the knowledge intellectual property deriving from or developed within the farmwork of this agreement for any non-commercial purpose.

27.1.9. The agreement (which comes under the laws of the State of Israel, and disputes regarding the agreement shall be resolved in Israel or in the State of Washington), came into effect on August 1 2013. The development works in accordance with the agreement were concluded on August 1 2015.

27.1.10. As part of the project, on January 22 2014 a collaboration agreement was signed between the Company and Innovated Machine Corp. Within the framework of the agreement, the division of responsibility was set as well as the incidence of development between the parties to the project. The budget of the parties to the project was also set. It was also decided within the framework of the agreement that the Company would be responsible for all sales of the developed product and will bear sole responsibility for the payment of the reimbursement to the BIRD Foundation, and of the Innovative Machine Corp.

27.1.11. In 2022 the Company paid royalties to the BIRD Foundation to the sum of $7,000 and in total as of the report date, the Company paid royalties to the BIRD Foundation to the sum of approximately $16,000.

27.2. **<u>Agreement from October 1 2018 Between the Company and Prifer Technical Molds SA ("Prifer")</u>**

A framework agreement for the supply of injection machines by Prifer to the Company in connection with the Electrode Frame project, within the framework of which payment conditions, prices and technical specifications were set. As of the report date, the Company has received one injection machine from Prifer. As of the publication of the report, the machine is in advanced stages of installation and configuration, which will help the Company produce electrodes a higher rates, and will support the production of the Company's products - BOX and GenCell OX. The Company estimates that the machine is expected to increase the electrode production capacity, while significantly reducing workforce, by virtue of its automatic functionality, which is supported by advanced robotics, and will also reduce the potential depreciation that is caused during the electrode production process.

27.3. **<u>Strategic Cooperation Agreement with TDK</u>**

On February 22 2021, the Company entered into a framework agreement with TDK ("**the Agreement**") for TDK''s participation in the Company's "Green Ammonia" project, intended to develop a product that will allow the production of "green ammonia" (the production of ammonia with no CO2 emissions) ("**the Project**"). The Project will be carried out in three stages of development, regarding each of which the Company will be signing a specific project agreement with TDK (the first stage has already been signed). Within the framework of the agreement, TDK will be participating in financing some of the project costs to the sum of one and a half million dollars US subject to meeting certain development goals. According to the Agreement, any intellectual property developed within the framework of the project is the sole property of the Company. In return for the financing and as part of the strategic cooperation, the agreement states that TDK shall be entitled, among other things, to receive update and reports from time to time pertaining to the progress of the Project and its products, right of first refusal for the examination and purchase of a prototype product within the framework of the Project (on the dates set in the agreement), as well as first voting right for negotiations for engagement in a commercial agreement in connection with the Project's products in Japan and in other territories inasmuch as they are agreed upon, which may include sales rights, service production and/or an license on an exclusive basis (on the dates and framework conditions set in the agreement). Over the course of the reported period, the Company received a first payment of $483,000 for the first stage of the project's development goals. On February 27, 2022, the Company notified TDK that it had achieved a significant technological breakthrough, which allowed the production of green ammonia directly from water under very low pressure and temperature relative to the ammonia production processes that are currently available around the world. Accordingly, TDK notified it, after evaluating the above breakthrough, of its intention to exercise its rights to continue investing in the Project in accordance with the terms of the agreement, for the purpose of continuing the development of the project within the framework of the next milestone. For additional details, see the Company's immediate report published February 27 2022 (reference number 2022-01-019386). The above constitutes inclusion by way of reference.

27.4. **<u>Winning the CFE Tender</u>**

For details on the Company winning a tender issued by CFE for the supply and installation of Section REX systems of various configurations, see 13 above and Note 15 to Chapter C of the Periodic Report.

27.5. **Horizon 2020 Project Participation Agreement**

Over the course of 2020, the Company entered into an agreement with the European Commission ("**the Organization**"), which came into effect in November 2020, within the framework of which the Company will take part in the Horizon 2020 project in conjunction with a number of various bodies from around the world. The agreement states that a number of experiments will be carried out using the Company's systems of technologies and/or materials developed by members of the Organization and the Organization shall bear all expenses connected with these experiments, at a total sum of €355,625 ($422,409), which will be spread out across a period of two years. As of the report date, the Company has received, within the framework of the agreement, reimbursement of expenses in the amount of approximately 302 thousand euros (approximately 347 thousand dollars).

27.6. **Cooperation agreement with The Icelandic Communications Company**

On January 7 2021, and following an existing engagement, the Company reached an agreement with the Icelandic Communications Company, which operates an emergency communications services center in Iceland using hundreds of communications sites, according to which the Company will install and operate the Company's FOX products with the aim of testing its operation at various emergency site of the Icelandic Communications Company. It was also decided by the parties that if and inasmuch as the installation in question meets the threshold conditions set in the agreement, the Icelandic Communications Company shall consider equipping itself with additional product systems for Icelandic Communications Company locations. According to the agreement, the Company undertook to operate the FOX system for 1,000 hours on a continuous and autonomous basis. Over the course of May and June 2021, in light of the good results of the experiment, the Company and the Icelandic Communication Company decided to extend the trial and continue operating the FOX product for 1,500 continuous hours, autonomously, and thus making it the first fuel cell to operate for such a continuous period of time, while producing the hydrogen independently using ammonia (with no connection to the power grid) and providing green, clean and cost-effective electricity for all hours of the day and under fickle weather conditions. During the reported period the parties completed a trial for testing the operation of the FOX system at an active communications site where the FOX system is the continuous 24/7 power supplier. As of the publication of this report, the Company is in talks with the management of the Icelandic Communications Company to equip itself with the Company's systems for coming years and install them in its stations. Note that the engagement between the parties is supported by the Icelandic government. For further details see the Company's immediate reports from January 10 2021, May 20 2021 and June 20 2021 (reference no.:

2021-01-003907, 2021-01-027766 and 2021-01-040795, respectively). The references in question constitute inclusion by way of reference.

27.7. **<u>Strategic Cooperation Framework Agreement with Deutsche Telecom</u>**

On July 1 2021 the Company entered into a farmwork agreement for strategic cooperation with Deutsche Telecom, which is considered the largest communications operator in Europe, and one of the largest operators in the United States, with facilities covering over 50 countries around the world, within the framework of which it will consider the option of integrating the Company's fuel cell systems in some of Deutsche Telecom’s communications networks (“**the Cooperation Agreement**”). The Cooperation Agreement states that after field trials with the Company's fuel cells, Deutsche Telekom shall decide whether it intends to use the Company's fuel cells as a replacement for diesel generators.

The Cooperation Agreement states that Deutsche Telekom will purchase the G5 system. The Cooperation Agreement states that Deutsche Telekom will test the G5 system according to a predefined outline plan. Testing the G5 system will be carried out in two stages, whereby in the first stage a trial was conducted under a load simulating a cellular facility at the Company’s site for around one week, which was completed in on November 10, 2021.

In light of the above success of the first stage, as described above, and in accordance with the provisions of the collaboration agreement, the Company was recognized as an official supplier of Deutsche Telekom, and the Company's G5 and BOX systems became products approved for purchase for all member companies of Deutsche Telekom Group around the world. In addition, the Cooperation Agreement includes general framework conditions for purchasing, including commercial conditions that will apply regarding potential purchases of the Company's fuel cells.

In the second stage, the parties began conducting a field test of the G5 and BOX system at four active cellular sites of Deutsche Telekom, whereby during this period the evaluation of the system will continue under various work scenarios, as will be defined by the parties through integration of the system into the various transmission systems that are used by Deutsche Telekom.

Also in accordance with the Cooperation Agreement, the parties conducted a field trial in Israel of the FOX system, comprised of two stages. The trial was conducted in accordance with metrics that were determined between the parties. As of the publication date of this report, the parties have completed the field trials of the FOX system, and in the first stage the system successfully fulfilled the threshold conditions of 1,000 hours of continuous operation, while fulfilling the energy profile that was established by Deutsche Telekom and in the second stage, the FOX system was tested in 4 series of loads graded from 2KW to 4.5KW, while running continuously, and operated as required. The system operated under an extreme work profile as defined by Deutsche Telecom. In accordance with the collaboration agreement, the FOX system became an approved product for purchase by all member companies of Deutsche Telecom Group around the world.

In addition, it was decided that the possibility of strategic technological collaboration connected to the ability to manufacture clean hydrogen would be tested, including the production of clean ammonia. For further details see the Company's immediate reports from November 10 2021, and September 12 2022 (reference nos.: 2021-01-095881 and 2022-01-116134, respectively). The references in question constitute inclusion by way of reference.

27.8. **Cooperation Agreement with EV**

On November 14 2021 the Company entered into an agreement with EV, an Israeli company that is active, among other things, in importing electrical vehicles, chargers for electrical vehicles, electrical energy production and storage facilities, serving as the sole Israeli representative of a number of companies including Surplus Sun Energy Co. Ltd., a Chinese corporation specializing in the design, development, manufacture and construction of advanced electrical energy generation, storage and charging systems, including for electrical vehicles ("**the Cooperation Agreement**”"). The Cooperation Agreement will be carried out in a number of stages. In the first stage, EV will purchase a number of Company systems that will be specifically adapted for the purpose of their implementation in AV systems, for the purposes of their installation in a number of autonomous charging stations, for charging electrical vehicles, disconnected from the national power grid (“**the Pilot**”).

Subject to the successful completion of the Pilot meaning the Company's systems will be able to supply the electricity needed for the charging stations for electrical vehicles, in accordance with terms and criteria set in the Cooperation Agreement), the Company will supply its systems exclusively in Israel in the field of electric vehicle charging to EV, so long as EV purchases an agreed-upon minimal number of the Company’s systems. Alongside the above, EV will use the Company's systems exclusively at all of its charging stations in Israel, so long as the Company meets the future technological and commercial criteria as set in the Cooperation Agreement. The parties shall work together to present them and advance the hybrid systems, which include the Company's systems, which are based on hydrogen and ammonia, as part of the automatic stations for charging electrical vehicles, in China and around the world, through EV’s Chinese partners, which specialize in planning, developing, manufacturing and establishing systems for the advanced production, storage and charging of electrical energy, including for electrical vehicles. The agreement established accepted secret conditions and regulations regarding proprietary rights for intellectual property. For further details on the purchase of the Company’s systems and the receipt of associated services see Section 11 above.

27.9. **Strategic Cooperation Agreement with ABB**

For additional details regarding the strategic cooperation agreement with ABB, see **Error! Reference source not found.** above.

28. Legal Proceedings

As of the report date, there are no material pending legal proceedings to which the Company is a party.

29. Goals and Business Strategy

One of the Company's primary goals is to be a leading player in the global fuel cells market. Therefore, the Company intends to increase the production capabilities of its fuel cells. For this purpose, it plans a significant investment in increasing production capabilities. The purpose of this investment is to ensure the production capability of thousands of units per year at a high quality and competitive price, which will increase the sales chances of the Company’s products. A material manufacturing capability of the fuel cells and assembly lines in the target markets will allow the Company to achieve its goals and be a leading player in a dynamic and evolving market.

29.1. Achieving development goals –

By completing the research and development processes detailed in 20 above, and the creation of the infrastructure needed to manufacture the Company’s products in the future. Achieving development goals will help the Company preserve its unique position in the fuel cell market as a leader of the alkaline fuel cell market, preserve its competitive advantage and thus realize its goals.

29.2. Growth and penetration of potential target markets –

Among other things, by creating long-term work interfaces with strategic partners, distributors and global customers. The company is acting to market its products directly to end customers defined as the target market, such as customers seeking to back up critical points of their business activity such as autonomous production lines, IT and communications systems, hospitals, clinics and more. The Company operates directly with these customers for these matters, operating a marketing, business development, sales and customer support array. The Company is preparing for the next stage of marketing its products under a network of strategic agreements supported by the capabilities of global and local companies such as

Deutsche Telecom, TDK and ABB (for further details of these agreements, see 27 above), to make the Company's products accessible and grant the required service in many places around the world.

The Company estimates that winning the tender prepared by CFE (for further details, see Section 13 above), alongside additional installations the Company has performed in the United States and in Mexico, may help the marketing efforts of the various backup products for electric companies around the world. The Company focuses on countries exposed to earthquakes, the Ring of Fire, countries at a higher risk of earthquakes on the U.S. West Coast, Chile, Japan and the Pacific Ocean. Other countries along the seismic lines include Mexico, Russia, Indonesia, Canada, Peru, Taiwan, the Philippines and Guatemala. As of the report date, the Company is active in California, Canada, Mexico, Japan and the Philippines in attempts to penetrate the market for this product.

The FOX system may create a large number of business opportunities. Apparently, any application that requires electricity and the electricity is not available or does not arrive at an appropriate frequency is a target for FOX marketing. At the same time, the Company has decided to start with the cellular communications market as its first market, as this market ha over one million cellular antennas operating in areas with partial electricity or with no electricity at all. Currently, the technology that supplies electricity to all of those communications site is diesel engines, which pollute the air and groundwater, require extensive maintenance and provide electricity for a high operational cost. Each year, the cellular communications industry purchases $20 billion in (diesel) fuel and emits 40 million tons of CO_2. This market is largely controlled by international companies that strove to improve the service, reduce greenhouse gas emissions and reduce their operational costs. The FOX can certainly provide a response to these requirements. For additional details on installations of the FOX system performed by the Company at strategic customers like Deutsche Telecom and the Icelandic communications company, see 27 above. Therefore, over the course of 2022 the Company plans to continue performing additional trial installations at potential customers with the ability to purchase many hundreds of units in the years after the products is launched.

29.3. Positioning and branding the Company's product –

The Company's positioning in coming years as the leading company in the development and manufacture of alkaline fuel cells, which includes – expanding and deepening potential customers to whom the Company can provide services. The Company believes that recognition of its products by the energy market, including by analysists, in the media, in organizations encouraging the use of clean energy, by governments and regulatory organizations, shall have a crucial impact on the Company's positioning as a leading player in the market and may lead to various regulatory benefits, which will have a material impact on the demand for the Company's products.

Company Management studies its strategic and business goals from time to time and will study the in the future.

30. Projected Developments in the Coming Year

Over the course of the coming year the Company intends to focus on the following activity:

30.1. Increasing the production capability of the fuel cells manufactured by the Company in Israel, while making a significant investment in increasing production capabilities, including automation of fuel cells.

30.2. Expanding marketing and sales efforts, both against current partners like Deutsche Telecom and its subsidiaries and with new customers the Company hopes to find in the various markets in which it is active or in which it will begin to operate.

30.3. In light of the fact that the Company identifies the American market, which benefits from extensive government support, as a primary target market for all matters pertaining to the electric vehicle charging market, in which the Company markets the EVOX system, the Company decided to expand its activity in that market.

30.4. The Company hopes to create collaborations with key companies in areas touching upon its areas of activity such as battery manufacturers, energy storage device manufacturers, UPS manufacturers, manufacturers and distributors of other generators, electric companies, hospitals, security systems and more for the purpose of assimilating the Company's products.

30.5. The Company believes that the ammonia market will grow significantly in coming years and is targeting its capabilities for this both in the context of the FOX system, which consumes ammonia as a source of fuel significantly cheaper than hydrogen, and as an ammonia manufacturer as part of the green ammonia development project as detailed in 9.3 above.

30.6. The continued development of the Company's products as per 10 above.

The Company's estimates on expected developments in the coming year constitute forward-looking information as the term is defined in the Securities Law. These estimates are based on the information possessed by the Company today regarding its activity and on the estimates made by Company Management, and they are not under the Company's sole control, and it is possible that its development in practice in the coming year may differ from the manner estimated or expected by the Company.

31. Financial Information Regarding Geographic Regions

For details on the geographic regions the Company is active in, see Note 25 in Chapter C of the Periodic Report.

32. Discussion of Risk Factors

32.1. Macro risks:

a. Economic slowdown and uncertainty in the global market – the slowdown and the economic uncertainty in the Israeli or global market in general and in the target markets the Company seeks to penetrate in the future may have a negative impact on the Company's ability to penetrate these markets.

b. Fluctuations in prices of raw materials – some of the raw materials used by the Company's suppliers are subject to price fluctuations that may influence the prices the Company may be required to pay for the manufacturing process.

c. Dependence on the economic, defense and political situation in Israel and around the world **-** These days, the Israeli government is promoting changes in the legal system. The proposed changes are highly controversial, and according to media publications and the opinions of various experts, their influences, the disputes concerning them and the parties' behavior in their regard may have a negative impact on the Israeli economy. Uncertainty in the Israeli economy, whether due to a major national security incident, political uncertainty, due to an economic recession or any other factor, may lead to a decrease in the entrance of new customers from around the world that will lead to direct harm to the Company's revenues and business expenses. The Company's activity primarily takes place in Israel. Changes in defense and political conditions may influence the Company's activity. Worsening of the defense and political situation may, among other things, lead to a drop in the Company's ability to manufacture its products or sell its products in the target market.

d. Exposure to changes in exchange rates – some of the raw materials used by the Company's suppliers are purchased using foreign currency, and significant fluctuations in exchange rates may influence the price paid by the Company. In addition, the Company also markets its products on the global market, and therefore receipts are received in foreign currency, while most of the Company's expenses for employee salaries, office rental and payment to consultants is in the new Israeli shekel. Accordingly, the Company is exposed to fluctuations in the exchange rates of the NIS relative to key currencies in the target markets. Such changes may have an influence on the Company's operating results and profitability.

   The Company is acting to partially hedge the risks of exposure to changes in exchange rates of foreign currencies, among other things through future transactions to purchase or sell foreign currency. The Company estimates that the scope of hedging against exchange rate risks provides adequate protection for the cash balances in its possession and accordingly, to their expected use. For further details, see Note 2 to Chapter C of the Periodic Report.

e. Spread of Covid-19 – the global spread of the coronavirus and the concerns regarding a slowdown of global economic activity, may influence the Company's activity and its results. Company Management is tracking the implications of the spread of the influence of Covid-19 on the Company, and will be required to adjust its activities in accordance with directives issued by the relevant authorities and the changing rates of infection, as they stand from time to time.

   For further details on the Covid-19 Crisis and its impact on the Company's business activity, see Section 1.2 of Chapter B of the Periodic Report.

f. Fluctuations in availability and in shipping prices – most of the raw materials used by the Company are imported by sea from suppliers in foreign countries, and most of the supply of the Company's products to its customers is via maritime shipping. An increase in shipping prices as well as a possible negative impact on the availability of transportation, among other things as a result of changes in defense, political or medical conditions, as well as strikes, sanctions and delays in sea ports in Israel and abroad and additional events that may impact the import and export ability of goods to and from Israel, may lead to delays in availability and receipt of imported raw materials, as well as delays in supplying Company products, and accordingly impact the Company's activity and influence its profitability.Note that starting early 2021, the world has seen significant price increases in maritime shipping, and there has been a problem of lack of availability of these means of transportation – all this in a manner causing delays in supplying goods and price increases. In addition, the overload at ports and the lack of means for maritime transportation, have been delaying the release of goods.

The Company is taking steps to reduce its exposure to such influence, among other things, by updating its inventory and raw material purchasing policy, updating prices as needed and supplying products to customers by air as needed.

g. Increases in fuel and energy costs –

As a result of the global energy crisis, that has yet to be solved, may lead to increased production costs at the Company. In addition, this may lead to an increase in the raw materials purchased by the Company from its suppliers as a result of an increase in their inputs and naturally an increase in the shipping expenses of raw materials to the Company's facilities and of the Company's products to its customers.

h. Inflation and interest rate increase –

For further details on the inflation and interest rate increases and their impact on the Company’s business activity, see Section **Error! Reference source not found.** above, and Section 1.2 of the Board of Directors Report.

i. Russia-Ukraine war –

For further details on the Russia-Ukraine war and its impact on the Company’s business activity, see Section 8.3 above and Section 1.2 of the Board of Directors Report.

32.2. Industry Risks

a. Competition – the Company is exposed to competition (as per 16 above), both from elements operating in the market as of the publication of the report and on behalf of elements in advanced stages of research and development or those that may be competing with the Company in the future. Increased competition in the Company's area of activity may lead to a decrease in the scope of the Company’s engagement and/or a drop in prices, which may lead to an erosion in the Company's profits.

b. Changes in regulation – marketing the Company's products as well as its activities in the field of research and development may be subject to supervision and regulation in various countries in the future. While the Company believes that the progress of supporting regulation may benefit the Company, changes and developments in regulatory requirements or the Company's failure to uphold the requirements in question may lead to restrictions or delays in the development of the Company's products or lead to their halt, and cause material expenses for the Company.

c. Technological developments – The Company's success depends on its ability to improve the solutions it offers its customers, and develop or engage in agreements connected with systems and solutions that will meet the rate of technological developments, the changing standards in the industry and the frequent changes in customer requirements as a result, there is no certainty that the Company will be able to acquire the required skills for the new technology in time, or engage in agreements in connection with such systems and solutions, including developing specializations and sources of knowledge in the appropriate time, in order to deal with new technologies and/or with customers changing requirements. Any delay or failure in development, adoption or adaptation of suitable solutions for technological changes and changes in market requirements may impact the Company’s business results. In addition, the creation of alternative technology to the technology offered by the Company, may hurt the scope of the Company’s activity.

d. Slowdown in research and development process – conducting trials within the framework of research and development proceedings conducting by the Group may be delayed or halted as a result of various reasons that are not dependent on the Company.

e. Human capital – the Company has encountered challenges in locating, recruiting and retaining high-quality and professional manpower. The key reason for the loss is the rapid increase in demand for experienced employees in the Company’s areas of activity. The continued increase in demand for employees in the Company's area of activity has led to difficulties in locating experts the Company needs while increasing the Company's costs in locating and recruiting employees in order to meet market requirements, as well as retaining existing employees. As a result, the Company is required to raise its salaries further, both in order to recruit new employees and retain existing employees.

These trends may lead to an increase in the Company's labor costs, the Company may lose employees (if their salary increase expectations are not met) and encounter difficulty recruiting new employees at suitable economic cost. All of these may lead to an erosion in the Company's profitability.

In addition, the area of work is characterized by extensive regulation and frequent changes in regulation (including changes in law, in expansion orders – such as the expansion order on shortening the work week in the economy, court rulings and so on). Implementation of additional changes in regulation, inasmuch as they exist, applying to the Company, may influence the human capital employed by the Company, expose the Company to additional significant increases, and even lead to harm to the Company's engagements with its customers and exposure to claims and suits on behalf of Company employees, which may lead to harm to the Company's profits and have a negative impact on its business results.

f. Unenrolled growth – if it turns out that the demand for the Company's products is greater and/or for earlier time periods than expected by the Company, then concerns exist that its administrative and financial resources will not be able to withstand this uncontrolled growth. This subject may have a negative impact on the Company's goodwill and on its forecasts for future growth.

g. Protecting intellectual property – the Company's business is dependent to a certain degree on the intellectual property rights attributed to the Company's products. Many of the Company's competitors in the fuel cell industry have intellectual property rights (mainly patents), and are aware of the importance of the subject of protecting intellectual property rights in this industry, to the point of litigation proceedings in the event of violations originating from protection of the intellectual property of their products. In the event that in the future such a claim is made against the Company, this may involve significant costs. A successful suit in this regard against the Company may have a material impact on the Company's business and have a material influence on its monetary status.

h. Reliance on manufacturers – the Company has engaged with third parties who are not connected to the Company in agreements to receive manufacturing services for certain components of the Company's products. In the event that the scope of demand and production increase in the future, and these third parties will not be able to continue providing services to the Company, then this may also have a material negative impact on the Company's business.

i. The ability to raise capital and sources of capital – the Company, as a research and development company, requires a high level of long-term liquidity for the purpose of developing its vision for the purpose of achieving its business results. As a rule, capital markets are characterized by high levels of fluctuation, particularly relative to technology companies. A depression in capital markets in Israel and around the world may make it more difficult to find sources of finance. No certainty exists that inasmuch as the Company needs additional sources of finance, it will be able to raise them for the purpose of developing its products in the future.

j. Treatment of technical failures – technical failures on the production lines of the Company's products may lead to the imposition of restriction and/or delays in sales and the research and development of the Company's products and/or may lead to a halt in their marketing. The treatment time of technical faults that lead to serial failures to the level of replacing machinery in the production lines of the Company's products may be between 6 and 12 months, thus increasing the Company's expenses for warranty and repairs and hurt the Company's branding and goodwill.

k. Environmental risks connected to the Company's area of activity – for further details see Section 27 above.

l. Move from limited manufacturing to serial/mass production – the move from limited semiautomatic production under laboratory conditions at the Company's development center to automatic serial production at industrial capacity involved multiple challenges. These challenges may delay the start of serial production and/or decrease the Company's production capacity in initial stages and/or harm the effectiveness of production of various products, thus limiting the Company's competitive advantage.

32.3. Risks particular to the company:

a. Pricing – the Company's pricing method and the creation of a relatively expenses product may impact the Company's ability to penetrate target markets.

b. Demand for Company products – no certainty exists that demand will exist for the Company's products, to an amount that will justify their commercial manufacture and marketing.

c. Inventory levels – as the Company encounters long supply times of the raw materials it needs for the Company's products, it is forced to maintain high levels of inventory so that it will be able to meet the demand to supply its products. Inasmuch as there is no demand for the Company's products, the

Company may keep high levels of inventory, which means unnecessary confinement of capital to inventory. At the same time, Company Management has put together an inventory plan that is suitable to the size of the Company and the size of expected opportunities.

d. Failure of research and development processes – no certainty exists that the research and development processes, which are carried out on the report date and which are not intended to be carried out by the Company as per Section **20** above, will vest into products of the quality needed for marketing and demand.

e. Past performance – the Company's past performance does not constitute an indication of the Company's future performance. Therefore, no certainty exists that the Company's business strategy will be implemented successfully in the future, or that it will meet its goals and targets.

f. Cyber and data security **-** The Company's activity is based on information system and on digital information of various types, including of employees, suppliers and Company customers. Over the course of the past few years there has been an increase in the frequency and severity of cyber events (including cyber-crime). This trend is expected to continue in the future and even grow worse, in spite of all of the defense mechanism operating against it. Cyber events may lead to unauthorized access, unauthorized exposure, misuse, disruption, erasure or change of information on the Company and/or its customers, and disrupt ongoing activity, harm IT services, slow them down significantly and even shut down information systems.

In the event of harm to the Company as a result of such cyber-attacks, the Company may suffer from negative consequences, such as the disruption of the Company's activity of that of customers to whom the Company provides products, disruption of the activity of information systems or shutting them down, stealing information of the Company and/or of its customers, harming the reputation influencing customers' trust and exposure to lawsuits. In such cases, this may harm the Company's business results.

The Company is working to uphold the regulatory rules that apply to it in all matters pertaining to information security. Accordingly, the Company is required to invest significant resources and may be required to increase the investment, taking into account the increase in risk, the increase in attempted cyber-attacks and their sophistication, information security events discovered and regulatory changes.

The Company invests significant efforts and resources to prevent cyber risks and acts to prevent security failures in information systems, by implementing a protective policy, among other things, the policy includes the following steps: the presence of backup and security mechanisms, implementation of advanced and up to date technological tools for information security and in order to prevent failures in IT systems.

The Company performed a comprehensive process including mapping out the Company's technological systems and assessing the extent of its exposure to information security events, while analyzing the risks which apply to the Company in light of its field of activity, and implementing and extending the information security culture in the Company (including training for Company employees).

The Company also prepared policies specifying its methods of action and response to such events, inter alia, as part of routine cybersecurity drills, for which the Company hired the assistance of external information security consultants. The Company's internal auditor also performed audit work for the purpose of assessing the risks which apply to it in this field, and its ability to respond to them.

g. Activity abroad – due to the Company's activity in various countries around the world, activity that has increased in recent years, the supervision and control options are inferior to the options for organic activity in Israel. The limited controls mainly lead to delayed detection of sources of problems, inasmuch as these exist, in the Company's activity in isolated sites, and prevent the Company from responding as quickly as needed. The Company is also exposed to risks deriving from the very fact that it is active in foreign countries (including political and state risks) and risks deriving from webcomic slowdowns in these countries, which will lead to decreased demand for the Company's services and to price pressures and reduced margins.

h. Dependence on customers sector – electric companies, telecom companies and vehicle charging companies – the Company has no material dependence on any customer, but the Company considers the electric company, telecom and vehicle charging sector as a sector material to its activity (both in Israel and abroad). If the Company's engagement with some of its customers in this sector is discontinued simultaneously, or the scopes of its activities with some of its customers are significantly reduced, or if there is a material negative change in the terms of its engagement with these customers, or if a significant downturn occurs in these sectors that leads to a drop in demand for Company products, the results of the Company's activity may be harmed as a result.

i. Contractual engagements with customers on the basis of a fixed price – some of the Company's revenues are derived from engagement in contracts on the basis of a fixed price. The pricing for these obligations is based on future estimated costs. The Company's inability to accurately estimate the resources needed to implement projects at a fixed price, property estimate salary costs of workers during these projects (including expected salary costs during the project) or complete its obligations on the dates set for this, may impact the Company's business results. This risk will increase in a direct ratio to an increase in the scope of the projects at a fixed price being performed by the Company, in light of the Company's trend to expand its project activity.

j. Legal risks – due to the complete nature of some of the Company's engagements, legal exposure exists to initiating legal action against the Company on behalf of the Company's customers. The Company is working to reduce these risks both through engagement conditions an limiting its liability in agreements with its customers, by purchasing general liability and professional liability insurance, and by careful management of the projects it is carrying out.

If legal action is taken against the Company and it loses these legal actions initiated against it as a result, at a sum exceeding its insurance coverage, or in the event that changes are introduced to its insurance policies, the Company's business results may be impacted. In addition, in the event that the Company is found to be liable for damage caused as a result of products marketed by it or as a result of projects and services performed by it, this may impact the Company's business results.

Table of Risk Factors

The following table presents the risk factors described above according to their nature – macro risks, industry risks and risks particular to the Group, which have been ranked, as estimated by the Company's management, according to their effect on the Company's business:

	Degree of Impact of Risk Factor		
	Major Effect	**Moderate Effect**	**Minor Effect**
Macro Risks			
Economic slowdown and uncertainty in global market		X	
Fluctuations in raw material prices		X	
Dependence on the economic, defense and political situation in Israel and around the world		X	
Exposure to changes in exchange rates		X	
Spread of Covid-19	X		
Fluctuation in shipping availability and prices			X
Increase in fuel and energy prices		X	
Inflation and interest rate hikes			X
Russia-Ukraine war			X
Industry Risks			
Competition		X	
Changes in regulation			X
Technological developments		X	
Slowdown in research and development process		X	
Human capital	X		
Uncontrolled growth		X	
Protecting intellectual property		X	
Reliance on manufacturers		X	
Ability to raise capital and sources of finance			X
Treatment of technical failures		X	
Environmental risks connected to the	X		

	Degree of Impact of Risk Factor		
	Major Effect	**Moderate Effect**	**Minor Effect**
Company's areas of activity			
Transition from production in a limited scope to serial / mass production			X
Risks Particular to the Company			
Pricing		X	
Demand for Company products.		X	
Inventory levels		X	
Lack of success in research and development processes	X		
Past performance		X	
Cyber and data security	X		
Overseas activity		X	
Dependence on customers sector – electric companies, telecom companies and vehicle charging companies		X	
Contractual engagements with customers on the basis of a fixed price			X
Legal risks			X

Note that identifying the risk factors and their influence on the Company were presented on the basis of the Company's estimates, and it is possible that in practice there are risk factors that have not yet been identified or whose influence differs from the above. In addition, the information included in Section 32 above regarding the possible occurrence of future events that may influence the Company's business and monetary status constitutes forward-looking information, as defined in the Securities Law, the occurrence of which is dependent on factors outside the Company. No certainty exists that the information will occur in practice, or that the results of its occurrence will be according to the Company's estimates.

Chapter B

Board of Directors' Report Regarding the State of the Company's Affairs For the Year Ending December 31 2022

The Company's Board of Directors is honored to present the Report of the Board of Directors on the State of Corporate Affairs for the year ending December 31 2022, in accordance with the Reports Regulations.

The Board of Directors Report includes a limited review of the matters it dealt with. To be clear, the description included in the Board of Directors' report only includes information that in the Company's opinion constitutes material information and has been prepared on the assumption that the reader has before them the description of the corporation's business as included in Chapter A of the Periodic Report.

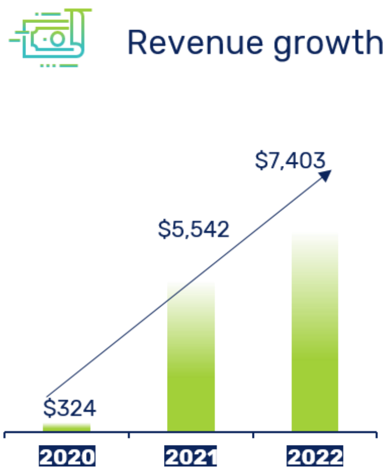
01

Board of Directors' Remarks Regarding the Corporation's Business Position, Operating Results, Equity and Cash Flows

1.1 Description of the Company and its Business Environment

The Company was incorporated and registered in Israel on February 21 2011, in accordance with the **Position, Operating Results, Equity and Cash Flows** provisions of the Companies Law, as a private limited shares company, under its current name. On November 18, 2020, the Company completed an initial public offering of its shares by virtue of the prospectus, in which the Company's shares were listed on the stock exchange, and accordingly, the Company became a public company, as this term is defined in the Companies Law, and also a reporting corporation, as this term is defined in the Securities Law.

The Company is a manufacturing technology company that deals in the planning, development, production, marketing and provision of after-sale services for alkaline fuel cell-based backup and power supply system's featuring the production of green energy without creating carbon dioxide emissions, in response to the growing need for green energy as an alternative to internal combustion engines based on oil substitutes. The Company's systems are designed to provide uninterrupted power supply solutions for critical points in the economy, and mobile electricity solutions for geographical regions which are not connected to the power grid. The technology developed at the Company and which is protected via patents and trade secrets positions the Company in a central and unique place in the global fuel cell market while focusing on a distinct competitive advantage in all matters pertaining to the production of electricity from ammonia. The Company has a clear patent filing strategy, within the framework of which the



Company make sure to file payments for innovative subjects that the Company estimates could grant it a significant advantage and generate value for it.

As of the reporting date, the Company employs 157 staff members, reflecting an increase of 26% relative to the end of 2021, including 14 experts in the field of alkaline fuel cells and of them 10 PhDs in the fields of chemistry, electro-chemistry, physics and more.

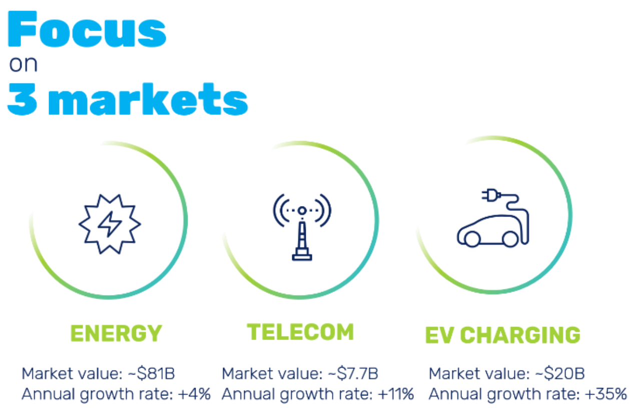
As of the report date, the Company held some $58.9 million that allow it to fully finance all of the Company's activity according to the current “cash burning” rate for a period of 24 to 27 additional months, in accordance with the Company's business plan.

As of the report date, the Company’s 2022 revenues amounted to $7,400,000, reflecting a 34% increase over the Company's revenues in 2021, and were characterized by material revenues from the EVOX product. Alongside the increase in revenues in question, there has been a significant loss in gross losses at a rate of 17% relative to 2021.

In the level of business activity – over the course of the reported period, the Company recorded progress in its business activity, as follows:

a. The Company continued to invest significant effort and resources in the development of infrastructure for cooperation that includes a number of joint installations in Israel and the world with leading companies in the Company's areas of activity, including companies in the fields of telecom, electricity and energy and electric vehicle charging, with the aim of creating a marketing infrastructure for the Company's systems for engagement with additional international companies.

b. The Company is focused on three main markets: Telecom, electricity and energy and charging electrical vehicles in areas in which the electrical infrastructure is insufficient or nonexistent. In all three of these markets, the Company identified a problem or need, for which it offers a value offer in the form of an adapted product.



c. Thus, for instance, in the electricity and energy market, the Company offers solution for decentralizing combined energy and complementing sun and wind technologies by ensuring electrical continuity for energy from renewable sources as well as in the supply of electricity during times of emergency as a result of the increase in power disruptions deriving from the sharp increase in the frequency of weather hazards (such as typhoons, storms and so on), which are a direct result of global warming.

d. In the electric vehicle charging market, the accelerated adaption of electric vehicles has been posing a challenge to global power grids. In Europe, the demand for electricity from the electric vehicle charging is expected to increase by 11% this year, and add a demand of 200 TWG by the end of this decade[1].

In addition, based on a survey conducted my McKenzie in 2022[2], the increase in the demand for electricity for electric vehicles in the U.S. market is expected to increase from 11 TW/hour in 2021 to 230 TW/h in 2030. This demand poses a huge challenge to the U.S. power grid, and therefore Congress has allocated a massive sum of $375 billion to deploy charging infrastructure in public places and along freeways, prioritizing green technologies in general and hydrogen in particular. In order to encourage the assimilation of these systems, the support rate can reach 80% of the investment in some of the

---

[1] https://www.ey.com/en_gl/energy-resources/as-emobility-accelerates-can-utilities-move-evs-into-the-fast-lane
[2] Building the electric-vehicle charging infrastructure America needs McKinsey 2022 - Philipp Kampshoff, Adi Kumar, Shannon Peloquin, Shivika Sahdev

states. The Company considers the need and these actions fertile ground for the Company's activity and is therefore increasing its commercial activities in this market.

e. The Company is continuing to see the telecom market as a future growth engine for is products, starting from backup systems and ending with support for the communications infrastructure of the G5 networks, autonomous vehicles, smart cities and more. The inability of electric companies to deploy the infrastructure needed to deploy the G5 system is delaying the networks deployment and delaying the connection of various sites. In addition, the commitment by all of the global telecom players to reduce CO_2 emissions, constitutes a window of opportunity for the value proposal of the Company's products. The Company installs its products for the major players in this market, such as Vodafone Telecom, Deutsche Telecom and more, and during the reported period it completed the full integration into the communications infrastructure of 2 leading communications suppliers, Swedish company Ericsson and Chinese company Huawei.

f. During the reported period, the Company launched the EVOX system, a hybrid, autonomous product capable of generating electricity independently of the power grid and with no emissions. The EVOX system constitutes a solution that ensures energy availability for charging electric vehicles during all hours of the day independent on the availability of the power grid, solar or wind energy, and provides a response for the increasing demand for autonomous electric vehicle charging stations, in places where the power infrastructure is insufficient or does not exist, and allows an increase in the charging capability of a larger number of electric vehicles. For further details on the EVOX™, see Section 3.10.(e) of Chapter A of the Periodic Report.

CONTINUED SOLUTION AND SERVICES SALES IN THE **TELECOM MARKET**

vodafone

FOX

BOX

g. In accordance with the collaboration agreement with EV, during the reported period the Company provided EV 4 Company BOX systems in return for a total of $400,000. Also, within the framework of the collaboration agreement, EV has purchased, through a subsidiary under its control, EVOX fuel cells adapted to the specific needs of the EV's hybrid vehicle charging systems, in order to work together to build hybrid charging stations for electric vehicles throughout Israel ("Purchase of EVOX Systems"). The consideration expected to receive in respect of the aforementioned sale of its systems amounts to $5.7 million. In addition, the parties agreed that the Company would provide planning and construction services for the charging stations in question for the compensation set between the parties in advance. For additional details regarding the collaboration agreement and engagement with EGV, see section 29.8 in Chapter A of the Periodic Report as well as Note 15 to Chapter C of the Periodic Report.

h. During the reporting period, the Company engaged in a number of important transactions involving the preliminary provision of the Company's systems to the Company's marketers and to end customers in the telecom and critical systems backup market, including Milani S.p.A, a leading Italian corporation that is engaged in the planning and management of electrical engineering projects, for the Canadian ONEC group which provides unique engineering, construction, purchasing and maintenance services, in which the Company supplied and installed the BOX system. The Company is also engaged, in collaboration with Aicox Soluciones, a conglomerate of technology and telecom companies, in an agreement with a Spanish corporation which provides maintenance services for telecom towers, regarding the integration of the BOX system, as a first stage for significant potential orders.

i. The Company continued to deepen its penetration into the telecom market with the continued engagement with European telecommunication companies, in addition to Deutsche Telekom, and also with companies that are engaged in the energy services segment in Canada and in the United States, with respect to the gas transmission industry, to supply green energy backup solutions based on the Company’s fuel cells. The Company has completed 3 preliminary installations in North America, at suppliers of energy services for the gas transmission industry, for evaluation and presentation to their customers.

j. In order to give the Company the ability to provide local services to companies providing energy services, to the gas transmission industry, the Company has entered into distribution and support agreements with RedHawk Energy and Westgen, two of the major distribution and engineering companies in the North American gas transmission market.

k. As part of the Company's marketing and sales efforts in the American market and in order to ensure the Company's competitive advantage in this market, the Company has entered into a farmwork agreement for strategic cooperation with Linde, an American industrial company, which deals among other things in supplying hydrogen. According to this, the parties will cooperate to formulate a plan for marketing and selling its various products and in particular hydrogen gas, which will be specifically adapted to the Company's customers and will be marketed along with the Company’s BOX and EVOX systems, as a single package that offers a complete solution and a response to the various need of the Company's customers in the United States, as they exist from time to time. For additional details, see section 14 in Chapter A of the Periodic Report.

l. The Company entered into a framework agreement for cooperation with ALD, a German gas company, according to which ALD and the Company will cooperate to formulate a personally adapted plan to supply hydrogen gas to the Company for its customers, which will be marketed along with the Company’s FOX™ and BOX™ systems, as a single package that offers a complete solution and a response to the various need of the Company's customers in the United States, as they exist from time to time. It was also decided in the collaboration agreement, that ALD shall be responsible, among other things, for all matters pertaining to shipping and supplying hydrogen to the Company's customer sites and will support the Company's customers as needed in connection with complying with relevant regulatory requirements connected to storing and using hydrogen. For additional details, see section 14 in Chapter A of the periodic report.

m. The Company increased its operational efforts to strengthen and increase the efficiency of its production line in order to allow it to fulfill the Company's production forecast, and implemented an inventory policy that guarantees raw materials and items for continuous supply, in order to address the shortage of raw materials and logistical problems. Over the course of the reported period, the Company has received two machines for the electrode production line, which are in advanced installation and tuning stages, and which will help the Company manufacture the electrodes at higher rates and will support the manufacture of the electrodes for the Company's systems. The machines are expected to increase electrode production capacity while significantly reducing workforce, by virtue of them being automatic and supported by advanced robotics, and will also reduce the potential depreciation that is caused during the electrode production process.

At the technology and research and development level – during the reporting period, the Company continued investing significant efforts and resources in research and development, and made achievements which resulted in progress in several areas as detailed in the periodic report.

a. The Company continued promoting the intensified development of the OX™ fuel cell with a capacity of 10KW, which will allow it to expand its array of offered systems in its operating markets to a capacity of 10KW and above, and also to enter new markets in which it is not currently engaged. Development of this system is conducted in accordance with the Company's plans, and over the course of the reported

period, development of a prototype featuring the development of a new fuel cell based on a new electrode with significantly higher energy efficiency than the existing electrode was completed, thus allowing the Company to present a system with a better ratio of cost per KW. The OX™ system, the 10 KW fuel cell, is operated at the Company's labs as part of a development plan. The Company predicts that over the course of 2023, development of the OX system will be completed and the Company will begin marketing it commercially over the course of 2024. The Company estimates that adding the OX system, to the basket of solutions, will expand the basket of solutions in the markets the Company is active in.

b. Over the course of the reported period the Company achieved a significant technological breakthrough, which allowed the production of green ammonia directly from water under very low pressure and temperature relative to the ammonia production processes that is currently available around the world. Following the strategic cooperation agreement signed with TDK, TDK notified the Company, after evaluating the above breakthrough, of its intention to exercise its rights to continue investing in the Project in accordance with the terms of the cooperation agreement, for the purpose of continuing the development of the project within the framework of the next milestone. For additional details regarding the strategic collaboration agreement with TDK, see Section 29.3 in Chapter A of the periodic report.

c. Following the engagement in the strategic agreement with the Islanding Communications Company, the parties completed a trial for testing the operation of the FOX system at an active communications site where the FOX system is the continuous 24/7 power supplier. For additional details, see Section 29.6 in Chapter A of the Periodic Report.

d. Following the cooperation agreement with Deutsche Telecom and the success of the first stage of the cooperation agreement, during the reported period, the parties completed the field trials of the FOX system, and in the first stage the system successfully fulfilled the threshold conditions of 1,000 hours of continuous operation, while fulfilling the energy profile that

was established by Deutsche Telekom and in the second stage, the FOX system was tested in 4 series of loads graded from 2KW to 4.5KW, while running continuously, and operated as required. The system operated under an extreme work profile as defined by Deutsche Telecom. In accordance with the terms of the collaboration agreement, the FOX system became an approved product for purchase for all member companies of Deutsche Group around the world. For additional details regarding the collaboration agreement with Deutsche Telecom, see section 29.7 in Chapter A of the periodic report.

e. Furthermore, during the reported period the Company successfully completed, via SimTel TEAM, an energy and telecom supplier for companies in central Europe, a field test in a Romanian cellular telecom site, operated by Vodafone Telekom and in light of the reliable results of the test and the Company's ability to provide a solution compatible with VD’s needs, VD intends to present the Company’s systems to its various divisions.

f. Following that stated in 1.1h above, the Company could report the completion of 3 initial installations in North America at energy service suppliers for the gas conduction industry and presented them to their customers, including examination of the Company's backup systems throughout a period of approximately 8 months, including under extreme conditions of -40 degrees Celsius. The backup system very successfully met all of the minimum conditions, throughout the entire test.

To be clear, in the event that all of the above information and forecasts, including the collaborations within the framework of the green ammonia project is realized, the realization of the strategic collaborations detailed above to the sale of additional Company products as well as

their assistance and advancement in the Company's commercial processes, constitute forward-looking information as the term is defined in the Securities Law, these assessments and forecasts may not be realized in whole, or in part, or be realized in a manner different than estimated. The Company's estimates and forecasts are based on the information that is currently available to the Company with respect to its activities, and are not under the Company's control.

02 Effects on the Company's business position

1.2.1. The Economic/Political/Security Situation in Israel

The Israeli Government is currently pushing forward changes to the judicial system. The proposed changes are highly controversial, and according to media publications and the opinions of various experts, their influences, the disputes concerning them and the parties' behavior in their regard may have a negative impact on the Israeli economy. Uncertainty in the Israeli economy, whether due to a major national security incident, political uncertainty, due to an economic recession or any other element, may lead to a decrease in the entrance of new customers from around the world that will lead to direct harm to the Company's revenues and business expenses. For further details, see Sections 8.1 and 34 of the Periodic Report

1.2.2. Spread of Covid-19

The Company believes that the continuation and intensification of the spread of Covid-19 and/or the means to reduce such exposure could have negative effects on the Company's business affairs, activities and financial results. The possible implications, and the Company's risk factors due to a deterioration in economic conditions, including a recession, economic downturn, and economic uncertainty, may be reflected in the availability and dates of provision of raw materials, and sharp changes in the prices thereof, a workforce shortage, and accordingly, in reduced capability to produce and send the Company's systems to its customers.

For further details, see Sections 8.2 and 34 of the Periodic Report

1.2.3. Russia-Ukraine War

The Company receives development services from two Russian service providers that as of the publication of this report are continuing to provide it with the services, and despite the various sanctions imposed on Russia, Belarus and their citizens during the reported period, the Company has succeeded in making bank transfers to the service providers' accounts in Russia. As a result of the war, the catalyst development services for the FOX system by the Belarussian company were temporarily halted, as well as the production services of the Company's ammonia cracking unit, granted the Company by Ukrainian service providers. During the reported period, these activities were relocated to new sites in Turkey and Taiwan, respectively, from which the Company is continuing to receive the development services in question. For further details, see Sections 8.3 and 34 of the Periodic Report.

1.2.4. Impact of inflation and the interest rate increase on the Company's activity

The Company believes, as of the publication date of the report, that the inflation rate and the increase in interest rates, as stated above, do not have a significantly adverse impact on the Company's results or activity, including on the Company's revenues, cost structure, profitability rate, financing costs and/or destabilization of its financial fortitude. However, the Company also believes that there could negative market effects on a global scale could occur, which may also affect the Company's potential customers, and slow down or change in the intentions of some potential customers to buy the Company's systems. Additionally, insofar as the trend of increasing prices continues or intensifies, the risk of a decline in the Company's profitability could increase. On the other hand, since most of the Company's customers and potential customers are very well-established companies, such as energy companies, telecom companies, and gas and oil companies, at this stage the Company does not expect an increase in its level of business risk. Furthermore, due to the fact that as of the reporting date the Company has not taken out any debt, the above interest rate increase benefits the Company and generates greater financing income on its deposits. Over the course if the reported period, various fuel prices around the world increased sharply, including hydrogen and ammonia prices, which are used as fuels from the Company's systems. As of the publication of the report, the Company has not experienced any material impact on the sale of the Company's BOX systems, which use hydrogen as a fuel, as a result of an increase in fuel prices as noted above and regarding the FOX system, which uses ammonia as fuel, it seems as though that as of the publication date of the report, there is no influence on the sale of the FOX system as the system is not yet commercial and is expected to become commercial over the course of 2023. The Company estimates that fuel prices are expected to drop in the range of time the FOX system becomes commercial and accordingly, the Company estimates that current ammonia prices are not expected to have a material impact on the operational prices of the FOX system, when the system becomes commercial. For further details, see Sections 8.5 and 34 of the Periodic Report

Note that the forecasts described in 0above are dynamic and subject to changes that depend on the guidelines and actions of the State of Israel and other countries, and at this stage the Company is unable to estimate the full and final effect of these forecasts on the Company's activity.

The Company's estimates regarding the possible implications of the state of the Israeli economy, the continued spread of the Covid-19 coronavirus, the Russia-Ukraine war, and the inflation rate and rising interest rates on the Company's activity and results, constitute forward looking information, as defined in the Securities Law, which is based, inter alia, on the Company's estimates as of the publication date of this report, with respect to factors which are not under its control. The Company's estimates are based on the information that is currently available to the Company, on related publications and forecasts, which are uncertain to materialize, in whole or in

part, and which could materialize in a significantly differently way due to factors which are not under the Company's control.

03

Additional Significant Events During and After the Reported Period

1.3.1. On March 29 2022, the Company Board of Directors approved the allocation of 566,432 registered options to 20 Company employees, each of which can be exercisable as a single ordinary Company share, in accordance with the Company's option plan.

1.3.2. On August 29, 2022, the Company's Board of Directors approved an allocation of 791,936 unlisted options to 22 employees of the Company, each of which is exercisable into one ordinary Company share, by virtue of the offering outline to employees in accordance with section 15B(1)(A) of the Securities Law (Outline Details of Offer of Securities to Employees), 2000, published by the Company on March 30 2022[1] and as updated June 2 2022[2] ("**Employee Offering Outline**"), and in accordance with the terms of the options plan for Company employees and officers, which was approved by the Company's Board of Directors on July 25, 2016, as amended from time to time.

1.3.3. On November 3 2022 the Company announced that it was extending the period for offering securities in accordance with the shelf prospectus issued by the Company to November 9 2023, after receiving the approval of the Securities Authority. For additional details, see the Company's

[1] Reference no.: 2022-01-032781 The above constitutes inclusion by way of reference.
[2] Reference no.: 2022-01-069310 The above constitutes inclusion by way of reference.

immediate report dated November 3, 2022 (reference number 2022-01-132550). The reference in question is presented as inclusion by way of reference.

1.3.4. On November 24 2022, the Company Board of Directors approved the allocation of 155,987 non-registered options, each of which can be exercisable as a single ordinary Company share, to 7 Company employees by virtue of the employee offering outline.

1.3.5. On March 27, 2023, after receiving approval from the compensation committee, the Company's Board of Directors, approved the following issues: (a) Adoption of a new Capital Compensation Plan (ESOP/RSU Plan) in the amount of 10,513,850 blocked shares and/or stock options; (b) updating Mr. Asher Levy terms of officiation and employment , including the granting of 100,000 stock options that are not listed for trading, in accordance with the 2016 options plan; (c) Approval to update the exercise price of 3,071,618 unregistered options by way of the cancellation of unregistered options and the reallocation of 3,264,618 options as well as the granting of 10,320,850 blocked share units, to the Company's employees and officers, excluding the Company directors; (d) approval of updating the exercise price of 1,083,790 unregistered options, for the Company's employees; The aforementioned decisions are subject, amongst other prerequisites, to receipt of approval from the stock exchange for the trading of the shares as a result from the realization of the options and the conversion of the restricted units (RSU), receipt of approval from the tax authorities, submission of a new Capital Compensation Plan (ESOP/RSU Plan) to the tax authority and receipt of approval from the Company's authorized organs. The company will continue to report the required reports at the required times according to the law.

04 Financial Position

Presented below are balance sheet items in accordance with the audited Financial Statements, and explanations of the main changes which have occurred therein (in thousands of USD):

Item	As of December 31		Change	Board of Directors' Remarks
	2022	2021		
Current Assets	69,932	60,497	9,435	The change is mostly from an increase in deposits to the sum of $5.7 million from a short-term cash balance and deposits that increased as a result of the proceeds of a private offering to institutional investors from January 2022. In addition, a $3 million increase in customers deriving from an increase in revenues. Furthermore, a $1.5 million increase in inventory balances.
Non-Current Assets	14, 045	20,151	(5,746)	The decrease largely derives from the decrease in the Company's fixed assets and intangible assets to the sum of $14.9 million made as a result of an impairment examination performed by the Company for its assets in accordance with Standard IAS 36, the Company was required to make in light of a significant drop in the price of the share that grossed up a value of the Company lower than the value of its equity in the December 31 2022 financial statements, against a $6.3 million increase as a result of the capitalization of

				development costs and some $2.2 million for the purchase of fixed assets. In addition, an increase of 0.3 for the right-of-use asset for the lease of the company's office space.
Total Assets	83,977	80,648	3,329	-
Current Liabilities	9,556	6,346	3,210	The increase is due to an increase in hedging liabilities to the sum of $1.6 million as a result of an increase in the exchange rate of the USD as well as an increase in payable balances to the sum of $1.6 million for an increase in the salary balance, advance payments from customers, advance payments from grants and from an increase in the balance of expense payable.
Non-Current Liabilities	7,488	8,081	(593)	A $500,000 decrease largely deriving from a decrease in lease liabilities deriving from the conclusion of a commitment for a warehouse and in addition due to the increase in the exchange rate of the USD vs. the NIS.
Total Equity	66,933	66,221	712	The increase is largely due to the proceeds of a private offering to institutional investors from January 2022, to a net sum of $34.5 million as well as a $4.5 million increase for capital reserves due to share-based payments. Against this, a $1.7 decrease in capital reserves from cash flow hedging, as well as a $36.6 million loss for the period.

05 Operating Results

Presented below are the Company's concise Statements of Operations (in thousands of dollars):

Item	For the Year Ending December 31		Change	Board of Directors' Remarks
	2022	2021		
Sales	7,403	5,542	1,861	The increase in sales mainly derives from two transactions with the EV company, to a total of $6.1 million for EVOX systems, and $238,000 for additional services provided within the framework of the project. In addition, $0.9 million in revenue from a CFE transaction and $0.6 in revenue from 5 different customers.
Cost of Sales	10,054	8,507	1,547	The increase in the expenses of costs of goods sold mainly derives from an increase in the number of workers in the production departments, the supply chain and customer support (10 employees) to the sum of $1.8 million. In addition, from an increase in the Company's production and operation areas as well as an increase of $0.2 million in import and export costs due to an increase in revenues. Against that, a $0.5 million decrease for the change in the mixture of Company products sold in 2022.

Item	For the Year Ending December 31		Change	Board of Directors' Remarks
	2022	2021		
Gross loss	2,651	2,965	(314)	-
Research and development expenses, net	7,856	5,704	2,152	The Company has increased its development capabilities, including an increase in salary expenses of R&D workers, an increase in the number of research institutes and research partners it is working with in order to accelerate the research and development processes. The additional salary expenses amounted to $1 million and overhead costs increased from the increase in R&D space by $300. In addition, the Company increased its consultants and materials expenses to the sum of $0.5 million and its overseas travel to the sum of $300.
Sales and marketing expenses	5,320	4,780	540	The increase is largely due to an increase in the number of employees and salary updates, which has led to an increase in salary expenses of $0.4 million within the framework of increasing the Company's marketing and sales array, as well as for marketing and conference expenses increasing by $0.3 million. In addition, there was a $0.3 million increase following the increase in office

<table>
<tr><th rowspan="2">Item</th><th colspan="2">For the Year Ending December 31</th><th rowspan="2">Change</th><th rowspan="2">Board of Directors’ Remarks</th></tr>
<tr><th>2022</th><th>2021</th></tr>
<tr><td></td><td></td><td></td><td></td><td>space. Against this, there was a $0.5 million decrease in share-based payment costs.</td></tr>
<tr><td>Administrative and general expenses</td><td>6,111</td><td>6,973</td><td>(862)</td><td>The increase largely derives from an increase in salary expenses to the sum of $120,000, from an increase of $420,000 in overhead costs as a result of the increase in the Company's office space and in addition from a $100,000 increase from educational sessions and events held by the Company. Against this a $1,500,000 decrease due to a provision to projected credit losses created by the Company in 2021.</td></tr>
<tr><td>Loss from impairment of intangible assets</td><td>11,472</td><td>-</td><td>11,472</td><td rowspan="2">The losses in 2022 derive from the amortization of the Company's intangible assets and part of the value of the fixed assets appearing in the Company's books made as a result of an impairment examination performed by the Company for its assets in accordance with Standard IAS 36, the Company was required to make in light of a significant drop in the price of the share</td></tr>
<tr><td>Impairment losses</td><td>3,389</td><td>-</td><td>3,389</td></tr>
</table>

Item	For the Year Ending December 31		Change	Board of Directors' Remarks
	2022	2021		
				that grossed up a value of the Company lower than the value of its equity in the December 31 2022 financial statements.
Loss from Regular Activity	36,799	20,422	16,377	Most of the increase in the loss derives as a result of the impairment the Company made in its books as noted above to the sum of $14,861,000.
Financing revenues (expenses)	287	(603)	890	The change largely derives from an increase in the exchange rate of the USD over the course of 2022 as well as from an increase in financing revenues mainly deriving from interest revenues form deposits and loans.
Other revenues	27	-	27	Revenues from the sale of waste and metal.
Taxes on income	191	65	126	The increase was due to the increase in advance payments for excess expenses which the Company paid in 2022, with respect to an increase in the Company's surplus expenses over the course of 2022.
Other comprehensive profit (loss)	(1.658)	72	(1.730)	The increase in expenses due to cash flow hedging is largely as a result of NIS/USD hedging agreements due to an increase

Item	For the Year Ending December 31		Change	Board of Directors’ Remarks
	2022	2021		
				in the exchange rate of the USD in 2022.
Loss for the period	38,334	21,018	17,316	-

For details on the Concise Reports on Comprehensive Income for each quarter of 2022, See also Regulation 10a of Chapter D of the Periodic Report

06 Liquidity and Financing Sources

1.6.1. Analysis of the Company’s cash flows

Item	For the Year Ending December 31		Change	Board of Directors’ Remarks
	2022	2021		
Cash flows from operating activities	(21.983)	(12.010)	(10.973)	The change in cash flows deriving from current activity largely derives from (a) an increase in salary expenses as a result of an increase in the number of Company workers as well as for salary increases over the course of 2022; (b) an increase in research and development activity and marketing and advertising efforts as a result of the expansion of the volume of the Company's activity and the

				increase in the Company's offices and production space; and (c) equipping and purchasing inventory in order to increase production amounts in order to meet the demand expected for 2023.
Cash flows for investing activities	(12.396)	(23.174)	10,778	The decrease in cash flows used for investment activity largely derives from a decrease in $9 million in investments in deposits as well as a decrease in investment in fixed assets to the sum of $0.4 million, and against them, a $1.3 million increase in investment in intangible assets.
Cash flows from financing activities	33,279	13,206	20,073	The increase was mostly due to the proceeds from a private issuance to institutional investors in January 2022, to the amount of $34 million, less issuance costs, compared to the offering of $13.7 million in the corresponding period last year.

1.6.2 Details regarding financing sources:

The Company finances its activity out of the proceeds from its initial public offering from November 2020, by virtue of the prospectus, the second offering from April 2021 in accordance with the shelf offering report published by virtue of the prospectus, as well as the proceeds of a private allocation to institutional investors from January 2022.

1.6.3 Liquidity

Due to the completion of the issuances and the receipt of the proceeds, the Company will be able to continue its operating activities for a period of 24-27 months after the approval date of the Financial Statements.

07 Impairment Provision

Starting January 1 2021, the Company capitalizes the development costs for three primary projects defined as intangible assets in the Company's Financial Statements (in this section – "**the Intangible Assets**"), to a sum of $11,472,000. In light of a significant decrease in the price of the Company's share that grossed up a value for the Company that is lower than its equity, as of the report date the Company amortized the intangible assets in full, in accordance with IAS 36, and as a result it recorded an impairment provision of $11,720,000 and in addition, an impairment in fixed assets to the sum of an additional 3,389,000.

For further details, see Note 11-12 of Chapter C of the Periodic Report as well as Section 3 below.

2. Aspects of Corporate Governance

2.1 Donations Policy and Social Responsibility

The Company has no policy of making donations and any donation request is examined on a case by case basis. The Company did not donate any sums during the reported period. Note also that the Company, its executives and workers are involved and contribute to nurturing their community and environment. The Company takes part in personal volunteer projects through its employees and managers.

In recent years, recognition has been increasing that environmental, social and corporate governance risks have an impact on the Company's business activity. In light of this, the Company is working to formulate a work plan to implement work and production processes that take into account ESG considerations and the measurement of ESG risks in the Company.

2.2 Directors with Accounting and Financial Capabilities

In accordance with Section 92(a)(12) of the Companies Law, on September 21 2020, the Company Board of Directors decided that the minimum desired number of directives with accounting and financial skills will amount to 2 directors. In the Company's opinion, this number of directors with accounting and financial capabilities will allow the Board of Directors to meet its obligations, in accordance with the law and the articles of association, particular as regards the examination of the Company's financial status and the preparation and approval of the Financial Statements. For details on the members of the Company Board of Directors, including those with accounting and financial skills, see Regulation 26 of Chapter D of the Periodic Report.

2.3 Independent Directors

As of the report date, the Company Board of Directors has 3 directors classified by the Company as independent directors. Note that the Company bylaws have no instructions regarding the minimum number of independent directors. For details on the members of the Board of Directors, including those who are independent directors, see Regulation 26 of Chapter D of the Periodic Report.

2.4 Disclosure Regarding the Company's Internal Auditor

2.4.1 Details of Internal Auditor

Name:	Gil Rogozhinsky
Start of Service	March 24 2021
Required qualifications and fitness:	Certified Public Accountant; Business Administration and Accounting graduate from the College of Management; managing partner in the field of internal auditing and

	business consulting at Focus Operational Financial Consulting Services Ltd.
The Auditor's Organizational Supervisor:	Chair of the Board of Directors

2.4.2 Appointment of Internal Auditor

The internal auditor's appointment was approved by the Company's Audit Committee on March 3 2021, and by the Company Board of Directors on March 21 2021, based on the auditor's skills and experience as detailed above and taking into account, among other things, the scope and complexity of the Company's activity.

2.4.3 Disclosure on Internal Auditor

The Internal Auditor meets all provisions set forth in Section 3(a) of the Internal Audit Law, 1992 ("**the Internal Audit Law**"). The Internal Auditor meets provisions set forth in section 146(b) of the Companies Law, and the conditions of Section 8 of the Internal Audit Law.

The Internal Auditor has no additional duties in the Company beyond his service as the Company's internal auditor. To the best of the Company's knowledge, the Internal Auditor has no duties outside the Company that create or may create a conflict of interest with his duties as the Company's Internal Auditor and does not hold securities of the Company.

The Internal Auditor is not a Company interested party, is not a Company auditor and is not related to any of these and does not serve as the Company's Auditing Accountant.

The Internal Auditor has no material business relationships or other material relationships with the Company or with a body affiliated with the Company.

2.4.4 Internal Auditor's Audit Plan

The internal audit plan is annual, deriving from the multiannual audit plan, and is determined in accordance with the decision of the Company Board of Directors after passing on the recommendation of the Company Audit Committee, with the Internal Auditor having the judgement to make non-material deviations from the audit plan, in coordination with the Chairman of the Audit Committee and in accordance with the Company's needs. The multiannual work plan for 2022-2026 was established based on the risk survey approved by the Audit Committee during the reported period. The audit plan focuses on risks applying to the Company and is aimed at directing the Auditor's activity to areas with a higher level of sensitivity such as cyber, management, production, finance and more.

The internal audit plan, setting priorities and the frequency of the audit are influenced, among other things, by the following factors: exposure to operating risks, subjects and actions that will be determined, among other things, on the basis of a risk survey that was conducted by the internal auditor in the reported period, the probability of the existence of operational and managerial flaws, subjects in which an audit will be requested by the Company's organs, subjects required by law in accordance with internal or external procedure directives and the need to maintain cyclicity.

2.4.5 Conducting the Audit

As instructed by the Internal Auditor, the audit is conducted in accordance with accepted professional standards, as set forth in Section 4(b) of the Internal Audit Law.

In order to determine whether the internal auditor has met the requirements set in accordance with the Internal Audit Law, the Company Board of Directors shall rely on the reports of the Internal Auditor on his compliance with professional standards and the remaining provisions of the Internal Audit Law.

2.4.6 Access to Information

The Internal Auditor has free access to Company documents, information and data systems, including financial data, as per Section 9 of the Internal Audit Law.

2.4.7 Internal Auditor’s Report

The proposed work plan for 2023 was discussed by the Audit Committee on December 14 2022 and by the Company Board of Directors on January 23 2023.

On April 24 2022, May 23 2022, June 21 2022, December 14 2022 and March 26, 2023, the Company Audit Committee discussed the Internal Auditor's audit reports on the subject of material transactions, penetration and the fortitude of information systems, the findings of the risk survey, a mistaken payment event, operations quality and production, and tracked the implementation of the recommendations of the reports made in 2022.

2.4.8 Board of Directors’ Assessment of the Auditor’s Activities

In the Board of Director’s opinion, the scope, character, continuity of the Auditor's operations and work plan are reasonable under the circumstances and are able to achieve the goals of the internal audit.

2.4.9 Scope of Employment and Remuneration

The scope of the Internal Auditor's employment is derived from the requirements of the internal audit, according to the decision of the Company Board of Directors and the Company Audit Committee. In 2022, the Internal Auditor was employed for 800 hours and for a salary of NIS 180,000. In the opinion of the Company Board of Directors, the remuneration is reasonable and will not have any influence on the Auditor’s professional judgement when auditing the Company, this, among other things, taking into account the manner in which the Internal Auditor performs the internal auditing work at the Company, and the level of details and in-depth analysis of the audit findings filed by them.

2.5 Details on the Auditor’s Report

2.5.1 Auditor's Name

2.5.2 Auditor's Fee

Year/Period	Fee for Audit, Audit-Related Services and Tax Services (in Thousands of Dollars)	Fee for Other Services (in Thousands of Dollars)
2021	125	**(*)**6
2022	165	35

(*) In 2021 other services included fees for consulting work connected to the IPO from November 2020.

2.5.3 Determining the Auditor's Fee

The fee of the Company's auditing accountant is determined in accordance with the recommendations of Company Management, in light of the assessment of the required auditing work and taking into account the fees of external auditors in public companies similar to the Company in all matters pertaining to the scope of their activity, regarding the scope of auditing work expected in the reported year, and after receiving the position of the Company Audit Committee, that the salary paid the auditing accountant during the reported period is adequate. The element approving the auditing accountant's fee is the Company Board of Directors.

2.6 Buyback Plan

As of the publication of the report, the Company has no buyback plan in effect.

2.7 Internal enforcement plan

On May 23, 2022, the Company's Board of Directors adopted an internal enforcement plan in the field of securities for the Company, in accordance with the criteria for effective enforcement programs which were published by the Israel Securities Authority on August 15 2011 (the "**Internal Enforcement Plan**"). The plan establishes policies which are intended, *inter alia,* to regulate major issues such as the manner of publication of immediate reports, identification, approval and reporting of transactions with controlling shareholders and officers, the prohibition against the use of inside information, fraud and manipulation, information management and safekeeping, and the establishment of rules of activity and conduct along with work process that are intended to create controls, methods of treatment and learning lessons with respect to central processes for issues which are addressed in the internal enforcement plan. The enforcement plan was adopted based on an internal survey on enforcement and compliance with securities and corporate laws, which was approved by the Company's Board of Directors on November 23 2021. The Company's Board of Directors appointed the Company's CFO, Mr. Yossi Salomon, as the Company's Internal Enforcement Supervisor.

On June 21 2022, criteria were set for the examination and approval of transactions with Company interested parties as transactions that are not irregular and are not material as part of the procedure for locating, approving and reporting transactions with interested parties and officers approved as part of the Company's internal enforcement plan ("**the Procedure**").

According to the Procedure, in the absence of special qualitative considerations arising from the circumstances of the matter, a transaction involving an interested party that is not an irregular transaction, shall be considered a transaction with an interested party Company Management is certified to approve in the event that the scope of the transaction (in yearly terms, in the event of a current temporary payment), does not exceed the following:

a. In transactions to purchase products/raw materials – to a total scope of up to $10,000 per year;

b. In transactions to sell products – to a total scope of up to $10,000 per year;

c. In transactions to receive various operating services – to a total scope of up to $10,000 per year;

d. In transactions to receive consultation and/or management services – to a total scope of up to $10,000 per year;

e. Gifts for holidays and/or personal events, vacations, supplementary education, as the Company grants its employees and/or sends them and/or financed for them (as the case may be) from time to time – to a total scope not exceeding $5,000 per year for each interested party.

To be clear, in accordance with the procedure, a transaction not taking place over the normal course of the Company's business, or not under market conditions, or which may have a material impact on the Company's profitability, its asserts or its liabilities, shall not be classified as a transaction that Company Management can test and decided about it independently.

In accordance with the procedure, on December 14 2022, the Audit Committee reviewed the implementation of criteria for testing and approving transactions with Company interested parties. As of the publication of the report, no transactions have yet been approved in accordance with these criteria.

2.8 Exemption from Attachment of Opinion of the Certified Public Accountant on the Effectiveness of Internal Controls

In light of the fact that the Company is a "small corporation" as this term is defined in Regulation 5c of the Reports Regulations and in accordance with the amendment, on March 27 2023 the Company Board of Directors decided to adopt the relief listed in Regulation 5d of the Reports Regulations on the matter of exemption from the attachment of a report on the effectiveness of controls (ISOX) (including the attachment of the opinion of the auditing accountant)

3 Valuations

The Company prepared a material valuation for fixed assets that includes among other things machinery, manufacturing and development equipment and lab equipment.

The following are details required in accordance with Regulation 8.b.(i) of the Reports Regulations.

Identification of Object of Assessment	Machinery, manufacturing and development equipment and lab equipment.
Assessment Timing	March 9 2023 made for December 31 2022
Value of Object of Assessment	$3,577,000
Value Assessor	A. Zagol Assessment (2001) Ltd.
Experience in performing valuations for accounting purposes in reporting corporations and at scopes similar to those of the reported valuation or exceeding these scopes.	The valuators have years of extensive experience in conducting valuations for machinery and equipment and industrial facilities at scopes similar to or exceeding the assets included in the reported assessment both within the framework of the allocation of the cost of purchases and within the framework of an impairment examination.
Dependence on the Company	None
Indemnification of Valuator	A letter of indemnification was submitted to the valuator. The letter of indemnification leaves exposure of up to three times the level of the fee received with the exception of full indemnification for subjects connected to the information provided by the Company.
Assessment Model	Market value approach, domestic or international market, machinery and items of equipment, separate from infrastructure and leasehold improvements, within the framework of the impairment, after neutralizing structural attachments and leasehold improvements.
The assumptions according to which the value assessor performed the assessment:	The existence of a market for the machinery and equipment in the domestic and/or international market for used equipment, the existence of a demand for equipment in accordance with the situation existing on the measurement date.

Impact on Gain/Loss	$3,389,000

4. Disclosure provisions regarding the corporation's financial reporting

4.1 Non-inclusion of separate financial information in the condensed financial statements

In light of the 2nd Amendment, 2022, to the Reports Regulations, and in light of the fact that the separate financial information has no material information in addition to the information included in the Company's Yearly Financial Statements attached as Chapter B of the Periodic Report, the Company is not committed to attach a separate financial report (solo) in accordance with Regulation 9c of the Reports Regulation.

4.2 Use of critical accounting estimates

For details on use of critical accounting estimates, see Note 4 to Chapter C of the Periodic Report.

4.3 Details regarding the exposure to and management of market risks

4.3.1 Individual responsible for the management of market risks in the corporation

The individual responsible for managing market risks in the Company is the Company's CFO, Mr. Yossi Salomon. For additional details, see Regulation 21 in Chapter D of the periodic report.

4.3.2 Description of market risks

For additional details, see Note 27

4.3.3 Company policy regarding the management of market risks, and oversight and implementation thereof

The CFO regularly updates the Board of Directors on the risks the Company is exposed to and their management, including the steps taken for the purpose of preparing to face these risks. In its meetings, the Board of Directors discuses risk management methods at the Company and decisions are made on the preparations needed to deal with these risks. The Company is acting to partially hedge the risks of exposure to changes in exchange rates of foreign currencies, among other things through future transactions to purchase or sell foreign currency. The Company estimates that the amount of hedging against exchange rate risks provides adequate protection for the cash balances in its possession and according to their expected use. For further details, see Note 2 to Chapter C of the Periodic Report.

4.3.4 Linkage bases and sensitivity tests

For further details, see Note 27 to Chapter C of the Periodic Report.

4.3.5 Board of Directors' Remarks

As of December 31 2022, the Company is exposed at a sum of $8 million to changes in foreign currency exchange rates The exposure largely derives from liabilities due to office rentals as well as from commitments to suppliers. The Company's balances in cash and short-term foreign currency deposits are $817,000.

The Company's Board of Directors and Management would like to express their appreciation to the Company's workers and executives for their contributions and dedication to the Company's advancement.

Asher Levy, Chairman of the Board

Rami Reshef, CEO

Petah Tikva, March 27 2023

GenCell Ltd.

Consolidated Financial Statements As of December 31, 2022

GenCell Ltd.

Consolidated Financial Statements As of December 31, 2022

Table of Contents

Deloitte.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF GENCELL LTD.

We have audited the accompanying consolidated statements of financial position of Gencell Ltd. and its subsidiary (hereinafter: the "Company") as of December 31, 2022 and 2021, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended. 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 audit.

We conducted our audit in accordance with generally accepted auditing standards in Israel, including standards set forth in the Auditors' Regulations (Auditor's Mode of Performance) -1973. Those standards require that we plan and preform 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 Company's Board of Directors and management, as well as evaluating the overall financial statements presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above adequately reflect, in all material respects, the financial position of the Company and of the consolidated company as of December 31, 2022 and 2021, as well as their operating results, changes in equity and cash flows for each of the two years in the period ended December 31, 2022, in accordance with International Financial Reporting Standards (IFRS) and the provisions of the Securities Regulations (Annual Financial Statements) -2010.

Brightman Almagor Zohar & Co.
Certified Public Accountants
A Firm in the Deloitte Global Network

Tel Aviv, March 27, 2023

Tel Aviv - Main Office
1 Azrieli Center Tel Aviv, 6701101 P.O.B. 16593 Tel Aviv, 6116402 Tel: +972 (3) 608 5555 | info@deloitte.co.il

Jerusalem
3 Kiryat Ha'Mada
Har Hotzvim Tower
Jerusalem, 914510
Tel: +972 (2) 501 8888
Fax: +972 (2) 537 4173
info-jer@deloitte.co.il

Haifa
5 Ma'aleh Hashichrur
P.O.B. 5648
Haifa, 3105502
Tel: +972 (4) 860 7333
Fax: +972 (4) 867 2528
info-haifa@deloitte.co.il

Eilat
The City Center
P.O.B. 583
Eilat, 8810402
Tel: +972 (8) 637 5676
Fax: +972 (8) 637 1628
info-eilat@deloitte.co.il

Nazareth
9 Marj Ibn Amer St.
Nazareth, 16100
Tel: +972 (73) 399 4455
Fax: +972 (73) 399 4455
info-nazareth@deloitte.co.il

Beit Shemesh
Yigal Alon 1 St.
Beit Shemesh, 9906201

GenCell Ltd.

Consolidated Balance Sheets

	Note	As of December 31 2022	2021
		Thousands of Dollars	
Assets			
Current Assets			
Cash and cash equivalents	5	10,574	11,881
Short-term deposits		48,378	42,611
Trade accounts receivable	6	5,450	2,347
Other current assets	7	2,395	2,144
Inventory	8	3,135	1,514
Total Current Assets		69,932	60,497
Non-current assets			
Restricted deposit	9,14	1,788	1,927
Right-of-use assets, net	9	7,997	7,687
Long term given loan, net	10	683	-
Other intangible assets, net	11	-	5,126
Fixed assets, net	12	3,577	5,411
Total Non-current assets		14,045	20,151
Total Assets		83,977	80,648
Liabilities and equity			
Current liabilities			
Current maturities of lease liabilities		1,265	1,273
Trade payables	13	2,493	1,826
Derivative financial instruments	27	1,584	-
Payables and credit balances	14	4,214	3,247
Total Current liabilities		9,556	6,346
Non-current liabilities			
Lease liabilities		6,777	7,444
Liabilities in respect of employee benefits		5	16
Liabilities in respect of grants	16	706	621
Total non-current liabilities		7,488	8,081
Equity			
Share capital and premium		322,949	287,165
Other capital reserves		24,510	22,906
Accumulated loss		(280,526)	(243,850)
Total Equity	17, 18	66,933	66,221
Total Liabilities and equity		83,977	80,648

March 27, 2023			
Approval Date of the Financial Statements	**Asher Levi** **Chairman of the Board of Directors**	**Rami Reshef** **CEO**	**Yossi Salomon** **CFO**

The attached Notes constitute an inseparable part of the Consolidated Financial Statements.

GenCell Ltd.

Consolidated Statement of Comprehensive Loss

	Note	For the Year Ending December 31 2022	2021
		Thousands of Dollars	
Sales	19	7,403	5,542
Cost of sales	20	10,054	8,507
Gross loss		2,651	2,965
Research and development expenses, net	21	7,856	5,704
Sales and marketing expenses	22	5,320	4,780
Administrative and general expenses	23	6,111	6,973
Loss from Regular Activity		21,938	20,422
Loss from impairment of intangible assets	11	11,472	-
Impairment losses	12	3,389	-
Impairment losses		36,799	20,422
Financing income	24	3,515	482
Financing expenses	24	3,228	1,085
Financing revenues (expenses), net	24	287	(603)
Other income, net		27	-
Total Loss before taxes on income		36,485	21,025
Taxes on income	30	191	65
Total Loss for the period		36,676	21,090
Amounts which will be classified in the future under profit or loss, net of tax:			
Profit (loss) in respect of cash flow hedging, net of tax		(1,658)	72
Total comprehensive loss for the period:		38,334	21,018
Loss per single ordinary share (in USD) worth NIS 1 NV, basic and diluted	26	0.34	0.22
Weighted average of stock capital used to calculate the basic and diluted loss per share		107,508,908	94,578,864

The attached Notes constitute an inseparable part of the Consolidated Financial Statements.

GenCell Ltd.

Consolidated Statements of Changes in Equity

	Ordinary Share Capital	Premium	Capital Reserve from Cash Flow Hedging	Capital Reserve from Share-Based Payment Transactions	Capital Reserve from Transactions with Shareholders	Accumulated Loss	Total
	Thousands of Dollars						
For the Year Ending December 31 ,2022							
Balance as of January 1 ,2022	276	286,889	72	21,387	1,447	(243,850)	66,221
Loss for the period	-	-	-	-	-	(36,676)	(36,676)
Other comprehensive loss	-	-	(1,658)	-	-	-	(1,658)
Total comprehensive loss for the period	-	-	(1,658)	-	-	(36,676)	(38,334)
Share-based payment	-	-	-	4,507	-	-	4,507
Forfeited options	-	-	-	(152)	-	-	(152)
Expired options	-	60	-	(60)	-	-	-
Exercise of options to shares	*	1,168	-	(1,033)	-	-	135
Share issuance (after deducting issuance costs of USD 1,269 thousand)	37	34,519	-	-	-	-	34,556
Total capital as of December 31, 2022	313	322,636	(1,586)	24,649	1,447	(280,526)	66,933

* less than 1 thousands of dollars

The attached Notes constitute an inseparable part of the Consolidated Financial Statements.

GenCell Ltd.

Consolidated Reports on Changes in Equity (Capital Deficit)

	Ordinary Share Capital	Premium	Capital Reserve from Cash Flow Hedging	Capital Reserve from Share-Based Payment Transactions	Capital Reserve from Transactions with Shareholders	Accumulated Loss	Total
	Thousands of Dollars						
For the year ended December 31, 2021							
Balance as of January 1 ,2021	263	269,381	-	19,020	1,447	(222,760)	67,351
Loss for the period	-	-	-	-	-	(21,090)	(21,090)
Other comprehensive income	-	-	72	-	-	-	72
Total comprehensive loss for the period	-	-	72	-	-	(21,090)	(21,018)
Share-based payment	-	-	-	5,814	-	-	5,814
Forfeited options	-	-	-	(158)	-		(158)
Expired options	-	66	-	(66)	-	-	-
Exercise of options to shares	2	3,714	-	(3,223)	-	-	493
Share issuance (after deducting issuance costs of USD 593 thousand)	11	13,728	-	-	-	-	13,739
Total capital as of December 31, 2021	276	286,889	72	21,387	1,447	(243,850)	66,221

GenCell Ltd.
Consolidated Cash Flow Reports

	For the Year Ending December 31	
	2022	2021
	Thousands of Dollars	
Cash Flows for Current Activity		
Loss for the period	(36,676)	(21,090)
Adjustments required to present cash flows from activities (Appendix A)	14,693	9,080
Net cash for operating activities	(21,983)	(12,010)
Cash Flow for Investment Activity		
Decrease (increase) in restricted deposit	165	(1,533)
Changes in balance of given loan	-	(2,615)
Change in short term deposit	(5,269)	(12,662)
Investment in intangible asset	(5,230)	(3,910)
Investment in fixed assets	(2,062)	(2,454)
Net cash for investment activity	(12,396)	(23,174)
Cash Flows from Financing Activity		
Proceeds from exercised options	135	491
Consideration from share issuance, after deducting issuance costs	34,556	13,739
Payment of royalties for grants received	(8)	(11)
Interest payment in respect of lease	(218)	(171)
Repayment of lease liabilities	(1,186)	(842)
Net cash from financing activities	33,279	13,206
Net decrease in cash and cash equivalents	(1,100)	(21,978)
Influence of changes in exchange rates due to cash balances held in foreign currency	(207)	768
Cash and cash equivalents at the beginning of the period	11,881	33,091
Cash and cash equivalents at the end of the period	10,574	11,881

Material Non-Cash Activity

	2022	2021
Non-cash purchase of fixed assets	131	357
Recognition of right-of-use asset against lease liability	1,118	4,087
Non-cash amounts capitalized to intangible asset	1,116	1,216

The attached Notes constitute an inseparable part of the Consolidated Financial Statements.

GenCell Ltd.
Consolidated Cash Flow Reports

Appendix A – Adjustments Required to Present Cash Flows from Current Activity

	For the Year Ending December 31	
	2022	2021
	Thousands of Dollars	
Income and Expenses Not Involving Cash Flows		
Depreciation and amortizations	1,286	952
Tax expenses	191	65
Loss from impairment of intangible asset	11,472	-
Impairment losses	3,389	-
Exchange rate difference expenses (revenues) on cash balances	207	(768)
Interest expenses (income) and linkage differentials	(1,372)	991
Expenses due to share-based payment	3,805	4,820
	18,978	6,060
Changes in assets and liabilities items:		
Increase in trade receivables	(3,103)	(2,303)
Decrease (increase) in other receivables	(826)	1,633
Increase (decrease) in the net provision for severance pay	(11)	16
Decrease (increase) in inventory	(1,621)	2,002
Increase in suppliers and other service providers	536	1,055
Increase in payables and financial instruments	931	682
	(4,094)	3,085
Taxes paid	(191)	(65)
	14,693	9,080

The attached Notes constitute an inseparable part of the Consolidated Financial Statements.

Note 1 - General

Description of the Company:

GenCell Ltd. (hereinafter – the "Company" or the "Group") was incorporated and registered in Israel on February 21, 2011, in accordance with the provisions of the Companies Law, as a private company limited by shares, under its current name.

As of the approval of the Financial Statements, the Company is a technology manufacturing company that is engaged in the planning, development, production, marketing and provision of after sale services for alkaline fuel cell-based backup and power supply systems, featuring the production of green energy without creating carbon dioxide emissions, the Company is developing the fuel cells in response to the growing need for energy based on petroleum substitutes. The Company's activity takes place in its offices in Petach Tikva. The Company holds a fully owned subsidiary, GenCell Inc., incorporated in the United States, which is inactive as of the reporting date.

On November 18, 2020, the Company completed an initial public offering of its shares by virtue of the prospectus, in which the Company's shares were listed on the stock exchange, and accordingly, the Company became a public company, as this term is defined in the Companies Law, and also a reporting corporation, as this term is defined in the Securities Law.

Note 2 – Principal Accounting Policies

a. Statement regarding the implementation of International Financial Reporting Standards (IFRS):

The Company's Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations thereof issued by the International Accounting Standards Board (IASB). The principal accounting policies listed below have been applied consistently to all reported periods presented in these Financial Statements, with the exception of changes in accounting policy deriving from the implementation of regulations, amendments to regulations and interpretations that came into effect on the Financial Statement date, as detailed in Note 3.

b. The Company's Consolidated Financial Statements have been prepared in accordance with provisions of the Securities Regulations (Annual Financial Statements), 2010 (hereinafter: "Financial Statement Regulations").

c. In accordance with Regulation 4 of the Securities Regulations (Periodic and Immediate Reports), 1970 (hereinafter in this Section – "the Regulations"), the Company did not attach separate financial information to these Financial Statements as per Regulation 9c of the Regulations, in light of the negligible influence the subsidiary has on the Consolidated Financial Statements The criteria used by the Company to test the negligibility of the influence of the subsidiary are the monetary scope of the revenue data, assets and the comprehensive loss of the subsidiary, which do not exceed 1% of those of the Group on a consolidated basis.

d. Consolidated financial statements:

The Group's Consolidated Financial Statements include the financial statements of the Company and of entities directly or indirectly controlled by the Company. An investor company controls an investee company when it is exposed, or when it has rights, to variable returns resulting from its holdings in the investee, and when it is capable of influencing those returns through the use of force on the investee.

For the purposes of the consolidation, all inter-company transactions, balances, revenues and expenses are fully eliminated.

e. The Group's operational turnover period is 12 months.

Note 2 – Principal Accounting Policies (Continued)

f. Foreign currency:

(1) Functional currency and presentation currency:

The consolidated financial statements of each Group company are compiled in the currency of the primary economic environment in which it operates (hereinafter: "the Functional Currency"). For the purpose of consolidating the financial statements, the results and financial status of each Group company are presented in USD, which is the Company's functional currency.

(2) Translation of Transactions in Currencies other than the Functional Currency

When preparing the Company's Consolidated Financial Statements, transactions made in currencies other than the Company's functional currency (hereinafter: "Foreign Currency") are recorded at the exchange rates effective as of the transaction dates. Upon each balance sheet date, monetary items denominated in foreign currency are translated using the exchange rate effective as of that date; non-monetary items measured at fair value and denominated in foreign currency are translated using the exchange rate effective as of the date on which fair value is determined; non-monetary items measured at historical cost are translated using the exchange rate effective as of the date of the transaction involving the non-monetary item.

(3) Recognition of Exchange Rate Differences

Exchange rate differences are recognized in gain/loss in the period in which they were generated. With the exception of the following cases:

Exchange rate differences for transactions intended to hedge certain foreign currency risks (regarding the Group's accounting policy on the subject of hedging transactions see Note 2.w).

g. Cash and cash equivalents:

Cash and cash equivalents include cash available for immediate realization, on-call deposits as well as specified term deposits the use of which is unrestricted and the term to maturity of which, at the time of investment, does not exceed three months.

Deposits with a restriction detailing their use are classified under non-current assets under Restricted Use Deposit.

h. Inventory:

Inventory is assets held for sale over the normal course of business, undergoing manufacture for the purpose of sales or materials that will be consumed in the manufacturing process or in the provision of services.

Inventory is presented at cost or net realization value, whichever is lower. The cost of inventory includes all purchasing costs and costs incurred in getting the inventory to its current location and status.

Net realization value represents the estimated sales price over the regular course of business less estimated completion costs and estimated costs required to conduct the sale.

Cost was determined as follows:

Raw materials, component and packing	**–**	based on standard prices, on a moving average basis.
Finished products and processed products	**–**	based on the cost of raw materials and production costs, on an average basis.

Note 2 – Principal Accounting Policies (Continued)

i Fixed assets:

(1) General:

A fixed asset is a tangible item that is held for the purpose of use in the manufacture of delivery of goods or services, or for rental to others, which is expected to be used for more than one period. The Group presents its fixed asset items using the cost model.

In the cost model, fixed asset items are presented in the balance sheet at cost, net of accumulated amortization, net of investment grants received from the BIRD Foundation (see q. below) and net of accrued impairment losses, if any. The cost includes the acquisition cost of the asset, as well as costs than can be directly attributed to bringing the asset to the location and state required for its operation in the manner intended by management.

(2) Amortization of fixed assets:

Amortization of fixed assets is carried out using the straight line method over the expected useful life span of the item components starting on the date on which the asset is ready for its intended use, taking the expected residual value at the end of its useful life into account.

The useful life span and the depreciation rates used in calculating the depreciation are as follows:

	Depreciation Rates – %
Machinery	7-10
Lab equipment	15
Computers and peripherals	33.33
Furniture	7-15
Leasehold improvements	The rental period of the useful life span, whichever is shorter.

The salvage values, depreciation method and useful life span of the asset are reviewed by Company management at the end of each financial year. Changes are treated as changes in estimates, on a prospective basis.

Gain or loss generated from sale or obsolescence of an asset is determined by the difference between proceeds from its sale and its book value, and is charged to gain or loss.

j. Impairment of tangible and intangible assets:

At the end of each reported period, the Group studies whether there are any signs indicating an impairment in the value of its tangible and intangible assets, with the exception of inventory. If any such indications exist, the asset's recoverable sum is estimated in order to determine the sum of the impairment loss created, if any. If the recoverable sum for a single asset cannot be estimated, the Group estimates the recoverable sum of the cash-producing unit to which the asset belongs. Joint assets are also allocated to the individual cash-generating units if a reasonable and consistent basis for this allocation can be identified. In the event that the joint assets cannot be allocated to the single cash-generating units on the basis in question, the joint assets are allocated to the smallest groups of cash-generating units for which a reasonable and consistent basis of allocation can be identified.

Note 2 – Principal Accounting Policies (Continued)

j. Impairment of tangible and intangible assets (Continued):

Intangible assets with an undefined useful life span as well as intangible assets that are not yet available for use,
are tested for impairment once per year, or more often in the event of indications of impairment of the asset.

The recoverable sum is the asset's sales price less cost of sale and its use value, whichever is higher. When estimating value in use, future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market estimates for time value of money and for asset-specific risks for which the future cash flow estimate has not been adjusted.

When the recoverable sum for an asset (or for a cash-generating unit) is estimated to be lower than its book value, the book value of the asset (or of the cash-generating unit) is depreciated down to its recoverable sum. Impairment loss is immediately recognized as an expense in gain/loss.

When an impairment loss recognized in previous periods is written off, the asset's book value (or that of the cash-generating unit) is increased back to the updated recoverable sum estimate but no greater than the book value of the asset (or of the cash-generating unit) that would have existed if impairment loss had not been recognized for it in previous periods. Writing off impairment loss is immediately recognized in gain/loss, unless the relevant asset is measured according to the revaluation model. In this case, writing off the impairment loss is recognized directly in gain/loss, up to the sum at which the impairment loss recognized in gain/loss in previous periods is written off, and the balance of the increase, if any, is charged to Other Comprehensive Income. Details regarding the calculation of impairment loss are provided in Note 4 (D).

k. Recognition of income:

Revenue is measured and recognized according to the fair value of the proceeds expected to be received in accordance with the terms of the contract, les sums charged in favor of third parties (such as taxes). Income is recognized in the Consolidated Statement of Operation up to the degree the economic benefits are expected to flow to the Group, and revenues and costs, if relevant, can be measured reliably.

Most of the Company's revenues derive from the sale and marketing of generators intended as backup and power supply systems based on the use of alkaline fuel cells (hereinafter – 'the Asset") and in addition, the Company also provides installation, warranty and IOT services as well as support and maintenance services for the fuel cells in accordance with the customer's requirements, for a fee.

Control of the asset is transferred to the customer at a point in time in which the customer secures control over the promised asset and the Company upholds an implementation obligation, in order to determine this point in time, the Company takes into account signs of changes in control, which mainly include the following signs:

- The Group has a present right to receive payment for the property;
- The customer legally owns the property;
- The Group has transferred physical possession of the property;
- The customer ha the material risks and benefits deriving from ownership of the property.
- The transfer date of the risk and the yields is determined in accordance with the commercial agreements and trade conditions with each specific customer;
- The customer has confirmed receipt of the property;

Note 2 – Principal Accounting Policies (Continued)

k. Recognition of income: (Continued):

The Company products sold via agreements with exclusive distributors cannot be replaced, cannot be returned, no refund can be received for them and no price protection rights exist. Therefore, the Company considers all distributors to be end users.

At the start of a contract, the Company also evaluates and determines whether the contract should be separated into more than one performance obligation. The Company has contracts in which system installations generally include obligations for one-time implementation for the purpose of individual compatibility with the specific needs of each customer and system or a combined solution.

In sales agreements featuring a number of components such as systems, installation, and support agreements, the income is split into separate implementation obligations and recognized separately for each implementation obligation. A component constitutes a separate implementation obligation only if it has a separate value for the customer and the promise can be identified separately in the contract with that customer. Recognition of income from the various implementation commitments is recognized at the point of time or across periods of time in which the implementation commitment is upheld.

When allocating the comprehensive proceeds in the contract, the Company estimates the separate sales price of each implementation commitment identified. In cases in which the separate sales price cannot be directly observed, the Company estimates the separate sales price of each implementation commitment in accordance with the projected cost approach plus a margin, in cases in which the Company cannot estimate the projected cost the Company implements the remainder approach only in the event that the Company has not yet set a price for that merchandise or service and they had not been sold separately in the past or when that merchandise or service are sold to various customers at a wide range of sums.

The installation process constitutes a non-material part of the profit generation process, its costs are not material and it is carried out soon after delivery to the customer.

Responsibility:

In order to assess whether warranty provides customers with a separate service the Group examines, among other things, the following characteristics: whether the customer has the option of purchasing a separate warranty period; whether the warranty is required by law; the length of the warranty coverage period and the nature of the actions the Group undertakes to perform. When the warranty services are provided in order to guarantee the quality of the service performed and ensure compliance with the specifications agreed upon by the parties, they do not constitute an additional service provided the customer. Therefore, in these situations the Group does not identify the warranty as a separate implementation obligation but treats it in accordance with IAS 37 and recognizes the warranty provision in accordance with the base estimated cost of the services in question.

Recognition of revenue from the supply of services:

The Company provides support and maintenance services of the fuel cells in return for payment, these services constitute an implementation obligation uphold over time, as the customer both receives and consumes, simultaneously, the benefits provided by the Group's performance inasmuch as the Group has performance, and in addition, the Group recognizes these service as a separate implementation commitment and recognizes income across the service period.

Note 2 – Principal Accounting Policies (Continued)

k. Recognition of income: (Continued):

In transactions in which a third party is involved for the provision of services or products to the customer, the Company examines whether it is operating vis-a-vis the customer as a primary supplier or an agent. In transactions in which the nature of the Company's promise is to ensure that the goods or services are provided by the same third party, the Company's revenues from the transaction are presented on a net basis. In revenues for transactions in which the Group is the chief supplier, the revenues are presented on a gross basis.

l. Taxes on income:

In light of losses for tax purposes accumulated at the Company, and due to the lack of expectation of the existence of taxable income in the foreseeable future, the Company does not charge deferred taxes receivable in respect of losses to be carried over for tax purposes and in respect of temporary differences in the value of assets and liabilities, between the Financial Statements and reporting for tax purposes.

m. Research and development costs:

Costs due to research activity are charged to gain/loss upon creation, less bonuses and participations.

Costs arising as a result of development projects, are recognized as intangible assets only if all of the following conditions are met:

- Technical feasibility exists for the completion of the intangible asset, making it available for use or sale.
- The Company intends to complete the intangible asset and use it or sell it.
- The Company can use or sell the intangible asset.
- The manner in which the asset will generate future economic benefits can be determined;
- The Company possesses technical, financial and other resources available for the completion of the development and the use or the sale of the intangible asset; and
- Costs during development that can be attributed to the intangible asset can be measured reliably.

When an intangible asset created internally cannot be recognized, the development costs are charged to the Statement of Operations upon creation.

Starting from January 1, 2021 the above conditions started being met, and therefore development costs were capitalized (see Note 11).
At the end of 2022, the Company amortized the intangible asset created as a result of the capitalization of development costs; for further details, see Note 11.

n. Share-based payments:

Share-based payments to employees, settled using Group equity instruments, are measured at fair value upon their grant date. The Company measures, upon granting, the fair value of granted capital instruments using the Black-Scholes-Merton Model and/or based on the fair value of the Company's shares, as the case may be (regarding the manner in which the fair value of share-based payments is measured, see Note 17). When the granted equity instruments do not vest until employees complete a specified period of service, uphold implementation conditions or in the event of defined market conditions, the Company recognizes the share-based payment agreements in its financial statements over the vesting period against an increase in shareholders' equity, under "Capital reserve in respect of share-based payment transactions". At the end of each reporting period, the Company estimates the number of equity instruments expected to vest. Changes in estimates relative to prior periods are charged to gain/loss over the remaining vesting period.

Note 2 – Principal Accounting Policies (Continued)

o. Financial assets:

(1) General:

Financial assets are recognized in the balance sheet when the Group becomes a party to the contractual terms of the instrument.

Investment in financial assets is initially recognized at fair value, plus transaction cost, except for financial assets recognized at fair value in the statement of operations, which are first recognized at fair value. Transaction costs in respect of financial assets at fair value through profit or loss are charged immediately as an expense to profit or loss.

After initial recognition, financial assets are measured at amortized cost or at fair value, depending on their classification.

(2) Classification of financial assets:

Debt instruments are measured at amortized cost when the following two conditions are met:

- The Group's business model is to hold the assets with the aim of collecting contractual cash flows, and
- The asset's contractual terms establish precise dates on which the contractual cash flows constituting principal and interest payment only will be received.

Accordingly, the Company is presenting customer balances, receivables, cash and bank deposits at amortized cost.

All other assets are measured at fair value via gain/loss.

(3) Financial assets measured at depreciated cost and the effective interest method:

The amortized cost of a financial asset is the sum at which the financial asset is measured upon first recognition less the principal payments, plus or less the accumulated amortization, using the effective interest method, of some difference between the initial sum and the redemption sum adjusted for a provision to some loss.

The effective interest method is a method used for the calculation of the depreciated cost of a debt instrument and for the allocation and recognition of the interest revenue to gain or loss across the relevant period.

Interest revenues are calculated using the effective interest method. Calculation is performed by implementing the effective interest rate to the gross book value of a financial asset.

o. Financial assets (continued):

(4) Impairment of financial assets:

Regarding customers, the Group chose to implement the lenient approach for measuring an impairment provision according to the insolvency probability for the instrument’s lifetime. The expected credit losses for these financial assets are estimated using a provisions matric based on the Group's past experience regarding credit losses and adjusted to elements specific to the borrower, general economic conditions and an assessment both of the current trend of these conditions and the projected trend of the conditions on the reporting date including the time value of the money as needed.

Regarding the remaining financial instruments, the Group recognizes the impairment provision according to the projected credit losses for the duration of the instrument’s life span, with there being a material increase in the credit risk from their first recognition date. If, on the other hand, the credit risk of the financial instrument has not increased significantly from its first recognition date, the Group measure this impairment provision according to the probability of insolvency over the coming 12 months. The examination as whether to recognize an impairment provision according to the projected credit losses for the lifespan of the instrument is based on the risk of failure from the first date of recognition, and not just when objective evidence of impairment exists on the report date or when the failure occurred in practice.

<u>Material Increase in Credit Risk Management</u>

When making the estimate whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of occurrence the failure in the financial instrument on the reporting date with the risk of the occurrence of a failure in the financial instrument upon initial recognition, while taking into account reasonable and backable quantitative and qualitative information, including past experience and forward-looking information. Forward-looking information that was taken into account includes forecasts on the borrowers’ industries, received from reports of economic experts, analysts, government bodies and other similar organizations.

The Company takes the following information into account when making the estimate whether its credit risk has increased significantly from the initial recognition date.

- A significant increase in practice or a significant change in the external credit rating of the financial instrument;
- Material changes in external credit risk market indices for a specific financial instrument, such as a significant increase in the credit margin, replacement contract prices of credit failure for the borrower, the amount of time or degree in which the fair value of a financial asset was lower than its amortized cost;
- Actual or projected changes with a negative impact on business, financial or economic conditions, which are expected to lead to a material change in the borrower's ability to uphold their debt obligations;
- A material actual or projected change in the borrower's operational expenses;
- Actual or projected changes with a negative impact, in the regulatory, economic or technological environment of the borrower than lead to a material change in the borrower's ability to uphold their debt obligations.

The Company assumes that regardless of the above results of the evaluation, the credit risk of a financial instrument has increased significantly when the contractual payments for which are in arrears of over 30 days, unless the Company has reasonable and stabilizable information that proves otherwise.

o. Financial assets (continued):

(5) Amending contractual terms of Financial Assets:

The company examines whether amendments to the contractual terms of a financial asset constitute a "material condition amendment " according to accepted accounting principles, through execution of a quantitative analysis based on the expected cash flows of the asset under the new terms, as well as a qualitative analysis based, amongst others, on factors related to the asset, such as linkage and payoff conditions and other factors.
When a change in terms is identified as immaterial after the examination as mentioned, the company reassesses the value of the asset based on the new expected cash flows at the original effective interest rate. The change in the asset's value is recognized in profit or loss at the time of the amendment of terms.
When an amendment in terms is identified as material after the examination as mentioned, the amendment is treated as acquiring a new financial asset and repayment of the remaining original financial asset at the time of the amendment.
Accordingly, at that time, the Company deducts the asset in accordance with its previous conditions, and recognizes the new financial asset in accordance with its fair value at that time. The difference between the book value of the balance of the financial asset on the eve of the amendment, and the fair value of the asset according to the new conditions, is recognized as profit or loss in the Company's report on profit or loss.

p. Financial liabilities and equity instruments issued by the Group:

(1) Classification as financial liability or equity instrument:

Liabilities and capital instruments issued by the Group are classified as financial liabilities or as a capital instrument, based on the nature of their contractual terms and the definition of a financial instrument and capital instrument.

(2) Capital instruments:

A capital instrument is any contract indicating a residual right to Group assets, after deducting all of its liabilities. Capital instruments issued by the Group are stated at their issuance proceeds net of expenses directly related to the issuance of said instruments.

(3) Financial liabilities:

Financial liabilities are presented and measured at depreciated cost:

Accordingly, they are initially recognized at fair value, net of transaction costs. Subsequent to initial recognition, these financial liabilities are measure at amortized cost using the effective interest method.

The effective interest method is a method for calculating the net amortized cost of a financial liability and of the allocation of interest expenses over the relevant credit period. The effective interest rate is the rate that precisely discounts the projected flow of future cash receipts or payments over the course of the expected life span of the financial liability to its book value, or, as the case may be, for a shorter period.

(4) Subtraction of financial liabilities:

The Group subtracts financial liabilities only when the financial liability is discharged, is canceled or expires. The difference between the book value of the cleared financial liability and the proceeds paid is charged to gain/loss.

Note 2 – Principal Accounting Policies (Continued)

q. Leases:

The Group assesses whether a contract is a lease (or includes a lease) at the time of engagement. The Group recognizes a right-of-use asset on the one hand, and a lease liability on the other hand, in respect of all of the lease contracts in which it is the lessee, excluding short term leases (for periods of up to 12 months) and leases of low value assets. In these leases the Group recognizes lease payments as an operating expense on a straight line basis across the lease period, unless some other systematic basis better represents the pattern of consumption of economic benefits by the Group from the lease assets.

The lease period is the non-cancelable period during which the lessee has the right to use the leased asset, together with:

- Periods covered by an option to extend the lease if it is reasonably certain that the lessee will exercise this option, and
- Periods covered by an option to cancel the lease if it is reasonably certain that the lessee will not exercise this option.

When determining the lease period, the Group will take into account extension options that as of the start of the lease it is reasonably certain that they will exercise them. The realization probability of the extension options was tested taking into account, among other things, the lease payments in the extension periods relative to market prices, significant leasehold improvements made by the Group that are expected to had a material economic benefit for the Group in the extension period, costs referring to the conclusion of the lease (negotiations, vacating the existing property and locating an alternate property in its place), the importance of the property to the Group's activity, the location of the leased property and the availability of suitable alternatives.

The lease liability is initially measured at the current value of the lease payments that are not paid at the start date. For the purpose of the calculation, the Group uses its incremental interest rate.

Lease payments which are included in the measurement of the lease liability are comprised of the following payments:

- Fixed payments (including essentially fixed payments) less any lease incentives;
- Variable leasing payments dependent on a CPI, which are initially measured using the CPI that exists on the start date;

The lease liability is presented in a separate item from current and non-current liabilities in the Balance Sheet. A lease liability is measured subsequently by increasing the book value to reflect interest on the lease liability using the effective interest method and by reducing the book value to reflect the lease payments made.

The Group remeasures the lease liabilities (against compatibility with usage right asset) when a change occurs in future lease payments, when a change occurs in the ums projected to be payable in accordance with the residual value guarantee. In this case, the lease liability is measured by capitalizing the revise lease payment while using the original capitalization rate (unless the change in lease payments derives from a change in variable interest rates, and in this case, a revised capitalization rate is used).

The cost of a usage right asset is comprised of the initial measurement sum of the lease liability and lease payments of any sort carried out on the start date or before it. Subsequently, the right-of-use asset is measured at cost less accumulated amortization and impairment losses.

Note 2 – Principal Accounting Policies (Continued)

q. Leases (Continued):

The usage right asset is presented in a separate item in the Balance Sheet. The right-of-use asset is measured at cost and amortized in a straight line over the shorter period of either the lease period or the underlying asset's useful lifetime. Depreciation begins on the lease commencement date.

The Group adopts the provisions of IAS 36, Impairment Of Assets, in order to determine whether the right-of-use asset has been impaired, and to account for any identified impairment loss. See Note 2j.

r. BIRD Foundation grants:

Grants received from the BIRD Foundation, which the Company is required to repay plus interest payments, under defined conditions and which do not constitute forgivable loans, are recognized upon initial recognition as a financial liability, at fair value, based on the current value of the cash flow expected for the repayment of the grant, deducted at a capitalization rate reflecting the risk level of the RA&D project. The difference between the proceeds of the grant, and the sum of the liability is recognized as a decrease from the R&D expenses for which they were received or a decrease from the balance of the fixed asset item purchased, as the case may be.

In consecutive reporting periods, the financial liability is measured at the level of the current value of cash flows expected to be paid in the future, discounted at the original interest rate of the liability on a periodic basis, and the changes in the time value are charged to financing expenses in the Statement of Operations. Changes in liability reflecting a change in the Company's revenue projection, are charged to financing expenses in the Statement of Operations.

For further information see Note 4a.

s. Provisions:

Provisions are recognized when the Group has a legal or implied obligation due to a past event, where use of reliably measurable economic resources is expected to discharge said obligation.

The sum recognized as a provision reflects management's best estimate of the amount that will be required to settle the current obligation upon the balance sheet date, accounting for risk and uncertainty associated with said obligation. When the provision is measured using expected cash flows for settlement of the obligation, the book value of the provision is the present value of expected cash flows. Changes due to the time value will be charged to gain/loss.

When any sum or portion thereof needed to settle the obligation in the present is expected to be returned by a third party, the Company recognizes the asset, on the basis of the return, up to the level of the provision recognized, only when it is virtually certain that the remedy will be accepted, and thus it may be estimated reliably.

t. Employee benefits:

(1) Post-employment benefits:

Israeli labor law and the Severance Compensation Law, 1963 (hereinafter: "the Law") require that the Company pay compensation to employees upon retirement or dismissal (including employees departing the workplace under other specific circumstances). The calculation of liability as a result of the termination of employee-employer relationships is carried out in accordance with the valid employment agreement and is based on the employee's salary which, in management's opinion, creates the right for compensation.

Post-employment benefits at the Group include pensions and severance pay liability and sick day redemption. Some post-employment Group benefits are defined contribution plans and some are defined benefit plans. Expenses in respect of Group liability to deposit funds to a defined contribution plan are charged to gain/loss, or are capitalized to the cost of the asset "employee benefit assets" upon the provision of employment services for which the Group is liable to make said deposit. The difference between the sum of the deposit payable and the total deposits paid is presented as an "employee benefit liability" liability. When the total deposits paid exceeded the deposit needed for the service provided as of the balance sheet date, and this surplus will lead to a decrease in future deposits, or to a monetary reimbursement, the Group recognizes the asset.

Expenses in respect of defined benefit plans are recognized in the Statement of Operations, or capitalized to the cost of the asset "employee benefit assets" in accordance with the Projected Unit Credit Method, using actuarial estimations prepared at the end of each reported period. The current value of Group obligations in respect of defined benefit plans as of December 31, 2022 is determined by discounting expected future cash flows expected from the plan while using a discount rate suitable to the market yield of high-quality corporate debentures denominated in the currency in which plan benefits are to be paid, and having a term to maturity approximately equal to the expected plan settlement date. In accordance with the Group's accounting policy, the net interest cost is included under financing/administrative and general costs/costs of goods sold in the Statement of Operations.

Actuary profits and losses are charged to other comprehensive income upon creation, or are capitalized to the cost of the asset "employee benefit assets." Past service costs, reductions or clearances are recognized in gain/loss upon the amendment of the plan or upon recognition of related costs for structural change in accordance with IAS 37 or severance pay benefits, whichever comes first. Actuary profits and losses charged to other comprehensive earnings will not be reclassified to gain/loss on a later date.

Plan assets are measured at fair value. Interest income on plan assets is determined based on the discount rate of the liability at the beginning of the period, and is carried to the statement of income as part of net interest costs. The difference between interest income on the plan assets and the comprehensive yield on the plan assets is charged to other comprehensive earnings and will not be reclassified to gain/loss on a later date.

The Group's liability in respect of a defined benefit plan presented on the Company balance sheet includes the present value of the liability in respect of defined benefit net of the fair value of plan assets. A net asset, created from the calculation in question, is limited to the level of the future economic benefits available to the Group in the form of reduction of future deposits or monetary reimbursement, whether directly to the Group or whether indirectly to other plans in deficit (hereinafter – "the Ceiling Sum").

Note 2 – Principal Accounting Policies (Continued)

t. Employee Benefits (Continued)

(1) Post-employment benefits:

Most of the Company employees have signed on in accordance with Section 14 of the Law, according to which its current deposits in pension funds and/or insurance policies exempt it from any additional obligations towards its employees, for whom the aforementioned sums were deposits. The Company shall have no legal or implied obligation to make additional payments if the plan has insufficient assets to pay for all employee benefits pertaining to the employee's service in the current and in previous periods. The Company's deposits for employees who have signed in accordance with Section 14 within the framework of a defined contribution plan are charged to gain/loss upon the provision of employment services for which the Group is liable to make said deposit. The difference between the sum of the deposit payable and the total deposits paid is presented as a liability.

(2) Short-term employee benefits:

Short-term employee benefits are benefits that are expected to be cleared in full within 12 months from the end of the year in which the crediting service was granted by the employee.

Short-term employee benefits at the Company include the entity's commitment liability in respect of wages, vacations and convalescence, and these benefits are charged to gain/loss upon creation. The bonuses are measured on a non-capitalized basis that the entity is expected to pay. The difference between the short-term benefits to which an employee is entitled and the amount paid for them is recognized as a liability.

u. Loss per share:

The Company calculates the basic loss sums per share by dividing the loss attributed to holders of ordinary Company shares by a weighted average of the number of ordinary shares in circulation throughout the reported period.

v. Classification of interest paid/received in the Cash Flow Report:

The Group classifies cash flows for interest and dividends it received as cash flows from investment activity, as well as cash flows for interest paid as cash flows used for financing activity. Cash flow for taxes on income are classified, as a rule, as cash flows used for current activity, except for those that can be easily identified with cash flows used for investment or financing activity. Dividends paid by the Group are classified as cash flows from financing activity.

w. Cash flow hedging:

The Company applies cash flow hedging accounting for future transactions for the purchase or sale of foreign currency intended to guarantee export and payment proceeds for importing linked to foreign currency as well as to ensure salary payments.

The effective portion of changes in value of financial instruments designated as cash flow hedges is immediately recognized in other comprehensive earnings under “other comprehensive income" and the non-effective portion is immediately recognized in gain/loss.

Note 2 – Principal Accounting Policies (Continued)

w. Cash flow hedging (Continued):

Sums recognized in the past under other comprehensive income and accumulated in capital are reclassified to gain/loss in periods in which the hedged item influences the profit or loss, in the same section as the hedged item. At the same time, when a projected hedged transaction leads to the recognition of a non-financial asset or a non-financial liability, the profits and losses recognized in the past under other comprehensive income are removed from capital and included in the initial measurement of the cost of the non-financial asset or liability. This transfer does not influence other comprehensive income.

The Company ceases implementing hedging accounts only when the hedging rations (or some of them) do not meet the criteria for hedging effectiveness (after rebalancing, if relevant). This includes cases in which the hedging instrument expires or is sold, written off or realized.

The end of the hedging is treated on a prospective basis. Each profit or loss recognized in Other Comprehensive Income and charged to capital on that date, remains in capital and is reclassified to gain/loss when the projected transaction is ultimately charged to gain/loss. When the projected transaction is not yet expected to be realized, the gain or loss accumulated in capital is immediately recognized to gain/loss.

Note 3 - New Financial Reporting Standards

Amendments to standards that have been published and not yet in effect, and not adopted early by the Group, which are expected to have or may have an impact on future reporting periods:

Amendment to IAS 1, Presentation of Financial Statements (regarding disclosure of the accounting policy):

The amendment replaces the term "significant accounting policy" with "significant information regarding accounting policy". Information regarding an accounting policy is significant if, when taken into account together with other information which is included in an entity's financial statements, it can be expected to reasonably affect the decisions made by the main users of financial statements for general purposes, based on those financial statements.

The amendment also clarifies that information regarding an accounting policy pertaining to transactions, events or other insignificant conditions is insignificant, and does not require disclosure. Information regarding an accounting policy may be significant due to the nature of the transactions, events or other associated conditions, even if the amounts are insignificant. However, not all information regarding the accounting policy which pertains to significant transactions, events or other conditions is in itself significant.

Note 4 – Critical Accounting Considerations and Key Sources for Estimates of Uncertainties

In applying Group accounting policy, as set forth in Note 2 above, Company management is sometimes required to exercise considerable judgment with regard to estimates and assumptions with regard the book value of assets and liabilities, which may not be available from other sources. These estimates and related assumptions are based on past experience and other factors deemed relevant. Actual results may differ from these estimates.

Estimates and underlying assumptions are regularly reviewed by management. Changes in accounting estimates are only recognized in the period in which a change was made to the estimate, if the change only affects that period, or are recognized in said period and in subsequent periods in cases where the change affects both the current period and the subsequent periods.

a. Liabilities due to grants from BIRD Foundation:

In accordance with the accounting treatment in Note 2n Company management must examine whether reasonable assurance exists that the grant received is not returned.

The current value of the obligation to pay royalties to the BIRD Foundation (see Note 14) depends on the forecast and assumptions of Company management regarding the Company's future revenues and the discount rate for capitalization.

In order to estimate the current value of the future cash flows that are expected to be demanded to over the liability of the BIRD Foundation, by the Company estimates that the BIRD Foundation grants will be returned by 2027 based on the Company's aggregate sales forecasts for the coming years.

Management's forecasts regarding the aggregate sales by the repayment of the above grants is based on the Company's plans to sell the Company's products in coming years.

The Capitalization rate for grants received from the BIRD Foundation is 20%.

b. Capitalization of research and development expenses:

In accordance with the accounting treatment as per Note 2l, Company management must test whether the conditions exist for recognizing costs due to development projects as intangible assets. According to the Company's estimates, as of December 31, 2021 the conditions for recognizing costs due to development projects as intangible assets have been met (See Note 10).

c. Determining Projected Credit Losses

In accordance with the accounting treatment as per Note 2.n.(4), the Company is implementing the directives set in IFRS 9 for the purpose of assessing the projected credit losses of financial assets measured at amortized cost. This assessment requires the application of significant judgement and the use of forecasts to measure projected credit losses. When applying this judgement Company Management takes into account, among other factors, an analysis of the age of the balance of the financial asset, the history of bad debt, debt repayment behavior, financial fortitude and a short-term analysis of the debtors' business. See also Note 7 and Note 26f on exposure to credit risk for financial assets.

Note 4 – Critical Accounting Considerations and Key Sources for Estimates of Uncertainties(Continued)

d. Impairment of assets:

The Company, as a whole, constitutes one cash generating unit, as defined in International Accounting Standard IAS 36, Impairment of Assets. At the end of 2022, in light of the significant decrease in the Company's market value, as reflected in its share price on the Tel Aviv Stock Exchange, the Company tested for impairment its assets which fall under the scope of IAS 36. The recoverable amount of the cash generating unit was determined at fair value net of disposal costs, based on the Company's market value on the stock exchange, which, as of the end of 2022, amounted to approximately USD 54 million, and net of the fair value of the net assets which do not fall under the scope of the standard. According to the Company's assessment, in its specific circumstances, the value in use is not expected to be greater than the net fair value of the cash generating unit, in light of the inherent uncertainty regarding the Company's future cash flows, and the Board of Directors' and Management's current difficulty in substantiating reliable cash flow forecasts. Fair value measurement, as stated above, is a measurement classified at level 2 of the fair value hierarchy, as explained in Note 26.

Based on the Company's market value as of December 31 ,2022, the recoverable amount of the assets which fall under the scope of IAS 36 as a cash-generating unit is less than their book value. Therefore, the Company recorded impairment loss with respect to assets up to the amount of their fair value, net of the disposal costs with respect to those assets as single assets, as specified in Notes 10 and 11 below.
The impairment loss in the amount of approximately $14.9 million was attributed to intangible assets and fixed assets, as specified below, and included under the item for impairment loss with respect to intangible assets in the statement of income.

Assets	**Thousands of Dollars**
Intangible Assets	11,472
Fixed assets:	3,389
	14,861

The fair value net disposal costs of fixed assets is determined through the use of an external valuer. The fair value measurement stated above is a measurement classified at level 3. The valuation model taken is a market value model, local or international market, machines and items of equipment, separate from infrastructure and improvements in the leasehold, as part of an examination of decline in value, neutralizing irremovable structures and leasehold improvements. The assumptions according to which the appraiser performed the valuation are the existence of a market for machinery and equipment in the local market and / or international market for second hand/used equipment, and the demand for such equipment according to the existing situation at the time of measurement.

Note 5 - Cash and cash equivalents

Composition:

	As of December 31	
	2022	**2021**
	Thousands of Dollars	
In U.S. dollars	10,064	4,837
In Israeli currency	397	6,866
In Euros	110	105

In pounds sterling	3	73
	10,574	11,881

Note 6 - Trade accounts receivable

Composition:

	As of December 31	
	2022	**2021**
	Thousands of Dollars	
Open accounts	5,450	2,347

Note 7 - Other current assets

Composition:

	As of December 31	
	2022	**2021**
	Thousands of Dollars	
Loan given, net (1)	563	1,115
Advance payments to suppliers	1,147	699
Institutions	298	176
Deposits	157	81
Pre-paid expenses	144	-
Others	86	73
	2,395	2,144

(1) For further details, see Note 10 and Note 15c Material Engagements

Note 8 - Inventory

a. Composition:

	As of December 31	
	2022	**2021**
	Thousands of Dollars	
Raw materials	2,572	1,054
In-process products	492	290
Finished products	71	170
	3,135	1,514

b. Additional information:

	As of December 31	
	2022	**2021**
	Thousands of Dollars	
Sum of inventory recognized as expenses during the period.	3,923	4,761
Sum of inventory impairment recognized as expense during the period	335	538
	4,258	5,299

Note 9 - Leases

a. In November 2014, the Company signed the fourth amendment to the sublease agreement for its offices and factory in Petach Tikva starting May 2011, which was supposed to end on April 30, 2021. As a security for the Company upholding the agreement, it provided the landlord with bank guarantees to the sum of $234,000.

Over the course of May 2020, the Company extended the lease agreement within the framework of which the Company rents the offices (as well as 30 parking spaces), labs and production space with a total area of 3,000 m^2, for a period ending April 30, 2023. According to this lease agreement, the Company pays in respect of the leased property, monthly rent and management fees in the amount of approximately $75,000 75 (Some 256,000 NIS), plus VAT and linkage differentials. On March 4, 2021 the Company engaged in a revision to the lease agreement, according to which the size of the leased property would be increased by a total area of 1,450 m^2, of this 658 m^2 for offices and 750 m^2 for production ("the Lease Revision" and "the Lease Addition"), as the case may be, and the Company extended the agreement period to May 8, 2024. The Company has two extension options, each for a period of three years, and as of the reported date the Company considers it reasonably likely that it will exercise the extension options in respect of the building. For the Lease Addition, and after receiving various grace periods set in the amendment to the lease agreement, the Company will pay monthly rent and management fees to the sum of NIS 92,270 (some $29,668), plus VAT and linkage differentials. Within the framework of the agreement, the Company provided bank collateral against a pledged deposit to the sum of NIS 957,000 (some $272,000) to guarantee the sum of the lease.

On February 1, 2022, the Company engaged in an additional amendment to the lease agreement under which the leased area will be increased by a total area of approximately 524 m^2, at a cost of approximately NIS 65 (approximately $21) per square meter, which it will use to increase the area of the offices and to increase its research and development activity during the period ending May 8, 2024. The Company will pay, in respect of the leased property, monthly rent and management fees to the sum of $10,640 (some NIS 34,060), plus VAT and linkage differentials. The Company has two extension options, each for a period of three years. As of the report date, the Company considers it highly likely that it will exercise the extension options in respect of the building. Within the framework of the agreement, the Company provided bank collateral against a pledged deposit to the sum of NIS 210,000 (some $60,000) to guarantee the sum of the lease.

In May ,2017 the Company signed a warehouse rental agreement for three years, with an option for an additional year. The Company exercised the option in question for an additional year over the course of 2020. As a security for the Company upholding the agreement, it provided the landlord with bank guarantees to the sum of $15,000.

Over the course of August ,2021 the Company extended the lease agreement within the framework of which the Company is renting its equipment warehouse in Segula for a period that will end on October 7, 2022. According to this agreement, the Company pays monthly rental fees and management fees to the sum of NIS 16,208 ($5,211) plus VAT, in May ,2022 the price will increase by 5% for the rental fees and management fees. Accordingly, it created an asset and a liability for the warehouse totaling $48,000.
On October 7, 2022 the lease agreement ended and the Company decided not to extend the agreement. Additionally, a bank guarantee with respect to a warehouse in the amount of USD 15 thousand was returned to the Company.

The Company has a number of auto rental agreements for its employees, the lease period is 3 years with an option to extend the period subject to certain conditions. As a security for the Company upholding the agreement, it provided the landlord with bank guarantees to the sum of $14,000.

As of December 31, 2022, the Company has provided bank guarantees totaling approximately $580 thousand to guarantee the lease sums mentioned above.

Note 9 - Leases (Continued)

b. Right of use assets:

2022:

	Building Rentals	Vehicles	Total
	Thousands of Dollars		
Cost:			
Balance as of January 1 ,2022	10,176	602	10,778
Revaluation to CPI	412	-	412
Additions	984	126	1,110
Balance as of December 31 ,2022	11,572	728	12,300
Accumulated depreciation:			
Balance as of January 1, 2022	2,698	393	3,091
Additions	1,041	171	1,212
Balance as of December 31, 2022	3,739	564	4,303
Depreciated cost as of December 31, 2022	7,833	164	7,997

2021:

	Building Rentals	Vehicles	Total
	Thousands of Dollars		
Cost:			
Balance as of January 1, 2021	6,116	384	6,500
Revaluation to CPI	225	-	225
Additions	4,586	247	4,833
Disposals	(751)	(29)	(780)
Balance as of December 31, 2021	10,176	602	10,778
Accumulated depreciation:			
Balance as of January 1 ,2021	1,852	260	2,112
Additions	846	133	979
Balance as of December 31, 2021	2,698	393	3,091
Depreciated cost as of December 31, 2021	7,478	209	7,687

c. Sums charged to gain/loss and the Cash Flow Report:

	For the Year Ending December 31	
	2022	2021
	Thousands of Dollars	
Depreciation expenses due to right of use assets	1,212	896
Interest revenues (expenses) due to leasing obligations	389	(669)

Note 10 - Long Term Given Loan, Net

Composition:

	As of December 31	
	2022	2021
	Thousands of Dollars	
Loan given	2,183	-
Less provision due to projected credit losses	(1,500)	-
	683	-

*For further details, see Note 10 and Note 15c Material Engagements

Note 11 - Intangible Assets

a. Composition of intangible assets:

2022:

	A5 (FOX) Product Development	G10 Product Development	BOX Product Development	Total
	Thousands of Dollars			
Cost:				
Balance as of January 1, 2022	2,492	925	1,709	5,126
Discounting expenses due to development activities	2,837	1,624	1,885	6,346
Total intangible assets	5,329	2,549	3,594	11,472
Impairment losses	(5,329)	(2,549)	(3,594)	(11,472)
Balance as of December 31, 2022	-	-	-	-

b. Starting January 1 ,2021, the Company reached the conclusion that the conditions for capitalizing the development costs in accordance with International Accounting Standard 38 (IAS38) had matured, and in light of this, over the course of 2021-2022 the Company capitalized development costs for three primary products at a sum of $11,472. At the end of 2022, in light of the material drop in stock prices that grossed up a low value for the Company from the value of its equity in its December 31 ,2022 Financial Statements, the Company examined the recoverable sum of the Company as a single cash-generating unit and reached the conclusion that there had been an impairment to the fair value of the intangible assets, and in light of this it decided to depreciate in full the intangible assets created as a result of the capitalization of these costs. The impairment loss was charged to gain/loss under “Loss from impairment of intangible assets”.

Note 12 – Fixed Assets

a. Amortization of fixed assets:

2022:

	Machinery	Lab Equipment	Computers and peripherals	Leasehold Improvements	Furniture	Total
	Thousands of Dollars					
Cost:						
Balance as of January 1 ,2022	3,925	2,232	561	1,335	331	8,384
Additions during the year	1,354	219	322	205	92	2,192
Balance as of December 31, 2022	5,279	2,451	883	1,540	423	10,576
Accumulated depreciation:						
Balance as of January 1, 2022	986	1,432	252	271	32	2,973
Additions during the year	171	171	140	125	30	637
Balance as of December 31, 2022	1,157	1,603	392	396	62	3,610
Amortized Cost As of December 31 ,2022	4,122	848	491	1,144	361	6,966
Impairment	(1,586)	(484)	(351)	(647)	(321)	(3,389)
As of December 31, 2022 Fixed Assets, net	**2,536**	**364**	**140**	**497**	**40**	**3,577**

2021:

	Machinery	Lab Equipment	Computers and peripherals	Leasehold Improvements	Furniture	Total
	Thousands of Dollars					
Cost:						
Balance as of January 1, 2021	3,263	1,700	228	268	113	5,572
Additions during the year	662	532	333	1,067	218	2,812
Balance as of December 31, 2021	3,925	2,232	561	1,335	331	8,384
Accumulated depreciation:						
Balance as of January 1, 2021	829	1,302	177	216	13	2,537
Additions during the year	157	130	75	55	19	436
Balance as of December	986	1,432	252	271	32	2,973

31, 2021						
Amortized Cost As of December 31, 2021	2,939	800	309	1,064	299	5,411

Note 12 – Fixed Assets (Continued)

a. Amortization of fixed assets: (Continued)

At the end of 2022, the Company recognized impairment in the amount of USD 3,389 thousand with respect to fixed assets. The impairment loss was recognized in the statement of income under the item for impairment of fixed assets. The above impairment was caused due to the decline in the share price, which represented a value for the Company that was less than the value of its equity in the financial statements as of December 31, 2022. In light of the above, it performed a valuation of the fixed assets through an external valuer.

Note 13 - Trade payables

Composition:

	As of December 31	
	2022	**2021**
	Thousands of Dollars	
Open accounts	2,493	1,818
Checks redeemable	-	8
	2,493	1,826

Note 14 - Payables and credit balances

Composition:

	As of December 31	
	2022	**2021**
	Thousands of Dollars	
Salaries and employees	2,190	2,036
Expenses payable	894	289
Unearned revenues (1)	333	255
Institutions	335	273
Unearned revenue	323	271
Warranty provision	81	78
Grant liability	55	20
Other payables	3	25
	4,214	3,247

(1) For further details, see Note 15b Material Engagements.

Note 15 – Material Engagements

a. On February 22, 2021, the Company entered into a framework agreement with TDK ("the Agreement") for TDK's participation in the Company's "Green Ammonia" project, intended to develop a product that will allow the production of "green ammonia" (the production of ammonia with no CO_2 emissions) ("the Project"). The Project will be carried out in three stages of development, regarding each of which the Company will be signing a specific project agreement with TDK (as of the Financial Statements date, the first stage has already been signed).

Note 15 – Material Engagements (Continued)

Within the framework of the agreement, TDK will be participating in financing some of the project costs to the sum of one and a half million dollars US subject to meeting certain development goals. According to the agreement, all of the intellectual property developed within the framework of the agreement belongs to the Company. In return for the financing and as part of the strategic cooperation TDK shall be entitled, among other things, to receive update and reports from time to time pertaining to the progress of the Project and its products, right of first refusal for the examination and purchase of a prototype product within the framework of the Project (on the dates set in the agreement), as well as first vote right for negotiation for engagement in a commercial agreement in connection with the Project's products in Japan and in other territories inasmuch as they are agreed upon, which may include sales rights, service production and/or an license on an exclusive basis (on the dates and framework conditions set in the agreement). Over the course of 2021 the Company received its first payment within the framework of the agreement to the sum of $483,000 and recognized the amortization of research and development expenses for the entire sum.

On February 27, 2022, the Company notified TDK that it had achieved a significant technological breakthrough, which allowed the production of green ammonia directly from water under very low pressure and temperature relative to the ammonia production processes that are currently available around the world. Accordingly, TDK notified it, after evaluating the above breakthrough, of its intention to exercise its rights to continue investing in the Project in accordance with the terms of the agreement, for the purpose of continuing the development of the project within the framework of the next milestone. In the first quarter of 2022 TDK paid the Company an additional sum of $483,000, which was recognized as an amortization of research and development costs over the course of the reported period.

b. Over the course of 2020, the Company entered into an agreement with the European Commission (“the Organization”), which came into effect in November ,2020, within the framework of which the Company will take part in the Horizon 2021 project in conjunction with a number of various bodies from around the world. Within the framework of the agreement it was decided that the Company would take part in a number of tests of its systems and it shall be entitled to receive indemnification from the Organization for its expenses in connection with these experiments, to the total sum of €356,000 (some $422,000), which will be spread out across a period of 3 years. Over the course of 2021 the Company received within the framework of the agreement a sum of €213,000 (some $253,000) and recognized the amortization of research and development costs to the sum of $7,000. Over the course of 2022 the Company received within the framework of the agreement an additional sum of €89,000 (some $94,000) and recognized the amortization of research and development costs to the sum of an additional $7,000. As of December 31, 2022 the Company received within the framework of an agreement, a sum of €302,000 (some $347,000). It also recognized research and development costs of $14,000.

c. On December 19, 2020, the Company discovered that it had won, along with a local partner in Mexico (hereinafter “the Local Partner”), a tender issued by the Mexican federal electric company CFE (“the Tender” and “CFE”, respectively), to provide and install 37 G5rx systems,

adapted to work in transformer stations (“the Systems”) as well as installation, maintenance and warranty services for two years.
In accordance with the terms of the tender, in January, 2021 the Company provided bank collateral to the sum of $1.2 million and deposited a similar sum as a pledged deposit. Over the course of January-February ,2021, 37 of the Company’s system were sent by sea to Mexico within the framework of the Tender with CFE and reached their destination in April, 2021.

Note 15 – Material Engagements (Continued)

On July 3 ,2021 the Company signed a joint transaction agreement with its local partner in Mexico (hereinafter “the Agreement”). Within the framework of the Agreement, it was decided that the Company would be responsible for providing the 37 systems in accordance with the terms signed in the tender with CFE and that works connected to the installation and maintenance for the systems and their ongoing treatment, would be carried out through the local partner and not through the Company, so that the total proceeds for the agreement, to the sum of $5.8 million, would be divided between the local partner and the Company. Accordingly, the Company is entitled to a total of $3.8 million US for the provision of the systems, training the employees of the local partner, and supporting the local partner over the course of the service period. In addition, it was agreed that the local partner would provide CFE with installation and maintenance services provided within the framework of the Tender for a duration of two years from the end of the installation of the systems. The local partner shall bear the expenses for these services. Within the framework of the agreement, it was agreed that the local partner would back all of the payments for the tender directly from the CFE and pass all of its portion on to the Company according to the conditions described above.

Note that in accordance with the terms of the tender, CFE was given the right to increase the number of systems that will be provided and installed by the Company at a rate of almost 100%, meaning up to a total of 74 systems, under terms identical to the terms of the tender. On August 17, 2021 the Company announced that CFE had realized its right in question and therefore the Company shall be entitled to receive expected compensation for the supply of the additional systems and additional services, to a sum of $3.5 million, so that the total compensation expected to be received for the tender amounts to $11.6 million, of which $7.3 million is the Company’s share.

Note that in light of delays in the installation of the systems, CFE offset a sum equal to 10% of the total proceeds of the tender, of which it will offset a sum of $580,000 from the Company’s share, so that the total proceeds expected to be received at the Company within the framework of the tender amounts to $6.75 million.

Over the course of 2021 the Company provided all 74 systems to CFE and completed their testing in accordance with the terns of the tender and completed their installation over the course of 2021-2022.

Within the framework of the agreement, the Company recognized income to the sum of $852,000 and $5,226,000 in 2022 and 2021, respectively.

As of December 31, 2022, the local partner provided the Company, from the payments it collected from CFE, a total of $5.9 million. Over the course of the first quarter of 2023, the local partner provided the Company an additional sum of $50,000.

Loan to local partner:

It was decided in the agreement between the Company and the local partner that the Company would provide it a loan bearing 5% yearly interest and as of December 31, 2021 the balance of the loan amounted to $2.6 million. There is no regular clearance board to repay the loan and its repayment is dependent on payments received from CFE.

The Company recognized a provision to credit losses to the sum of $1.5 million for the loan given in light of doubts on the ability to collect this sum.

On November 1, 2022, the Company and the local partner signed an agreement to arrange the debt and spread the payments for the loan according to which the loan will be repaid in 8 equal quarterly installments staring July 1, 2023 and until April 1, 2025, in accordance with the clearance board set by the parties. The company examined the change of conditions and came to the conclusion that it is not a material change of conditions in accordance with accepted accounting rules. The company classified the loan as a current asset and a non-current asset in its books (see notes 7 and 10). Note that redemption of the loan is not dependent on payments received from CFE.

As of December 31, 2022, the balance the loan and the customer recorded in the books for sums the local partner owes the Company within the framework of the joint transaction, amounts to a total of $1.424 million (a total of $0.178 million for the services and systems the Company provided within the farmwork of the tender as well as a total of $1.246 million for a loan given, net).

Note 15 – Material Engagements (Continued)

d. On November 14, 2021 it entered into an agreement with EV Motors Ltd., an Israeli company that is active, among other things, in importing electrical vehicles, chargers for electrical vehicles, electrical energy production and storage facilities, serving as the sole Israeli representative of a number of companies including Surplus Sun Energy Co. Ltd., a Chinese corporation specializing in the design, development, manufacture and construction of advanced electrical energy generation, storage and charging systems, including for electrical vehicles ("the Cooperation Agreement"). The Cooperation Agreement establishes principles for cooperation between the parties according to which the Company's systems producing clean electrical energy from hydrogen and/or ammonia and with no emissions, shall be integrated into the EV hybrid vehicle charging stations, with the aim of planning and building projects in Israel for charging electrical vehicles via hybrid autonomous charging stations, which are not connected to the national power grid, in order to replace generators operating using fossil fuels.

Over the course of 2021, the Company received within the framework of the project an invitation to the sum of $400,000 for 4 BOX systems and associated services, the systems and the services were provided over the course of the first quarter of 2022. This sum has been collected in full.

Over the course of 2022, and in accordance with the cooperation agreement with E.V. Motors Ltd. ("EV") EV purchased, through a subsidiary that it controls, additional EVOX™ fuel cell systems adapted to the specific needs of the hybrid vehicle MN charging systems of EV's subsidiary, which will be installed in electric vehicle charging stations that EV will install in its facilities, or for its customers, including vehicle fleets, commercial centers, hi-tech companies, and more. The estimated consideration which the Company expects to receive in respect of the aforementioned sale of its systems amounts to USD 5.66 million. The estimated proceeds expected to be received at the Company for the sale of its systems in this manner amounts to $5 million plus VAT. Within the framework of the agreement, the Company recognizes revenues for 2 implementation obligations, the first upon the delivery of the EVOX systems to EV and the second upon delivery of the infrastructure equipment that allows the adaptation of the EVOX systems to the electrical infrastructure of EV company sites.

As of the report date, the Company has provided all of the EVOX system and part of the infrastructure equipment for a number of sites and recognized income for this order to the sum of $5.25 million.

In addition, over the course of the third quarter of 2022, and in accordance with the agreement with EV, it was agreed between the parties that EV would purchase planning, construction and infrastructure services from the Company for a number of sites in which the EVOX systems will be installed. Within the framework of this agreement, the Company will recognize income at the rate of the Company's progress and the provision of services to the various sites according to a "Cost+" model. As of the date of this report, the Company has recognized income for this order to the sum of $238,000. For further information see Note 18.

As of the signing of this report, the Company has collected from the customer, within the framework of the last 2 orders described above, a sum of approximately $2.8 million (including VAT), and additionally, a bank check in the amount of approximately $3.7 million was received, payable as of April 30.

Note 16 – Pending Liabilities and Commitments

Grants from BIRD Foundation:

In 2013 a research and development participation grant was approved by the Israel-United States Binational Industrial Research and Development Foundation (hereinafter: "the BIRD Foundation"). In return for the grant, the Company undertook to pay royalties to the BIRD Foundation at a rate of 5% of future sales of the supported component deriving from research and development up to a rate of 150% of the total bonus received. As of December 31, 2022 the Company received a grant from the BIRD Foundation to the total sum of $521,000 (hereinafter – "the First Grant"), and in addition, it was decided within the framework of the agreement that the Company would be responsible for all sales of the developed product and will bear sole responsibility to payment of the reimbursement to the BIRD Foundation, Ih also includes the share of the American company that is a partner to the project. The total sum of all of the grants received for this project amounts to $804,000 and as of December 31, 2022 the sum of the liability for the project amounted to $296,000.

In 2017 the Company received approval for a new grant ("the Second Grant") for a new project (hereinafter – "the Second Project") at a sum of $478,000 for a 24-month period, starting January, 2018. As of December 31, 2022 the sum of the grant the Company received for this project amounts to $378,000.

Over the course of February 2020, the Company decided that the results of the second project do not justify continued development. Accordingly, the Company informed the parties that it was halting the project and its obligation for the project was cancelled.

The following is the movement in commitments to BIRD Foundation:

	As of December 31	
	2022	2021
	Thousands of Dollars	
Balance at the beginning of the year	641	534
Changes during the year:		
Financing income	128	118
Receipt of grant	-	-
Royalties payment	(8)	(11)
Balance at the End of the Year	761	641
Short-term liability	55	20

Long-term liability	706	621
Balance at the End of the Year	761	641

Note 17 - Stock Capital

a. Listed, issued and outstanding capital:

	Listed Capital		Issued and Paid-Up Capital	
	As of December 31		As of December 31	
	2022	2021	2022	2021
Ordinary shares worth NIS 0.01 NV each redeemed in full.	165,578,900	165,578,900	108,159,522	95,943,357

Note 17 - Stock Capital (Continued)

b. Public stock offering:

In April ,2021 the Company completed an offering of 3,484,000 ordinary registered Company shares, worth NIS 0.01 NV each, by way of a non-uniform offering as per Regulation 11.(a).(1) of the Securities Regulations (Manner in Which Securities are Offered the Public), 2007 ("**the Proposal Regulations**") for institutional investors (as defined in the Proposal Regulations), including

Foreign institutional investors, according to a shelf offering report from April 12, 2021 published by virtue of the Company's shelf offering report from November 9 ,2020, bearing the date of November 10, 2020. The gross comprehensive proceeds the Company received for the stock allocation in question amounted to NIS 47,034,000 ($14,332,000), or on a net basis NIS 45,093,000 ($13,739,000) and is used to finance the Company's ongoing activities, as will be decided by the Company Board of Directors from time to time, at its discretion.

On January 17, 2022 the Company Board of Directors approved a private allocation of 11,966,979 ordinary Company shares work NIS 0.01 NV each ("the ordinary shares") to third parties unrelated to the Company and/or to its controlling shareholder ("the Recipients" and "the Private Offering", as the case may be), against a payment of NIS 9.4 per single ordinary Company share, in such a manner that the total net proceeds received from the Recipients amounted to a total of NIS 11,490,000 ($35,825,000) or NIS 107,884,000 on a net basis ($34,556,000). To the best of the Company's knowledge, within the framework of the private allocations, ordinary shares were allocated, among others, to Migdal Insurance and Finance Holdings Ltd., a Company interested party as well as to bodies from the Har'el Insurance Investments and Financial Services Group Ltd., which became an interested party as a result of the private allocation. Note that the Company undertook towards one of the recipient investors that during 2022, that it will not allocate Company shares at a share price lower than NIS 11 per share, unless it performed an allocation to a strategic investor and/or as part of a strategic process.

c. Rights associated with ordinary shares:

As of the report date, ordinary shares grant their holders the right to be invited, to participate and to vote at all Company General Meetings as well as equal rights to receive a relative portion of all of the Company's shares and bonus shares, if distributed. In addition, each share shall grant its owner the right to receive a relative portion of the Company's assets that will be offered for distribution upon liquidation for any reason, on a relative basis to the entire denoted value of the share which together constitute the Company’s issued and paid-up capital as of that time. Prior to the completion of the offering of the offered shares and their listing for trade according to the prospectus, ordinary shares granted their owners the right to receive notices and participate in shareholder meetings in the Company with each ordinary share granting a single vote in the shareholders’ meeting, participation in the distribution of benefit shares and the distribution of profits inasmuch as they are approved and the distribution of surpluses following a deemed liquidation event as defined in the Company’s bylaws.

Note 18 Share-based payment

a. Details of plan to allocate options to Company officers and consultants in 2021-2022:

On July 25, 2016, the Company Board of Directors approved an options plan according to which from time to time unregistered options for the purpose of ordinary Company shares would be allocated to employees, directors, officers, consultants, service providers and Company shareholders, for no compensation, as decided by the Company Board of Directors. The issue will be carried out in accordance with Section 102 of the Income tax Order [New Version], 1961 (“the Income Tax Order”) in a plan with a trustee or a plan without a trustee. Consultants, service providers, controlling shareholders or some other body that is not a Company employee shall be allocated options in accordance with Section 3(i) of the Income Tax Order only. The plan is in effect for 10 years from its adoption via Board decision.

Granting Date	Number of Options	Exercise Price	Vesting Conditions	Expiry Date	Fair Value on Granting Date	Cost of Benefit Grossed-Up in Granting (1)
		USD			USD	Thousands of Dollars
January 17, 2021	280,000	4.99	Allocation vesting in 16 batches each quarter, the employee must be employed at the Company on the vesting date.	January 17,2031	4.82	1,351
March 21, 2021	74,702	4.76	25% of the allocation vesting after one year and then in 12 batches each quarter, the employee must be employed at the Company on the vesting date.	March 21, 2031	3.54	264
August 3, 2021	83,223	4.07	25% of the allocation vesting after one year and then in 12 batches each quarter, the employee must be employed at the Company on the vesting date.	August 3, 2031	3.43	285
November 23 ,2021	456,474	3.9	25% of the allocation vesting after one year and then in 12 batches each quarter, the employee must be employed at the Company on the vesting date.	November 23, 2031	3.43	1,568
March 29, 2022	566,432	2.39	25% of the allocation vesting after one year and then in 12 batches each quarter, the employee must be employed at the Company on the vesting date.	March 29, 2032	1.98	1,120
August 29, 2022	791,936	1.02	25% of the allocation vesting after one year and then in 12 batches each quarter, the employee must be employed at the Company on the vesting date.	August 29, 2032	0.83	660
November	155,987	0.97	25% of the allocation vesting after one	Novem	0.47	73

24 ,2022	year and then in 12 batches each quarter, the employee must be employed at the Company on the vesting date.	ber 24, 2032

Note 18 - Share-Based Payment (Continued)

b. Assessing the fair value of the options:
The parameters used to implement the Model in the detailed promises in the above section are as follows:

Issue Date	**January 17,2021**	**March 21, 2021**	**August 3, 2021**	**November 23, 2021**	**March 29, 2022**	**August 29, 2022**	**November 24, 2022**
Price of the Company's share (in USD)	**5.54**	**4.10**	**3.96**	**3.90**	**2.25**	**0.96**	**0.56**
Expected fluctuation	**94.42**	**94.42**	**93.01**	**96.47**	**96.47**	**93.07**	**93.44**
Risk-free interest rate	**0.93**	**1.36**	**1.13**	**1.25**	**1.69**	**2.42**	**3.3**
Expected dividend rate	**0**	**0**	**0**	**0**	**0**	**0**	**0**

c. Details on the influence of share-based payment transactions on the Group's profit or loss:

	For the year ended December 31	
	2022	**2021**
	Thousands of Dollars	
Administrative and general expenses	1,417	2,369
Cost of sales	1,113	463
Research and development expenses, net	889	552
Sales and marketing expenses	938	1,436
	4,357	4,820

Note 18 - Share-Based Payment (Continued)

d. Further details on options granted:

	As of December 31, 2022		As of December 31, 2021	
	Number of Options	Weighted Average of Exercise Price	Number of Options	Weighted Average of Exercise Price
		$		$
Options granted that:				
Exist at the beginning of the year	7,555,783	1.70	7,529,829	1.49
Were granted	1,514,355	1.53	894,399	2.53
Expired	175,660	1.25	16,182	7.58
Forfeited (not yet vested and expired)	21,576	4.01	51,408	1.15
Exercised	249,186	3.03	800,855	0.61
Outstanding at the end of the year	8,623,716	1.896	7,555,783	1.70

e. On January 7, 2021, the Company Board of Directors issued its approval, and subsequently on February 21, 2021 the Company General meeting approved the allocation of 70,000 registered options to four Company directors, 280,000 options in total, each of which can be exercisable as a single ordinary Company share, in accordance with the option plan for Company employees and officers.

f. On March 21, 2021, the Company Board of Directors approved the allocation of 74,702 registered options to Company employees, each of which can be exercisable as a single ordinary Company share, in accordance with the option plan for Company employees and officers.

g. On August 3, 2021, the Company Board of Directors approved the allocation of 83,223 registered options to Company employees, each of which can be exercisable as a single ordinary Company share, in accordance with the option plan for Company employees and officers.

h. On November 23, 2021, the Company Board of Directors approved the allocation of 456,474 registered options to Company employees, each of which can be exercisable as a single ordinary Company share, in accordance with the option plan for Company employees and officers.

i. On March 29, 2022, the Company's Board of Directors approved an allocation of 566,432 unlisted options, at an exercise price of $2.39 US per share, which will best over a period of four years, to employees of the Company, each of which will be exercisable into one ordinary Company share worth NIS 0.01 NV, in accordance with the Company's options plan for employees and officers. The benefit value in respect of these grants amounted to a total of $1,120,000. The parameters used to implement the model in the allocation detailed in the above section are as follows: the price of the Company's share as of the granting date amounted to $2.25 US, the risk-free interest rate - 1.69%, expected volatility - 96.47% and the projected period of the options is 10 years.

j. On August 29, 2022, the Company's Board of Directors approved an allocation of 791,936 unlisted options, at an exercise price of $1.02 per share, vesting over a period of four years, to employees of the Company, each of which is exercisable into one ordinary Company share worth NIS 0.01 NV, in accordance with the Company's options plan for employees and officers. The benefit value in respect of these grants amounted to a total of approximately USD 660 thousand. The parameters used to implement the Black & Scholes Model in the allocation detailed in the above section are as follows: the price of the Company's share as of the granting date amounted to $0.96 risk-free interest rate - 2.42%, expected volatility - 93.1% and the projected period of the options is 10 years. Expected dividend rate: 0%.

Note 18 - Share-Based Payment (Continued)

k. On November 24, 2022, the Company's Board of Directors approved the allocation of 155,987 unlisted options, at an exercise price of $0.97 per share, vesting over a period of four years, to employees of the Company, each of which is exercisable into one ordinary Company share worth NIS 0.01 NV, in accordance with the Company's options plan for employees and officers. The benefit value in respect of these grants amounted to a total of $77,000. The parameters used to implement the Black & Scholes Model in the allocation detailed in the above section are as follows: the price of the Company's share as of the granting date amounted to $0.97 risk-free interest rate - 3.3%, expected volatility - 93.4% and the projected period of the options is 10 years. Expected dividend rate: 0%.

Note 19 - Sales

Composition:

	For the Year Ending December 31	
	2022	**2021**
	Thousands of Dollars	
Sale of systems	6,097	5,326
Maintenance services, warranty, installations and products associated with systems.	1,306	216
	7,403	5,542

Sales to customers revenue from which are 10% higher than the Group's total revenues are as follows:

	For the Year Ending December 31	
	2022	**2021**
	Thousands of Dollars	
Customer A	5,891	-
Customer B	852	5,226
Total	6,743	5,226

Note 20 - Cost of sales

Composition:

	For the Year Ending December 31	
	2022	**2021**
	Thousands of Dollars	
Cost of goods sold to customers	3,923	4,761
Production expenses	713	672
Salaries and associated and subcontractors	3,049	1,280
Import and export costs	994	765

Customer support costs	522	148
Overhead costs	386	206
Other	51	73
Warranty provision	81	64
Expenses due to impairment provision	335	538
	10,054	8,507

Note 21 – Research and Development Expenses, net

Composition:

	For the Year Ending December 31	
	2022	2021
	Thousands of Dollars	
Salaries and associated and subcontractors	5,168	4,170*
Overhead costs	1,025	768
Consultants and materials	1,373	943
International travel	440	106
Import expenses	76	63
Patents	67	49
Research consultants	40	-*
Other	174	98
	8,363	6,197
Less participation in expenses [(1)]	(507)	(493)
	7,856	5,704

(1) For further details, see Note 14b Material Engagements

* Reclassified.

Note 22 - Selling and marketing expenses

Composition:

	For the Year Ending December 31	
	2022	2021
	Thousands of Dollars	
Salaries and associated and subcontractors	3,664	3,980
Overhead costs	823	401
Advertising and sales promotion expenses	649	296
International travel	184	103
	5,320	4,780

Note 23 - Administrative and general expenses

Composition:

	For the Year Ending December 31	
	2022	2021
	Thousands of Dollars	
Salaries and associated and subcontractors	4,210	4,090
Professional services	631	640
Overhead costs	682	262
Seminars and events	228	158*
Legal expenses	167	143
Office maintenance	151	140

Expenses due to projected credit losses	-	1,500
Other	42	40*
	6,111	6,973

* Reclassified.

Note 24 – Financing Revenues and Expenses

a. Financing expenses:

	For the Year Ending December 31	
	2022	2021
	Thousands of Dollars	
Exchange rate differences	3,103	-
Bank commissions	125	83
Interest expenses due to leasing obligations and grants	-	787
Financing expenses due to hedging transactions	-	215
	3,228	1,085

b. Financing revenues:

	For the Year Ending December 31	
	2022	2021
	Thousands of Dollars	
Interest revenues from deposits	2,364	290
Financing revenues due to leases and grants	662	-
Financing revenues due to hedging transactions	348	
Loan interest revenues	130	60
Institutional interest	11	-
Exchange rate differences	-	132
	3,515	482

Note 25 – Segment-Based Reporting and Disclosure at the Entity Level

Based on the manner of the assessment of the separate financial information examined on a regular basis by the primary decision maker, the Company as a single operating segment – development and production of fuel-cell-based energy systems.

Detection at the entity level:

The total revenues is attributed to geographic regions based on the location of the end customer.

The following table details revenues by geographic region:

	For the Year Ending December 31	
	2022	2021
	Thousands of Dollars	
Israel	5,895	4
Mexico	852	5,226

United States	328	115
Romania	124	-
Germany	114	24
Italy	53	-
Canada	37	63
Slovakia	-	54
Spain	-	42
Japan	-	10
Others	-	4
	7,403	5,542

Note 26 – Loss per Share

Instruments that could potentially dilute basic earnings per share in the future, but which were not included in the calculation of the diluted revenue per share as their influence was anti-diluting:

	For the Year Ending December 31	
	2022	2021
Options issued as part of share based payment arrangements	8,623,716	7,555,783
Preferred shares	-	-
	8,623,716	7,555,783

Note 27 - Financial Instruments

a. Capital management policy:

The Group manages its capital in order to ensure that it may continue to exist as a "going concern" by raising capital and selling products for the purpose of continuing its business activity, including research and development.

The Group may take various steps with the aim of preserving or adjusting its capital structure. Since its establishment the Group has supported its activity by capital offerings, receiving conditional grants from the BIRD Foundation (see Note 15) and selling products.

b. Principal accounting policies:

Details regarding principal accounting policies and methods adopted, including recognition conditions, the basis of measurement and the basis according to which revenues and expenses were recognized relative to each group of financial assets, financial liabilities and capital instruments, are presented in Note 2.

c. Groups of financial instruments:

Financial Instruments Presented at Amortized Cost

	As of December 31	
	2022	2021
	Thousands of Dollars	
Financial assets:		

Cash and cash equivalents	10,574	11,881
Short-term deposits	48,378	42,611
Customers	5,450	2,347
Receivables and debit balances	1,931	2,144
Restricted deposits	1,788	1,927
	68,121	60,910
Financial liabilities:		
Suppliers and other service providers	2,493	1,826
Payables and credit balances	4,214	2,894
Lease liabilities	8,042	8,717
Derivative financial instruments	1,584	-
Liabilities due to grants from BIRD Foundation:	762	641
	17,095	14,078

Capital reserve in respect of cash flow hedging:

	For the Year Ending December 31	
	2022	2021
	Thousands of Dollars	
Balance at the beginning of the year	72	-
Profit (loss) due to changes in fair value of hedging instrument	(1,658)	72
	(1,584)	72

Note 27- Financial Instruments (Continued)

d. Financial risk management goals:

The Group’s activities expose it to various financial risks, which include as market risks (including foreign currency risk and interest risk), credit risk and liquidity risk.

The Group's comprehensive risk management program operates, among other things, to reduce currency risks by matching the expense budgets in various currencies and the bank deposits in which the cash balances ae deposited in the bank. Risk management is performed in accordance with the decision approved by Company management.

e. Market risk:

Market risk exposures are measured by sensitivity analysis.

Over the course of the reported period, no change occurred in market risk exposure or in the way the Group manages or measures risk.

The Group does not generally use derivative financial instruments to hedge exposure. Risk management is performed in accordance with the decision approved by Company management.

(1) Currency risk:

The Group's operating currency is the USD. Besides the dollar, the group has balances in foreign currency, particularly NIS and EUR. As a result, exposure is created to fluctuations in exchange rates.

Over the course of the reported year no change has occurred in currency risk exposure factors or in the way the Group manages or measures risk.

The carrying amounts of the Group's financial assets and liabilities denominated in foreign currency are:

	As of December 31	
	2022	**2021**
	Thousands of Dollars	
Assets:		
NIS	4,597	9,676
EUR	162	137
Pounds	118	73
	4,877	9,886
Financial assets at fair value through other comprehensive income: Investments in debt instrument measured at fair value via other comprehensive income;	-	23
	4,877	9,909
Liabilities:		
NIS	14,459	13,608
EUR	46	102
Pounds	16	6
	14,521	13,716
Financial assets at fair value through other comprehensive income: Investments in debt instrument measured at fair value via other comprehensive income;	1,583	-
	16,104	13,716

Note 27- Financial Instruments (Continued)

Foreign currency sensitivity analysis:

The Company is mostly exposed to the NIS.

The impact of a 5% increase or decrease in the exchange rate of the NIS vs. the USD amounts to financing revenues of $941,000 and financing expenses of $140,000 as of December 31, 2022 and 2021, respectively.

(2) Interest risk:

The Company does not have financial liabilities influenced by interest rate changes.

f. Credit risk management:

Credit risk refers to the risk that the opposite side fails to meet its contractual obligations and cause a financial loss to the Company. The Company has a debit balance to the sum of $1.3 million of the local partner within the framework of the CFE project for products and services provided by the Company (see Note 14c) and in addition, an additional debt sum of $1.25 million for a loan given by the Company over the course of 2021, these debts represent a significant concentration of credit risk as of December 31, 2022.

g. Liquidity risk management:

As the Company does not yet have a significant cash flow from ongoing activity, the sources of the Company's financing are based on the issue of capital instruments to the public and its shareholder.

The following tables list the Company's outstanding contractual maturities in respect of financial liabilities.
The tables have been prepared based on non-discounted cash flows of the financial liabilities, based on the earliest date on which the Company may be required to redeem them, with the exception of liabilities due to grants, based on the Company's forecasts regarding reimbursement. The table includes cash flows in respect of both principal and interest.

	Average Effective Interest Rate	Up to One Year	2-5 years	Over 5 years	Total
	%	Thousands of Dollars			
As of December 31 ,2022:					
Lease liabilities	3.48%	1,265	50	6,727	8,042
Liabilities in respect of grants	20%	47	715	-	762
		1,312	765	6,727	8,804
As of December 31, 2021:					
Lease liabilities	3.31%	1,273	4,293	3,151	8,717
Liabilities in respect of grants	20%	20	593	28	641
		1,293	4,886	3,179	9,358

Note 27- Financial Instruments (Continued)

h. Forward exchange contracts:

The following table specifies the forward exchange contracts which were designated as hedging instruments, which exist as of the end of the reporting period:

	Foreign currency		Book value of the hedging instruments Assets/(liabilities)	
	As of December 31		As of December 31	
	2022	2021	2022	2021
	Thousands of Dollars		Thousands of Dollars	
Cash flow hedging:				
Thousands of Dollars				
Dollar Sale	18,076	1,650	1,584	72
Dollar Purchase	-	6,871	-	49
	18,076	8,521	1,584	23

i. Fair value:

Due to the nature of the financial assets and liabilities, the Company believes that their book value is approximately equal to their fair value:

Note 28 - Transactions with Interested and Related Parties

a. Interested and related party balances:

	As of December 31	
	2022	2021
	Thousands of Dollars	
Related parties payables [1]	827	927
Current liabilities to interested parties [2]	226	302
	1,053	1,229

(1) These sums represent balances of shareholders employed at the Company as key personnel such as current salaries, accumulated vacation days and so on.

(2) These sums represent balances of the Company CEO and the Board members such as ongoing salary, management fees and so on.

Note 28 - Transactions with Interested and Related Parties (Continued)

b. Transactions with interested and related parties:

	For the Year Ending December 31	
	2022	2021
	Thousands of Dollars	
Salary expenses to interested parties employed at the Company	505	459
Consulting services from interested parties (D10)	169	229
Remuneration for directors not employed by the Company	692	1,184
Number of interested parties employed at the Company	1	1
The number of directors serving over the course of the year and not employed at the Company.	7	7

c. Remuneration and benefits for key executive personnel:

	For the Year Ending December 31	
	2022	2021
	Thousands of Dollars	
Short-term benefits	2,920	2,234
Share-based payment	2,474	3,428
Employee severance benefits	160	130
	5,554	5,792

d. **Engagements and transactions with interested and related parties:**

(1) Engagement in agreement with Rami Reshef – Company CEO

On March 29, 2022, the Company’s Board of Directors approved, after approval was received from the Company’s Compensation Committee on March 22, 2022, to grant Mr. Reshef bonus for 2021 at a sum equal to 2 salaries, all in accordance with the revisions of the Company's remuneration policy and to update the sum of Mr. Reshef's employment so that starting April 1, 2022 Mr. Reshef shall be entitled to a monthly salary of NIS 90,000.
On March 27, 2023, the Company’s Board of Directors approved, after approval was received from the Company’s Compensation Committee on March 20, 2023, to grant Mr. Reshef a bonus for 2022 a sum equal to approximately 6 salaries, all in accordance with the provisions of the Company's remuneration policy.

Note 28 - Transactions with Interested and Related Parties (Continued)

(2) Engagement in agreement with Gil Shavit – Business Development Manager:

On March 29, 2022, the Company’s Board of Directors approved, after approval was received from the Company’s Compensation Committee on March 22, 2022, to grant Mr. Shavit a bonus for 2021 at a sum equal to 3 salaries, all in accordance with the revisions of the Company's remuneration policy and to update Mr. Shavit’s employment agreement so that starting April 1 ,2022 Mr. Shavit shall be entitled to a monthly salary of NIS 67,500. On March 27, 2023, the Company’s Board of Directors approved, after approval was received from the Company’s Compensation Committee on March 20, 2023, to grant Mr. Shavit a bonus for 2022 a sum equal to approximately 4.5 salaries, all in accordance with the provisions of the Company's remuneration policy.

(3) Engagement in agreement with Yossi Salomon – Company Chief Financial Officer:

On March 29, 2022, the Company’s Board of Directors approved, after approval was received from the Company’s Compensation Committee on March 22, 2022, to grant Mr. Salomon a bonus for 2021 at a sum equal to 6 salaries, all in accordance with the revisions of the Company's remuneration policy and to update Mr. Salomon’s employment agreement so that starting April 1 ,2022 Mr. Salomon shall be entitled to a monthly salary of NIS 72,000. On March 27, 2023, the Company’s Board of Directors approved, after approval was received from the Company’s Compensation Committee on March 20, 2023, to grant Mr. Salomon a bonus for 2022 a sum equal to approximately 5.5 salaries, all in accordance with the provisions of the Company's remuneration policy.

(4) Engagement in agreement with Gennadi Finkelstein – Company VP of Technologies and Development:

On March 29, 2022, the Company’s Board of Directors approved, after approval was received from the Company’s Compensation Committee on March 22, 2022, to grant Mr. Finkelstein a bonus for 2021 at a sum equal to 3 salaries, all in accordance with the revisions of the Company's remuneration policy and to update Mr. Finkelstein’s employment agreement so that starting April 1, 2022 Mr. Finkelstein shall be entitled to a monthly salary of NIS 72,000. On March 27, 2023, the Company's Board of Directors approved, after approval was received from the Company's Compensation Committee on March 20, 2023, to grant Mr. Finkelstein a bonus for 2022 a sum equal to approximately 3 salaries, all in accordance with the provisions of the Company's remuneration policy.

(5) Engagement in agreement with Amit Ashkenazi – VP of Sales:

On March 29, 2022, the Company's Board of Directors approved, after approval was received from the Company's Compensation Committee on March 22, 2022, to grant Mr. Ashkenazi bonus for 2021 at a sum equal to 2 salaries, all in accordance with the revisions of the Company's remuneration policy and to update Mr. Ashkenazi's employment agreement so that starting April 1, 2022 Mr. Ashkenazi shall be entitled to a monthly salary of NIS 57,000. On March 27, 2023, the Company's Board of Directors approved, after approval was received from the Company's Compensation Committee on March 22, 2023, to grant Mr. Ashkenazi a bonus for 2022 at a sum equal to approximately 2.5 salaries, all in accordance with the provisions of the Company's remuneration policy. Mr. Amit Ashkenazi will conclude his position in the Company on April 12, 2023.

Note 28 - Transactions with Interested and Related Parties (Continued)

(6) Engagement in agreement with Shmuel Peretz – VP of Operations:

Mr. Shmuel Peretz has served as the Company's VP of Operations since July 1, 2021. According to Mr. Peretz's employment agreement (in this section only "the Employment Agreement"), Mr. Peretz is entitled to a monthly salary (in gross terms) of $18,000 (NIS 57,000).
In accordance with the employment agreement, the Company is insuring Mr. Peretz with pension insurance and is making all accepted monthly provisions to the pension fund. In addition, the Company makes a monthly provision to an education fund.
Mr. Peretz is entitled to 22 days of vacation per year with the ability to accumulate up to 7 accumulated days, subject to the redemption of vacation days at the conclusion of the employment agreement.
The Company provides Mr. Peretz with a vehicle worth up to $41,170 (NIS 140,000), with Mr. Peretz entitled to choose the model and/or year of manufacture of the vehicle and he bears all costs involved, with the exception of the tax grossing up. Alternately, the Company is entitled to pay Mr. Peretz a monthly reimbursement of $1,500 (NIS 5,000) for his personal vehicle, with the exception of its tax grossing-up.
In addition, according to the employment contract, the Company may reimburse Mr. Peretz for use of Mr. Peretz's personal cellular telephone, with the exception of the tax grossing up for it.
The parties may conclude Mr. Peretz's employment agreement at any time and with 3 months' advance notice.
The employment agreement includes an undertaking by Mr. Peretz not to compete with the Company's business during the agreement period and up to 12 months after the end of the agreement.
Mr. Peretz is entitled to receive yearly bonuses (for achieving the Company's goals, personal goals and discretionary) and a special bonus, subject to the decision of the Company's organs and as set in the Company's remuneration policy, as will be determined from time to time.
The employment agreement also stated that subject to the approval of the Company's certified organs and as set in the Company's remuneration policy, Mr.

Peretz shall be entitled once every four years to receive non-registered options, each of which may be exercised as a single ordinary Company share, in accordance with the option program for Company employees and options, with the vesting period spread out across 48 months in such a manner that from their issue date and at the end of each quarter, 1/16 of the number of options granted shall vest.
In addition, Mr. Peretz, as Company officer, is entitled to exemption, liability for indemnification and executive liability insurance in accordance with the Company's bylaws and the Company's remuneration policy and as accepted at the Company.
On November 23, 2021 the Company Board of Directors, after receiving the approval of the Company Remuneration Committee on November 14 ,2021, approved an issue of 193,000 unregistered options to Mr. Peretz, each of which can be exercisable as a single ordinary Company share, in accordance with the option plan for Company employees and officers. On March 29, 2022, the Company's Board of Directors approved, after approval was received from the Company's Compensation Committee on March 22, 2022, to grant Mr. Salomon a bonus for 2021 at a sum equal to 2022 salaries, all in accordance with the revisions of the Company's remuneration policy and to update Mr. Salomon's employment agreement so that starting April 1, 2022 Mr. Salomon shall be entitled to a monthly salary of NIS 63,000. On March 27, 2023, the Company's Board of Directors approved, after approval was received from the Company's Compensation Committee on March 22, 2023, to grant Mr. Peretz a bonus for 2022 at a sum equal to approximately 3.5 salaries, all in accordance with the provisions of the Company's remuneration policy.

Note 28 - Transactions with Interested and Related Parties (Continued)

(7) Engagement in agreement with Chaim Moshe – VP of Operations:

On March 29, 2022, the Company's Board of Directors approved, after approval was received from the Company's Compensation Committee on March 22, 2022, to grant Mr. Moshe bonus for 2021 at a sum equal to 2 salaries, all in accordance with the revisions of the Company's remuneration policy and to update the sum of Mr. Moshe's employment so that starting April 1, 2022 Mr. Moshe shall be entitled to a monthly salary NIS of 57,000. On March 27, 2023, the Company's Board of Directors approved, after approval was received from the Company's Compensation Committee on March 22, 2023, to grant Mr. Moshe a bonus for 2022 at a sum equal to approximately 3 salaries, all in accordance with the provisions of the Company's remuneration policy.

(8) Engagement in agreement with Hadar Himmelman – Chief Commercial Officer:

Mr. Hadar Himmelman has been serving as the Company's VP Business since January 15, 2023. According to Mr. Himmelman's employment agreement (in this section only "the Employment Agreement"), Mr. Himmelman is entitled to a monthly salary (in gross terms) of approximately $15,000 (NIS 57,000).
In accordance with the employment agreement, the Company is insuring Mr. Himmelman with pension insurance and is making all standard monthly provisions on his behalf to the pension fund. In addition, the Company makes a monthly provision to an education fund.
Mr. Himmelman is entitled to 22 days of vacation per year with the ability to accumulate up to 25 accumulated days, subject to the redemption of vacation days at the conclusion of the employment agreement.
The Company provides Mr. Himmelman with a vehicle worth up to $41,31 (NIS 150,000), with Mr. Himmelman entitled to choose the model and/or year of manufacture of the vehicle and he bears all costs involved, with the exception of the

tax grossing up. Alternately, the Company is entitled to pay Mr. Himmelman a monthly reimbursement of $1,370 (NIS 5,000) for his personal vehicle, with the exception of its tax grossing-up.
In addition, according to the employment contract, the Company may reimburse Mr. Himmelman for use of Mr. Himmelman's personal cellular telephone, with the exception of the tax grossing up for it.
During the first 12 months, the parties may conclude Mr. Himmelman's employment agreement at any time and with one month advance notice. Beginning from the 13th month, the parties may conclude Mr. Himmelman's employment agreement at any time and with 3 months' advance notice.
The employment agreement includes an undertaking by Mr. Himmelman not to compete with the Company's business during the agreement period and up to 12 months after the end of the agreement.
Mr. Himmelman is entitled to receive yearly bonuses (for achieving the Company's goals, personal goals and discretionary) and a special bonus, subject to the decision of the Company's organs and as set in the Company's remuneration policy, as will be determined from time to time.
The employment agreement also stated that subject to the approval of the Company's certified organs and as set in the Company's remuneration policy, Mr. Himmelman shall be entitled once every four years to receive non-registered options, each of which may be exercised as a single ordinary Company share, in accordance with the option program for Company employees and executives.
In addition, Mr. Himmelman, as Company officer, is entitled to exemption, liability for indemnification and executive liability insurance in accordance with the Company's bylaws and the Company's remuneration policy and as accepted at the Company.

Note 28 - Transactions with Interested and Related Parties (Continued)

(9) Engagement in agreement with Boaz Ezer - VP Product Development

Mr. Boaz Ezer will begin serving as the VP Product Development, and will commence employment in April ,2023. According to Mr. Ezer's employment agreement (in this section only "the Employment Agreement"), Mr. Ezer will be entitled to a monthly salary (in gross terms) of approximately $15,000 (NIS 57,000).
In accordance with the employment agreement, the Company will insure Mr. Ezer with pension insurance, and is making all standard monthly provisions on his behalf to the pension fund. In addition, the Company makes a monthly provision to an education fund.
Mr. Ezer is entitled to 22 days of vacation per year with the ability to accumulate up to 25 accumulated days, subject to the redemption of vacation days at the conclusion of the employment agreement.
The Company provides Mr. Ezer with a vehicle worth up to $41,31 (NIS 150,000), with Mr. Ezer entitled to choose the model and/or year of manufacture of the vehicle and he bears all costs involved, with the exception of the tax grossing up. Alternately, the Company is entitled to pay Mr. Ezer a monthly reimbursement of $1,370 (NIS 5,000) for his personal vehicle, with the exception of its tax grossing-up.
In addition, according to the employment contract, the Company may reimburse Mr. Ezer for use of Mr. Ezer's personal cellular telephone, with the exception of the tax grossing up for it.
During the first 12 months, the parties may conclude Mr. Ezer's employment agreement at any time and with one month advance notice. Beginning from the 13th month, the parties may conclude Mr. Ezer's employment agreement at any time and

with 3 months' advance notice.
The employment agreement includes an undertaking by Mr. Ezer not to compete with the Company's business during the agreement period and up to 12 months after the end of the agreement.
Mr. Ezer is entitled to receive yearly bonuses (for achieving the Company's goals, personal goals and discretionary) and a special bonus, subject to the decision of the Company's organs and as set in the Company's remuneration policy, as will be determined from time to time.
The employment agreement also stated that subject to the approval of the Company's certified organs and as set in the Company's remuneration policy, Mr. Ezer shall be entitled once every four years to receive non-registered options, each of which may be exercised as a single ordinary Company share, in accordance with the option program for Company employees and executives.
In addition, Mr. Ezer, as Company officer, is entitled to exemption, liability for indemnification and executive liability insurance in accordance with the Company's bylaws and the Company's remuneration policy and as accepted at the Company.

(10) Engagement in a Service agreement with Asher Levy – Chairman of the Board

On March 27, 2023, the Company's Board of directors approved updating the scope of Mr. Levy's position from 20% to 30% of monthly service for the position, starting on April 1, 2023. In return for providing the management services, the company will pay Mr. Levy a management fee in the amount of $10,700 (37,500 NIS), which includes both the fixed component and all the additional conditions and benefits (except for reimbursement of expenses and general social benefits) that meet the fixed ceiling in the compensation policy for the fixed component and together with the conditions The collateral amounting to $37,800. In addition, it was approved to allocate to Mr. Levy 100,000 options with a benefit value of approximately $52,000 (approximately 200 thousand NIS) on the day of the grant. The amount of options to be granted will be determined according to the value of the options on the actual grant day.

Note 29 – Impact of War Between Russia and Ukraine

Following that stated in Note 30A to the 2021 Financial Statements, regarding Russia's invasion of Ukraine, as of the publication date of the report the Company is cooperating fully with the Ukrainian and Belorussian service providers on promoting the development of the catalyzer in the FOX system, and it does not expect any significant problems or delays in the project's progress.

Note 30 – Taxes on income

a. Tax rates applicable to the Company's revenues:

The Israeli corporate tax rate is 23%.

Company management believes that it will be able to meet the definitions of a preferred technological plant/special preferred technological plant in Development Area A regarding which a tax rate of 12% will apply.

The Company is liable for tax on it real capital profits at the Company's income tax rate for the year of sale.

b. The Company has assessments deemed final up to and including the 2015 tax year.

c. Carry-forward losses:

The Company has accumulated losses and deductions for tax purposes as of December 31, 2022, to a sum of approximately $123,058,000, which may be offset against taxable income in the future for an unlimited period of time.

d. Deferred taxes:

The deferred tax reflects the net tax influence on the temporary differences between the balances of the assets and liabilities in the books for financial reporting purposes and the sums used for income tax purposes. The Company has accumulated carry-over losses over the course of recent years, but as the Company does not expect to create taxable income in the foreseeable future, it cannot recognize a deferred tax asset.

e. The tax expenses in the Statement of Operations reflect payments for excess expenses.

Note 31 – Subsequent Events

a. In the first quarter of 2023, the Company signed an employment agreement with Mr. Boaz Ezer, who will begin serving as the Company's VP Product Development, and will commence his employment in the Company in April, 2023. For additional details, see Note 28(9), Transactions with Interested and Related Parties.

b. In the first quarter of 2023, an agreement was reached between the Company and Mr. Amit Ashkenazi, who served as the Company's VP Sales, regarding the conclusion of his employment, effective beginning on April 12, 2023.

c. Mr. Hadar Himmelman has been serving as the Company's VP Business since January 15, 2023. For additional details, see Note 28(8), Transactions with Interested and Related Parties.

d. In March 2023, the Company collected from the customer EV Motos a total of approximately $1.4 million (including VAT), and the remaining balance was collected and is held against a check payable as of April 30, within the framework of that transaction. For additional details, see Note 15D.

e. On March 27, 2023, the Company's board of directors approved, after approval was received from the Company's compensation committee on March 20, 2023, to grant to several executives of the Company grants in respect of 2022, in accordance with the provisions of the Company's compensation policy, and to update their employment agreements for 2022. For additional details, see Note 27.

f. In March 2023, the Company collected from the local partner, within the framework of the CFE transaction, a total of approximately USD 50 thousand. For additional details, see Note 15C.

g. On March 27, 2023, the Company's Board of Directors approved the update of Mr. Asher Levy's scope of position as Chairman of the Board, the, from 20% to 30% position in service, monthly, after receiving the approval from the Company's compensation committee on March 20, 2023. For more details, see Note 28 (10) Transactions with interested and related parties.

h. On March 27, 2023, after receiving approval from the compensation committee, the Company's Board of Directors, approved the following issues: (a) Adoption of a new Capital Compensation Plan (ESOP/RSU Plan) in the amount of 10,513,850 blocked shares and/or stock options; (b) updating Mr. Asher Levy terms of officiation and employment , including the granting of 100,000 stock options that are not listed for trading, in accordance with the 2016 options plan; (c) Approval to update the exercise price of 3,071,618 unregistered options by way of the cancellation of unregistered options and the reallocation of 3,264,618 options as well as the granting of 10,320,850 blocked share units, to the Company's employees and officers, excluding the Company directors; (d) approval of updating the exercise price of 1,083,790 unregistered options, for the Company's employees; The aforementioned decisions are subject, amongst other prerequisites, to receipt of approval from the stock exchange for the trading of the shares as a result from the realization of the options and the conversion of the restricted units (RSU), receipt of approval from the tax authorities, submission of a capital compensation plan to the tax authority and receipt of approval from the Company's authorized organs. The company will continue to report the required reports at the required times according to the law.

Chapter D – Additional Information Regarding the Corporation

1. **Regulation 9d – Report on Inventory of Liabilities by Redemption Date**

   Attached in separate immediate report.

2. **Regulation 10a – Concise Reports on the Corporation's Comprehensive Earnings for Each of the Quarters of 2022 (in Thousands of NIS)**

Item	Q1 For 2022	Q2 For 2022	Q3 For 2022	Q4 For 2022	Total For 2022
Sales	816	419	3,092	3,076	7,403
Cost of sales	1,636	1,785	3,330	3,303	10,054
Gross loss	820	1,366	238	227	2,651
Research and development expenses, net	2,393	1,924	2,355	1,184	7,856
Sales and marketing expenses	1,399	1,482	1,104	1,335	5,320
Administrative and general expenses	1,596	1,338	1,321	1,856	6,111
Impairment losses	-	-	-	3,389	3,389
Loss from impairment of intangible assets	-	-	-	11,472	11,472
Loss from Regular Activity	6,208	6,110	5,018	19,236	36,799
Financing revenues (expenses)	(1,008)	632	13	76	(287)
Other revenues	-	12	11	4	27
Taxes on income	28	71	4	88	191
Loss	7,244	5,537	4,998	18,897	36,676
Other comprehensive loss (income)	(317)	2,317	9	(351)	1,658
Comprehensive loss	6,927	7,854	5,007	18,546	38,334

For details on the Concise Reports on Comprehensive Income for 2022, See also Chapter C of the Periodic Report.

3. **Regulation 10c – Use of Proceeds of Securities**

3.1. On November 18 2020 the Company completed an initial public offering of is ordinary shares by virtue of the prospectus to the sum of NIS 205 million (some $61.3 million). Within the framework of the prospectus it was decided that some $49.4 million from the proceeds of the offering will be used by the Company for the Company's current activity which includes, among other things, an improvement in the ability to manufacture the Company's products, establishment of production lies, expanding the Company's marketing and sales array and expanding the service array for the Company's products, as will be decide by the Company Board of Directors from time to time and taking into account the Company's business activity and its monetary results, as these will exist from time to time.

3.2. On April 12 2021 the Company completed an offering of 3,484,000 ordinary shares within the framework of a shelf offering report published the Company by virtue of the prospectus to the sum of NIS 47 million ($14.2 million)[1], within the framework of the shelf offering report it was determined that the proceeds of the offering (less issuing costs) would be used to finance the Company's ongoing activity, as will be decided by the Company's Board of Directors from time to time, at its discretion.

4. **Regulation 11 – List of Investments in Subsidiaries and Directly and Associates as of the report Date**

As of the report date, the Company does not hold any other corporation, except for its possession of 100% of the issued and paid-up stock capital of Gencell Inc., which as of the publication of the report has no business activity.

5. **Regulation 12 – Changes in Investments in Subsidiaries and Material Related Companies in the Reported Period**

There were no changes in investments in subsidiaries and material associates in the reported period.

6. **Regulation 13 - Revenues of Material Subsidiaries and Related Companies and Revenues from Them**

There were no revenues of material subsidiaries and related companies and revenues from them in the reported period.

[1] For further details on the additional offering results, see the Company's immediate report from April 12 2021 (2021-01-061755). The above constitutes inclusion by way of reference.

7. **Regulation 20 – Stock Market Trade**

7.1. On January 23 2022 11,966,979 ordinary shares were listed for trade on these stock exchange, in accordance with a private offering made by the Company to investors by way of a material private offering in accordance with the Securities Regulations (Private Offering of Securities in Registered Company), 2000 from January 18 2022. For additional details, see section 5 in Chapter A of the periodic report.

7.2. Over the course of the reported period 249,186 ordinary Company share were listed for trade on the Stock Exchange, deriving from exercises of unlisted options allocated to Company employees from time to time in accordance with the option plan for Company employees and officers. Subsequent to the reported date to the publication date of the report ordinary Company share were listed for trade on the Stock Exchange.

Trade with the Company's shares was not halted over the course of the reported period.

8. **Regulation 21 – Payments to Interested Parties and Senior Executives**

8.1. The following are details regarding remunerations paid each of the five highest remunerated senior officers at the Company, in connection with their employment at the Company, as the case may be, by the Company and by others, as recognized in the financial statements in the reported year (data is in dollars):

Remuneration Recipient Details					Compensation for services							Other compensation			Total
Name	Position	Description of Terms of Service and Employment Section	Scope of Employment	Rate of Holdings in Company Capital As of the publication of the report	Salary (1)	Bonus	Share-Based Payment	Management Fees	Consulting Fees	Commission	Other	Interest	Rent	Other	
Rami Reshef	CEO	**Error! Reference source not found.**8.5	100%	4.66%	407,487	93,094	459,807	-	-	-	-	-	-	-	960,388
Yossi Salomon	Chief Financial Officer	**Error! Reference source not found.**ב	100%	1.81%	334,523	115,396	272,380	-	-	-	-	-	-	-	722,299
Gennadi Finkelshtain	VP of Technologies and Development	8.5(c)	100%	3.78%	319,224	16,777	272,380	-	-	-	-	-	-	-	608,381
Gil Shavit	Business Development Manager	8.5ד	100%	2.42%	303,048	49,296	272,380	-	-	-	-	-	-	-	624,724
Haim Moshe	VP of Customer Support and Projects	8.5ה	100%	0.42%	274,628	49,565	343,551	-	-	-	-	-	-	-	667,744

(1) The salary costs include employer cost including associated social benefits and loss of work ability insurance as well as associated expenses, vehicles and mobile telephone.

Remuneration Recipient Details					Compensation for services							Other compensation			Total
Name	Position	Description of Terms of Service and Employment Section	Scope of Employment	Rate of Holdings in Company Capital As of the publication of the report	Salary	Bonus	Share-Based Payment	Management Fees	Consulting Fees	Commission	Other	Interest	Rent	Other	
Asher Levi	Chairman of the Board of Directors	8.6	20%	0%	-	-	104,400	64,491	-	-	-	-	-	-	168,891

8.2. The following are details regarding royalties given to each Company interested party, who is not listed in 8.1 above, whether the royalties have been provided them by the Company or by a corporation under its control in connection with services provided as an officer in the Company or in a corporation under its control, whether or not there is an employer-employee relationship between them and whether or not the interested party is a senior Company officer, as shown in the Financial Statements for the reported years (data in dollars):

8.3. Compensation Policy

On November 8 2020 the Company Board of Directors and the General Meeting approved, in accordance with Regulation 1 of the Companies Regulations (relief on the Obligation to Set a Remuneration Policy), 2013, an exempt remuneration policy for the Company in accordance with Section 2a of the regulations in question. In accordance with the above regulations, the Company's existing remuneration policy was described in the Company's prospectus, and therefore will be considered a remuneration policy determined in accordance with Section 267a of the Companies law, and shall require approval only after five years from the date the Company went public. For the text of the remuneration policy, see Appendix C of Chapter 8 of the prospectus.

8.4. Director Remuneration – Additional details

On November 8 2020 the Company Board of Directors and the Company General Meeting confirmed that the royalties that will be paid to all directors who do not receive salary or management fees from the Company, as they may serve from time to time, shall be equal to the "maximum sum” set in the Companies Regulations (rules on Remuneration and Expense for Outside Director), 2000 (“**the Remuneration Regulations**”) and the remuneration paid an expert outside director shall be as set in the Remuneration Regulations. In addition, the directors shall be entitled to reimbursements in accordance with the Remuneration Regulations.

On the same date, the Company Board of Directors and Company General Meeting approved an allocation of 70,000 non-registered options each to Ben Zion (Benny) Landa and Michal Arlozorov, each of which may be exercised as a single ordinary Company share, in accordance with the option program for Company employees and options, with the vesting period spread out across 48 months in such a manner that from their issue date and at the end of each quarter, 1/16 of the number of options granted shall vest.

Without detracting from the above, in accordance with the decision of the Company's certified organs as will be received, from time to time, the Company shall be entitled to grant the directors, as they serve from time to time, capital remuneration in accordance with the directives of the Company's Remuneration Policy.

On February 21 2021 the Company general Meeting, after receiving the approval of the Company Board of Directors, approved the remuneration as detailed above in accordance with the remuneration regulations for Amikam Shafran, Eli Gurevitz, Immanuel Avner and Segi Eitan, with Segi Eitan and Immanuel Avner appointed as initial external director at the Company, with them having, among other things, accounting and financial expertise in accordance with the Companies Regulations (Conditions and Test for a Director with Accounting and Financial Expertise and a Director with Professional Qualifications), 2005 (“**Qualifications and Expertise Regulations**”). For further details see the Company's immediate reports from January 17 2021 and February 21 2021, respectively (ref. no. 2021-01-007195 and 2021-01-020439, respectively). The references in question constitute inclusion by way of reference.

In addition, on March 3 2021 the Company Audit Committee classified Ms. Michal Arlozorov as an independent director in accordance with the Companies Law. Note that Ms. Arlozorov has been classified as having accounting and financial expertise in accordance with the Qualifications and Expertise Regulations.

In addition, on August 29 2021 Mr. Amikam (Ami) Shafran was classified as having accounting and financial expertise in accordance with the Qualifications and Expertise Regulations, and the directors' remuneration they were entitled to was updated accordingly, so that it would include an "expertise" addition for an expert outside director as set in the Companies Regulations (Rules on Remuneration and Expense for Outside Director) and in accordance with the approval of the certified Company organs as detailed above.

On February 21 2021 the Company General Meeting, after receiving the approval of the Company Board of Directors, approved the allocation of 70,000 unlisted options each to Amikam Shafran, Eli Gurevitz, Immanuel Avner and Segi Eitan, 280,000 options in total, each of which may be exercised as a single ordinary Company share, in accordance with the option program for Company employees and options, with the vesting period spread out across 48 months in such a manner that from their issue date and at the end of each quarter, 1/16 of the number of options granted shall vest. Note that on July 11 2021 the Company General Meeting, after receiving the approval of the Company Remuneration Committee and Board of Directors, approved the amendment to the exercise price of unlisted options granted Segi Eitan, Immanuel Avner, Amikam (Ami Shafran) and Eli Gurevitz.

For further details see the Company's immediate reports from January 17 2021, February 21 2021, June 3 2021 and July 12 2021, respectively (ref. no.: 2021-01-007195 2021-01-020439, 2021-01-035272 and 2021-01-051646, respectively). The references in question constitute inclusion by way of reference.

Note that in accordance with the Companies Regulations (Rules Regarding Compensation and Expenses for Outside Directors), 2022 (the "**Transitional Provision**"), on May 23, 2022, the Company's Board of Directors established criteria for the classification of participation by directors in some meetings of the board of directors and board committees, which have taken place and will take place via teleconference during the period of the restrictions (as defined in the transitional provision), as participation in ordinary meetings, and accordingly, it classified the participation of the relevant directors in some of those meetings as participation signifying entitlement to compensation for participation in ordinary meetings. The total cost of the payment for the classification in question amounted to about 227 thousand dollars in 2022.

The sum of the remuneration for participation in the meeting and the sum of the yearly remuneration the Company paid all of the directors who do not receive salaries or management fees from the Company, in 2022, totals 302 thousand dollars.

8.5. <u>The following are details on the terms of engagement with senior officers appearing in the table in 8.1above:</u>

א. <u>Rami Reshef – Company CEO – Further Details</u>

Mr. Reshef has served as Company CEO starting May 1 2011. According to Mr. Reshef's employment agreement (in this section only "the Employment Agreement"), Mr. Reshef was entitled to a monthly salary (in gross terms) of $21.38 thousand dollars (NIS 72.7 thousand). And beginning from April 1 2022, to a total of approximately $29 thousand dollars (NIS 90 thousand).

In accordance with the employment agreement, the Company is insuring Mr. Reshef with managers insurance, and is making all standard monthly provisions on his behalf, including to a study fund.

Mr. Reshef is entitled to 22 days of vacation per year with the ability to accumulate up to 50 accumulated days, subject to the redemption of vacation days at the conclusion of the employment agreement.

The Company provides Mr. Reshef with a vehicle worth up to $48,530 (NIS 165,000), with Mr. Reshef entitled to choose the model and/or year of manufacture of the vehicle and he bears all costs involved, with the exception of the tax grossing up. Alternately, the Company is entitled to pay Mr. Reshef a monthly reimbursement of $1.6 thousand dollars (NIS 5.5 thousand) for his personal vehicle, with the exception of its tax grossing-up.

In addition, according to the employment contract, the Company provides Mr. Reshef with a mobile phone and bears the costs involved, with the exception of the tax grossing up. Alternately, the Company may reimburse Mr. Reshef for use of Mr. Reshef's personal cellular telephone costs.

The parties may conclude Mr. Reshef's employment agreement at any time and with 6 months' advance notice (in this section "the Advance Notice Period"). In the event of the termination of his employment by the Company, with the exception of cases of end of employment under special circumstances, in addition to the advance notice period, Mr. Reshef shall be entitled to (a) an adaptation bonus at a sum equal to 6 salaries (in this section only "Adaptation Bonus") and (b) to accelerate the vesting dates of the options whose vesting date has not yet reached a period of 6 months. It was also agreed in the employment agreement, that in the event that Mr.

Reshef resigns willingly, entitlement to the adaptation bonus as noted above shall be determined at the discretion of the Company Board of Directors.

The employment agreement includes an undertaking by Mr. Reshef not to compete with the Company's business during the agreement period and up to 12 months after the end of the employment agreement.

In addition, Mr. Reshef, as Company officer, is entitled to exemption, liability for indemnification and executive liability insurance in accordance with the Company's bylaws and the Company's remuneration policy and as accepted at the Company.

Mr. Reshef is entitled to receive yearly bonuses (for achieving the Company's goals and discretionary) and a special bonus, subject to the approval of the Company's certified organs and as set in the Company's remuneration policy, as will be determined from time to time.

The employment agreement also stated that subject to the approval of the Company's certified organs and as set in the Company's remuneration policy, Mr. Reshef shall be entitled once every four years to receive non-registered options, each of which may be exercised as a single ordinary share, in accordance with the option program for Company employees and executives.

Mr. Reshef was allocated 712,976 unregistered **options,** each of which can be exercised as a single ordinary share, in accordance with the options plan, all in accordance with the approval of the Company Board of Directors and the General meeting from November 8 2020.

On March 27 2023, the Company's Board of Directors approved, after approval was received from the Company's Compensation Committee, to grant to Mr. Reshef a bonus for 2022 at a sum equal to approximately 6 salaries.

ב. Yossi Salomon – Company Chief Financial Officer - Additional Details

Mr. Salomon has been serving as the Company's CFO since April 19 2015. According to Mr. Salomon's employment agreement (in this section only "the Employment Agreement"), Mr. Finkelshtainwas entitled to a monthly salary (in gross terms) of $18.1 thousand dollars (NIS 61.5 thousand), and beginning from April 1, 2022, to a total of approximately $23 thousand dollars (NIS 72 thousand).

In accordance with the employment agreement, the Company is insuring Mr. Salomon with managers insurance, and is making all standard monthly provisions on his behalf, including to a study fund.

Mr. Salomon is entitled to 22 days of vacation per year with the ability to accumulate up to 50 accumulated days, subject to the redemption of vacation days at the conclusion of the employment agreement.

The Company provides Mr. Salomon with a vehicle worth up to $41.17 thousand dollars (NIS 140 thousand), with Mr. Salomon entitled to choose the model and/or year of manufacture of the vehicle and he bears all costs involved, with the exception of the tax grossing up. Alternately, the Company is entitled to pay Mr. Salomon a monthly reimbursement of $1.5 thousand dollars (NIS 5 thousand) for his personal vehicle, with the exception of its tax grossing-up.

In addition, according to the employment contract, the Company may reimburse Mr. Salomon for use of Mr. Salomon’s personal cellular telephone, with the exception of the tax grossing up for it.

The parties may conclude Mr. Salomon’s employment agreement at any time and with 6 months’ advance notice (in this section “the Advance Notice Period”). In the event of the termination of his employment by the Company, with the exception of cases of end of employment under special circumstances, in addition to the advance notice period, Mr. Salomon shall be entitled to (a) an adaptation bonus at a sum equal to 4 salaries (in this section only “Adaptation Bonus”) and (b) to accelerate the vesting dates of the options whose vesting date has not yet reached a period of 4 months. It was also agreed in the employment agreement, that in the event that Mr. Salomon resigns willingly, entitlement to the adaptation bonus as noted above shall be determined at the discretion of the Company Board of Directors.

The employment agreement includes an undertaking by Mr. Salomon not to compete with the Company’s business during the agreement period and up to 12 months after the end of the agreement.

Mr. Salomon is entitled to receive yearly bonuses (for achieving the Company's goals, personal goals and discretionary) and a special bonus, subject to the decision of the Company's organs and as set in the Company’s remuneration policy, as will be determined from time to time.

The employment agreement also stated that subject to the approval of the Company's certified organs and as set in the Company's remuneration policy, Mr. Salomon shall be entitled once every four years to receive non-registered options, each of which may be exercised as a single ordinary share, in accordance with the option program for Company employees and executives.

In addition, Mr. Salomon, as Company officer, is entitled to exemption, liability for indemnification and executive liability insurance in accordance with the Company's bylaws and the Company's remuneration policy and as accepted at the Company.

Mr. Salomon was allocated 422,351 unregistered options, each of which can be exercised as a single ordinary share, in accordance with the options plan, all in accordance with the approval of the Company Board of Directors and the General meeting from November 8 2020.

On March 27, 2023, the Company's Board of Directors approved, after approval was received from the Company's Compensation Committee, to grant to Mr. Salomon a bonus for 2022 at a sum equal to approximately 3.64 salaries, all in accordance with the Company's remuneration policy.

ג. Gennadi Finkelshtain - Company VP of Technologies and Development - Additional details

Mr. Finkelshtainhas served as the Company's VP of Technologies and Development since May 24 2011. According to Mr. Finkelshtain's employment agreement (in this section only "the Employment Agreement"), Mr. Finkelshtainwas entitled to a monthly salary (in gross terms) of $18.1 thousand dollars (NIS 61.5 thousand). And beginning from April 1, 2022 for a total of approximately $21 thousand dollars (NIS 72 thousand).

In accordance with the employment agreement, the Company is insuring Mr. Finkelshtain with pension insurance and is making all standard monthly provisions, including to a study fund.

Mr. Finkelshtain is entitled to 22 days of vacation per year with the ability to accumulate up to 50 accumulated days, subject to the redemption of vacation days at the conclusion of the employment agreement.

The Company provides Mr. Finkelshtainwith a vehicle worth up to $41.17 thousand dollars (NIS 140 thousand), with Mr. Finkelshtain entitled to choose the model and/or year of manufacture of the vehicle and he bears all costs involved, with the exception of the tax grossing up. Alternately, the Company is entitled to pay Mr. Finkelshtain a monthly reimbursement of $1.5 thousand dollars (NIS 5 thousand) for his personal vehicle, with the exception of its tax grossing-up.

In addition, according to the employment contract, the Company may reimburse Mr. Finkelshtain for use of Mr. Finkelshtain's personal cellular telephone, with the exception of the tax grossing up for it.

The parties may conclude Mr. Finkelshtain's employment agreement at any time and with 6 months' advance notice (in this section "**the Advance Notice Period**"). In the event of the termination of his employment by the Company, with the exception of cases of end of employment under special circumstances, Mr. Finkelshtain shall be entitled to (a) an adaptation bonus at a sum equal to 4 salaries (in this section only "**Adaptation Bonus**") and (b) to accelerate the vesting dates of the options whose vesting date has not yet reached a period of 4 months. It was also agreed in the new employment agreement, that in the event that Mr. Finkelshtain resigns willingly, entitlement to the adaptation bonus as noted above shall be determined at the discretion of the Company Board of Directors.

The employment agreement includes an undertaking by Mr. Finkelshtain not to compete with the Company's business during the agreement period and up to 12 months after the end of the agreement.

In addition, Mr. Finkelshtain, as Company officer, is entitled to exemption, liability for indemnification and executive liability insurance in accordance with the Company's bylaws and the Company's remuneration policy and as accepted at the Company.

Mr. Finkelshtain is entitled to receive yearly bonuses (for achieving the Company's goals, personal goals and discretionary) and a special bonus, subject to the approval of the Company's certified organs and as set in the Company's remuneration policy, as will be determined from time to time.

The employment agreement also stated that subject to the approval of the Company's certified organs and as set in the Company's remuneration policy, Mr. Finkelshtain shall be entitled once every four years to receive non-registered options, each of which may be exercised as a single ordinary share, in accordance with the option program for Company employees and executives.

Mr. Finkelshtain was allocated 422,351 unregistered options, each of which can be exercised as a single ordinary share, in accordance with the options plan, all in accordance with the approval of the Company Board of Directors and the General meeting from November 8 2020.

On March 27, 2023, the Company's Board of Directors approved, after approval was received from the Company's Compensation Committee, to grant Mr. Finkelshtain a bonus for 2022 at a sum equal to 3 salaries, all in accordance with the Company's remuneration policy.

ד. Gil Shavit – Business Development Manager – Additional Details

Mr. Shavit has served as the Company's Business Development Manager since May 24 2011. According to his employment agreement starting from the completion of the issue of the shares in accordance with the prospectus and their registration for trade on the stock exchange (in this section only "the Employment Agreement"), Mr. Shavit was entitled to a monthly salary (in gross terms) of $18.1 thousand dollars (NIS 61.5 thousand). And beginning from April 1, 2022 for a total of approximately $20 thousand dollars (NIS 67.5 thousand).

In accordance with the employment agreement, the Company is insuring Mr. Shavit with pension insurance, and is making all standard monthly provisions on his behalf, including to a study fund.

Mr. Shavit is entitled to 22 days of vacation per year with the ability to accumulate up to 50 accumulated days, subject to the redemption of vacation days at the conclusion of the employment agreement.

The Company provides Mr. Shavit with a vehicle worth up to $41.17 thousand dollars (approximately NIS 140 thousand), with Mr. Shavit entitled to choose the model and/or year of manufacture of the vehicle. The vehicle is used by Mr. Shavit for the purpose of his duties and the Company bears all costs involved, with the exception of the tax grossing-up for it. Alternately, the Company is entitled to pay Mr. Shavit a monthly reimbursement of $1.50 thousand dollars (NIS 5 thousand) for his personal vehicle, with the exception of its tax grossing-up.

In addition, according to the employment contract, the Company may reimburse Mr. Shavit for use of Mr. Shavit's personal cellular telephone, with the exception of the tax grossing up for it.

The parties may conclude Mr. Shavit's employment agreement at any time and with 6 months' advance notice (in this section "**the Advance Notice Period**"). In the event of the termination of his employment by the Company, with the exception of cases of end of employment under special circumstances, in addition to the advance notice period, Mr. Shavit shall be entitled to (a) an adaptation bonus at a sum equal to 4 salaries (in this section only "**Adaptation Bonus**") and (b) to accelerate the vesting dates of the options whose vesting date has not yet reached a period of 4 months. It was also agreed in the employment agreement, that in the event that Mr. Shavit resigns willingly, entitlement to the adaptation period as noted above shall be determined at the discretion of the Company Board of Directors.

The employment agreement includes an undertaking by Mr. Shavit not to compete with the Company's business during the agreement period and up to 12 months after the end of the agreement.

Mr. Shavit, as Company officer, is entitled to exemption, liability for indemnification and executive liability insurance in accordance with the Company's bylaws and the Company's remuneration policy and as accepted at the Company.

Mr. Shavit is entitled to receive yearly bonuses (for achieving the Company's goals, personal goals and discretionary) and a special bonus, subject to the approval of the Company's certified organs and as set in the Company’s remuneration policy, as will be determined from time to time.

The employment agreement also stated that subject to the approval of the Company's certified organs and as set in the Company's remuneration policy, Mr. Shavit shall be entitled once every four years to receive non-registered options, each of which may be exercised as a single ordinary share, in accordance with the option program for Company employees and executives.

Mr. Shavit was allocated 422,351 unregistered options, each of which can be exercised as a single ordinary share, in accordance with the options plan, all in accordance with the approval of the Company Board of Directors and the General meeting from November 8 2020.

On March 27, 2023, the Company’s Board of Directors approved, after approval was received from the Company’s Compensation Committee, to grant to Mr. Shavit a bonus for 2022 at a sum equal to approximately 2.57 salaries.

ה. Haim Moshe VP Customer Services - Additional details

Mr. Moshe has served as the Company's VP of Customer Support and Development since January 19 2015. According to Mr. Moshe’s employment agreement (in this section only: “**the Employment Agreement**”), Mr. Moshe was entitled to a monthly salary (in gross terms) of approximately $11.76 thousand dollars (NIS 40 thousand), and beginning from April 1 2022, to a total of approximately $18.1 thousand dollars (NIS 57 thousand).

In accordance with the employment agreement, the Company is insuring Mr. Moshe with pension insurance and is making all standard monthly provisions on his behalf, including to a study fund.

Mr. Moshe is entitled to 22 days of vacation per year with the ability to accumulate up to 7 accumulated days, subject to the redemption of vacation days at the conclusion of the employment agreement.

The Company provides Mr. Moshe with a vehicle worth up to $41.17 thousand dollars (approximately NIS 140 thousand), with Mr. Moshe entitled to choose the model and/or year of manufacture of the vehicle and he bears all costs involved, with the exception of the tax grossing up. Alternately, the Company is entitled to pay Mr. Moshe a monthly reimbursement of $1.5 thousand dollars (approximately NIS 5 thousand) for his personal vehicle, with the exception of its tax grossing-up.

In addition, according to the employment contract, the Company may reimburse Mr. Moshe for use of Mr. Moshe's personal cellular telephone, with the exception of the tax grossing up for it.

The parties may conclude Mr. Moshe's employment agreement at any time and with 3 months' advance notice.

The employment agreement includes an undertaking by Mr. Moshe not to compete with the Company's business during the agreement period and up to 12 months after the end of the agreement.

Mr. Moshe is entitled to receive yearly bonuses (for achieving the Company's goals, personal goals and discretionary) and a special bonus, subject to the decision of the Company's organs and as set in the Company's remuneration policy, as will be determined from time to time.

The employment agreement also stated that subject to the approval of the Company's certified organs and as set in the Company's remuneration policy, Mr. Moshe shall be entitled once every four years to receive non-registered options, each of which may be exercised as a single ordinary Company share, in accordance with the option program for Company employees and executives.

In addition, Mr. Moshe, as Company officer, is entitled to exemption, liability for indemnification and executive liability insurance in accordance with the Company's bylaws and the Company's remuneration policy and as accepted at the Company.

Mr. Moshe was allocated 252,063 unregistered options, each of which can be exercised as a single ordinary share, in accordance with the options plan, all in accordance with the approval of the Company Board of Directors and the General meeting from November 8 2020.

On March 27, 2023, the Company's Board of Directors approved, after approval was received from the Company's Compensation Committee, to grant to Mr. Moshe a bonus for 2022 at a sum equal to approximately 3.06 salaries, all in accordance with the Company's remuneration policy.

8.6. <u>The following are details on the terms of engagement with interested parties appearing in the table in 0above:</u>

<u>Asher Levi – Chairman of the Board of Directors – Additional Details</u>

On November 8 2020 the Company Board of Directors and General Meeting approved the engagement with Mr. Levi, who is an employee of and shareholder in a private company owned by Mr. Ben Zion (Benny) Landa, the Company's Controlling Shareholder, in an agreement to provide management services to the Company, for the period of time permitted by law, coming into effect from the completion of the offering of shares in accordance with the prospectus and their registration for trade on the stock exchange (in this section only "**the Management Services Agreement**"), according to which Mr. Levi provides the Company with Board of Directors services to the amount of a 20% position.

In return for providing the management services in question, the Company pays Mr. Levi management fees to the sum of NIS 25,000 per month plus VAT as required by law (in this section only "**the Management Fees**") against the receipt of a tax invoice as required by law. The Management Fees are linked to the Consumer Price Index for September 2020 published on October 15, 2020 and updated on a quarterly basis. The management fees are paid on a monthly basis, no later than the 10th of each calendar month for the previous calendar month.

In addition, Mr. Levi is entitled to reimbursement for expenses made within the framework of providing services to the Company, in accordance with Company policy, in return for the presentation of suitable receipts, and so long as regarding expenses that are not in accordance with Company policy the reimbursement shall be subject to the approval of the Company Board of Directors.

The Company provides Mr. Levi with an office, as needed, and bears all fixed and variable costs involved in using and maintaining the office, for the purpose of carrying out his obligations toward the Company.

The Company may discontinue the management services at any time, in whole or in part, for any reason, with 3 months' notice.

In addition, Mr. Levi, as a Company officer, is entitled to exemption, liability for indemnification and executive liability insurance in accordance with the Company's bylaws and the Company's remuneration policy and as accepted at the Company for its directors and officers.

The management services agreement also stated that subject to the approval of the Company's certified organs and as set in the Company's remuneration policy, Mr. Levi shall be entitled once every four years to receive non-registered options, each of which may be exercised as a single ordinary Company share, in accordance with the option program for Company employees and executives.

Mr. Levi was allocated 100,000 unregistered options, each of which can be exercised as a single ordinary share, in accordance with the options plan.

9. Regulation 21 – Control of Corporation

To the best of the Company's knowledge, the Company's controlling shareholder as of the publication of this report, is Mr. Ben Zion (Benny) Landa, a Company director, through Landa Ventures Ltd., a private company under his full control (100%), holding approximately 25.51% of the Company's issued and paid-up stock capital.

10. Regulation 22 – Transactions with the Controlling Shareholder

The following is information, to the extent of the Company's knowledge, regarding any transaction with the controlling shareholder or in which the Company's controlling shareholder have some personal interest in their approval, which the Corporation engaged in the reported period or subsequent to the publication date if this report or which is still in effect as of this report:

10.1. Transactions Listed in Section 270(4) of the Companies Law

10.1.1. Director Remuneration

For details on the remuneration of directors serving in the Company, including Mr. Ben Zion (Benny) Landa, the Company's Controlling Shareholder, see 8.4 above.

10.1.2. Director and Executive Insurance

For details on the insurance of directors and officers serving in the Company, including Mr. Ben Zion (Benny) Landa, the Company's Controlling Shareholder, see 20.4a) below.

10.1.3. Letters of Exemption and Indemnification

For details on the letters of exemption and indemnification granted directors and officers serving in the Company, including Mr. Ben Zion (Benny) Landa, the Company's Controlling Shareholder, see 20.4b) andc) below.

10.2. **Transactions Not Listed in Section 270(4) of the Companies Law**

10.2.1. Company CEO Compensation

For further details see Section 8.58.5 above.

10.2.2. Engagement in services agreement with the Chairman of the Board of Directors

For details about a service agreement with the Chairman of the Board of Directors, Mr. Asher Levi, serving as Chairman of the Board of Directors of Landa Digital Printing, a company under Mr. Landa's control, see 8.6 above**.**

For details on transactions with the controlling shareholder, see note 28 in Chapter C of the Periodic Report.

11. **Regulation 24 – Holdings of Interested Parties and Senior Executives**

For details on holdings of interested parties and senior executives at the Company as of the report date, see the immediate report published by the Company on January 5 2023 (reference no.: 2023-01-003201). The above constitutes inclusion by way of reference.

12. **Regulation 24a and Regulation 24b – Registered Capital, Issued Capital, Convertible Securities and Shareholders' Registry**

For additional details, see the immediate report published by the Company on February 28 2023 (reference number 2023-01-022374). The above constitutes inclusion by way of reference.

13. **Regulation 25a – Listed Address**

Address: 7 Hatnufa Street, Petach Tikva, 4951025;

Telephone no.: 03-7261616

Fax: 03-7261617;

Email address: info@gencellenergy.com

14. Regulation 26 – Company Directors

The following are details regarding the directors serving on the Company Board of Directors as of the publication of this report:

Name	Asher Levi	Ben Zion (Benny) Landa	Michal Arlozorov	Eliezer (Eli) Gurevitz	Amikam (Ami) Shafran	Immanuel Avner	Segi Eitan
ID Number	055640791	314093550	055458921	059237016	061519153	056524192	51404457
Date of Birth	February 15 1959	June 2 1946	August 22 1958	February 1 1965	September 9 1954	July 5 1960	January 21 1954
Address for legal correspondence	19 Ha'atzmaut, Ra'anana	35 Ben Avi Itamar, Ness Tziona	15 Bat Sheva, Herzliya	19 Klausner, Ra'anana	82 Rambam, Ra'anana	17 Sderot HaHaskala, Tel Aviv	Shalva 58, Herzliya Pituach
Citizenship	Israeli	Israeli and Canadian	Israeli and Portuguese	Israeli	Israeli	Israeli	Israeli
Start of Service as Director	October 7 2020	June 28 2018	September 16 2020	December 1 2020	December 8 2020	February 21 2021	February 21 2021
Membership of Board Committee	Strategy Committee	No	Financial Statement Examination Committee, Enforcement Committee	Audit Committee, Strategy Committee, Enforcement Committee.	Remuneration Committee, Strategy Committee	Financial Statements Examination Committee, Audit Committee, Remuneration Committee, Strategy Committee, Enforcement Committee	Financial Statements Examination Committee, Audit Committee, Remuneration Committee
Are they an independent director or an external director as defined in the Companies Law?	No	No	Yes, independent director[22]	No	No	Yes, external director	Yes, external director
Has Accounting and Financial Expertise or Professional Qualifications	Has accounting and financial expertise	Has professional qualifications	Has accounting and financial expertise	Has professional qualifications	Has accounting and financial expertise	Has accounting and financial expertise	Has accounting and financial expertise

[22] On March 3 2021 the Company Audit Committee classified Ms. Michal Arlozorov as an independent director in accordance with the Companies Law.

Name	Asher Levi	Ben Zion (Benny) Landa	Michal Arlozorov	Eliezer (Eli) Gurevitz	Amikam (Ami) Shafran	Immanuel Avner	Segi Eitan
Are they an expert external director?	No	No	Yes	No	No	Yes	Yes
Is the director an employee of the Company, of a subsidiary or of a related company or of a corporate interested party? If so, what positions do they have?	Yes, Chairman of the Board of Directors of Landa Digital Printing, a company under the control of Mr. Landa, director and Company Controlling Shareholder.	Yes, Company director and Chairman of the Board of Directors of the Company Controlling Shareholder	No	No	No	No	No
Education	B.Sc.in Industrial Engineering, Ben Gurion University; MBA in Business Administration, Tel Aviv University; Graduate of the Management Program, Harvard Business School	Master's in Art, London Film School	L.L.B, Tel Aviv University; B.A. in Political Science and Labor Studies, Tel Aviv University Graduate of MAP Management Program, Harvard Business School;	Electrical Engineer, Bridgeport University, U.S.A.	B.Sc. – Electrical Engineering – Ben Gurion University Beersheba M.B.A., Tel Aviv University	B.A. in economics and accounting, Hebrew University in Jerusalem; M.B.A., with honors, Hebrew University, Jerusalem; CPA with Israeli license, Hebrew University, Jerusalem; CPA with US. license;	B.A. in economics and accounting, Bar-Ilan University, CPA;
Business Experience In the Past 5 Years	The CEO of Orbotek Ltd. (2013-2019); member of management committee of associations Leket Israel the Branco Weiss Schools Network; and Itim; Chairman of the Board of Directors of NSO;	Entrepreneur; Director in the following corporations;	Senior VP, Legal Counsel, Corporate Communications Officer and Sustainability Officer at the Adama Group in Israel and China;	General Manager of Security Products Division and General Manager of Innovation Division, Johnson Controls International plc;	Managing Committee Chairman, Ariel University; CEO of Aurora Star Ltd; Shafran Consulting	External Director, Isramco Negev 2 Limited Partnership; External Director, Moinian Limited.	From July 2004 to May 2019 CEO of Property & Building Corp. Ltd.; Deputy Chairman of the Board of Directors of Gav Yam Land Ltd.; Chairman of the Board of Directors of MATAM Haifa Science Industries Ltd.; Chairman of the Board of Directors of ISPRO Israeli Building Rental Company Ltd.; Chairman of the Board of

Name	Asher Levi	Ben Zion (Benny) Landa	Michal Arlozorov	Eliezer (Eli) Gurevitz	Amikam (Ami) Shafran	Immanuel Avner	Segi Eitan
							Directors of Gav Yam Negev Ltd.;
Other Corporations in Which He Serves as Director	Acting Chairman of the Board of Directors of Landa Digital Printing, a company under the control of Mr. Landa, director and Company Controlling Shareholder.	Rutigliano Ltd.; Torgania Ltd.; Solerno Ltd.; Landa Corporation Ltd.; Landa Labs (2012) Ltd.; Landa Ventures Ltd.; Landa Capital 2020 Ltd.; Lumet Technologies Ltd.; Lusix Ltd; Landa Nanometallics Ltd; Ripley's Ltd.; Highcon Systems Ltd.; Landa Disruptive Investments Ltd.	Holmes Place	Point A Ltd.	Paz Oil Company Ltd.; Pazkar Ltd.; Paz Oils and Chemicals Ltd.; CommuniTake Technologies Ltd.; El-Sight Ltd.; Aurora Star Ltd.; Waterfall Security Solutions Ltd.; Hirisetech Ltd.; Gilat Satellite Networks Ltd.;	Clalit Medical Services; Member of the Audit Committee at Mifal Hapayis;	Member of Managing Council and Member of Audit Committee, Bank of Israel.
Family relationship with other Company interested party?	No	No	No	No	No	No	No
Does the Company consider them a director with accounting and financial expertise for the purpose of meeting the minimum number set by the Board of Directors as per Section 92(a)(12) of the Companies Law?	No	No	Yes	No	Yes	Yes	Yes

15. Regulation 26a – Company Senior Executives

The following are details of the Company's senior executives as of the publication date of the report:

Name	Rami Reshef	Gil Shavit	Gennadi Finkelshtain	Yossi Salomon	Shmuel Perez	Hadar Himmelman	Haim Moshe	Ariel Machtey	Ofir Zariel	Gil Rogozhinsky
ID number	58322181	56167182	304146558	022466171	056013865	013004692	036156693	026662544	065635542	024572059
Date of Birth	September 9 1963	January 1 1960	June 16 1959	May 27 1966	21.9.1959	12.11.1962	28.6.1979	June 8 1980	August 3 1982	January 18 1970
Start of Service	May 1 2011	May 24 2011	May 24 2011	April 19 2015	1.7.2021	15.1.2023	15.1.2015	December 2 2021	March 2 2018	March 24 2021
Position served in the Company, a Company subsidiary, a related company or in interested party	Company CEO; Note that over the course of the reported period Ms. Ila Reshef, wife of Mr. Reshef, was employed at a company in which the Company's Chairman of the Board of Directors and CEO is Mr. Landa, Company director and controlling shareholder.	Company Business Development Manager	Company VP of Technologies and Development	Company Chief Financial Officer, responsible for internal enforcement, and responsible for market risk management	Company VP of Operations	Company VP of Global Sales	Company VP of Customer Support	Marketing Manager	Financial Manager and Company Accountant	Auditor
Education	-	Electrical and Electronic Engineer, Ben-Gurion University	M.Sc. in Electrical Engineering, University of Saint Petersburg, Russia	B.A. in Business Administration and Accounting, College of Management, Academic Route; EMBA, Bar Ilan University	B.Sc. in Industrial Engineering, Ben Gurion University; MBA in Business Management, Ben-Gurion University;	BSc in Machine Engineering, Fairleigh Dickinson University. MBA Fairleigh Dickinson University	Electronics Engineer, Kfar Sitrin; Quality Engineering, ALD College;	B.Sc. in Marketing and Advertising, Fashion Institute of Technology, NY; M.A. in Marketing, New York University	Certified Public Accountant; B.A. in Business Administration and Accounting, College of Management, Academic Route	Certified Public Accountant; Business Administration and Accounting degree, College of Management, Academic Route

Name	Rami Reshef	Gil Shavit	Gennadi Finkelshtain	Yossi Salomon	Shmuel Perez	Hadar Himmelman	Haim Moshe	Ariel Machtey	Ofir Zariel	Gil Rogozhinsky
									M.B.A., specializing in Finance, College of Management, Academic Route;	Certified Internal Auditor (CIA) and U.S. Accountant (C.P.A.); Certified Risk Manager (CRMA)
Business Experience In the Past 5 Years	Company CEO and Director	President, Business Development Manager and Director at the Company	Company VP of Technologies and Development and Company Director	Company Chief Financial Officer	VP of Global Operations at Orbotech	VP Business channel KLA, President Pacific Orbotech	Company VP of Customer Support and Projects	Marketing Manager, Wix.Com Ltd. Marketing Manager, Pepper, Bank Leumi Marketing Manager, Sabra of the Strauss Group.	Company CFO and Comptroller; Comptroller at Mobileye Visual Technologies Ltd.;	Managing Partner Internal Auditing and Business Consulting – Focus Operational Financial Consulting Services Ltd.; Internal auditor at public companies – Focus Operational Financial Consulting Services Ltd.
Interested party in the Company or family member of senior executive or interested party in the Company?	Yes	No	No	No	No	No	No	No	No	No

16. Regulation 26b – Independent Authorized Signatories

The Company has no independent authorized signatories.

17. Regulation 27 - Company Certified Public Accountant

Name of firm: Brightman Almagor Zohar & Co.; Address: 1 Azrieli Center, Tel Aviv 6116402.

18. Regulation 28 – Changes to Bylaws or Articles of Association

No changes were made to the Company's bylaw during the reported period.

For the full text of the bylaws, see the immediate report from November 18 2020 (reference no. 2020-01-123804). The above constitutes inclusion by way of reference.

19. Regulation 29 – Recommendations and Decisions by the Board of Directors

19.1. The Directors' Recommendations Before the General Meeting and their Resolutions on Subjects Detailed in the Regulation that Do Not Require the Approval of the Meeting

1. Payment of dividends of performing distribution as defined in the Companies Law, in some other way or distribution of benefit shares – none.
2. Changing the Company's registered or issued capital – for details on the changes occurring in the Company's issued capital, see Note 17 to Chapter C of the Periodic Report.
3. Change to Company bylaws or articles of association – none.
4. Stock repayment – none.
5. Early redemption of debentures – none.
6. Transaction not in accordance with market conditions, between the corporation and an interested party in it, with the exception of a transaction between the corporation and its subsidiary – none.

19.2. Resolutions of the General Meeting Passed Not in Accordance with the Director's Recommendations

None

19.3. Resolutions of the Special General Meeting

None

20. Regulation 29a – Corporate Decisions

20.1. Approval of actions in accordance with Section 255 of the Companies Law: none.

20.2. Action in accordance with Section 254(a) of the Companies Law that was not approved: none

20.3. Exceptional transactions requiring special approvals in accordance with Section 270(1) of the Companies Law: none.

20.4. Exemption, insurance or liability for indemnification[23]

a) On November 14 2021 and in accordance with Regulation 1b1 of the Companies Regulations (Relief in Transactions with Interested Parties), 2000 the Company Audit Committee approved the Company's engagement in a professional insurance liability policy for directors and officers in the Company, serving and/or who may serve from time to time in the Company, and/or in companies under its control, directly and/or indirectly, and/or in subsidiaries, including for its controlling shareholder and/or those counted with them in accordance with the Companies law for a period of 12 months starting November 25 2021 and ending November 24 2022, with liability limits at a total sum of up to $15 million per case and another $19.26 million for the period, at a yearly premium of $49,000.

   On November 15 2022 and in accordance with Regulation 1b1 of the Companies Regulations (Relief in Transactions with Interested Parties), 2000 the Company Audit Committee approved the Company's engagement in a professional insurance liability policy for directors and officers in the Company, serving and/or who may serve from time to time in the Company, and/or in companies under its control, directly and/or indirectly, and/or in subsidiaries, including for its controlling shareholder and/or those counted with them in accordance with the Companies law for a period of 12 months starting November 25 2022 and ending November 24 2023, with liability limits at a total sum of up to $15 million per case and another $15 million for the period, at a yearly premium of approximately $40 thousand ("**the 2022 Policy**").

   Furthermore, the 2022 Policy includes coverage for the Company itself in Entity Cover suits and an appendix for the order of payment to officers and directors. Note that in accordance with the position of the Securities Authority[24], the Company's remuneration policy includes the option of approving an increase in the (yearly) cost of the insurance premium and the level of the deductible, on the condition that they are in accordance with market conditions that year, with the cost of the premium being at a sum that does not have a material impact on the Company's profitability, its property or its obligations.

b) On November 8 2020 the Company Board of Directors and the Company General Meeting decided to grant letters of indemnification to Company directors and officers, serving at the Company and/or who may serve at it from time to time, and/or in companies under its control, directly and/or indirectly, and/or in subsidiaries and/or related companies, including its controlling shareholder and/or those included in it, with the text attached as Appendix B to Chapter 8 of the prospectus.

[23] Over the course of the reported period the Company's certified organs approved, on a specific basis, for all officers and directors the service of which began during the reported period, their inclusion in the insurance policy and granting the indemnification and exemption letters as detailed her in Section 20.4.

[24] Position of the Legal Staff no. 101-21: Remuneration Policy (Best Practice) of the Securities Authority from August 2020.

Subsequently, on February 21 2021, the General Meeting, after receiving the approval of the Company Board of Directors, approved the issue of a commitment to indemnify Segi Eitan, Immanuel Avner, Eli Gurevitz and Amikam (Ami) Shafran.

The maximum indemnification sum that the Company will pay all of the directors and officers, on an accumulated basis, shall not exceed 25% of the Company's equity, according to its latest Financial Statements, as they will be as of the payment date of the indemnification in practice, plus sums received from an insurance company pursuant to an insurance policy the Company engaged in.

The lettern of indemnification is compatible, among other things, with the Administrative Enforcement Streamlining at the Securities Authorities Law (Legislative Amendments), 2011, and allows the Company to indemnify officers in connection with certain events connected to such enforcement proceedings.

c) On August 25 2020, the Company Board of Directors and the Company General Meeting approved the issue of a letter of indemnification for all Company officers and directors, according to an accepted text. On November 8 2020 the Company Board of Directors and the Company General Meeting decided to grant letters of exemption to Company directors and officers, serving at the Company and/or who may serve at it from time to time, and/or in companies under its control, directly and/or indirectly, and/or in subsidiaries and/or related companies, including its controlling shareholder and/or those included in it, with the text attached as Appendix A to Chapter 8 of the prospectus.

Subsequently, on February 21 2021, the General Meeting, after receiving the approval of the Company Board of Directors, approved the issue of a letter of exemption to Segi Eitan, Immanuel Avner, Eli Gurevitz and Amikam (Ami) Shafran.

21. Corporate governance questionnaire

Attached is the 2022 Corporate Governance Questionnaire.

Asher Levy, Chairman of the Board	**Rami Reshef, CEO**	**Yossi Salomon, Chief Financial Officer**

Petah Tikva, March 27, 2023

Chapter E – Executive Statement

CEO Statement According to Regulation 9.b.(d)(1) of the Reports Regulations:

I, Rami Reshef, hereby certify that:

1. I have studied the periodic report of GenCell Ltd. (hereinafter: the "**Company**") for 2022 (hereinafter: the "**Statements**");
2. To the best of my knowledge, the Statements do not include any incorrect representation of any material fact, and are not missing any representation of any material fact, which is required in order to ensure that the representations included therein, in light of the circumstances in which those representations were included, are not misleading with reference to the period of the reports;
3. To the best of my knowledge the Financial Statements and any other financial information included in the Reports, adequately reflect, in all material aspects, the financial standing, operating results and cash flows of the Company for the dates and periods referred to in the Reports;
4. I have revealed to the Company's Auditing Accountant, to the Board of Directors and to the Company's Audit and Financial Statements Committee any fraud, material or not, involving the CEO or his direct subordinates or other employees who have a significant role in internal controls over financial reporting and disclosure;

The above does not detract from my responsibility or the responsibility of any other person according to the law.

Date: March 27, 2023

____

Rami Reshef, CEO

GENCELL

<u>Statement of the Most Senior Executive from the Field of Finance as per Regulation 9.b.(d).(2) of the Reports Regulations:</u>

I, Yossi Salomon, hereby certify that:

the reports .1

tements”);

2. In my opinion, the Financial Statements and other financial information included in the reports do not contain any untrue statement of a material fact nor omit to state a material fact necessary so that the exhibits included therein, in light of the circumstances under which such exhibits were made, will not be misleading with respect to the reported period;
3. To the best of my knowledge the Financial Statements and any other financial information included in the Reports, adequately reflect, in all material aspects, the financial standing, operating results and cash flows of the Company for the dates and periods referred to in the Reports;

I have revealed to the Company’s Auditing Accountant, to the Board of Directors and to the Company’s Audit and Financial Statements Committee any fraud, material or not, involving the CEO or his direct subordinates or other employees who have a significant role in internal controls over financial reporting and disclosure; likewise, nothing in the above shall detract from my responsibility or that of any other person, in accordance with the law.

Date: March 27 2023

____

Yossi Salomon, CFO